COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, April 6, 2016
10:38 a.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ALLAN DOMB
COUNCILMAN DEREK S. GREEN
COUNCILMAN WILLIAM K. GREENLEE
COUNCILWOMAN HELEN GYM
COUNCILMAN BOBBY HENON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN DAVID OH
COUNCILWOMAN CHERELLE L. PARKER
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN MARK SQUILLA
COUNCILMAN AL TAUBENBERGER

BILLS: 160170, 160171, 160172
RESOLUTIONS: 160180

Strehlow & Associates, Inc.

(215) 504-4622

\- - -

COUNCIL PRESIDENT CLARKE: Good morning. We are going to start.

This is the Public Hearing of the Committee of the Whole regarding Bills No. 160170, 160171, 160172 and Resolution No. 160180. Mr. Stitt, please read the titles of the bills and resolution.

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

Bill No. 160171: An ordinance to adopt a Fiscal 2017 Capital Budget.

Bill No. 160172: An ordinance adopting the Operating Budget for Fiscal Year 2017.

Resolution No. 160180: Resolution providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2017 through 2021, and incorporating proposed changes with respect to Fiscal Year 2016, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation

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

Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an Ordinance of this Council approved by the Mayor on January 3, 1992 (Bill No. 1563-A), by and between the City and the Authorized.

COUNCIL PRESIDENT CLARKE: Thank you, Mr. Stitt.

Today we continue the Public Hearing of the Committee of the Whole to consider the bills read by the clerk that constitute proposed operating and capital spending measures for Fiscal 2017, a Capital Program, a forward looking Capital Plan for Fiscal 2017 through Fiscal 2022.

Today we will hear testimony on the following departments: Finance, City Treasurer, Sinking Fund and OPA.

Mr. Stitt, the first person to testify from the Administration is?

THE CLERK: Rob Dubow, Director of Finance.

COUNCIL PRESIDENT CLARKE: Thank you, sir.

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

(Witness approaches Table.)

Good morning.

MR. DUBOW: Good morning.

COUNCIL PRESIDENT CLARKE: Please.

MR. DUBOW: Good morning, Council President Clarke and Members of City Council. I'm Rob Dubow, the Director of Finance. And I'm pleased to provide testimony on the Office of Director of Finance's FY 17 Operating Budget. Joining me at the table today is Cathy Paster, First Deputy Director of Finance. There are also representatives from the various divisions of the Office of Director of Finance.

The Office of Director of Finance is charged with overseeing the City's financial accounting and budgetary functions including establishing fiscal policy guidelines, overseeing the City's budget and financial management programs and recording and accounting all of the City's activities. The proposed budget for the Office of City Director -- Office the Director of Finance supporting a number of departments

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

and divisions and representatives of those divisions are here.

In the next section you see we go through what our plans are for FY17. I won't read all of those, but you have them there. Our total budget which also includes funding for benefits citywide totals 1.4 billion. That's an increase of 40.7 million over FY16 estimated obligations. The increase is caused by a $49 million increase in fringe benefits.

In the core finance budget, there's a decrease of about 3.2 million. And that's mostly for moving functions over to the new Office of Chief Administrative Officer.

And with that --

COUNCIL PRESIDENT CLARKE: The last part?

MR. DUBOW: Oh, there is a decrease of about 3.3 million in the budget. And most of that is moving functions over to the Chief Administrative Officer. So, we had units that were in our -- in Finance that have moved over.

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

COUNCIL PRESIDENT CLARKE: All right. We thought you were hiding money for contracts, municipal contracts.

MR. DUBOW: We would never do that.

COUNCIL PRESIDENT CLARKE: That's what we would do in the old days.

MR. DUBOW: In the old days, but we don't do that anymore.

COUNCIL PRESIDENT CLARKE: All right.

MR. DUBOW: And with that, I will conclude my testimony and are happy to answer any questions.

COUNCIL PRESIDENT CLARKE: Okay. Sorry.

We good?

MR. DUBOW: Yeah.

COUNCIL PRESIDENT CLARKE: All right. Thank you. Had a couple of quick ones and then do some follow ups.

One, I want to go back to earlier conversation on the sugar tax. And I'm asking you these questions because the tax bills are further -- further back in the budget process. Want to get some of this on the record now.

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

One of the issues is that there was the consistent reference to Berkeley, California as the only municipality that currently has such a proposal. And I just wanted to outline -- I'm not asking you for a response -- but to outline the differences in Berkeley, California --

MR. DUBOW: Right.

COUNCIL PRESIDENT CLARKE: -- and the City of Philadelphia. It is clearly not apples to apples, may not even be apples and oranges.

As an example, as we all know, that Berkeley is much smaller than the City of Philadelphia. The City of Philly is 1.5 million. Berkeley is 118,000. Not even the size of my council district. The demographics on the population in the City of Philadelphia is 41 percent White, 43 percent African-American and 6.3 percent Asian and 12 percent Hispanic, not that that means anything, but that's just the demographics. In Berkeley it's 59 percent White, 10 percent African-American,

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

19 percent Hispanic -- I'm sorry, 19 percent Asian and 10 percent Hispanic.

What does to some degree somewhat relevant to the issues with respects to taxes, the median home value in the City of Philadelphia is around 143,000; but in Berkeley it's 719,000. So, it's clearly a city that has a lot more wealth. And the median gross rent in Philadelphia is around $915; and in Berkeley it's 2,851. The median household income in Philadelphia is 37,400; and in Berkeley it's 65,000.

So, I say all that to say that when we use comparables on whatever the issue is, we tend to like to have a comparable environment to do an analysis on usage or taxes or anything that we do here. And I understand you can't use what you don't have because there's no other municipality that's comparable to the City of Philadelphia that has such a tax.

I just wanted to put that on the record. Not necessarily asking you for a response.

MR. DUBOW: Got it. We compared to

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

there and to Mexico, too, because those are the two examples we knew of where it had been implemented. And looked at, you know, business behavior and looked at a wide range of how there are reactions to it.

COUNCIL PRESIDENT CLARKE: Okay. There were a number of questions. And I don't think we got a response as yet. Who will the tax impact? We haven't gotten a specific answer yet. And a lot has to do with where the product is. And, I mean, without doing a real detailed analysis, I think most people understand that the options in certain neighbors are different than the options in other neighborhoods.

In the lower income neighborhoods, it tends to be less options in terms of product.

MR. DUBOW: Right. And we understand, too, that that's where the advertising is targeted which is part of what happens, also.

COUNCIL PRESIDENT CLARKE: Pardon me?

MR. DUBOW: We understand, too, that's

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

part of where the advertising is targeted
for these products so that drives it, too.

COUNCIL PRESIDENT CLARKE: I'm just talking about the product. I don't know the advertisement. I mean, I guess you advertize a product you have in your store. But the reality is, is that they tend to be in lower income neighborhoods -- they don't tend to be, they are in lower income neighborhoods, the lack of choices as it relates to products. Okay.

This issue about, I guess, enforcement. Do we talk about a retail or a large scale, a Costco or a JB -- BJ's, I'm sorry. Tell you -- tell you where I shop. Is not purchase a product from a dealer that paid the tax, so they buy it from Virginia or something. Then the Costco-type stores, distributes -- distributor who must pay the tax to sell into a Philadelphia dealer.

What enforcement jurisdictions does the City currently have over a Costco outside the City boundaries? And what are the taxes in this Costco-type store subject to that?

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

MR. DUBOW: I think I will ask Revenue to come up and answer that, the representatives from the Revenue Department, and they can give us the details on that.

(Witnesses approach Table.)

MS. WAXMAN: Good morning.

COUNCIL PRESIDENT CLARKE: Good morning.

MS. WAXMAN: My name is Marisa Waxman. I'm Deputy Revenue Commissioner. Your question was about how -- what happens when a store like a Costco or a BJ's is where a retailer gets the product they then sell in their ultimate store?

COUNCIL PRESIDENT CLARKE: Right. Specifically, when that -- that particular Costco or somebody didn't even buy from Philadelphia.

MS. WAXMAN: Right. So obviously, if it's in Philadelphia, the distributor who supplied the BJ's -- because there isn't a Costco in Philadelphia -- but a BJ's or jet row or one of those, if it's in Philadelphia the distributor --

COUNCIL PRESIDENT CLARKE: No. If the

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

distributor is not in Philadelphia?

MS. WAXMAN: Right -- yeah.

COUNCIL PRESIDENT CLARKE: So, they got their product from a distributor in Maryland.

MS. WAXMAN: Right. So, product comes from Maryland, goes to Costco in New Jersey. Retailer from Philadelphia shows up and wants to purchase the product that he's going to sell in his store.

So what the law says, is that the notice that the retailer is to provide to that distributor, the Costco in New Jersey that got the product from Maryland, is showing their Pennsylvania sales tax exemption with a Philadelphia address on it. That is the notice that that now distributor, the Costco in this situation is a distributor, needs to know that they need to come and get licensed and file and pay in Philadelphia. And the law indicates that we have the ability to require them to do this.

Now --

COUNCIL PRESIDENT CLARKE: So, the

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

purchase -- the person that purchased the product from Costco has what now?

Go a little slower for me. I'm a little slow this morning.

MS. WAXMAN: We're going to -- we are going to name him Bob, and he has a corner store in Southwest Philadelphia. Bob drives over to Costco in New Jersey.

COUNCIL PRESIDENT CLARKE: All right.

MS. WAXMAN: Bob brings with him his sales tax exemption certificate which basically means, hi, I'm buying this for resale; so, please don't charge me the sales tax. So, that's why Bob brings that with him because he doesn't want to pay sales tax.

COUNCIL PRESIDENT CLARKE: The Philly sales tax or what tax?

MS. WAXMAN: The whole state sales tax. If he's reselling it, that's why he has this form.

COUNCIL PRESIDENT CLARKE: Okay.

MS. WAXMAN: Once he shows that form to the Costco, that's the notice that Costco

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

gets, hey, I have got to register and file and pay as a distributor. So Bob from Southwest Philly, he doesn't have to do anything. It's Costco that has to do it.

COUNCIL PRESIDENT CLARKE: Okay.

MS. WAXMAN: Now if for some -- now Bob is in the clear as long as he shows that form to Costco. He did what he's supposed to do. But if Bob is buying from somewhere else, doesn't show that form or whatever, then Bob would be required to file and pay the tax himself.

COUNCIL PRESIDENT CLARKE: My question is, how do you enforce the distributor issue with Costco, if they did not?

MS. WAXMAN: If they didn't do it. So --

COUNCIL PRESIDENT CLARKE: I mean, how do they -- they say, well, you don't have the jurisdiction.

MS. WAXMAN: And I can probably defer that to the City Solicitor about, you know, our legal ability to enforce that. But my understanding is that we can do this. And

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

their are a number of taxpayers who have obligations to the City who aren't physically located here. And so, our enforcement, we would be able to do a number of things.

When we're trying to figure out where -- if there's product being sold in the City that the tax wasn't paid by the distributor, the legislation has on there that the invoice that Costco gives to Bob has to have a line showing that tax. And the reason for that is that so if we're going in, we're looking at Bob or we're looking at, you know, an entire supermarket or convenience store chain, we are going to want to be able to see on an invoice that it says, you know, who is supposed to be paying that tax.

And you know, if we see it and there's a line that says Costco and they paid, you know, a million dollars or whatever it is, then we're going to want to go back and check and did we actually get the funds from Costco and whatever. I'm just using that company as an example.

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

But if we didn't get it, seeing their name on the invoice, we know there's a disconnect. We've got to go collect it. Or if there's nothing there, we then ask the question, where did you get this product? Did you show them the certificate? And we figure what we do next to try and figure out who the supplier of the product was.

COUNCIL PRESIDENT CLARKE: Who currently enforces or checks invoices from retailers in the City of Philadelphia?

MS. WAXMAN: I don't know that we currently check invoices, but we do at the Department of Revenue, have a staff of auditors when audits are conducted, we are looking to make sure that all the taxes are being appropriately paid to the City.

COUNCIL PRESIDENT CLARKE: So, will we now have those people checking all the various retailers for their invoices that indicates where they got their product from?

MS. WAXMAN: We did include in the departmental budget for this year additional funding for staff so that we can increase

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

our audit capacity.

COUNCIL PRESIDENT CLARKE: So, we're going to staff up to enforce the retailers in the City of Philadelphia and their invoices.

MS. WAXMAN: Well, it's so that when we are conducting audits, we will have more folks and we'll folks who are trained on how to look for this when they're looking for it.

COUNCIL PRESIDENT CLARKE: How frequently do we do audits?

MS. WAXMAN: That would -- it would be something I would have to get back to you on.

COUNCIL PRESIDENT CLARKE: What do we normally do?

MS. WAXMAN: I'm sorry. I don't have the information on that. But we can certainly --

COUNCIL PRESIDENT CLARKE: Who would know that?

MR. BRESLIN: Good morning. Frank Breslin, Revenue Commissioner.

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

COUNCIL PRESIDENT CLARKE: Good morning.

MR. BRESLIN: As far as doing audits, you know, how frequently you do audits, it really varies on industry and.

COUNCILWOMAN REYNOLDS BROWN: Pull the mic up.

MR. BRESLIN: Sure. It depends on the industry and the initiative. So, we select different audit projects essentially for any given year. So in this case, and when -- it's important to note that when we do an audit, we are not doing a particular tax. We are doing a particular entity, a taxpayer.

Our auditors would go out and do -- in this case, if it was auditing Bob's as Deputy Waxman said, we would be looking at all of the invoices for purchases that -- our auditors would look at all the invoices for purchases that that retail entity made and ensuring that the tax was paid. And that would just be a part of the entire audit.

Now with a new tax, it's not uncommon

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

that we would make that a focus of an audit initiative for the year because we want to -- we want to get some sense of compliance, so we would start doing audits. And we would track --

COUNCIL PRESIDENT CLARKE: Of all retailers, right?

MR. BRESLIN: Yes. It could be retailers. It could be the distributors. It could be whatever industry just to get some sense of the compliance. So when our auditors are out there and they're doing the audit, they would know to look for those invoices and be checking to see that that tax is being paid.

COUNCIL PRESIDENT CLARKE: Do we know how many retailers there are in the City that sells sugary products?

MR. BRESLIN: I don't know that number off hand, but we can get back to you. We can do it by NAICS Code.

COUNCIL PRESIDENT CLARKE: Okay. I'm just asking. Because if we're now going to either staff up or have the responsibility,

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

then that's -- we need to kind of know how many -- what the scope of the potential retailers are.

MR. BRESLIN: Right. And I don't think we would be going out and trying to audit all retailers, but retailers are obviously a normal part of our audit process. So when our auditors are out auditing a retailer, they would now be looking at the invoices to see from the taxes.

COUNCIL PRESIDENT CLARKE: For that, also?

MR. BRESLIN: Yes, for that also. And the same thing with the distributors at whatever level. If that tax -- if there is exposure to that tax, our auditors would be trained to look for that to make sure that there's compliance.

COUNCIL PRESIDENT CLARKE: Okay. One quick follow up on one question I asked earlier, then I will relinquish the mic.

How frequently do we currently audit the average retailer?

MR. BRESLIN: I don't know that number.

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

I don't know off the top of my head.

COUNCIL PRESIDENT CLARKE: Can somebody get back to us on that?

MR. BRESLIN: Sure.

COUNCIL PRESIDENT CLARKE: I'm just trying to -- this is a big -- this is a pretty big project.

MR. BRESLIN: Yeah.

COUNCIL PRESIDENT CLARKE: And I know on some blocks in the district I represent, there may be four or five stores on one block, maybe more than that, that sell sugary products. And I'm actually talking about Center City. Some people might think I'm talking about North Philly, but I represent Center City. They have four or five restaurants that actually sell -- sell sodas or fountain sodas or other things.

MR. BRESLIN: Right.

COUNCIL PRESIDENT CLARKE: Okay. If you can get that information to us, please, that would be helpful. Thank you.

Turn it over to Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you,

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

Mr. President. Good morning.

Mr. Dubow, I know we've -- I raised this before just last week in the Five Year Plan. I know Councilwoman Reynolds Brown brought it up yesterday to the Managing Director, too. This whole issue -- and I know you said that the issue of the disconnect, for lack of a better term, between BRT, OPA and Revenue will eventually get rectified by the CAMA system.

MR. DUBOW: Right.

COUNCILMAN GREENLEE: But that's a couple years. And I was just wondering is there any progress being made in trying to improve this?

I mean, I checked with my office today. And they're still complaints about that, that people think they worked things out and then they get a bill that's different or some of them are getting, you know, sheriff sale notices and all. And you know, individually we're able to work it out. But it just seems -- and I'm trying to Monday morning quarterback here. I guess I don't understand why people didn't see this coming.

MR. DUBOW: I understand. Yeah, I understand the issue. I think part of it was kind of the massive number of -- of changes and appeals. But I do think it's one of the things that, you know, we need to continue working on to make sure that those three agencies are meeting regularly and coordinating. But even when they do that, because of the way our systems work now, they are still going to be stuff that slips through.

COUNCILMAN GREENLEE: Yeah. I mean, maybe I'm oversimplifying this. I'm far from a computer expert. So if you can't do it electronically, how about just sending paperwork over?

MR. DUBOW: I think that's kind of what happens. There are still things that kind of slip through.

COUNCILMAN GREENLEE: Yeah. Yeah. I mean, in --

MR. DUBOW: And obviously, those are the

ones we hear about. The ones that --

COUNCILMAN GREENLEE: Pardon me?

MR. DUBOW: Obviously, those are the ones you hear about.

COUNCILMAN GREENLEE: Yeah, right. I hear you. But it still seems like a lot when you add it up. You know, I don't think we're the only office that hears it. I think a lot of -- lot of us do, and I don't think they are all the same people.

Again, I guess it's easy to criticize after the fact. It's just -- it's hard to explain to people. You know, they think they did everything right and --

MR. DUBOW: Definitely.

COUNCILMAN GREENLEE: -- then you get a sheriff sale notice, you know.

MR. DUBOW: Right. I completely understand the frustration.

COUNCILMAN GREENLEE: Okay. I guess last question on that. Is it fair to say there's progress being made? I mean, is it getting better?

MR. DUBOW: I think so.

COUNCILMAN GREENLEE: Okay.

MR. DUBOW: What you're saying, from the complaints you're getting, clearly not enough. So, it's something we clearly have to keep working on.

COUNCILMAN GREENLEE: Okay. If you can keep us informed in some way about what that progress is.

MR. DUBOW: Yes. Will do.

COUNCILMAN GREENLEE: We appreciate it. Okay. Thank you very much.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilwoman Reynolds Brown.

COUNCILWOMAN REYNOLDS BROWN: Thank you. Good morning Administration.

MR. DUBOW: Good morning.

COUNCILWOMAN REYNOLDS BROWN: The follow up the Council President's question regarding enforcement. The budget materials stipulate that 1.8 million will be -- a request of the amount of increased

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

1.8 million to capture or to staff up staff for enforcement. How many staff does that buy?

MR. DUBOW: Sorry. I think they are going over answers to last question. Let me get their attention.

COUNCILWOMAN REYNOLDS BROWN: Okay. So while we wait for staff to capture that answer, follow this scenario.

And it's much aligned with what President Clarke asked. So, corner shop --

MR. DUBOW: Councilwoman, should I ask the Revenue people to come up? Is this going to be a question for them?

COUNCILWOMAN REYNOLDS BROWN: Of course.

(Witnesses approach Table.)

MR. DUBOW: They're up.

COUNCILWOMAN REYNOLDS BROWN: So if we have a 55 percent reduction in the consumption of sugary beverages, how much will sales tax revenue be reduced for the City?

MR. DUBOW: So, we looked at that. I mean, we think that other taxes will be

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

affected that could be kind of at the high end. I think it could be up to a couple million.

MS. WAXMAN: 3.8.

MR. DUBOW: Could be up to 3.8. I mean, we don't think it will be that full of a fall off in sales tax if people move to other products that might be taxable.

COUNCILWOMAN REYNOLDS BROWN: Okay. Now I need you to talk into that mic.

MR. DUBOW: Sorry. So if all of that fall off and consumption went away from -- went to other things that weren't taxable, the peak would be 3.8 million. We don't think it would be that much, but that's the largest amount of exposure.

COUNCILWOMAN REYNOLDS BROWN: And you don't think it would be that much because?

MR. DUBOW: People might move to other products that may be taxable.

COUNCILWOMAN REYNOLDS BROWN: Okay. All right. And the record should reflect that a number of questions were raised in the individual briefings with staff about how we

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

really cannot compare Philadelphia to Berkeley for all the reasons that President Clarke shared with us in his opening question. It's just two different worlds.

Provide examples of where you are currently looking for efficiencies in the departments that you oversee.

MR. DUBOW: So, one example would be over in Pensions where we are looking at all of our investment managers to look at their returns and to look at their costs. And we've actually just eliminated some managers who we thought -- you know, where we thought that that tradeoff didn't work.

I mean, another example in Revenue -- and Commissioner Breslin can talk about this more -- is what he's doing in the mailroom to make sure that that runs more efficiently.

COUNCILWOMAN REYNOLDS BROWN: How well are you doing --

MR. DUBOW: Those particular examples. What?

COUNCILWOMAN REYNOLDS BROWN: How well

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

are we doing with regards to making sure that those who are doing with the Pension's Office are -- how well are we doing with regards to MBE/WBEs doing business with the Pension's Office?

MR. DUBOW: When the Pension Board comes in, they will give you those numbers. I think we are actually doing really well there. Those numbers, I think, are in and around the 20 percent range and have gone up. We focus on that. Actually, every month in the packet the board gets, there is report on the level of participation both kind of by M/W/DBE and by -- in Philadelphia and out. And we track that and talk about it in our, if not in the board meeting, the prep meeting. So, it's a big focus on Pensions.

COUNCILWOMAN REYNOLDS BROWN: And I ask that question simply to put it on the record. There was a briefing in President Clarke's office where that was covered.

MR. DUBOW: Yes.

COUNCILWOMAN REYNOLDS BROWN: And that's

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

one department that is doing exceptionally well. And when departments do well and show that they get it, that needs to be acknowledged on the public record.

MR. DUBOW: Thank you.

COUNCILWOMAN REYNOLDS BROWN: I don't remember, however, of that group how many are Philadelphians.

MR. DUBOW: The Philadelphia number -- I didn't -- I don't have that report with me, but we track that, too. So, we can get that to you or -- or Mr. Bielli -- can tell your during their hearing.

COUNCILWOMAN REYNOLDS BROWN: Okay.

MR. DUBOW: But we have that reported separately.

COUNCILWOMAN REYNOLDS BROWN: So, yes. Please have them -- have them be prepared to share that with us during the -- during their specific hearing.

MR. DUBOW: Will do.

COUNCILWOMAN REYNOLDS BROWN: I think that might be it. I just want to be sure. That's it.

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

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Chair recognizes Councilman Henon.

COUNCILMAN HENON: Thank you, Mr. President. Going to start off with the same as the Council President has on the sugary beverage questions and kind of get them out of the way.

Just to -- well, let me start off by saying, what is the benefit of this tax, this tax being levied on the distributors?

MR. DUBOW: Give me in terms of --

COUNCILMAN HENON: Distributor levels as opposed to, you know, at the retailer at point of sale.

MR. DUBOW: One of the big advantages -- and the Revenue folks can talk to this more -- it's much easier to administrate when it's done at the distributor level. I will turn that over to you guys if you want to add any detail to that.

MR. BRESLIN: Yeah. I think that is one of the big benefits. That it is much easier

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

to administrate.

COUNCILMAN HENON: Bring the mic in front.

MR. BRESLIN: You have a smaller population of, you know, taxable entities. So, it's easier to keep that in kind of a focus of compliance.

COUNCILMAN HENON: How many distributors are in the City?

MS. WAXMAN: Currently, there are 31 business income and receipts taxpayers that are classified as either soft drink manufacturers or flavor and concentrate manufacturers. And of those -- I will have to get the exact split. But I believe only about a third of those are located in the City. Two thirds are outside the City.

COUNCILMAN HENON: Okay. And --

MS. WAXMAN: We can get back to you with the exact numbers.

COUNCILMAN HENON: Given that there's a major concern that -- how the tax is going to -- what kind of impact it's going to have on low income and poor individuals, how does

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

this proposal still maintain customer choice?

MR. DUBOW: Customer choice?

COUNCILMAN HENON: Customer choice.

MR. DUBOW: So I mean, I think customers can go to the store, look at whatever happens with the price of these drinks and decide whether they want to buy other drinks instead. So, I think, you know choice is still definitely there.

COUNCILMAN HENON: Can you -- can you talk about a little more on what you know about the local beverage distribution and -- and how this is going to potentially impact the truck drivers and the products that they deliver?

MR. DUBOW: So, our understanding is that they deliver a range of products.

So for example, they may deliver bottled water or they may deliver diet soda. So to the extent that there's a shift from sugar sweetened beverages to other beverages, they will still have things to be --

COUNCILMAN HENON: So what other

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

products -- what other products are beverages that are not included in the sweetened sugar?

MR. DUBOW: So water, diet soda, naturally sweetened fruit juices without sugar added. If you have --

MS. WAXMAN: All dairy based.

MR. DUBOW: Dairy-based products or anything with milk in it is not taxed the way the legislation is written.

COUNCILMAN HENON: So, they are still going to be delivering?

MR. DUBOW: They are still many beverages.

COUNCILMAN HENON: Operations are not going to cease to the City of Philadelphia?

MR. DUBOW: We don't believe so, right.

COUNCILMAN HENON: Not going to be severed or cut off?

There are some concerns that the -- this tax targets one industry. Has the Administration considered any other possible impacts on the beverage industry?

And as it's written, will it withstand a

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

potential legal challenge.

MR. DUBOW: We believe it will withstand a legal challenge. The Law Department has assured us that they think it will survive a challenge?

COUNCILWOMAN REYNOLDS BROWN: Why?

COUNCILMAN HENON: And the Mayor has said several times that the beverage industry is diversifying. How does that impact Philadelphia given the possible tax?

MR. DUBOW: So our understanding is that the industry has -- you know, because there was already a decline occurring in the consumption of sugar-sweetened beverages moved to other products which then goes back to your choice question, that there are other options for things to drink other than sugar-sweetened beverages.

COUNCILMAN HENON: And how does the Administration foresee what the landscape will be or what it looks like for distributors and the smaller neighborhood businesses three years from now if this tax goes into effect?

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

I mean, how do you foresee that especially when it comes to diversification of their products?

MR. DUBOW: So, we think --

COUNCILMAN HENON: I guess that would be more on your projections?

MR. DUBOW: Right. So, our projections are that there would be 55 percent reduction in consumption of sugar-sweetened beverages. We do think that some of that will result in people moving over to other beverages.

COUNCILMAN HENON: The Council President -- and I will end with the sugar.

The Council President is making some very good points when regards to the sugar -- sugary beverage retailers and the audits and auditors: How would you manage it? How would you enforce it?

Is that -- so generally, with retailers you have -- you have auditors as it is; is that correct? And would it be similar to the liquor by the drink, or how does it differ?

MR. BRESLIN: There is probably some

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

similarities with liquor by the drink in that with liquor by the drink --

COUNCILMAN HENON: I am sorry. You are going to have to move the microphone.

MR. BRESLIN: Sorry.

COUNCILMAN HENON: I've know it's uncomfortable, but I've been told that the Philadelphian citizens that actually watch this channel cannot hear us. So if I can't hear --

MR. BRESLIN: Okay.

COUNCILMAN HENON: -- I think it will be difficult.

MR. BRESLIN: It would be similar to liquor by the drink in the -- to the extent that it's a -- essentially a small population of taxable entities, so that makes Administration a little bit easier. I mean, we know -- the Department of Revenue knows from information we have of every licensed -- everyone who is licensed to sell alcoholic beverages, so that's a kind of a finite number.

We know every business in the City of

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

Philadelphia that has a license to serve that. So we know that they should be filing the tax, so that's the first step. We can see that every licensed business is filing the tax. And then also, since we also know how much is being purchased, we can also do an analysis to see if the amount of tax being remitted is appropriate for the amount of purchases.

And so, there would be some similarity here in that we know who the wholesalers and distributors are. So, we know who is subject to the tax. We know who they are selling to. So, that makes tax administration, tax compliance much easier than something that's much broader.

COUNCILMAN HENON: Council President, with your permission, I just have one last question. It will be quick.

You know, reading in the paper, obviously, you know, this has been a very, you know, public, you know, opinionated conversation. The -- passing the burden on whether the distributors eat the cost or whatever that is, if there is indeed a cost at the end of the day because this is a process that we endure every year for a balanced budget and for some good programs.

The distributors, you know, eating the cost or a split from distributors to retailer to consumer, how would that work out in that -- with that scenario? How would -- would -- so could -- would there a memorandum of understanding? Or would there be -- I mean, is it just like U&O where it gets, you know, pushed onto the tenant?

How does that --

MR. DUBOW: Yeah. It would be like other taxes where decisions made probably at each level of distribution chain, how much are they going to pass on to the next level.

COUNCILMAN HENON: Somebody can say that we're not going to pass it on and then pass it on?

MR. DUBOW: There is no --

COUNCILMAN HENON: Or it's just nobody there -- it's too large of a scale, I would imagine, for that to actually happen. But

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

I'm just trying to --

MR. DUBOW: They're all making that decision. We're not -- we're not saying to them you have to eat it all or you have to pass it all on. That's -- that's their decision how they decide.

COUNCILMAN HENON: Of course, it's their decision, but it's our decision here to talk about options and talk about the consumer whether it's at the point of sale. I mean, it won't be at the point of sale. But it will be whether the additional costs for --

MR. DUBOW: Right. I guess I'm talking about --

COUNCILMAN HENON: -- consumers.

MR. DUBOW: -- how the legislation is drafted. Yeah. So it's not -- it's a choice -- it's their choice at each level.

COUNCILMAN HENON: Okay.

Thank you, Council President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Council

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

President. Just having initial questions.

Commending Administration in reference to its work in trying to identify funding for preK in the way of putting our youngest citizens and future citizens and voters on the right path to educational attainment. However, as a City, we lag behind a number of other cities like DC and Chicago and New York and also even smaller cities like Hartford and Baltimore and Atlanta and Denver and Minneapolis in reference to educational attainment.

Looking at your budget testimony and also page 57 of the budget detail, you reduced by about 1.4 million the amount of dollars going to Community College of Philadelphia.

Can you give some perspective on that decision?

MR. DUBOW: Yeah. So last year made a one-time increase to their budget. And because it was a one-time increase, we took it out this year.

COUNCILMAN GREEN: Well, I know they

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

have had level funding for a number of years. I know one of the goals of the previous Administration, and I would also assume with this Administration, is to increase educational attainment. And one of the institutions that does a great job in doing that is Community College of Philadelphia. And by reducing those funds, that has the impact of increasing tuition costs for students who are often working and trying to find a way to either continue a degree or start on a path toward a degree.

So considering that we are looking at bond funding for some of the initiatives like community schools and preK, is that something that the Administration would consider?

MR. DUBOW: You know, I think kind of anything in the budget we are willing to talk about. So, I mean, just like any other topic, yes, we are willing to talk about that.

COUNCILMAN GREEN: Okay. On page 15 of the budget detail in the Class 200, you have

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

a "to be announced" legislative initiative financial analysis.

Can you give some perspective on that?

MR. DUBOW: Right. So that is -- things come up every year where we need to do analysis. And that's money to make sure that we have funding if something comes up.

COUNCILMAN GREEN: Are there any specific initiatives that you anticipate that funding being used for?

MR. DUBOW: So, it's one of those things we don't know specifically it's going to come up.

When two years ago, for example, when there was a legislation about the impact of abatements and we were asked to do an analysis of that, if we don't have a line like this in our budget, we don't have the ability to fund it.

COUNCILMAN GREEN: I understand.

Page 16 of the budget detail in the Class 500, I see a number of allocations for various culture institutions around the City like the Mann Music Center. But then I notice that for the African-American Museum in FY15, there was $60,000 allocated but no dollars in FY16 or FY17.

Can you give some perspective on that?

MR. DUBOW: Yeah. I think that was a specific request from the Museum that year. And I think, if I remember correctly, they were having some particular financial difficulties that year. They asked for one-time help that we gave them.

COUNCILMAN GREEN: Okay. But you have not received any specific requests from them recently?

MR. DUBOW: I don't believe so. I don't remember seeing any requests for them for '17.

COUNCILMAN GREEN: Okay.

Page 56 of the budget detail, you -- I believe that's for the Office of Property Assessment.

MR. DUBOW: And they are here later today.

COUNCILMAN GREEN: Right. I understand that. But there is something in reference

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

to street addressing analysis?

MR. DUBOW: Yes.

COUNCILMAN GREEN: And that's -- can you give me a little perspective on that?

MR. DUBOW: I'm actually going to ask Saskia Thompson from the Office of Property Data who manages that project, to come up and talk about that.

MS. THOMPSON: I'm sorry. What was the question?

COUNCILMAN GREEN: On page 56 of the budget detail for Finance, there a "to be announced" allotment of funds for street addressing analysis.

MS. THOMPSON: Excuse me. Saskia Thompson from the Finance Department.

So, last fall we completed the planning phase of what we're calling the Addressing Project. Essentially, it's a cross-departmental function. If you think about what the City does, most of what we do has some sort of locational component. And the address is how we identify that. But individual departments may categorize that differently. So, we are trying to come up with a way to standardize that which would allow all of our back-end systems to talk to each other better.

We completed the planning last full. And we are going through an implementation plan and schedule now. So, there is no direct money attached to it until we have completed the budgeting process.

COUNCILMAN GREEN: Okay.

One other follow-up question, Mr. Dubow. You had said in reference to the possibility of a legal challenge which we have heard about in the past when Mayor Nutter had looked at the concept of a sugar, sweet and beverage tax. And you said you've been in conversations with City Solicitor Tulante regarding the possible outcome of that type of litigation. And you said you feel assured from the City Solicitor that we will be okay.

Has that been put forth in some type of opinion from Solicitor's Office to the Administration? And what's the background

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

of that assurance.

MR. DUBOW: Hold on one second.

Yes. The Solicitor has produced an opinion on that.

COUNCILMAN GREEN: Has issued an opinion to the Administration?

MR. DUBOW: Yes.

COUNCILMAN GREEN: Okay. Is that something that can be provided to Council?

MR. DUBOW: Yes.

COUNCILMAN GREEN: Okay. Thank you.

COUNCIL PRESIDENT CLARKE: You are waiving your rights of confidentiality is what you're saying here today?

MR. DUBOW: Well, it was -- it was provided to the Mayor's Office. I'm sure that they will okay releasing it and they'll waive their --

COUNCIL PRESIDENT CLARKE: No. I just needed to know because --

MR. DUBOW: Yes. That's what that --

COUNCIL PRESIDENT CLARKE: Because if not, we will ask for an opinion. We had -- it will be helpful.

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

MR. DUBOW: Okay.

MR. TULANTE: The back and forth -- Sozi Tulante, City Solicitor.

The back and forth I had with the Finance Director was simply advising him that if asked that question, I can't respond. But he, at the Administration, they have the -- it's their confidentiality waive. He should be aware if he answers that, he can waive it. And he has assured me that he's comfortable doing that. We are prepared to give that to Council.

COUNCIL PRESIDENT CLARKE: That's the way it's supposed to work. I like that. Just testing you. Thank you.

Chair recognizes Councilwoman Parker.

COUNCILWOMAN PARKER: Thank you, Mr. President.

And good morning --

MR. DUBOW: Good morning.

COUNCILWOMAN PARKER: -- to each of you.

One, I just want to reinforce Councilwoman Blondell's kudos on the record regarding the issue of diversity and

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

inclusion, particularly as it relates to asset managers. I will talk about that more when the board comes before us. But just wanted to say it to you on the record.

MR. DUBOW: Thank you.

COUNCILWOMAN PARKER: And when they come before us, we will ask very specific questions about the number of managers and so forth.

But I wanted to start with a question regarding the fund balance, and that is that the GFOA recommends that government maintains a fund balance that is equal to about two months of spending or 17 percent of its overall spending. And so for us, we know that would be about 699 million. And you mentioned in your testimony some of the challenges regarding our fund balance. Well, actually in the overall Five Year Strategic Plan, we'll be at 42 million for FY17 and then down to 38 million in FY18. And obviously, in a Five Year Plan we talk about some of the reasons why.

But we see a spike back in '21. Tell us

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

what the -- what the overall plan is there. What's the Administration's plan to sure up the general fund balance? And you know, the stresses and the strange, you don't have to go over. We are very clear about where the increase in our obligations are.

Just what's the overall plan?

MR. DUBOW: To start with, we completely agree with you that our fund balances are too low, and that provides substantial risk. And that it's something that needs to be built up over time. And it does, as you say, get up to 127 million by the end of the plan. Still much lower than it needs to be.

And really, I mean, the way to build it up over time is by constraining expenditures. Because revenues are not going to go really quickly over -- over time, particularly with kind of the mixed results from the economy that we've been seeing even in an expansion that's been relatively long. So, it's not likely that there will be a bigger pick up in the economy. So, it really is about

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

constraining expenditures.

So if you look at kind of what happens in expenditures in the out years of the plan, you'll see very little growth other than places like pensions. And so, that's kind of how it builds up over time. But then that requires making painful choices.

COUNCILWOMAN PARKER: I started with that question with specific regards to the next one. And it's regarding the establishment of the Rainy Day Fund.

MR. DUBOW: Yes.

COUNCILWOMAN PARKER: Right. So, we wanted to find out whether or not we are -- when do we anticipate -- I mean, will we have to wait until '21, right, to be able to contribute anything to the Rainy Day Fund or when do we think we'll begin?

MR. DUBOW: Yeah. It would be great to be able to contribute before that because building a fund balance is a goal that I know we all share. Looking at how the numbers play out, we don't think we would get there before '21. You know, if somehow

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

the economy picked up, maybe we could get there. But I don't think we get there.

COUNCILWOMAN PARKER: But as of now, you see us potentially starting to contribute in '21?

MR. DUBOW: Twenty-one we are a little bit below the 3 percent threshold. I think that's about 2.7 percent. So, I mean, there's a chance that year. But, you know, we don't actually project that we'll get there. But if things got a little better, we'd at least get there in '21.

COUNCILWOMAN PARKER: Okay. And so, the next question -- and I'm not sure if you're aware of this. I was just informed this morning that apparently this past Friday a new federal rule can make it more expensive for governments to issue debt in the midst of a financial crisis. And in essence, it would make the selling of government bonds extremely difficult, you know, when we have the next credit crisis. And so, what it does is the rule limits the kinds of municipal bonds that would qualify in a

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

bank's portfolio as being highly liquid assets.

And so with that being said, I was wondering if we as a city -- now again, it just took place Friday. We would not sort of have a strategy in place right now. And although we are not in the midst of an economic crisis right now, none of us have the ball to be able to see in the future. But if after we reviewed this ruling we find out that it hamstrings or increases the cost of us to issue debt, we should work in a coordinated effort in our advocacy to lobby the Feds to adjust the ruling.

Now apparently, there have been some ongoing advocacy in '15, but the proposed ruling was sort of stalled. And Friday it was -- it was just issued. So, I would be interested in hearing your thoughts or if you were aware of the ruling at all.

MR. DUBOW: I've asked the City Treasurer to come up and discuss that issue.

MS. JOHNSON: Rasheia Johnson, City Treasurer. And you're right, it was just passed on the House on Friday. The Senate is still out, so we need to -- we are waiting to see what the Senate comes back with and whether they will counter that bill with something similar to what the Fed has, which has a little bit more protection for municipalities. But we are monitoring it closely to see what the outcome is so we can protect the City moving forward with regards to bonds.

COUNCILWOMAN PARKER: We are going to do our best to try to put together a resolution here in Council to sort of raise the red flag to note that this could potentially have a negative impact on -- on the City in the future. And that we should really sort of pull together from an intergovernmental perspective to make any adjustments possible, so we will be in contact with your office to work together to try to do that.

MS. JOHNSON: Okay.

COUNCILWOMAN PARKER: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you,

Councilwoman.

Chair recognizes Councilwoman Gym.

COUNCILWOMAN GYM: Good morning.

MR. DUBOW: Good morning.

COUNCILWOMAN GYM: So, I wanted to go back a little bit to some of the questions we had had before about how the Administration projects school expenses in light of their Five Year Plan. And I know we've -- you've mentioned that the School District may see its fund balance continue and doesn't anticipate problems until FY19. But I think when you look at the district's own Five Year Plan and you look at that shifting of revenue and expenses particularly around charter schools, what we are seeing is that any additional revenue coming in over the next five years will be almost wholly offset by the expansion of the charter sector.

And one of the things that I think is commendable on the part of the Administration is that they have been articulate in stating that they want to see

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

investments in district-managed public schools, as well. There is an effort to build community schools. There's an effort to restore, make some level of restoration back to the district sector.

And I guess my question is, is that if the Dis -- if the City looks at the district's expense on the aggregate but not looks at them in terms of how district schools can actually see an investment over time, we may in fact be losing an opportunity. Already we are seeing some consequences happen, whether that's from the fact that we are going to see, you know, the district has announced the planned closure of three district public schools every single year. And you know, we are trying to understand that.

So, can you talk a little bit about whether the Administration actually expects to see any investment in district schools based on, you know, what the numbers are showing for the aggregate?

MR. DUBOW: Right. As I said last time,

I think what we want to look at is what happens to the state, what happens over the next year or two while the district does have, you know, positive fund balances. And, you know, based on that, determine what we might do in the future.

COUNCILWOMAN GYM: I guess I'm trying to be more specific about saying whether or not the district has a positive fund balance, there's not any indication that expenses are going -- you know, that charter school expense are arising. District investments is either flat or isn't seen as significant improvement.

MR. DUBOW: I mean, again, we would want to see what happens with the state before deciding what we do.

COUNCILWOMAN GYM: So in that case, would -- would the Administration weigh in on certain policy decisions at the local and state level that would have significant fiscal impact on the School District?

So for example, like the achievement School District that's being proposed by the

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

state level, what kind of financial impact that would have.

MR. DUBOW: Yeah. I think through our representation on the SRC and through our discussions with the District, we do weigh in on those things and discussions with legislators and with the Administration in Harrisburg.

COUNCILWOMAN GYM: And do you discuss them publicly or issue a statement about it?

MR. DUBOW: I don't know that we have yet. That doesn't mean we wouldn't going forward.

COUNCILWOMAN GYM: Is that something that we can talk about?

MR. DUBOW: Yes. Yes.

COUNCILWOMAN GYM: Okay. My other question is around risk management. And I had some questions about whether they handle matters related to lawsuits that are judgments and settlements as they relate to claims on police abuse.

MR. DUBOW: I don't think they do -- no, they don't.

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

COUNCILWOMAN GYM: Do you know which department would handle?

MR. DUBOW: I think that's Law.

COUNCILWOMAN GYM: That's just solely through legal?

MR. DUBOW: I think so. When Law Department comes -- we don't do that in Finance. I think it's just Law.

COUNCILWOMAN GYM: And do you take a look at past claims or projections about future liability to measure end measures that might be taken to reduce exposure and financial impact on the City as a result of such claims?

MR. DUBOW: Yes. I mean, there are -- yes. There are discussions about that all the time.

COUNCILWOMAN GYM: And what kind of information related to that is made publicly available?

MR. DUBOW: I'd have to get back to you on that.

COUNCILWOMAN GYM: And -- and do you have that -- like is -- can we also talk

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

about how often that becomes publicly available?

MR. DUBOW: Yeah. Yes. Yes.

COUNCILWOMAN GYM: Thank you. My last question is on how the Office on Budget and Program Evaluation might be able to work with the Office of Immigrant Affairs in order to assess how the language access mandate is being implemented compliance around it, what kind of budget line items maybe looked at with departments to --

MR. DUBOW: They can definitely talk to them.

COUNCILWOMAN GYM: I'm sorry?

MR. DUBOW: Yes. If your question is can they talk to them, yes. That is --

COUNCILWOMAN GYM: No. I wanted to have an explanation of how the Office of Budget and Program Evaluation is currently working with OIA.

MR. DUBOW: Okay.

COUNCILWOMAN GYM: On some kind of a language access financial impact analysis for departments.

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

MS. ADAMS: Hi. I'm Anna Adams, the Budget Director. So, we haven't specifically done any analysis of that, but we can. We can talk to MOIMA and ask them about -- we can kind of happily do that. We will work with them and do some analysis.

COUNCILWOMAN GYM: I mean, some departments have been really spectacular in terms of their bilingual staffing positions and other types of thing. I'm not clear -- you know, it's my understanding that each department contracts individually with like LanguageLine; is that right?

MS. ADAMS: I think they coordinate through MOIMA. Whatever they need. Some departments have the ability to do translation work themselves, and some departments need more help. And so, I think it varies dramatically by department.

I know that sometimes people need translation services for individuals that they serve on a day-to-day basis, whereas some just need more translation of materials. And it varies pretty widely

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

depending on the services that we offer as a City.

COUNCILWOMAN GYM: And is the Office of Program -- of Budget and Program Evaluation, like, is this solely in OIA's camp or MOIMA's camp? Or is this partly in conjunction with your department, like, in terms of the program evaluation and assessing about --

MS. ADAMS: So we will -- we work with all of the departments across the City. So in terms of kind of analyzing their needs from an expenditure, we can -- we work with them. And if departments request more funding for specific needs, we analyze that during the budget process based on what limited funds we have. And then analyze that as part of every other request that comes in.

When we get to -- as we do more and more analysis and we work with departments on sort of various degrees depending on their needs, we can -- we may find ways of reallocating existing resources to allow

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

them to do that. But departments often do that on their own if they feel they have a need within a specific class. They have some flexibility to do that if they think that that's what their services need. It's often on the department head to make those decisions. We can work with them if there is an issue related to funding. But often, the analysis is done by the departments themselves.

COUNCILWOMAN GYM: I make circle back on this second round. But I just wanted to clarify that sometimes when there is a new compliance mandate in, and language access is a new compliance mandate, that most department heads and some department heads may not actually know what they need in order to be compliant with that. And I guess part of the question, and maybe we can figure that out later, is to clarify whether which departments are actually working with them to cost -- not only help them figure it out, but actually understand what the costs might be to the City in order to fully

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

comply with the language access mandate.

MS. ADAMS: And we in the Budget Office would help with any department that needs that analysis. That's absolutely something that we can do.

COUNCILWOMAN GYM: Thank you.

(Councilman Henon sitting in as Chair.)

COUNCILMAN HENON: Thank you, Councilwoman.

Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. Chairman. Still morning. Good morning.

MR. DUBOW: Morning.

COUNCILMAN JONES: You've been through a lot of transitions in our --

MR. DUBOW: I thought you were going to stop at "you've been through a lot."

(Laughter)

COUNCILMAN JONES: You've been through a lot. But also in the realm of our financial condition as a City, I remember the darker days of making tough decisions about whether or not we would layoff personnel. Whether or not we could meet our receivable

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

payments. Whether or not our bond rating was being impacted negatively.

So I guess what I want to start out with is, how are we doing by way of our credit rating? And juxtapose that with how we would be with our general obligation borrowing and how that might -- is it that inelastic? Elastic? What will happen? What are your predictors?

MR. DUBOW: So right now we are in the A category with all three rating agencies, which we've never been before, so that's really good. That's progress. We are, however, lower than one of the other top ten cities. Chicago is lower than we are. And that's because of some of the things that Councilwoman Parker was talking about before, our relatively low fund balances, our high fixed costs.

So, I think we're at a place where our ratings are high which helps with our borrowing costs. It lowers them. But there is risks going forward if we don't build up fund balances, that we could see that go

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

down.

COUNCILMAN JONES: So when we were considering the dreaded cigarette tax, how did that, in retrospect, impact our bottom line? And was the demand for cigarettes reduced or increase or stay stable?

MR. DUBOW: So, the cigarette tax definitely helped the School District's bottom line. Helped them kind of get to the place where they are now having positive fund balances. And it did have an impact on their -- on the level of consumption. There was discussion at the state about adding on. In their analysis, that adding onto the statewide tax would have had an impact on our local consumption.

COUNCILMAN JONES: So, the demand stayed relatively neutral.

MR. DUBOW: It went down a little, but the revenue was --

COUNCILMAN JONES: Okay.

MR. DUBOW: Revenue helped the district.

COUNCILMAN JONES: So with AVI and the new assessments, are we still revenue

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

neutral? Are we receiving extra money? How has that shook out thus far?

MR. DUBOW: So, we did a property tax increase last year for the district, so there is more revenue because of that. I think if there had been no change in the rate, we'd probably be at maybe slightly down from where we were before AVI was implemented because of appeal losses.

COUNCILMAN JONES: So, the appeals impacted some of that?

MR. DUBOW: Yes. Reduced the assessed values.

COUNCILMAN JONES: I think we set aside 30 million, was it, for appeals? Did we -- did we ever --

MR. DUBOW: I think we -- I think it was -- it got around that level.

COUNCILMAN JONES: So we did --

MR. DUBOW: We did lose a lot in appeals, yes.

COUNCILMAN JONES: Okay. And by way of our outstanding receivables as a municipality, particularly outside owners of

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

properties in Philadelphia that are tax delinquent. There was a sizable receivable, and the amount escapes me. But it was close to 300 million I think.

MR. DUBOW: For outside owners? I don't remember.

COUNCILMAN JONES: Someone who lives in another county that owns real estate in Philadelphia but doesn't pay their real estate taxes here, and we were going specifically after that receivable, what is -- how have we done going after that?

MR. DUBOW: Let me ask Revenue to come up.

COUNCILMAN JONES: And while they are coming up -- yeah. Go ahead. And we were modernizing the collection process. We invested about a million dollars in predictive dollars and good stuff like that.

MR. BRESLIN: So with the --

COUNCILMAN JONES: State your name for the record.

MR. BRESLIN: Frank Breslin, Revenue Commissioner. For the -- out of

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

Philadelphia property owners, there was -- we received legal -- the legal authority to be able to transfer our liens in the form of judgments to those properties that they owned outside of Philadelphia. And that -- the legal process to get that all straightened out took some time. And just recently, we were over those hurdles and we actually started the process.

And so, we are starting in each county to kind of learn the process within each county and start placing those judgments. And we just started with judgments within the last couple of months. We just started placing those judgments in Montgomery County. And we've placed low volume there just to learn the process and see, you know, what it yields.

And now we've moved to Delaware County. And we're in the process of placing judgments in Delaware County. They should be -- that process should be finalized this month. And that is kind of the process. And then once we have learned the process for placing these judgments, then we are going to go to larger volumes in all of the counties.

COUNCILMAN JONES: So, you are beta testing now to see how the process works? And when will you full throttle to go after this money? And was it $300 million that we were --

MR. BRESLIN: I don't recall. It sounds about right. But I don't recall the exact number.

COUNCILMAN JONES: Can you provide to the President's Office what that figure is?

MR. BRESLIN: Absolutely.

COUNCILMAN JONES: And then when do you think we will be full fledged going after folk who own property in Philly, pay their taxes in Montgomery County and Delaware County, yet refuse to pay taxes here? When will we be full throttle with judgments and liens?

MR. BRESLIN: I think in the first half of Fiscal 17, there is money put into the budget that we need in order to be able to

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

place the liens and the cost of those judgments. So, I think that's -- that's the time frame.

COUNCILMAN JONES: So, okay. You'll provide that. Did you provided -- ramp up with the predictive dollars, all of those good things to go after collections?

MR. BRESLIN: We've done a lot of things around collections. We have not done a -- an in-house call center. That we did not do. What we have done is we've, in turn, increased our collection agencies. We are getting things out to them quicker. They are actually serving essentially as a call center for us. They are making the outbound collection calls. And we have a lot of things around collections in this -- again, in this budget.

COUNCILMAN JONES: Are generally collections up or down?

MR. BRESLIN: I believe in general delinquent collections are up. I think the process has been effective.

COUNCILMAN JONES: So specifically, I

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

need that number provided to the President so that as we consider new taxes, we should be collecting on old taxes. One of the criticisms of us was that we put a new tax on the book, but we don't go after receivables hard. That's why I think that information provided to Members of Council through the President is essential.

MR. DUBOW: And one of the things you'll see in the budget in the Five Year Plan is that we do show an increase in delinquent property tax collections. So in FY15, the actual collection delinquent was 43.3 on the City side. And for '17, we are showing 57 million. So, almost $14 million increase. And we keep that throughout the plan.

COUNCILMAN JONES: Final question is on regional -- I think it was Councilman Green that mentioned the Mann on the African-American Museum. Is there a way that -- I happen to represent the Mann and the squirrels that go there and then also the Dell. But those are regional projects

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

that kind of draw a wider customer base.

Is there a consideration in our Capital Budget, our Operating Budget, to treat them as City-wide assets as opposed to just a District Councilperson paying for the capital of that?

MR. DUBOW: That's a good question.

COUNCILMAN JONES: I would think.

MR. DUBOW: I don't know that we have had those discussions. We can talk about those.

COUNCILMAN JONES: I really want to talk about that.

MR. DUBOW: But we should -- yeah, we should.

COUNCILMAN JONES: Okay. Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, sir.

Chair recognizes Councilman Domb.

COUNCILMAN DOMB: Thank you, Council President.

COUNCIL PRESIDENT CLARKE: Welcome.

COUNCILMAN DOMB: Still good morning.

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

MR. DUBOW: Good morning.

COUNCILMAN DOMB: Morning. First of all, I do appreciate all the cooperation your department has given me in its first 90 days or so.

MR. DUBOW: And we appreciate your interest.

COUNCILMAN DOMB: So -- but I wanted to have a couple questions. You mentioned your budget's going up by, I think, about 49 million for benefits?

MR. DUBOW: Yes.

COUNCILMAN DOMB: Are those health insurance or what type of benefits?

MR. DUBOW: They are a few things. The biggest are pensions and health insurance.

COUNCILMAN DOMB: Yeah. Okay. And then this may be a Revenue question. I had a few quick questions.

How many taxes do we have in the City of Philadelphia right now roughly? Twenty? Twenty-five?

MR. DUBOW: I think I will ask the Revenue Commissioner. There are some small

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

ones that I probably don't have off the top of my head.

MR. BRESLIN: Yeah. There is roughly 20 taxes.

COUNCILMAN DOMB: And in general, the collection rate, which tax has the best collection rate?

MR. BRESLIN: You know, I don't know that number off top of my head. I probably should, but I don't.

COUNCILMAN DOMB: Okay.

MR. BRESLIN: I will get back to you with that.

COUNCILMAN DOMB: But I mean, I know that you mentioned earlier that real estate has 92 or 3 percent collection rate.

MR. BRESLIN: Yes.

COUNCILMAN DOMB: Would that be considered one of the best collection rates?

MR. DUBOW: Taxes. I think there are probably some that are higher than that, right?

MR. BRESLIN: Yeah. I would think some taxes come in at a higher -- at a higher

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

rate than that, so I would like to get back to you.

COUNCILMAN DOMB: Okay.

MR. BRESLIN: We definitely have those numbers.

COUNCILMAN DOMB: And to follow up with Councilman Jones questioning on the taxes, the collections, is there -- mentioned this earlier. Can we see a plan of the 20 or so delinquent taxes we have in place of how we are going to collect that money? The last statement I got was that we had cleansed our system down to somewhere around 700 to 750 million dollars in total and real estate was like 350.

MR. DUBOW: Yeah. Our number is lower than that.

COUNCILMAN DOMB: Okay.

MR. DUBOW: But I think what we said last time was that --

COUNCILMAN DOMB: Get us a form?

MR. DUBOW: That the commissioner would bring that in his hearing, which I think is in a couple weeks in that plan.

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

COUNCILMAN DOMB: Because I think what we would like to see is a plan of how we are going to collect each delinquency, what the goal is over the next twelve months to try and clean it up.

And the thing I want to keep in mind, it seems to me and I'm not an expert, the easiest tax to collect is real estate because it's the one tax that has the ability to lien. No other tax has collateral like real estate does. Real estate should be your best tax to collect.

I am just bringing it up in case we are thinking about that. I think that's, to me, where the focus should be.

Thank you.

MR. DUBOW: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilwoman Quinones-Sanchez.

COUNCILWOMAN QUINONES-SANCHEZ: Thank you. Good morning, folks.

MR. DUBOW: Morning.

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

COUNCILWOMAN QUINONES-SANCHEZ: Little bit around the criteria. I was reading the New York Times article. There is so much comparison between Berkeley and Philadelphia.

Is there any GMA, whatever you guys call that term when you do your general market survey, in Berkeley that compares to any part of Philadelphia?

Do we have any of that?

MR. DUBOW: That compares to all of Philadelphia?

COUNCILWOMAN QUINONES-SANCHEZ: No, just some of Philadelphia. I want it apples to apples. I keep getting the calls around Berkeley. And North Philly ain't Berkeley.

So, is there anything that we can compare where we take in a GMA that has the same similar comparison around consumer, consumer income, stores per capita, supermarket per capita, anything so that I can say compare -- to really compare?

MR. DUBOW: I think we can do that and look at Mexico, too, where they implemented

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

it and kind of look at either.

COUNCILWOMAN QUINONES-SANCHEZ: Maybe Mexico will give me comparison.

MR. DUBOW: Yeah. See where there are good comparisons.

COUNCILWOMAN QUINONES-SANCHEZ: I think that's important. Because irregardless of where people are in the tax, the issue of comparison is hugely important. I'm trying not to get into debate around the facts because I feel like they go nowhere sometimes because we don't have anything concrete to compare it with.

Around enforcement, I know one of the reasons we want to do the distributors is because there is fewer distributors.

How many distributors we have in the City?

MR. DUBOW: So I think there are 31, we will call it, distributors. But I think only about half of them are in the City.

COUNCILWOMAN QUINONES-SANCHEZ: Oh, so the 31 distributors that compose kind of the market, some of them are located outside?

MR. DUBOW: Yes.

COUNCILWOMAN QUINONES-SANCHEZ: So, how many -- okay. I would like to see how many are in the City. So we've done an analysis.

MR. DUBOW: Excuse me, Councilman, she can answer that question.

COUNCILWOMAN QUINONES-SANCHEZ: How many distributors are within a 15-minute drive?

MS. WAXMAN: We can look into that.

MR. DUBOW: Can you answer City versus out of City?

MS. WAXMAN: There are 31 soft drink and flavor and concentrate manufacturers who are taxpayers. There are 31 total, I believe, two-thirds of those are outside the City. One-third is in. And we can get you the exact breakdown.

COUNCILWOMAN QUINONES-SANCHEZ: Okay. So in terms of enforcement on collections, because again I can't find a comparison for liquor by the drink because Pennsylvania, you can't go across the bridge and buy liquor. You are not supposed to.

In terms of legal enforcement, there

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

is -- what can we do if someone goes outside the City and begins to purchase the products? We are so lucky -- the consumers would be so lucky because maybe they could keep their prices down.

MS. WAXMAN: So the consumers, if you are just an individual and you decide to pop in the car and get on Patco and do your thing, that's -- you know, there is no problem there. You are allowed to do that. If it's a retailer who is going outside, the law says that you must be selling licensed product in your store. And that if you're not, then you are liable for the tax and any penalties and things for late payment.

COUNCILWOMAN QUINONES-SANCHEZ: So, it has to be licensed.

MS. WAXMAN: It has to come from a licensed distributor that paid the tax.

COUNCILWOMAN QUINONES-SANCHEZ: Okay. So like right now when bodegas go to BJ's at work, when they go to pick up their stuff at those --

MS. WAXMAN: So, if they are going to,

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

say, BJ's or Jetro in Philadelphia, that BJ's or Jetro is both a dealer and a distributor.

COUNCILWOMAN QUINONES-SANCHEZ: Okay.

MS. WAXMAN: The tax will already have been paid. So if they are going in there as a retailer, they are totally fine. If they are going to a location like that outside the City, they need to present their PA sales tax certificate to the distributor if it's a Costco or whatever outside the City. And then that distributor will need to file and pay the tax.

COUNCILWOMAN QUINONES-SANCHEZ: So, is there an expectation from us that we are going to get our distributors to somehow put something on their product that says it was a licensed good?

Like, how am I going to know -- how are we going to know what's on that shelf?

MS. WAXMAN: So, the way that we anticipate that being tracked is that the invoices that the distributors provide to those retailers must indicate on the invoice

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

that the tax was paid by the distributor.

COUNCILWOMAN QUINONES-SANCHEZ: So, we are going to be auditing that, those 31 providers?

MS. WAXMAN: That's what we would be looking for as looking for them to collect and remit the tax. And then as we're out in the process of doing audits of anyone selling these, that is something our auditors could be looking for.

COUNCILWOMAN QUINONES-SANCHEZ: In terms of -- I think I had asked this before.

Have we begun to look at like consume -- the average bodega product line? I mentioned this before, you know, I'm doing the informal take a picture of a bodega and the options. Don't -- it's a good thing we're not talking about health because diet is worse.

Have we looked at how we are going to monitor the activity among the store to see?

For instance -- I'm saying this. My brother-in-law is a distributor. Got some bodegas in my family. When we have this

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

debate, as we have had in the last few weeks, everybody tells me they are going to cheat. I shouldn't say that because now they are going to all get audited, right?

MS. WAXMAN: The Department of Revenue does accept tips for enforcement.

COUNCILWOMAN QUINONES-SANCHEZ: I am just being honest. They are like, we are going to spread it out, Maria. So in that regard, it is a grocery tax. We are going to spread it out. There is no -- you know, my brother-in-law who is a distributor just is, you know, the margin around some of the distributors is smaller, is so low. He says there is no way. I mean, he's actually going to just not carry these products anymore. So bodegas buy from him, now they're not going to buy that product. That's his answer to it.

I am just wondering when we discuss this elasticity terminology, is like -- so he is going to move away from. He's like I ain't carrying water, I ain't carrying nothing. And I just look at those types of things

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

and -- and I'm wondering how we are going to monitor and really enforce this because I know on the cigarette sales, I mean, cigarette is different. I can't look at soda like cigarettes.

I was looking at those 200 jar Arizona things that my bodegas carry because if you are a mom, you buy it. And 200 ounces, so that's six -- that's nine bucks, right? Nine bucks. This is what they buy at the bodega. 200 ounces of Arizona Tea. I just -- it's just heart breaking for me.

What do I tell that mother? To buy 200 ounces of water?

That was not a question, Rob.

MR. DUBOW: I am taking the advice of counsel.

COUNCILWOMAN QUINONES-SANCHEZ: All right, Mr. Chair. I am just trying -- I am having these honest discussions. I am just trying to figure it out.

COUNCIL PRESIDENT CLARKE: There are going to be a lot of honest discussions before it's over.

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

Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you very much, Council President.

COUNCIL PRESIDENT CLARKE: Thank you.

COUNCILMAN OH: The budget is -- proposed budget is 4.167 billion, which is significantly up from prior years. Is there no tax or fee you can reduce? Is there no tax or fee you can substitute for a -- for a tax increase? Can you take some other part of the budget where we give money or spend money? And instead of doing that, use that to fund some of these programs?

MR. DUBOW: So, we did as part of the budget process ask for cuts from departments. So we made cuts, but that was really just to keep the core budget in balance. So, we did not see any other option for raising the kind of resources we needed for these initiatives.

COUNCILMAN OH: There's no money that the City gives. You can't just instead of giving it, keeping it and fund this instead of raising taxes?

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

MR. DUBOW: There is nothing that looking through we thought it made sense. And as part of this process, if Council looks through the budget and says we think that that should be eliminated to pay for it, and we are happy to have that discussion, but there wasn't anything we thought made sense.

COUNCILMAN OH: Yeah. Explain to me the allocation we give to SEPTA every year, 60 to 65 million.

MR. DUBOW: Right. I think that's -- most of that is local match that goes to pay debt service on SEPTA bonds. And that, you know, is part of a formula. We pay our portion of that.

COUNCILMAN OH: Okay. Could you -- could you give that to the Chair just for --

MR. DUBOW: Sure.

COUNCILMAN OH: -- us to take a look at for sure.

MR. DUBOW: Yes.

COUNCILMAN OH: Okay. And then, this budget has a lot of borrowings and increase

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

for taxes. And --

MR. DUBOW: This budget has a new tax but it also has reductions in taxes.

COUNCILMAN OH: But the overall costs out of people's pockets, the average citizen they are paying more in taxes and fees, consumption, percent sales, cigarette, whatever it is.

MR. DUBOW: The way the tax goes down and before it goes down, so I don't know that the average citizen you actually see a reduction.

COUNCILMAN OH: I think if you are a wealthy employee, your reduction in wage tax may help somewhat. But -- but I think if you're the average person in the City, the miniscule drop in your wage tax does not outdo the increase in the cost of living.

MR. DUBOW: For anybody who doesn't buy sugar sweetened beverages, their taxes will go down.

COUNCILMAN OH: But they have a lot of other -- 2 percent sales tax, cigarette tax.

MR. DUBOW: That's not an increase.

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

That tax has been in place for five years. There's not an increase in the sales tax budget or increase in the cigarette tax.

COUNCILMAN OH: So, let me ask you this. The -- the -- the issue --

MR. DUBOW: If you're asking whether I think that the tax burden in Philadelphia is too high, that's a different question from whether taxes are going up in this budget.

COUNCILMAN OH: Okay. However we say it, the tax burden, the fees, the penalties, the costs --

MR. DUBOW: And that's why through the plan we have significant reductions in the wage and business tax. Because we agree with you, the tax burden --

COUNCILMAN OH: Okay.

MR. DUBOW: -- is high in Philadelphia.

COUNCILMAN OH: So putting that within context of the PICA portion of the wage tax concluding in 2023.

MR. DUBOW: Right.

COUNCILMAN OH: And now there isn't a $350 million amount of money on an annual

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

basis that -- that the Administration is anticipating along with the $700 million that we got to pay every year till 2037 or whatever it is for the pension debt along with increased bond obligations in this plan.

What -- what -- what is, other than ignoring it, what is your plan when the PICA tax -- the PICA portion of wage tax ends?

MR. DUBOW: I don't think I've ever said ignoring it. The plan is to get that extended to make sure that it stays in place.

COUNCILMAN OH: Okay. So, that's the plan. How is that being done? And -- and what is the process that assures us that other than coming into 2023 where there is no more money, that something is in place.

MR. DUBOW: Right. And I completely agree with you that we don't want to wait until 2023 or 2022 or 2021 to -- to make that happen. I think, you know, sometime within the next year we need to start working with our legislators to make sure

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

that that's extended.

COUNCILMAN OH: Me personally, I oppose extending that wage tax. I'd love to see that wage tax cut 1.5.

MR. DUBOW: I know. You've made that clear.

COUNCILMAN OH: Yeah. Yeah. But my point is that are you sure that despite all the workings of everyone who wants that wage tax to continue, that it's going to be passed in Harrisburg?

Shouldn't there be a Plan B to prepare for, you know, the fact that this money is not going to be available?

MR. DUBOW: So I think part of kind of the reason that we do Five Year Plans is to do that kind of look ahead. And I think if we get to the point where we are doing a Five Year Plan and we still haven't changed that, then we start -- you need to start looking at alternatives.

COUNCILMAN OH: So my concern is this. We are doing a Five Year Plan from 2016 to 2021. The next Five Year Plan is to

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

'22/'23. And then there is suddenly, this money is going.

MR. DUBOW: That's why I'm saying it's something we need to take care of in the next year.

COUNCILMAN OH: Yeah. But is that part of your Five Year Plan here?

In other words, the borrowings and the soda tax and all that and all this other stuff, is that anticipating Plan A and Plan B around this large amount of money?

MR. DUBOW: It anticipates that that -- that the PICA tax continues.

COUNCILMAN OH: Okay. So, I would love to see a Plan B in case the PICA tax doesn't continue. Because I think Plan B makes all this very, very different than Plan A.

MR. DUBOW: Well, the issue is that doesn't go away till 2023, so you are really asking for a seven-year plan. And I think the reason we don't do seven year plans is when you get out that far, your assumptions are really less meaningful.

COUNCILMAN OH: Yes. But I'm saying

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

there's a definite law that sunsets that clearly puts 350 million a year that's calculated in paying the pension to 2037 and borrowing money and -- and putting new taxes on. And we're going to run out of things to tax in order to make up the difference in -- in -- in -- in the PICA wage portion of the tax if you don't get that.

MR. DUBOW: Well, that would -- you're right. If we don't get that, the impact is so devastating, it's beyond, you know, just looking at what we would tax.

COUNCILMAN OH: So I'd finally say, that it's hard for me to take this budget process seriously because that is looming in -- looming ahead so clearly 2023. That this process, which is a artificial legislative process around PICA, allows us to only plan for five years and ignore six and seven. But it's not like it's not there.

MR. DUBOW: Yeah, it is there. That's why we plan to try to get it extended.

COUNCILMAN OH: Okay. That's my time. Thank you.

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

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

And good morning.

MR. DUBOW: Morning.

COUNCILWOMAN BLACKWELL: I want to go back to a different subject. And that is to ask you about risk management, their relationship with finance and how the -- and how the money is determined. What their relationship is?

MR. DUBOW: Risk management is an office within Finance.

COUNCILWOMAN BLACKWELL: Yes, good. Because as you know, in fact, the Mayor sent one of his people to me -- Rich, thank you very much -- last week. And we still ended up with 34 people who were not straight from June 14 when a water main broke on North 52nd Street between Westminster and Wyalusing in my district.

And I wondered, you know, half of those not completed have issues like we're calling

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

on mold. You know, people living and seniors living with those kind of health threatening issues. And other people, we're going to contact them about making a settlement. You know, and I have screamed about this so long. All of you know I have that issue.

I just wanted to know since they're within your department, how you all work it out? And we introduced legislation, but we are trying to straighten that out. It won't work as written, I'm told, and the state would have to be involved in some of that. We are still trying to work that out, as well. But I know that if all of us have problems or with regard to risk management, we should know -- we should be able to resolve them, certainly not in this time frame and certainly there should be some organized system that we can depend on.

MR. DUBOW: I understand. And so, I think we all kind of share the goal of getting all of these issues resolved as quickly as possible. I mean, that's one of

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

the things that, you know, we need -- Mr. Scott every week. And this was an issue that we talked about a lot and how we can get each of those resolved as quickly as we can. So -- I mean, we share your goal of getting that done.

COUNCILWOMAN BLACKWELL: Yeah. I'm just wondering what -- I don't know what point it gets to you. I don't know what the other City departments, or is there some specific process? I mean, does it automatically go to L&I before you? Automatically Water? Is it that they don't get back to -- to -- that they don't -- I mean, they said they knew there were some issues. But in spite of that and they apologize, you know, I hate to call the Mayor again to say, please, help these people out.

I mean, is there some -- is there some way we can get input into the system or do we have to introduce legislation about that, too?

MR. DUBOW: No. I mean, clearly we don't want you to have to introduce

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

legislation. We want to be able to work with you. Mr. Scott can walk through the process.

COUNCILWOMAN BLACKWELL: Thank you.

MR. SCOTT: My name is Barry Scott. I'm Deputy Director of Finance for Risk Management. Good afternoon.

COUNCILWOMAN BLACKWELL: Good afternoon.

MR. SCOTT: The -- Councilwoman, we are continuing to work with the residents who were impacted by the water main break on June 14 last year. We are sort of close, I think, to resolving the vast majority of those claims. We have, you know, initially had more, as you know, more than 75 claims initially on properties which were impacted.

And we are -- you know, we have issues now remaining with just about 30, 34, 35. We are -- and we are actively working with those claimants each week. We -- I know that the claims adjuster who is handling these claims was out visiting sites on at least two days of this week as well as being there last week.

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

We have -- we have four -- several of the properties, we are just awaiting them signing their release which they receive from us in order to process their claim settlement.

So, we took the step of going to each number of the properties which both structural or mold issues doing our own appraisal of the cost of that repair so that the homeowner did not have to do that. We are then including those values in the settlement offers we are making to those homeowners. You know, some of those homeowners also have some work to do in terms of getting us information.

So, we are really working with them in order to -- in order to move those to resolution as soon as we possibly can.

COUNCILWOMAN BLACKWELL: That's really quite unbelievable. Half of the people. If there were 78 -- 75 to 78, and like, 34 to 36 is still undone. That's half of the people who were affected. I mean, do you have staff? Is that you don't have staff?

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

Is it, you know -- I mean, I have no idea why we get these same answers. And why -- and why you can't get it done. Pretty soon it's going to be a year. I just do not understand.

Is program-based budgeting involved in any of this?

MR. SCOTT: No. No. What we have -- so, our process is this. We -- we work with the individual who is affected in order to identify the damages that they have suffered. We -- and in these circumstances, we have, as I said, gone further to sort of take the responsibility of trying to value those damages.

We had -- so we identified some -- some vendors in order to do that for us because we don't usually do that for claimants. And so, we've -- I think we have those numbers for most of the properties. I believe that barring some very unforeseen action, we should be able to resolve the open claims that we currently have down to, you know, less than a half a dozen within the next two

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

to three weeks where we are really relying on information that we need to get from others before we can finalize the agreements.

COUNCILWOMAN BLACKWELL: You know how long we heard that two or three weeks? Okay. Now you all are here and Easter is passed and this is April the 6th. I am almost said August 6 because that's probably when it will really happen. I mean, we just don't believe you.

Let me say I also, while we're talking with the -- about the issue of water, I don't believe that the public should pay if there's lead in our water. I heard the Water Department say that we'll work with the customer. They didn't put lead in their water. I didn't fight it because it was another -- it was another issue and another bill about that.

But we're not supposed to -- where are people supposed to get all this money? We have lead in our water. You are going to tell people I'm going to do you a favor and

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

give you an agreement so you can dig up all these pipes and pay that, too. We can't even get this paid, Lord have mercy, where people have water in their kitchen and their houses destroyed.

I don't believe that we should further victimize our people. Living in Philadelphia shouldn't be a detriment where we make all our people victims because they have to -- it's bad enough if you have this, like, this bad storm we just had in all this wind where things happen where maybe people have problems with their roof and other things. But my God, obvious issues that are not their fault like these pipe breaking in the middle of the street and like lead in their water should not make them further victimized by our City.

Guess that's all I can do. I wish I could go out there and fix them my darn self, and maybe we would be further along. But thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman. Thank you for your continued

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

passion for the people.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCIL PRESIDENT CLARKE: Couple quick questions before I call the next member, I think, actually in the same rotation.

Can I get Revenue back up? I want to do some follow-up questions with respects to the number of retailers and -- thank you.

(Witness approaches Table.)

Just want to get some follow up. It's -- your position is that you don't have or you just not aware at this table how many retailers do we have in the City of Philadelphia that sells, potentially sells sugary products.

MS. WAXMAN: Hi. Marisa Waxman, Deputy Commissioner. I do not have at this table the number of retailers in the City. And what we would do is we'd go and we look at the number of retailers by NAICS Code industry classification to try and estimate which ones of those would. So food and -- food service and bars we would count all of them in. And then for retailers, we try and

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

break them down. So maybe depending upon how finely detailed the information is, we'd be able to identify supermarkets, grocery stores and put them in one pile as likely to sell sugar-sweetened beverages. Shoe stores and other things, we'd probably put in the pile of retailers unlikely to sell sugar-sweetened beverages. So, we would be able to make an estimate there of the number.

COUNCIL PRESIDENT CLARKE: All right. Your projections of revenue are based on what?

MS. WAXMAN: The projections of revenue are based on sales data for sugar-sweetened beverages.

COUNCIL PRESIDENT CLARKE: That comes from?

MR. SCOTT: It comes from the source -- is the Rudd Center at the University of Connecticut who gets information from the Beverage Marketing Corporation and looks at sales data. It's on -- they look at national and regional sales data for

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

sugar-sweetened beverages. Then they do -- they do adjustments for local economic demographic characteristics and population. So, they present consumption estimates in gallons and ounces based on sales data for individual cities and states.

COUNCIL PRESIDENT CLARKE: So it's a -- okay. So, it's an analysis done that starts by someone in Connecticut that determines the --

MS. WAXMAN: The sales -- the sales data is collected from -- from a variety of sources and aggregated, and then it is analyzed by the Rudd Center.

COUNCIL PRESIDENT CLARKE: I'm just trying to find out where we getting this information?

MS. WAXMAN: We're getting -- we get it from -- we are getting it from the Rudd Center that has compiled the analysis.

COUNCIL PRESIDENT CLARKE: In Connecticut?

MS. WAXMAN: Yes.

COUNCIL PRESIDENT CLARKE: Okay. So, we

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

don't have any ability to determine that locally?

MS. WAXMAN: No. Consumption data we are looking at the sales. The sales is what's most appropriate for making a projection of what's taxable. And so, that we have from there.

COUNCIL PRESIDENT CLARKE: Okay. And we don't have a sense of how they get the information? So they basically look at the general sales, I'm guessing. I don't know where they are getting it from.

MS. WAXMAN: Yeah. We can provide you --

COUNCIL PRESIDENT CLARKE: We estimate that a portion of these sales based on the population is probably coming from this City?

MS. WAXMAN: We can absolutely forward the methodology that they use.

COUNCIL PRESIDENT CLARKE: All right. So, how difficult will it be for you to get information to us about how many retailers in the City of Philadelphia? Because that

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

is actually important. I know people like
maybe wondering why I'm asking these
question, but I really do need to know. We
asked this question. I think Councilwoman
Bass asked who is this going to impact?

MS. WAXMAN: We will be able to provide
an estimate based on retailers in the
categories based on the data we have. We
can't guarantee that one necessarily sells
it. But based on the type of retailer, we
can make an estimate of whether or not
they're likely to be a retailer of
sugar-sweetened beverages.

COUNCIL PRESIDENT CLARKE: How long do
you think that will take?

MS. WAXMAN: I would say that we can
probably get that within a week.

COUNCIL PRESIDENT CLARKE: How much?
How long?

MS. WAXMAN: Within a week.

COUNCIL PRESIDENT CLARKE: Okay. That's
a reasonable time frame. Actually, better
than I anticipated.

MS. WAXMAN: Well, let's make it two.

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

(Laughter)

COUNCIL PRESIDENT CLARKE: Awesome.

MR. DUBOW: She'll learn for her next response.

COUNCIL PRESIDENT CLARKE: You've been here a while, right?

MS. WAXMAN: Little bit, yes.

COUNCIL PRESIDENT CLARKE: That sounds like a veteran response.

With respects to the legislation and the issue with respects to the legal challenge, I think that was brought up earlier about potential legal challenge and we kind of pretty much figured it's going to be some sort of a challenge unless there's some sort of an agreement. The legislation says that if we get tied up in litigation, asked for confirmation, prolonged litigation in particular, that the shift of the responsibility of the tax then shifts to the retailer; am I correct?

MR. DUBOW: I think that's correct.

COUNCIL PRESIDENT CLARKE: So potentially, the retailer could ultimately -- we don't know how many there are, but every single retailer could be responsible for collecting and paying the tax.

MR. DUBOW: But we don't believe that's what will happen. We will show you -- get you the opinion why we think it will be upheld.

COUNCIL PRESIDENT CLARKE: I mean -- I'm saying, court usually takes a long time best case scenario. We don't know how many retailers are. Then in the legislation it says that if the distributors' portion of the legislation gets tied up in litigation, we then focus to the retailer. But we don't know how many retailers we have to sell it. I'm still not -- going to need a little more clarity on the audit issue. I will ask the gentleman next to you right after this, but that's what the legislation says; am I correct?

MR. DUBOW: That's correct.

COUNCIL PRESIDENT CLARKE: All right. So with respect to the audit, is it your

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

position that you do not at the table, I will say at the table, know how many audits you do on an annual basis with the retailers that potential do sugary products?

MR. BRESLIN: I don't at the table know our number of audits of retailers of sugary products.

COUNCIL PRESIDENT CLARKE: So, how many audits do we do generally?

MR. BRESLIN: I can get you those numbers. I can get you the number of audits that we do, and then I can break those down. We have it in the database. I can break those down by the industry classifications, so I can break those down by retailer.

COUNCIL PRESIDENT CLARKE: Retailer?

MR. BRESLIN: Yeah. I can get that for you.

COUNCIL PRESIDENT CLARKE: In the same time frame?

MR. BRESLIN: Three weeks.

COUNCIL PRESIDENT CLARKE: All right.

MR. DUBOW: The Commissioner has been here a little longer.

COUNCIL PRESIDENT CLARKE: Nah, come on. She's doing it in a week.

MR. DUBOW: Seriously --

MR. BRESLIN: I can get that to you very quickly. We have a database with that information.

COUNCIL PRESIDENT CLARKE: Okay. Thank you. The question about -- I think Councilman Green asked about community college. I think your response was is a one year?

MR. DUBOW: Correct.

COUNCIL PRESIDENT CLARKE: Why are we doing that for one year?

MR. DUBOW: It was a request to add money last year. As I said to Councilman Green, we are happy to discuss that issue.

COUNCIL PRESIDENT CLARKE: Discuss it where? Did they ask for the reduction?

MR. DUBOW: No. They asked -- last year they asked for money. We put it in one-time money. And since it was one-time money, we took it out this year.

COUNCILMAN JONES: Point of information.

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

COUNCIL PRESIDENT CLARKE: Yes.

COUNCILMAN JONES: I met with Community College. It's my understanding they were asking for $3 million.

MR. DUBOW: This year.

COUNCILMAN JONES: This year.

COUNCIL PRESIDENT CLARKE: We are cutting 1.4. I am just trying to understand why it's one time. But I am sure they cut our budget one time, I'd be crying. Be on the other side of this table.

MR. DUBOW: I mean, that's the reason.

COUNCIL PRESIDENT CLARKE: Because it was one time last year.

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: So when you said it was one time, did they ask for it to be one time or did they ask for an increase in the budget? My memory is a little slow.

MR. DUBOW: No. They didn't -- I mean, this year they didn't say, oh, we wanted that to be one time.

COUNCIL PRESIDENT CLARKE: Yeah.

MR. DUBOW: We put it in. It was a

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

request. We put it in as one-time money. It wasn't there request for us to take it out, obviously.

COUNCIL PRESIDENT CLARKE: Yeah. I mean, they wanted more than the 1.4. We gave them up 1.4, right? 3 million, Councilman.

COUNCILMAN JONES: Yes, sir.

COUNCIL PRESIDENT CLARKE: So, I'm just trying to -- that's the only reason?

MR. DUBOW: That's correct.

COUNCIL PRESIDENT CLARKE: But that was the last Administration. That wasn't this Administration. So, the last Administration decided it was one-time money. Why are we, the current Administration, reaching back to the -- I know some of you guys were around, but.

MR. DUBOW: Yeah. When you looked at the Five Year Plan from last year and you looked at FY17, the number that we're showing for Community College is what was in the plan for FY17 last year. We are being consistent with what's in the Five Year

Plan.

COUNCIL PRESIDENT CLARKE: I'm sorry, Councilman Green.

COUNCILMAN GREEN: Point of information. I know Councilman Jones had stated that they had made a request for $3 million increase for this year. And actually, you're looking at a -- actually $4 million swing now. Because the reduction, they anticipated at least coming in level this year from what they had last year. Now they are actually getting a reduction of 1.4 when they wanted actually 3 million on top of what they got last year.

Part of that is based on the fact that historically Community College of Philadelphia has had level funding for a number of years. It was that year that Mr. Dubow talked about that actually got increase. Finally after years of asking for increase, they finally got an increase of 1.4. Thought that 1.4 would continue and that would be their new level funding. And were asking for 3 million on top of that.

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

Historically, they've been at a level funding for number of years. Did get that 1.4 increase. Asking for 3 million on top of that. So in addition to not getting 3 million additional, now they got a 1.4 reduction taking them back to what has been historically underfunding for number of years.

COUNCIL PRESIDENT CLARKE: Wow. That's obviously problematic for them. We need to get a better understanding of the decision to reduce that 1.4. So needless to say, there will be further discussion on that during our budget process.

One last sugar question. During the debate, we don't know. This is all speculative in terms of how -- who will at the end of the day ultimately pay the tax if this program is implemented. Some people, I know testimony here I guess last week there was testimony that likely that the retailer will eat some or the distributor or the soda industry will eat some of the increase.

But in a briefing, when we talked about

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

the estimation of the revenues and the briefing from the Administration, the statement says projected to assume the entire tax will be passed onto the end consumer.

MR. DUBOW: I'm sorry. Say that again?

COUNCIL PRESIDENT CLARKE: In a briefing, an earlier briefing, it's thought the Department of Revenue estimated the revenue tax rates to identify the rate, blah, blah, blah. Then it says the projections assume the entire tax will be passed onto the end consumer.

Is that the position? Because earlier it was --

MR. DUBOW: There are two different things. One is how we put together the projections. And the projections we want it to be conservative. And the projections assume that everything is passed on. That's how you get the 55 percent reduction.

COUNCIL PRESIDENT CLARKE: Okay.

MR. DUBOW: If not, everything is passed on, you probably would see a smaller fall off in -- in consumption.

COUNCIL PRESIDENT CLARKE: Okay. So, that's based on the reduction in consumption?

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: One last -- I know I am over my time. With respect to the reduction and consumption or the change in product, because some people might actually have more choices and maybe, eventually like me, start liking diet soda.

MR. DUBOW: Or water.

COUNCIL PRESIDENT CLARKE: Nah. When I eat my food, I got to have some kind of sweet stuff. Water is for Council budget session. I'm sorry.

Is there analysis done on the potential loss of revenue, and then subsequently taxes by the retailer if the retailers reduce their sales?

Do we --

MR. DUBOW: For sales tax you mean?

COUNCIL PRESIDENT CLARKE: Yeah. People stop buying products, then won't the --

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

MR. DUBOW: Right. So --

COUNCIL PRESIDENT CLARKE: Wouldn't that be an impact on the City?

MR. DUBOW: Yes. If the consumption reduction was 55 percent, and all of that reduction -- none of that reduction and consumption had people moving onto something else that was taxable, there would be a sales tax reduction of up to 3.8 million.

COUNCIL PRESIDENT CLARKE: So, we do have potential projections on that. Okay. All right. Thank you.

MR. DUBOW: Sure.

COUNCIL PRESIDENT CLARKE: Chair recognizes Councilman Taubenberger.

COUNCILMAN TAUBENBERGER: Thank you, Council President.

Just reiterating what Councilman Green said regarding Community College. I fully agree with him. That the $3 million ask and now you're reducing them to 1.4 million is really an equation of really more than $4 million. And they're doing important job training. And I would like to just say for

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

the record, I'm not asking any questions because you explained why the cut has been made which was my original question. But they do important job training. We really need. And that's really kicking them pretty low. And I would like to see that changed.

The questions I have are -- and I have one more comment. Let me put it on with a sugar tax, soda tax, whatever you want to call it. My 23 years in the Chamber of Commerce, I know for a fact at some point that full tax is being imposed down the line. They may not do it the first year for strategies or marketing and that sort of thing. But you know what, that -- that money is going to come down the line. And a lot of small people are going to be paying that extra tax. I don't think it's good. But that's my comment.

We're borrowing $4 million -- $400 billion this year. Is this going to tie our hands financially over the next eight years? I understand the policy for rebuilding the parks will grow the economy. So, will -- we get more funds in time. But what is your timeline for this overall projects?

MR. DUBOW: So, the borrowing related to the projects of 400 million is actually over five years, to clarify, it's not one year. And at the end of the five years, because there's other debt service that is expiring over time, our debt as a percent of revenue is actually lower -- will be lower than it is now with the borrowings.

So, does that answer your question?

COUNCILMAN TAUBENBERGER: Yeah, it does answer it.

Back on the soda tax. We have gotten some projects and more things are coming because Council President asked. And I know he will be disseminating that information to us.

What I want to ask you, do you have faith that the soda tax will bring in the money projected off the formulas you are using? I mean, I have had it explained to me, but I don't think I've seen the formula itself, what actually you're using.

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

MR. DUBOW: We actually provide it to Council, a one pager that explained how -- what our assumptions are and how we got to the numbers. You should have that. If not, we can send it.

COUNCILMAN TAUBENBERGER: I will look at that again. Then I apologize to you that being the case. But still, like I said earlier, I believe that will be really funded by the people in the long run. And in the long run -- I really do. In fact, I know it for a fact.

And I -- there is a mention of 32 distributors?

MR. DUBOW: Thirty-one.

COUNCILMAN TAUBENBERGER: Okay. Can we have a list of those 31?

MS. WAXMAN: Hi. Marisa Waxman. So, we have the list of current business income and receipts taxpayers that are manufacturers of soft drinks and flavoring and concentrates, so that's the base of the list. There maybe more that we discover over the course that we have identified those.

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

COUNCILMAN TAUBENBERGER: Sure. But can we as a legislative body have that list?

MS. WAXMAN: I will need to make sure that wouldn't breach any taxpayer confidentiality. I can check on whether or not we're allowed to release that.

COUNCILMAN TAUBENBERGER: I didn't ask what they're paying in taxes, but I'm asking for a list of manufacturers or distributors that you are going to base this tax on. I don't think it has any breach. I think it's within my right. I might have to talk to legal counsel. Solicitor leave?

But no. My point is, I think it's important information that we know. Information that we ought to know how our industries are. That's education. If I were to ask the amount of tax, you know that, that's none of my business. But I'm asking for who is eligible for this tax.

MS. WAXMAN: Councilman, I understand your request. Yeah.

COUNCILMAN TAUBENBERGER: Thank you.

The other question I have, Mr. Dubow,

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

you had said earlier that our SEPTA payout is based on a formula. Is it possible to look at that formula?

MR. DUBOW: Yeah. I told Councilman Oh that we would provide an explanation.

COUNCILMAN TAUBENBERGER: I just want to hear it again. I appreciate that.

Also, there are -- through your discussion, there are reductions in this year's taxes. Is it possible -- what is that reduction? How much are we reducing our taxes?

MR. DUBOW: The rates?

COUNCILMAN TAUBENBERGER: Well, the rates and what's the total amount of dollars?

MR. DUBOW: Sure. The total amount over the Five Year Plan in the wage tax is about 214 million. And for business tax, I think it's about 207.

COUNCILMAN TAUBENBERGER: That's over five years?

MR. DUBOW: Yeah.

COUNCILMAN TAUBENBERGER: What is it for

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

this year?

MR. DUBOW: I will get that for you during the hearing. I just have to find it in my folder.

COUNCILMAN TAUBENBERGER: Okay. I knew you had a lot of things of importance in that folder.

Well, Council President, in the lieu of time, I am done with my questioning. And whenever he can get that answer to me, that would be great. I would like to see that formula. I don't think it's like a secret Coca-Cola formula that no one ever gets to see. I actually want to see this formula.

COUNCIL PRESIDENT CLARKE: Okay.

COUNCILMAN TAUBENBERGER: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Henon.

COUNCILMAN HENON: Thank you, Council President.

Let me see here. Pensions.

Rob, what are the --

MR. DUBOW: Just the answer to your

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

question. It's between wage and business taxes, about 6 million in the first year. Obviously, as it grows each other.

COUNCILMAN TAUBENBERGER: Thank you very, very much.

MR. DUBOW: Sorry, Councilman.

COUNCILMAN HENON: No problem. We will really get into details when Pension, when they're called up here.

But just generally, what is the impact of the Board's recent actions to reduce the assumed rate of return?

MR. DUBOW: So we assumed -- reduced the assumed rate of return from 7.8 million to -- 7.8 percent to 7.5 percent. That increases the amount the general fund has to contribute each year by about 5 million a year. It also reduces the risk that we will miss our earnings assumption. And since we have reduced the rate from 8.75 to 7.75 over the last eight years, it also helps us make more conservative investments which then reduces the risk of loss.

COUNCILMAN HENON: All right. So, are

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

any of the debts being serviced that could be refinanced in order to make additional payments for funded liability, only dedicated instead of going back to the general fund?

MR. DUBOW: Right. And we have done that with some refundings in the past. We do have some refunding opportunities that we are looking at. And we could definitely think about dedicating some of those savings to pensions.

COUNCILMAN HENON: Well, if you have any that you are thinking about or have recently, you know, had dedicated that or refinanced and --

MR. DUBOW: Yes.

COUNCILMAN HENON: Can you just provide that to the Chair?

MR. DUBOW: Yes.

COUNCILMAN HENON: And have you -- have you analyzed the controllers report or the proposal to buy benefits?

MR. DUBOW: So the controller's -- yeah. Proposal is actually to couple of different

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

portions of that proposal. One would be just straight buying out future benefits for people in the Planned 67. I think another version was making payments so that they would switch from 67 to 87, the newer plan. The pension funds actuary is looking at that now and doing an analysis of. We don't have that back. But when we do, we will definitely take a close look at that.

COUNCILMAN HENON: Are you going to -- throughout this process, would there be some sort of summary or feedback, you know, unofficially just to -- you know, just to get a snapshot of --

MR. DUBOW: Yes.

COUNCILMAN HENON: -- pros and cons? Especially when you're -- when you're reducing the, you know, the obligation rate or the --

MR. DUBOW: Earnings assumption.

COUNCILMAN HENON: Earning assumption, right.

MR. DUBOW: Yes.

COUNCILMAN HENON: I will -- so I have

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

in the previous Administration, at the end
of the previous Administration, you know
money -- additional money was dumped into
revenue for increased collections. And I
will -- when Revenue comes in, we will get
into that. We just touched on the call
center. And so, we will get into the weeds
on that. We are going to be asking some of
those questions.

    But one of the things for Finance is
there was supposed to be a data warehoue.
Couple things.

    One, is there a data warehouse? And can
other departments access it and use it?

    MR. DUBOW: The data warehouse for
Revenue?

    COUNCILMAN HENON: For Office of
Property Data.

    MR. DUBOW: That's different. Office of
Property Data is actually -- there is an
Office of Property Data. System that they
are working closely with is the CAMA system
for OPA. The data warehouse is for Revenue.

    COUNCILMAN HENON: Okay. Is there an

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

office -- is there a data warehouse then?

MR. DUBOW: The data warehouse for Revenue is in the process of being put in place. It's not fully in place yet. I think it's in the early stages of implementation. Yes, that's right.

COUNCILMAN HENON: The other -- I think the intent is that other departments will be able to access it, on confidential basis or selectively.

MS. WAXMAN: So -- Marisa Waxman, Deputy Revenue Commissioner. The data warehouse is in the process of being stood up.

MR. DUBOW: Implemented.

COUNCILMAN HENON: Good catch.

MS. WAXMAN: We will be able to provide reports of non-confidential data to departments as needed. Currently, the department already sort of does analyses of assisting other departments, making sure that we can provide the information without disclosing anything confidential. The data warehouse will make it easier for us to produce those for other departments.

COUNCILMAN HENON: What's the timeline on that?

MS. WAXMAN: So, I believe it's going to be put up in three different phases. The end of phase three is February or March 2017. And so, there will be incrementally starting the summer basically parts that they are in.

COUNCILMAN HENON: So phase one this summer?

MS. WAXMAN: Let me get back to you on the exact month.

COUNCILMAN HENON: Hopefully, by fall.

MS. WAXMAN: Yes. I feel comfortable --

COUNCILMAN HENON: And that will actually produce some sort of reports that the departments can use confidentially?

MS. WAXMAN: Yeah. Phase one focuses primarily on internal data to the Department of Revenue. So, our tax system, our water billing system as well as the information from our collection agencies and co-counsel. And subsequent phases will include marrying that with data from other departments.

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

COUNCILMAN HENON: Okay. My last question here is, the Office of Property Data. They kind of ran right into each other generally. What is the mission of that office? And are they supposed to be responsible for assembling the property related data on taxes, liens, assessments, zoning history, license and billing permits?

In the history, I think just from what I can recall from several years ago, just having a one-stop shop for what a profile of that property; is that correct?

MR. DUBOW: Right. So, their mission is to make sure that all the various information systems related to property around the City are consistent. And they weren't going in.

COUNCILMAN HENON: Is it up and running? I mean, is it together? Is it still in the phasing-in program?

MR. DUBOW: So one of -- part of the money in the budget for this year is for an addressing consultant to help with the addressing process. And that will get at

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

what you're -- that is part of implementing that.

COUNCILMAN HENON: There is on addressing analysis where it asks for $160,000, I guess, for the professional services.

MR. DUBOW: Yes.

COUNCILMAN HENON: Particular for this.

MR. DUBOW: Correct. So that is --

COUNCILMAN HENON: Is there a timeline on?

MR. DUBOW: Timeline? I think Saskia Thompson who is head of the office is going to come up and address the timeline issue.

COUNCILMAN HENON: Because the data warehouse, separate; Office of Property Data, separate, all right I think they are both very, very useful. And I think critical to either sharing information and providing information for interdepartmental use. But also, it's better for us to call and use as a resource when we're trying to really assess, you know, who -- what a property looks like and what's all involved, whether there is pending suits or liens and litigation or violations, et cetera.

MS. THOMPSON: Saskia Thompson, Finance Department of the Office of Property Data. So, that is exactly what we're trying to do. The addressing project in particular, once we have standardized addresses or come up with a way to link addresses, we will be better able to do exactly what you're talking about, which is to give you a picture of a property. And what all of the services that the City delivers to that particular property.

So it's L&I, for example, right now they feed information to a number of other departments. But there is an error rate. So, they feed information on a specific property and another system might not be able to accept that record because it's not matching up. That's what we're trying to fix.

COUNCILMAN HENON: Right. Hence the silo system that we have -- you hear, year in and year out. And really excited about the innovation and creativity that has been taking place over the last several years. I want it to continue with just -- would hope that they would go online soon and we can further have these conversations offline, but we need it.

I think the City needs it. I think the citizens need it. And I think they are invaluable tools, in my opinion, because it will help us do our job. And we don't have to insert any kind of policy decisions when, you know, administratively I think these will eliminate or alleviate some of the unanswered questions or concerns that we have here in this body. So excited there.

MR. DUBOW: We agree. Thank you.

MS. THOMPSON: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You're welcome, sir.

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

COUNCILMAN SQUILLA: I -- just a quick question. It might have been answered earlier on the sugar tax as far as elasticity. Understanding the use and then, I guess, the reduction of use depending on the rate.

Is that percentage used, obviously, is that looked at from an origin that already used that type of tax or any type of tax?

How do we come up with that number?

MR. DUBOW: How did they come up with the 1 percent elasticity?

COUNCILMAN SQUILLA: Yes.

MR. DUBOW: Yeah. So, they looked at, I guess, maybe a dozen different studies that looked at the impact of increases in cost consumption. So, they were looking at cost changes and how that impacts consumption.

COUNCILMAN SQUILLA: And was that the higher, I guess, the cost change the more reduction in consumption?

MR. DUBOW: Right.

For example, with a 1 percent elasticity, if cost goes up 20 percent, then

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

consumption goes down 20 percent. And in this case, goes up 55 percent, consumption goes down 55 percent.

COUNCILMAN SQUILLA: And then does that percentage stay the same throughout after the initial drop?

MR. DUBOW: You have -- right. You have the big drop off from the first -- the 55 percent. Then we actually project that the trend of reduction in consumption that had been going on will continue. So, there will be additional reductions after that, but not as large as the initial reduction when people adjust their habits based on that change.

COUNCILMAN SQUILLA: All right. Also, I mean, I guess I have some questions for -- on OPA. I guess I will wait till they come up since you've been bombarded with a bunch of other questions already.

MR. DUBOW: They come today.

COUNCILMAN SQUILLA: They come up today.

MR. DUBOW: OPA comes up today.

COUNCILMAN SQUILLA: Hopefully, if we

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

get to it. I know it's a lot of questions.

COUNCIL PRESIDENT CLARKE: Yes.

COUNCILMAN SQUILLA: All right. Thank you.

COUNCIL PRESIDENT CLARKE: Yeah. Was hoping we can get a break in, but have like six more. Never want to attempt to suppress members' questions because they will put somebody else at the front table if I try to do that. But, you know, we are -- be good if we can get to OPA.

Chair recognizes Councilwoman Reynolds Brown and then Councilwoman Parker will be immediately after that.

COUNCILWOMAN REYNOLDS BROWN: Good afternoon. Couple follow ups.

I view this as a teachable moment, at least for me. I very much appreciated Councilmember Allan Domb's question regarding a list of all the taxes. So if you -- maybe this exists some place. I just don't know. But I would love for you to submit to the Chair or as a part of the testimony for the Revenue Department when

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

they come back before us, a list of all the taxes, what department, I guess, benefits from the collection of that particular tax. And then to his question, which may have been answered offline, which one of those taxes, which do we experience the greatest success.

MR. DUBOW: In terms of collection rates?

COUNCILWOMAN REYNOLDS BROWN: Yes. And which do we experience -- which one has the worst collection rate.

MR. DUBOW: Okay. We will put that --

COUNCILWOMAN REYNOLDS BROWN: That will be very, very informative.

And then to Councilwoman Helen Gym's questions regarding language access, so what I thought I heard is that there does not exist a fundamental protocol across departments when it comes to language access. Is that fair to say?

MR. DUBOW: I think we are in the process of putting together a language access plan. At the end of that plan, there

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

would be a system protocol. I don't think it's in place now.

COUNCILWOMAN REYNOLDS BROWN: Okay. Is that something because it's so new, that that mandate is so new?

MR. DUBOW: I think that's correct.

COUNCILWOMAN REYNOLDS BROWN: My personal opinion and experience is that as was mentioned by Councilwoman Gym, when it's a mandate, sometimes it takes a minute for leadership across departments to get it and then implement it, to establish a fundamental protocol is a beginning place of ensuring it's going to get done.

MR. DUBOW: That's right. We are in that process.

COUNCILWOMAN REYNOLDS BROWN: And so, if you had to look at a long term deadline, drop deadline completion of that, what are we looking at? The end of the fiscal year? End of the calendar year?

MR. DUBOW: I think the deadline was end of the fiscal year.

COUNCILWOMAN REYNOLDS BROWN: Okay.

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

MR. DUBOW: Let me -- if that's not right, I will correct the record.

COUNCILWOMAN REYNOLDS BROWN: Okay. The City Solicitor left, correct?

MR. DUBOW: I think so.

COUNCILWOMAN REYNOLDS BROWN: Okay. Because someone said that there's a belief that the City will survive the challenge. And so, I'm curious to know why? How? Based on what?

MR. DUBOW: So we -- we will provide his opinion to show why -- why we will survive it. The other thing I should say is I think if there is a challenge, I think we would not -- and there was a court order, that would probably tell us not to impose. We would have to wait to impose the tax until that challenge was resolved.

COUNCILWOMAN REYNOLDS BROWN: Okay. All right then.

Thank you, Mr. President. Thank you, Rob.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Chair recognizes Councilwoman Parker.

COUNCILWOMAN PARKER: Thank you, Mr. President. If I'm standing between us and a break, I am going to move pretty quickly here.

I will ask you -- I wanted to ask you this, Rob. I will get the detail when Revenue comes. Because you were here, I wanted to just quickly stroll back to 2013. The City is, you know, in the midst of making a AVI transition. We -- we, the Pennsylvania General Assembly, the Philadelphia Delegation worked very closely with the Administration along with the Council President's office. Even it was actually my first time in working with Councilman Allan Domb who is not elected during that time, but actually put some skin in the game and helping us lobby for a bill that I was very proud to have authored which ended up being Act 93 of 2013, which gave the City an additional tool, not just Philadelphia, but every municipality in the Commonwealth as it related to the collection

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

of delinquent property taxes. And I still remember looking at the pictures Herb Wetzel showed us, Council President, the link -- tax delinquent properties in the City of Philadelphia and the Main Line mansions and swimming pools.

Since those properties weren't being liened, that, hey, they were incentivized that they had several properties here. It ran into court challenges and broke my heart. But I understand that some of those issues have been addressed.

What are we doing and how are we taking advantage?

MR. DUBOW: Finally, it has survived. Challenge, we are beginning to implement it. We are doing it in Montgomery County on a small scale just to kind of make sure we are doing it correctly, and then we will expand it. But it is a real important tool. We are glad we have it. Thank you.

COUNCILWOMAN PARKER: Okay. Thank you very much. I will definitely when Revenue comes back, I want to just delve into how

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

effective were we at using the tool when it was sort of first provided to the City. Any sort of challenges that we're having moving forward now? Because if we need any additional assistance, we can work in an intergovernmental manner to get that done.

MR. DUBOW: Thank you. Appreciate that. It's think it's very early. Maybe a little while before we can answer that, but thank you. We appreciate that.

COUNCILWOMAN PARKER: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Chair recognizes Councilwoman Quinones Sanchez.

COUNCILWOMAN QUINONES-SANCHEZ: Thank you, Mr. President.

I just wanted for the record to read from the website of the Rudd Center for food policy and obesity. The Rudd Center is a non-profit organization devoted to promoting solutions to childhood obesity, poor diet and weight bias through research and policy.

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

And in their own literature, they really speak to the fact that they understand the regressive nature of the taxes that they promote, but that their goal is a health one. So, I just wanted to put that on the record because I think it's important when we ask for the data sets, and the reason we have asked for these analysis, particularly in its comparison to Berkeley is that the Rudd Center's goal is different than ours. We have made a decision this is not a health decision. This is a financial one.

So, if I'm hearing you right, 31 distributors are the ones that we expect to pay the $90 million a year that we are projecting?

MR. DUBOW: Yes. It's 31. That's right.

COUNCILWOMAN QUINONES-SANCHEZ: Okay. So people get it, you know, it's 90 million for 31 businesses. And I don't know what their business model is, but that is our expectation.

Because you've written in the provision

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

about going after the retail folks, if I'm -- my brother-in-law who pays all his taxes, poor guy, as a distributor, if he pays his taxes to the distributor on the retail basis and we discover that because of litigation we can't collect but I'm paying the tax to the distributor and I'm a retail person and you come after me, that expectation is that we're going to expect retail folks to pay twice?

MR. DUBOW: Our expectation is if there is a challenge, that we would -- we would probably wait to implement until the challenge is resolved. So, that would mean that that situation wouldn't arise.

COUNCILWOMAN QUINONES-SANCHEZ: Okay. So -- so but if we feel so secure that based on your -- the legal opinion and what you have said here that the -- the -- we are secure in our legal challenge to the distributor, why add the additional provision?

MR. DUBOW: I think we can --

COUNCILWOMAN QUINONES-SANCHEZ: We tried

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

it before. This Council did not approve it. You are selling it to us now and saying we are only going after the distributor. It's easier to manage. We said no several times to the other.

Why do you need that provision there?

MR. DUBOW: I think as part of this process, we can discuss that provision.

COUNCILWOMAN QUINONES-SANCHEZ: Okay. Thank you, Madam Chair.

(Councilwoman Reynolds Brown sitting in as Chair.)

COUNCILWOMAN REYNOLDS BROWN: For the record, I wanted to hear repeat to the question, how many distributors and the number we're going after.

MR. DUBOW: 31 distributors.

COUNCILWOMAN REYNOLDS BROWN: To pay 90 million. Okay.

So as a follow up to that, what is the -- what is the remedy for those businesses who go to Chester County and Montgomery County on my side of the world and do not show their retail beverage license?

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

You gave us the best case scenario. Now let's go to the other end of that continuum and look at the worst case scenario of those who go across county lines and do not honor up with their license.

MR. DUBOW: So, we think that there will probably be some people who don't comply. We built in a 10 percent non-compliance rate.

COUNCILWOMAN REYNOLDS BROWN: Okay.

MR. DUBOW: So, we assume that there will be some of that.

COUNCILWOMAN REYNOLDS BROWN: Very well. Okay. Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

I notice in the budget testimony that, Mr. Dubow, that you provided that there was some information that every year for the past number of years has not been included in this year's budget testimony. That being a request from the School District for additional funding. And my understanding of that is correct?

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

MR. DUBOW: That is correct. There was not a request for additional funding from the district.

COUNCILMAN GREEN: And the anticipated obligation for FY17 is 104?

MR. DUBOW: That's right.

COUNCILMAN GREEN: On page 69 of the budget detail?

MR. DUBOW: Yes.

COUNCILMAN GREEN: So based on that information not being a request from the School District this year, is it your understanding or belief that they are in better financial position for at least this fiscal year and next fiscal year?

MR. DUBOW: Yes.

COUNCILMAN GREEN: And that's based on information that we have received, I think, by media reports that they have a, as they described it, excess revenue over expenses of approximately $80 million for the current fiscal year and a projected 120 for next fiscal year?

MR. DUBOW: I think it was 80 -- in the

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

80s for the fiscal year that ended June 30, 2015. And that the number for this year is about 134-ish.

COUNCILMAN GREEN: Okay. When did you first get information from the School District that they would not be making a request for additional funding?

MR. DUBOW: We got that information probably within the last few weeks.

COUNCILMAN GREEN: Okay. So, within the last few weeks. And was that prior to media reports regarding that issue?

MR. DUBOW: To media reports that they were not going to request?

COUNCILMAN GREEN: Media reports that they were going to have -- I will use their language -- excess revenue over expenses for this fiscal year, next fiscal year.

MR. DUBOW: So, I think that was probably right around the same time when their projections came out. And it was after -- it was after the 88 or so million number for FY15 came out, but before the FY16 and 17 numbers came out.

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

COUNCILMAN GREEN: And I would have the perspective that based on your position with the City, you have regular conversation with the School District regarding their financial issues?

MR. DUBOW: That's correct.

COUNCILMAN GREEN: Okay. And so, I know that Council had entered into either an intergovernmental agreement or memorandum of understanding regarding getting better information from the School District. But from my perspective, and I could be wrong being somewhat new to this body but not new to this room, we didn't receive information, we as City Council the body, receive information regarding their financial status around the same time that you did.

MR. DUBOW: I'm not sure. I know that there were briefings from the School District to Council. I don't know the exact timing and when it relates to when we got information.

COUNCILMAN GREEN: Based on your experience both in this Administration and

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

the last two Administrations, you would regularly get information regarding the status of the School District and finances because they're such an impactful issue not only for education of children throughout the City but also the impact on the City's budget as well, correct?

MR. DUBOW: That's correct.

COUNCILMAN GREEN: Okay. And are you having regular meetings with the School District regarding their finances?

MR. DUBOW: Yes.

COUNCILMAN GREEN: Okay. And when was your last meeting with the School District prior to the release of that information.

MR. DUBOW: Prior to when they released it?

COUNCILMAN GREEN: Uh-huh.

MR. DUBOW: It was probably during the week when they released.

COUNCILMAN GREEN: Okay. But prior to that, when was your last conversation with the School District regarding their finances?

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

MR. DUBOW: We talk to them regularly so may have been the week before that.

COUNCILMAN GREEN: Okay. So considering your ongoing and regular communication with the School District, it would, I guess from my perspective, seem somewhat odd that they would not have an ongoing perspective of where they were from a financial perspective until that meeting that you had with them. And it seemed odd that we didn't get any earlier information how they were doing in reference to the fiscal year and the next fiscal year.

MR. DUBOW: I think they didn't -- they didn't know exact numbers. I mean, they knew that they were going to have positive fund balances. I don't think that they knew, kind of, where exactly that would fall out for '16 and '17.

COUNCILMAN GREEN: Okay. When you said they knew they were going to have positive numbers, when did you get information in reference to when they knew they were at positive numbers without being specific?

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

Just a general perspective.

MR. DUBOW: I think, you know, probably several months ago.

COUNCILMAN GREEN: Several months ago. Okay. Thank you.

COUNCILWOMAN REYNOLDS BROWN: As a follow up to Councilman Green's questions regarding the School District, is there -- did the Administration suggest to the School District that they should not ask for anything additional this year given where they are and what we're trying to accomplish in this fiscal budget?

MR. DUBOW: I don't think the Administration told them what they should or shouldn't do. I think that was a decision that they made.

COUNCILWOMAN REYNOLDS BROWN: "They" meaning the School District of Philadelphia?

MR. DUBOW: Yeah.

COUNCILWOMAN REYNOLDS BROWN: Very well. Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you very much. I was walking down the hall, and one

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

of the companies stopped me and reminded me that when it comes to Pedialyte, I believe that's the correct name for --

COUNCILWOMAN REYNOLDS BROWN: It is.

COUNCILWOMAN BLACKWELL: -- what children take, you know. When I got married, my youngest was 13. So -- and my oldest is still five years my junior, so I didn't get a chance for that. And even Ensure, which my father took towards the end of his life and all those protein drinks, they're all effected by what we do here. So, I think my colleagues should keep that in mind, as well.

It's terrifying to think that children and the elderly will be hurt by additional tax on sugar. Thank you.

That's my comment.

COUNCILWOMAN REYNOLDS BROWN: Can or will the Administration comment on that? Is that factual?

MR. DUBOW: I think it depends on the ingredient. So for example, anything with milk in it, is not subject to the tax. So

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

if the children's products have milk in them, they are not going to be subject to the tax.

COUNCILWOMAN REYNOLDS BROWN: Okay.

MR. DUBOW: I'm sorry. Revenue will give a more detailed response to that.

COUNCILWOMAN REYNOLDS BROWN: Sure. Restate your name and pull the mic close to you.

MS. WAXMAN: Hi. Marisa Waxman, Deputy Revenue Commissioner.

So, there are already exclusions built in for things like baby formula. Also, the legislation includes language that says by regulation certain things can be excluded for health-related reasons for, like, the products you were talking about.

COUNCILWOMAN REYNOLDS BROWN: Such as for clarity purposes?

MS. WAXMAN: I'm not an expert yet in those particular products. But there basically there is the flexibility to exclude health-related products. So if there is something that might be included,

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

for example, something like a Pedialyte or an Ensure but there's a health-related reason to exclude it, there is flexibility to do so via regulation.

COUNCILWOMAN BLACKWELL: Well, we would like that clarified so that we are specifically sure, because one of the companies told me that about an hour ago. So, we would like to know for sure. Because many people and many seniors who need it and the young as well need that. And we want that clarified.

COUNCILWOMAN REYNOLDS BROWN: Is that understood by the Administration?

MR. DUBOW: Yes. Yes, it is.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILWOMAN REYNOLDS BROWN: Thank you, Council Lady.

Councilman Domb.

COUNCILMAN DOMB: Thank you, Madam Chairwoman.

Just one question on -- has to do with the reduction in the wage taxes. I think we talked about this earlier. I was wondering

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

if we knew the figure for the non-resident reduction over the five-year period?

MR. DUBOW: The dollars or the rate?

COUNCILMAN DOMB: Dollars.

MR. DUBOW: Dollars. We will get back to you on that.

COUNCILMAN DOMB: All right. Thanks. I will tell you the reason for the question, just to be blunt. It sounds like the causes of the programs, I'm going to say this publicly, that that the Mayor and the Administration wants to do, I think everybody likes the idea preK and parks. I think the only question is how do we fund it. I am trying to look for areas like this possibly that might be solutions to that.

You don't have to answer that one.

MR. DUBOW: I wasn't planning to.

COUNCILMAN DOMB: Okay. Thanks.

COUNCILWOMAN REYNOLDS BROWN: Is that all? So for clarity purposes let's just revisit Councilwoman Blackwell's statement regarding sugary drinks. Confusion still exists. And as Councilwoman has stated,

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

right now anything with sugar in it, anything from your power drink to your 16-ounce soda will be taxable?

MR. DUBOW: No. So, there are exclusions in the legislation.

So for example, anything with milk in it and as Marisa said, things for medical purposes can be excluded by regulation. There are exclusions.

COUNCILWOMAN REYNOLDS BROWN: By regulation. But in the actual bill --

MR. DUBOW: Some by the Act and some by the Bill. We can lay that out for you to make sure you --

COUNCILWOMAN REYNOLDS BROWN: That would be imperative so that there is no confusion by the consumer.

MR. DUBOW: Great.

COUNCILWOMAN REYNOLDS BROWN: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman. Okay. I see -- one last question. Excuse me, Rob. I don't know. It's kind of like a Finance/OPA question

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

with respects to the reduction in the commercial base in our estimates show as relates to value, our estimates show that this is low.

MR. DUBOW: I'm sorry?

COUNCIL PRESIDENT CLARKE: The value.

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: Commercial base that we now look at possibly as much as 1.9 billion in the reduction of the commercial.

MR. DUBOW: In losses to appeals.

COUNCIL PRESIDENT CLARKE: Yeah. So, should I ask you that question or should I wait till OPA, because some of it was appeals?

MR. DUBOW: It was all -- that reduction was all from either appeals.

COUNCIL PRESIDENT CLARKE: Based on OPA's assessments. And should I wait for OPA to come up?

MR. DUBOW: Sorry, what's the question? What caused that?

COUNCIL PRESIDENT CLARKE: Yeah. Why?

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

MR. DUBOW: It's appeals. Losses and in settlements of appeals. It's all related to that.

COUNCIL PRESIDENT CLARKE: So first because we have -- it's all appeals?

MR. DUBOW: Yeah. You can -- I mean, OPA is going to be here. We can talk about it more later.

COUNCIL PRESIDENT CLARKE: I thought a portion of it was based on reassessments.

MR. DUBOW: There hasn't -- since the big reassessment, there really hasn't been a commercial assessment. We are doing that next year. I think all of that --

COUNCIL PRESIDENT CLARKE: Have to go back. I'm just saying that's a lot of money.

MR. DUBOW: I understand, yes.

COUNCIL PRESIDENT CLARKE: A lot of money. And then there's been some questions. I know my colleague, in particular Councilman Domb, has talked about some inconsistencies in assessments and appraisals based on the actual sales of

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

properties within the --
    MR. DUBOW: Right. That's why the next stage of what we're doing is a full commercial reassessment.
    COUNCIL PRESIDENT CLARKE: Right.
    MR. DUBOW: They are doing over the course of the next year. That's one of the reasons to make sure that it's all consistent.
    COUNCIL PRESIDENT CLARKE: All right. In the -- okay. Because I want to get -- assuming a lot of members want to get in depth for that.
    You going to be around when OPA is here?
    MR. DUBOW: Yes.
    COUNCIL PRESIDENT CLARKE: Okay. I can wait. Thank you.
    Next up we will have Treasurer and Sinking Fund, and then we will go on break.
        (Witnesses approach Table.)
    COUNCIL PRESIDENT CLARKE: Good afternoon.
    MS. JOHNSON: Good afternoon.
    MR. MAZZA: Afternoon.

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

COUNCIL PRESIDENT CLARKE: Please just state your name for the record.

MS. JOHNSON: Sure.

COUNCIL PRESIDENT CLARKE: And start your testimony.

MS. JOHNSON: Rasheia Johnson. Good afternoon, Council President Clarke, Members of City Council. I am Rasheia Johnson, City Treasurer.

In the interest of time I know we have submitted the testimony, so I'm just going to be very truncated. Joining me today is Matthew Mazza who is the Executive Director of the Sinking Fund Commission. And I am pleased to provide the testimony for the City Treasurer's Office for Fiscal Year 2017 Operating Budget.

The proposed Fiscal Year 2017 General Fund Budget totals 1.18 million, increase of $54,000 over FY2016 estimated obligations. This increase is primarily due to a request for an additional accountant and increase in wages from DC 47 raises beginning in July 2016. One additional thing I'd like to

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

highlight that was mentioned earlier. The CTO manages the City's relationships with the rating agency, leveraging the City's improving and economic fiscal outlook and working to optimize investor relations. And currently, the City is rated in the A category across all three rating agencies.

This concludes my testimony. I'll be happy to answer any questions.

MR. MAZZA: Good afternoon, Council. Matthew Mazza, Executive Director of the Sinking Fund Commission.

The mission of the Sinking Fund is appropriately pay debt service for the City and to help in the management of the PGW Pension Plan. My total budget for the Sinking Fund Commission for Fiscal Year 2017 is $630.58 million, which is an increase of 27.99 million or about 4.64 percent over the estimated obligation of Fiscal Year 16.

The Fiscal Year 17 budget for each of the funds changed in the last year as follows. You know, it's $31.6 million increase in general fund. Approximately, a

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

12.85 percent increase. A decrease in 19.7 million for the Water Department. It's approximately a decrease in 8.7 percent. Aviation, we have an increase in 14.1 million; approximately an increase in 11.4 percent. Car rental taxes stayed flat at $6 million.

I'd be happy to answer any questions from anyone now.

COUNCIL PRESIDENT CLARKE: Thank you.

Councilman Domb.

COUNCILMAN DOMB: Thank you, Council President. I think you guys sent me a chart of some debt issues that you -- I requested, but it doesn't have what my questions are.

That is, with the new potential borrowings, what will our debt be for the City in all categories? I have in this chart, if anybody wants it. It says in 2000 I think we were at, what, 7 billion, 7.1 billion?

MS. JOHNSON: That's correct.

COUNCILMAN DOMB: And in 2007, it was 7.5 billion. In 2015, it's 8.1 billion.

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

And my question is, with the new borrowings we may have to do, what will our debt be in 2017? That's one question. May not have the answers today.

And the second question is, I would just like to know compiled, not broken down but compiled in total, if we were like -- if you had a mortgage payment, you would want to know how much is principal and how much is interest. For all of this debt we have, what are we paying off per year in principal? What are we paying in interest? Is there an average interest rate of all that debt that you can show us?

MS. JOHNSON: The first question, 2017 is estimated an additional -- in the budget as additional 150 million in debt in addition to what's there. And I think we provided that to you. But we can send that -- then also we can send your our debt service schedule of how debt is rolling off every year. Because I think another one of the questions you had is how long the debt, and it rolls out to -- for 30 years to 2046.

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

Your other -- that's across all credits including water, gas and aviation in the general fund.

In addition to that, I know you asked about a weighted average. We do not do a weighted average because each credit has its own rating. So to combine all the -- the TICs, we just don't do that.

COUNCILMAN DOMB: Okay. Let me just ask this question. If we are at 8 billion in 2015, what will that -- will that number be -- do we borrow -- I don't know the number for 2016. I am trying to find out what is our debt in 2017 going to look like? Are we paying off $500 million a year in principal in total?

MR. MAZZA: So, the debt service number for Fiscal Year 2017 is $795 million. The maturity of that is principal with -- I think it's 60/40 the split in terms of principal and interest. As you know with all debt, you know, we would hope that the debt is going to continue to pay off over time as we continue to pay off our debt.

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

In Fiscal Year 16, it was 971 million. But we are also including a tran for fiscal year 16 in that number. If you subtract tran, it would be in the high sevens.

COUNCILMAN DOMB: Is it possible just to show -- because you have 8 billion in the chart you gave me.

MR. MAZZA: That was as of 6/30/2015. Right now it's probably about 7.7 billion as my numbers of March 24.

COUNCILMAN DOMB: This could be in the positive way, not a negative way. That's what I'm trying to get to.

MR. MAZZA: Correct.

COUNCILMAN DOMB: If our debt as a City is going down because we are paying principal, right, that's positive. That I am sure Moody's would enjoy that view of that. I just want to show everybody where we are financially, if we can have that kind of chart that shows it's now down to 7.6 and what's going to be down -- what's going to happen as we borrow and as we pay down. Sounds like we're paying down almost faster

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

than we're borrowing; is that accurate?

MS. JOHNSON: That's accurate. And over the ten-year period, over 50 percent is paid down.

COUNCILMAN DOMB: I don't think people really know that. I think that information should be shared. Thank you.

MS. JOHNSON: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Taubenberger.

COUNCILMAN TAUBENBERGER: Thank you, Council President. I do have a question, Ms. Johnson, on your exhibit that you have given us, the Treasury Management System, TMS.

MS. JOHNSON: Yes.

COUNCILMAN TAUBENBERGER: The question I have, the Treasury Management System mentioned on page 4 of your testimony, how much does that cost?

And second part, would it pay for itself in savings?

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

MR. SCHWARTZ: Christopher Schwartz, Deputy City Treasurer.

COUNCILMAN TAUBENBERGER: Thank you, Mr. Schwartz.

MR. SCHWARTZ: To answer your question, TMS approximately in the first year would cost about 135/140,000 dollars. That includes the implementation cost of getting that system up and running. The system itself could provide some benefit in terms of cost savings, I will say, in terms of analyzing bank fees and ensuring that across the board we are paying less fees and giving us the ability to negotiate fees down.

It's more of a control and value added type system then it is a cost saving system, though.

COUNCILMAN TAUBENBERGER: Okay. But there is potential savings in small amount of money.

MR. SCHWARTZ: Very small amount.

MS. JOHNSON: Incremental.

COUNCILMAN TAUBENBERGER: I don't know. Ben Franklin said save your pennies, and

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

dollars will take care of themselves or something like that. But, I mean, the point is -- my point to you is you are saving some dollars in some ways in small amounts.

MR. SCHWARTZ: Small amounts.

COUNCILMAN TAUBENBERGER: Still something. Thanks.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman. I have one quick question.

In your budget detail Section 17, page 4, you show an increase of 3 million in interest payments on the tran, i.e., Tax Revenue Anticipate Note.

Can you tell me the reason for that?

MR. MAZZA: That is just the actual interest on the TRAN. The TRAN with $175 million, the interest is.

COUNCIL PRESIDENT CLARKE: Is that normal?

MR. MAZZA: Yes.

COUNCIL PRESIDENT CLARKE: It's no aberration. Okay. All right. Thank you very much.

Wait a minute, hold on. Councilman Domb

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

has some more follow up.

COUNCILMAN DOMB: Thank you, Councilman. Just a follow-up question.

We now have over 270 different bank accounts between Wells Fargo, PNC, United Bank Republic and TD. We pay about one and a half million in bank fees. Is there any way to negotiate those fees down or eliminate them or try to condense some of those accounts?

MS. JOHNSON: What we actually do is we don't actually pay hard dollars for bank fees. They are paid through earnings credits. And the CTO, we continually monitor fees to ensure that they are being delivered at negotiated prices. So, we are currently doing that and for the services that they provide to us.

COUNCILMAN DOMB: My understanding of how that works is that that's the interest they are paying on our money, and they are taking the interest from us as the fee. That's how that works.

MS. JOHNSON: Well, in -- right. It's

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

earned income credits exactly. But we wouldn't -- in natural sense, we wouldn't earn that -- for example, there is an overage. It doesn't -- we don't earn that interest. So what we do is we continually monitor to make sure that we have enough to cover any expenses. And any other dollars are actually moved to our investment managers where we actually earn interest that could actually flow into our general fund.

COUNCILMAN DOMB: In the private world, I will say, that we have conversations with banks all the time and request that they waive fees on certain accounts, which they do, because we have other businesses with them. So I guess one of the question is, besides these bank accounts, do we do other business with Wells Fargo, PNC, the United Republic and TD where that conversation could occur.

MS. JOHNSON: Yes. We do other business with them. And we can have conversations with them.

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

COUNCILMAN DOMB: I would push them.

The other question I have, the second question has to do with the City recently required all non-representative exempt employee to enroll in direct deposit and receive a Citibank debit type card.

MS. JOHNSON: Uh-huh.

COUNCILMAN DOMB: And the question is, why are we still printing out paystubs for those employees and mailing some? And can we require all employees to enroll in direct deposit or debit card to replace this administrative costs?

MS. JOHNSON: Well, the question with regards to the paystubs, I think that's a question that payroll can answer. But we work in conjunction with them in human resources.

MS. KATHY: Hi. Kathy, First Deputy Director of Finance.

I'm sorry. Is the question why don't we require all employees to do direct deposit?

COUNCILMAN DOMB: That's one of them. And the other is, if we are doing direct

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

deposit, why do we still print out paystubs?

MS. KATHY: In answer to the first question of why don't we require all employees to do direct deposit, we have -- so far we have required exempts and non-reps to do that because we have the ability to impose that requirement. We don't have the ability to impose the requirement on the labor represented people unless we negotiate that with the union.

We are going to move -- we plan to move towards encouraging them at this point. And we have discussed whether or not we want to, you know, go further with the unions to see if we can work out more of a requirement. But we are not quite there yet.

COUNCILMAN DOMB: So that's part of the union negotiations that will occur?

MS. KATHY: We have to negotiate with them. We can't just impose that.

COUNCILMAN DOMB: What about the --

MS. KATHY: And the paystubs, we also are working towards a part of -- the system that we're building, the One Philly System,

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

will -- there will be a piece of that that has employee self-service where people can actually go online and look up their paystubs. Right now we don't have the ability to provide that information to people electronically. Unfortunately, we do still provide the paper paystub. We are working to move away from that.

COUNCILMAN DOMB: All right. Thank you very much. Thank you.

MS. KATHY: Welcome.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman. That appears to conclude the questions for these witnesses.

We will reconvene at two o'clock. Thank you -- with Office of Property and Assessment.

(Break taken at 1:21 p.m)

\- - -

(Hearings recommenced at 2:22 p.m.)

COUNCIL PRESIDENT CLARKE: Committee of the Whole is now reconvening. We will now have the Office of Property Assessment.

(Witnesses approach Table.)

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

COUNCIL PRESIDENT CLARKE: Good afternoon.

MR. PIPER: Good afternoon, Council President Clarke, Members of City Council. My name is Michael Piper. I'm here as the Chief Assessment Officer of the Office of Property Assessment. Here with me today are eight members of my senior management team. They are Deputy Chief Assessment Officer James Aros, Jr., who is seated to my right; Deputy Administrators J. Divine, Herman Seawert, Sharon Swann; Administrative Services Director Delicia Wallace seated to my left. Administrator of mass appraisal analysis Kevin Keene, IT Director Tom Dougherty and Senior Legal Counsel for OPA Drew Aldinger.

We are here to testify on the Proposed 2017 Fiscal Year Operating Budget. The OPA is primarily responsible for discovering, listing and valuing all real property in the City of Philadelphia in a fair and equitable manner. Additionally, the OPA is charged with establishing legal addresses for all parcels, providing a response to real property tax appeal cases, applying real property tax exemptions and administering the real property tax abatement program.

There are currently approximately 579,000 parcels of real property in the City of Philadelphia. These include residential, condominium, multi-family, large apartment complexes, retail hospitality, office, industrial, warehouse, hospital, government which includes city, state and federal, religious exempt and nonexempt property uses and vacant land.

As a short term goal, OPA will continue to respond to any first level review and Board of Revision of Taxes appeal for tax year 2015 and 2016 that has been filed. As a long term goal, OPA will continue to collect valuable data on the characteristics of parcels located throughout the City as well as arms-length sales related data and focus efforts on approving all assessment of performance measures of assessment uniformity and accuracy through regular

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

ongoing reassessments.

For Fiscal Year 2017, we are requesting from Council a general fund budget of $12,794,865 which represents a decrease of $490,281 under the Fiscal Year 2016 estimated obligation.

The Department performance operations Fiscal Year 2016 included the second phase of the actual value initiative or AVI during which the OPA completed the first complete City-wide reassessment. The initiative which began in 2010 and continued through 2015 resulted in the first major reassessment of all 579,000 parcels in the City of Philadelphia in several decades and will play a substantial role in removing the inequities and property assessment in the City.

The initial year of AVI saw a substantial improvement in the price related differential or PRD, which is used to measure uniformity between lower and higher valued properties. A mass appraisal of the PRD is a statistic for measuring the extent

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

to which high valued properties are assesses relative to low value properties. So, closer result to or slightly above one is considered desirable. That measurement for which the goal is between 0.90 and 1.037 improved from a pre-AVI level of 0.970 to 1.037 in 2014. Last year, tax year 2016, saw a relatively inconsequential change to 1.42 for single family residential.

Additionally, the City-wide coefficient of dispersion, or COD, which measures uniformity between different property groups and for which the goal is less than 0.150 also were improved from the pre-AVI level of 0.275 to 0.139 to 2014, which is an improvement of 49.5 percent. The COD is the most commonly used measure of overall uniformity and assessment ratio studies. Technically, it measures the extent to which the relationship between the assessment and sale price, known as the assessment ratio, deviate from the median. In general, a decrease in deviation is considered an improvement in the COD. That measure improves slightly in tax year 2015 to 0.137.

The departmental challenges that we have, like to speak about a little. After completing the initial phase of AVI, the OPA is still dealing with the after effects of the record number of market value appeals filed for tax year 2014. The first year of AVI resulted in over 50,000 informal appeals or first level review appeals, a process that allows taxpayers to contest an assessment due to valuation based assertions related to an incorrect amount or level of assessment or missing exemption.

While the new informal appeal process was a success in that it facilitated greater access to taxpayer remedy, a record number of formal market value appeals were still filed with the Board of Revision of Taxes. OPA evaluators have been responsible for answering over 25,000 BRT appeals filed for tax year 2014 alone, and are still for some commercial properties addressing these appeals.

OPA's -- among OPA's daunting challenge

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

continues to be its lack of a modern, robust industry-accepted computer assisted mass appraisal system or CAMA. Ongoing comprehensive City-wide reassessments will require a CAMA System that will allow and support sophisticated mass appraisal methodology and statistical analysis as well as detailed property characteristic maintenance and facilitate a much more efficient assessment recertification process resulting in the timely reissuing of property tax bills.

An ongoing -- an additional ongoing challenge that the OPA faces is the ability to increase its staffing levels that mirror industry standards among our accomplishments and initiatives. So in conjunction with the actual value initiative implementation that began in 2014, the City of Philadelphia continues to offer relief programs that mitigate the effects of long overdue assessment revisions that in many instances result in the potential for increased tax liabilities for Philadelphia homeowners.

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

The Homestead Exemption was created to help mitigate taxpayer concerns over potential increases in annual property taxes by offering owner-occupiers an exemption of up to $30,000. During the past year, the OPA has transitioned the responsibilities related to the application process of the Homestead Exemption to the Department of Revenue.

Additionally, the OPA continues to work with the Department of Revenue to implement the long time owner-occupant program or LOOP which provides ten years of tax discounts to certain long time homeowners whose taxable property assessments more than tripled in 2014. However, the OPA's role is fairly limited in the LOOP process. OPA provides Revenue with the initial assessment data for any property that experience the tripling between tax years, and then verifies a property's abatement history if any. The Department of Revenue manages the overall program including outreach, application processing, approval or denial, et cetera.

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

The OPA's website www.phila.gov/OPA continues to offer property owners information regarding their property valuation data in addition to the Homestead Exemption. The available information includes application, assistance regarding denials and reapplications and answer to frequently asked questions. For those without internet access or more specific questions, the Homestead hotline which is (215)686-9200 continues to operate Monday through Friday, 8:30 a.m. to 6:00, non-English speaking property owners can conduct their call in any language.

Under current initiatives, in order to continue to have assessments closely reflect actual market values, OPA is committed to regular ongoing reassessments. For tax year 2016, OPA looked to further improve its goal of lower coefficients of dispersion City-wide for residential parcels but with a focus on those neighborhoods where our measurements of dispersion were higher than the City-wide average.

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

This year OPA is seeking to improve the level of accuracy and uniformity of the assessment of the land component of the City of Philadelphia's over 470,000 residential parcels and on the 40,000 non-commercial or industrial vacant land parcels. OPA's modeling unit with the assistance of experts from the City's Land Bank as well as nationally respected modeling consultant have at the neighborhood level closely examined the relationship of the land component of each parcel to existing market values with regard to the land's contributory value. More appropriate, OPA has adjusted the land-to-improvement ratio in a manner that is more reflective of what the market indicates it should be. And in some cases, revised the overall market value of the parcel itself.

Approximately 475,000 change of assessment notices will be mailed within the next week. And some have already gone out to taxpayers who may see a change in the overall assess value for partially abated

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

properties or a change in the taxable assess value or, in most instances, simply a change in the land-to-improvement allocation that results in no change to the taxable assessment. OPA will continue to allow property owners seeking to challenge a reassessment to file an informal appeal or first level review directly with the Office of Property Assessment within 30 days of the change of assessment notice.

New initiative. OPA will continue to pursue its goal of regular assessments focusing on area on property types where performance measures for accuracy and/or uniformity are in need of some improvement. As the local market for commercial real estate is improved substantially over the past four years, the OPA has recognized a need for an overall reassessment focused on commercial and industrial properties so that assessments reflect what hotels, office buildings, apartment buildings, retail shopping centers, warehouses and other commercial parcels are selling for in the open market.

During the coming fiscal year, OPA will pursue an intense data gathering effort with regard to all commercial property within the City of Philadelphia. This effort will focus on updating OPA's records to include current data relating to local commercial sales, income and expense data, vacancy rates and appropriate income capitalization rates. Additionally, the OPA will at the recommendation of City Council and the AVI monitoring group who we have spoken to representatives of, seek to contract with MAI professionals experienced in the local commercial real estate market to assist in this data gathering effort. Our goal is to carefully examine the accuracy of each assessment for tax year 2018, recertifying the existing values where appropriate but implementing revisions where necessary.

Additionally, OPA has gone forward with the process of acquiring a CAMA System. Together with the Office of Property Data and the Office of Innovation and Technology,

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

OPA has made substantial progress towards an anticipated goal securing a contract for a CAMA vendor by mid 2016. The budget that the Office of Property Assessment is requesting will allow the department to ensure that it reaches its goal of fair and equitable assessments for all taxpayers using methodologies that employ industry standard.

So, I thank you for the opportunity to testify before Council this afternoon. My staff and I will now be happy to answer any questions that you have.

COUNCIL PRESIDENT CLARKE: Thank you very much. Got a couple of questions.

The first of which I started with Mr. Dubow under Finance. So, we have information that reflects the reduction in the value of commercial property to the tune of $1.9 billion. Can you kind of talk to us about that?

And it looks like a significant amount of that was actually reduced by OPA, and then a significant amount by the water

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

revision and tax as it relates to appeals. So I guess my question is, one, how did that happen, i.e., how were we so far off in our assessments?

And two, what are we going to do about losing that much value in commercial properties?

MR. PIPER: Sure. The assessment reductions and commercial appeals that you've seen the report on do reflect that there were a portion that were reduced by the BRT as a result of appeals filed. However, there's also a substantial amount that were reduced by, I would say, a negotiation or an agreement with the appellant and the OPA. They were also as a result of appeals filed. And --

COUNCIL PRESIDENT CLARKE: Right. I know the BRT is sitting over there. We going to make sure we get the numbers out. OPA was 3.3.

MR. PIPER: Correct.

COUNCIL PRESIDENT CLARKE: And BRT was 1.2.

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

MR. PIPER: Right.

COUNCIL PRESIDENT CLARKE: It's a lot more by OPA. Wanted to ask you, the OPA was responsible for the original assessment.

How could you be that far off?

MR. PIPER: I don't know if I would say we were far off in terms of our assessment. I think what that reflects is the idea that when an appeal is filed, particularly by a commercial property owner, there is a certain amount of risk that we understand is inherent with letting the appeal go forward to the Board, whether or not the value is correct or not. And the ones that we actually allow to go to the Board are the ones in which we feel as though we are going to have to take the risk because we are so far apart from what the property owner is asserting the value should be and what we believe it should be.

In the instance where you see OPA-implemented reductions, those are ones in which we either felt as though we didn't see the gap between what we believe the

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

property value is worth and what the taxpayer believes it's worth as being so great as we couldn't come to some type of agreement that didn't involve us taking an additional risk in that we were going to lose altogether.

COUNCIL PRESIDENT CLARKE: So, that still doesn't explain the question which is how were you that far off. But you're basically saying that you are cutting in the like -- I hate to use the term, but in the prosecutor's deal on criminal cases, you say, well, let's cut a deal. And you run the risk of going to the jury where you can get 50 years and, you know, we will be prepared to let you only get 25 years, but the original charge was for life.

I mean, what -- I'm just trying to get a sense of -- that's a lot of money. That's a significant amount we were off.

MR. PIPER: Yes.

COUNCIL PRESIDENT CLARKE: You are suggesting that the BRT's appeal process would be more lenient with the appellant --

the entity that would appeal?

MR. PIPER: Not nec -- I'm suggesting that in some instances either we didn't want to take that chance because it put the City at too much risk because of the amount involved, but also because in some instances the difference between what the OPA asserted the value is and the taxpayer asserts the value should be was close enough that we didn't need to go and further risk the loss to the City.

COUNCIL PRESIDENT CLARKE: You are basically not standing by your -- your assessments basically?

MR. PIPER: We're standing --

COUNCIL PRESIDENT CLARKE: If you believe your assessments are accurate, then you should stand by that.

MR. PIPER: We believe they are accurate. And we believe that --

COUNCIL PRESIDENT CLARKE: Why would you automatically fold, fold your tent in terms of the appeal process?

MR. PIPER: I guess another way I could

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

put it, Council President Clarke, as part of the assessment process which is not an exact science where the number that we put on there, everyone is going to agree on. We -- we will always make sure that we are looking at what we're risking on behalf of the City. And we need to make sure that we are doing the prudent thing.

And in some instances -- by the way, I will have to say, yeah, you're right. Our assessments were wrong, but it was only because the appeal got as far as it did that we got the information from the taxpayer to let us know, well, you know what, here is where maybe we have a little room to change it. You know, maybe our data indicated we had three times as much gross building area as what's actually there. That information, as you might imagine, doesn't come to us willingly especially on commercial properties until the commercial appellant has actually come in on the appeal.

When that information is given to us, sometimes we feel we do need to make the

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

adjustment. We can say we were wrong. We were wrong. We're inaccurate. And thank you, to the taxpayer, for bringing the information to us. Because a lot of what we do with residential and commercial properties is based on assumptions.

COUNCIL PRESIDENT CLARKE: All right. So when we did AVI, we had little flyers out. And we said, well, you know, this is a fair and accurate assessment.

MR. PIPER: Right.

COUNCIL PRESIDENT CLARKE: These are the values and we stood behind that. We did, too, because we voted for it. You know, also some of us had some concerns about our vote.

That wasn't accurate at that point? We knew that --

MR. PIPER: Fair.

COUNCIL PRESIDENT CLARKE: I'm saying when we did AVI, the whole point -- in the old days when it was just the BRT, things were kind of like all over the place. Now we said these are the values. And I'm

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

assuming it was based on comps. But now you're telling me today that we weren't really sure in a lot of instances to the tune of 3 billion on behalf of the OPA. We were ready to adjust based on the people appealing.

MR. PIPER: No. What I'm saying is that the difference between the value that we have on the property --

COUNCIL PRESIDENT CLARKE: I know what you said.

MR. PIPER: Right. And what the taxpayer asserts it is, is there is a middle ground that in some instances we do have to stand by it. In some instances we have stood by it and we've lost completely.

Does that mean that it was incorrect? No. Does that mean that BRT has made a bad decision? In some cases, maybe. But at the end of the day, the City would lose especially if this was something we were adamant we were right about.

So as part of regular reassessment practice that takes place during appeals, we have to look at what losses we think we can reasonably say, you know, we can't help that because we are adamant. We have the right information. We have the right -- we have rent rules. We are using a good capitalization rate.

In some instances, we have to say we have done all that and we are going to let someone else make the decision. In some instances, we have to say we have done -- everything we need to do to make this an accurate assessment and we stand by our number. However, if we're going to the BRT hearing because the appellant has done a good case, a good job of making a case, we need to be able to figure out how that is going -- by the way, the appellants do exactly the same thing.

COUNCIL PRESIDENT CLARKE: All right. So, some of your predecessors in the budget process, you're going to have your answer. We are going to have our questions. We can go on and on. But I'm just -- the reality is, is that we gave people our pledge that

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

these were going to be accurate assessments, fair and accurate. And we did a big promotion. But that doesn't seem to be the case. I don't want to keep going back and forth on that. You are going to give me the same answer, and I will give you the same question. So, we can move on to this.

So, I'm going to give you a couple of examples. This is not, you know, the norm. So give you four properties as an example. Two Franklin Town Boulevard; 1336 Chestnut; 1513 Walnut, 22-34 South 17th.

So in these cases, and I will go down the line, so the market value was listed at 26 million on the first one, 10 million on the second one, 2 million and the last one 90 million. But then they sold for 65 million, 26 million, 29 million for the 10 million, 14 for the 2 million and 101 million for the 90 million.

So, this is a snapshot of a case where there were large expensive commercial properties where our assessments weren't even close to the market value. So as we

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

move ahead, is it likely in your
reassessment that we will cut a deal with
these people, too?
MR. PIPER: That's a good question, Council President. I would like to -- you know, when we started going down this road a few years ago with AVI, yes, we held out some ideas that we want to make sure that the assessments are fair and accurate. And I think a lot of folks were sort of new to what we do. I mean, what we do is basically appraisal. But I think a lot of folks, including Council and taxpayers, have learned a lot about the process.
But there are some other things about the process that, if you don't mind, I would like to in trying to answer your question sort of point out.
What we do is basically appraisal, okay? Almost the same as just appraising one property. If a person takes a week to appraise a property, 40 hours he puts into his appraisal work. The information he got at the beginning of the week and the

information he gets a week later when he writes his report is still concerned to be current. It's now, okay?

The information that the OPA or any assessment office uses is what we call current data. But by nature because of the assessment process, it's sometimes a year or two or three years old because we are looking at sales over a recent period. And the recent period is not last year necessarily. It's sometimes two or three years.

So for instance, the ones you just mentioned, our assessment of commercial properties, they were based on when we did AVI in which we had to certify an assessment role by March 31 of 2013, our numbers were based on sales data from no more recently than fourth quarter 2011 maybe, in some instances, first quarter 2012 which seems like kind of a big gap. It certainly is a big gap between then and now. And we can understand that prices, real estate prices on commercial properties, have been going up dramatically since then.

COUNCIL PRESIDENT CLARKE: Your testimony says over the past four years.

MR. PIPER: Yes.

COUNCIL PRESIDENT CLARKE: So, you knew that this was -- how did you know that?

MR. PIPER: We --

COUNCIL PRESIDENT CLARKE: Why wasn't that reflected in your assessment if you knew property values were going up?

MR. PIPER: The same information you have, we get that information from the Recorder of Deeds and from professional publications that let us know what's going on in the region and in Philadelphia --

COUNCIL PRESIDENT CLARKE: All right.

MR. PIPER: -- in commercial properties. So we're aware.

COUNCIL PRESIDENT CLARKE: All right.

MR. PIPER: Which is why we are looking forward to doing the commercial reassessment.

COUNCIL PRESIDENT CLARKE: All right. I'm actually over my time. In spite of what

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

people believe, I am on the clock, also. I know you guys don't believe it.

But -- so the reality is, is that as we move forward and I know there are going to be some other questions about this, how do we fix this issue?

Because somebody as an example, take the extreme, the 26 million-dollar property market value property sold for 65. Somebody did an assessment when they agreed to pay 65 million. Maybe we need to have that person do the assessment to determine that it was worth 65 million and not 26.

MR. PIPER: When you get information about a sale price on a commercial property, and our commercial assessors know this and a appraisor knows this also, you get honest and accurate information on the deed. It says $65 million. But for us to be able to use that type of information as a gauge to what we should be assessing, we need to validate the terms of that sale. With commercial property, that means we need to be able to figure out how much of that was

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

attributable to the value agreed upon between the seller and the buyer on the real estate, and how much was on -- which is typically the case with commercial properties on the business. And which is almost always the case on the personal property, furniture, whatever, that's not real estate and, therefore, we cannot assess.

We can make assumptions that it's maybe 30, 40 percent depending on the type of building, office billing, hotel. But in order to get actual information about it, which is what we need, we either have to send out questionnaires and hope we get honest information back. Which you might expect, we typically don't get anything back. It's not in the buyer or seller's interest to let us know this. But we don't usually get it until, again, the appellant walks in.

COUNCIL PRESIDENT CLARKE: My assumption is that was a functioning property at the time of this sale, wasn't like it was a

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

vacant property?

MR. PIPER: Right.

COUNCIL PRESIDENT CLARKE: So, there were indicators that there was a functioning business in that property prior to?

MR. PIPER: Right.

COUNCIL PRESIDENT CLARKE: That's what I am going to do. I'm going to come back because I'm taking a lot of time. But I just -- I'm -- this is a big gap. It's a lot of money.

MR. PIPER: Sure.

COUNCIL PRESIDENT CLARKE: It's 1.9 billion. If we were able to tax that, we would be getting $26 million a year in additional revenue. And guess what we can pay for with that, right? The magic number that we've been talking about the preK. So, okay.

Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. President. Good afternoon.

MR. PIPER: Good afternoon, Councilman.

COUNCILMAN GREENLEE: First of all, I

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

just want to say I always appreciate when I contact you, you always get back and try to give me as much information as you can. I appreciate that.

I was going to ask about the CAMA system. I still want to. Just to follow up just slightly on what the Council President was talking about. When it comes to first level reviews or, you know, the consideration that OPA gives to appeals, do you have any information on either percentage or real numbers on what is worked out for residential properties versus commercial properties?

MR. PIPER: In terms of the level of success or in terms of --

COUNCILMAN GREENLEE: No. How many -- I was thinking more how many agreements do you work out percentage-wise of the appeals that residents put in as opposed to commercial property owners? Am I making sense?

MR. PIPER: I can say, and Mr. Al can confirm if I'm wrong or not. I can say with the first level reviews, a substantial

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

number particularly what was filed for tax year 2014 and 2015, a substantial number of those were just denied because they were found to be non-credible.

COUNCILMAN GREENLEE: Is that on residential?

MR. PIPER: That's particularly on --

COUNCILMAN GREENLEE: Particularly on residential.

MR. PIPER: Most of the FLRs, any of the appeals were filed on the residential. But a larger percentage were filed on the residential.

COUNCILMAN GREENLEE: Okay.

MR. PIPER: So what you would expect to see is, in other words, the commercial property owners usually don't bother with the first level review. They go right to the BRT.

COUNCILMAN GREENLEE: All right. But you still got involved, as Council President pointed out, when there were appeals to the BRT on the commercial property.

MR. PIPER: Sure.

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

COUNCILMAN GREENLEE: In other words, you tried to work things out, right?

MR. PIPER: Right.

COUNCILMAN GREENLEE: That's what I'm getting at. I guess, how many percentage-wise or approximate, you might not have the figure, did you do that with commercial as opposed to residential?

MR. PIPER: We probably did it more with commercials than residentials. Because again, with residential what you are going to see is an appeal either an FLR or BRT appeal that sort of straightforward that says this is what I think my house is worth. I think you've overassessed me. I think it's worth what you put on there, but the guy across the street, you are assessing it a lot less, so it's not uniform.

With the commercial property owner, again, we get a lot more information that comes in that's likely to sway us to say, you know what, we -- our assumptions were right and our value is right based on the assumptions that we think were right. But

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

some of our assumptions were wrong. You just kind of filled in the blanks commercial property owner. Thank you. Now unfortunately for us, we have to lower the value. But this -- it's sort of a self-correcting part of the process.

COUNCILMAN GREENLEE: Okay. I have to say, the reason I raised that, I heard before that fair or not, I'll just throw it out there, that you're more likely to make agreements with commercial property owners because they have the wherewithal, particularly larger commercial buildings, to appeal that kind of thing. Where Joe and Mary Jones can only probably do so much.

I don't know if you have a reaction to that or not?

MR. PIPER: I can say that's probably not true based on our experience because a commercial property owner has a lot -- is going to wind up spending a lot more money to continue to pursue a appeal.

COUNCILMAN GREENLEE: They got a lot more money to give, I guess.

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

MR. PIPER: They do. But it cost them -- a residential property owner never has to pay any money to file an appeal either with us or the BRT. A commercial property owner is required to produce and pay for an appeal to continue to pursue the appeal.

COUNCILMAN GREENLEE: As far as the CAMA System, I know you said you hope to have this in place by mid 2016. So, the proposals have been put in?

MR. PIPER: Yes.

COUNCILMAN GREENLEE: We're pretty -- sounds like that's pretty close then, right?

MR. PIPER: Yes.

COUNCILMAN GREENLEE: Who all makes the decision on that as far as picking the system, picking the vendor? I'm sorry.

MR. PIPER: The decision on the vendor?

COUNCILMAN GREENLEE: Yes. Yes.

MR. PIPER: It's combination of upper level staff that is part of OPA, OPD and OIT.

COUNCILMAN GREENLEE: Okay.

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

Combination. It's what I figured.

And just so I'm clear, because Mr. Dubow and I were going back and forth a couple times on the whole issue of the problems between BRT, OPA and Revenue people getting the wrong bills, you know, all that kind of thing. I guess one of the things the CAMA System is supposed to do is improve that or --

MR. PIPER: Yes.

COUNCILMAN GREENLEE: Solve it maybe.

MR. PIPER: Well, it's what a jurisdiction the size of Philadelphia will typically have in place. And it's part of the regular process. You have a computer system mass appraisal system that helps generate assessments in a timely fashion so that, you know, the tax bills that result from appeals or just from regular reassessments are -- the information gets over a lot quicker, a lot more efficiently, sure.

COUNCILMAN GREENLEE: If I could -- again, I use the term to Mr. Dubow this

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

morning, Monday morning quarterback. I guess that's what I'm doing.

But AVI came in a couple, you know, couple years ago, right? Why is CAMA System now, you still haven't got it yet? I know it's not totally your decision. I'm just trying to think out loud. It seems like if it's such a great thing to have, seems like it's taking a long time to get it.

MR. PIPER: I would agree. We wish we had it now. And I think, however, what we have done this time around in trying to acquire a CAMA System has been probably the most professional process that I've been involved with in my 25 years with the City because of the way the City's gone about trying to acquire it. We didn't go out and say we need someone who can do it at the cheapest price, you know, who can show us the most bells and whistles. We went through a process.

COUNCILMAN GREENLEE: You feel you did your due diligence.

MR. PIPER: We did more than our due

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

diligence. I can give you details on what we have done including visiting current customers of the vendors, having the vendors come in and give demonstrations to our, at least, a substantial portion of our staff as well as OPD and OIT. I think we vetted everyone who has submitted proposals.

In fact, I think just going back prior to, you know, even submitting -- before we got the proposals from the vendors, I think what we have put into trying to have a needs assessment document put together, I think we did our due diligence. And I think we were responsible stewards of taxpayer money.

COUNCILMAN GREENLEE: Okay. Thank you for your answers.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Domb.

COUNCILMAN DOMB: Thank you, Council President. Good afternoon.

MR. PIPER: Hi, Councilman.

COUNCILMAN DOMB: My comments are more

constructive purposes. I want to work with everybody to make this better. You guys have been very cooperative and I appreciate that. I want to make sure I said some information accurate.

Right now in the City we bill about -- we have values of 134 billion roughly of real estate. We bill about 103 billion roughly.

MR. PIPER: Right. Roughly about.

COUNCILMAN DOMB: We have revenues of about 1.2 billion in real estate taxes? 1.2 to 1.3?

MR. PIPER: I'm not sure about that.

COUNCILMAN DOMB: Pretty close.

MR. PIPER: Yes.

COUNCILMAN DOMB: We have 3.1 billion of real estate we don't bill which is nonprofits.

MR. PIPER: Okay.

COUNCILMAN DOMB: And in the private sector, just so you -- in the private sector, most companies would spend 2 percent of that on professional management. We are

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

barely spending 1 percent. I just want to put that spotlight down because we should understand what we are dealing with. This is the most important area of real estate of assets that the City has, 134 billion. And some comparison, one of our largest firms in the City, is probably Brandywine. And they have, what, 5 to 10 billion dollars? We have 134 billion.

In the last three years, we really haven't changed our values of 134. They stayed pretty constant.

MR. PIPER: Right.

COUNCILMAN DOMB: And I'm not blaming anybody. Because in my opinion, the crux of this problem is that when we did AVI way back, we should have had a CAMA System on a dual track while we were doing AVI. When AVI was finished, the CAMA System would have picked it up.

To the Council President's comments about 1.9 billion, it's about 27, 28 million dollars of taxes we're not getting. But in the big picture of 134 billion, not

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

terrible. I mean, it's not even 2 percent, okay. What does happen, I was on the other side of the coin so I can speak to this issue.

What does happen is what Councilman Greenlee said is that real estate people hire the best lawyers in the City and the best appraisers in the City. They go into the hearing. And our appraisers are good, but they're not of that caliber. And they don't have the information that the outside people have. They don't have the comps. It's a tough process. I understand why you made some deals. I understand all that stuff.

My goal is to equip you guys with the firepower you need in order to manage this asset in a really good way. By not changing the values for the last three years, if it was just 3 percent a year, it would have been $36 million each year. Which is like $108 million. So, we lost a lot of revenue. This is a big area that we got to keep focus on. I understand also in your statement

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

today, you have open slots for appraisers.

MR. PIPER: We do.

COUNCILMAN DOMB: You can't fill them. My guess is because of salaries we offer, that's why they can't be filled. I am just guessing that. I understand the salary is okay but not great.

The other piece we should focus on is with the number of appraisers you have, it's 123. We have 579,000 properties, so each appraisor is, I guess, responsible for 4,707 properties per year. That's impossible to handle. I mean, that's a tough job.

That's why I don't think we as the City of Philadelphia are giving you the resources that you need to really effectively manage this whole process. So, it would be tough for me -- I'm not criticizing anything because I don't think you have the dollars or the investment in order to make this more effective. Something we need to look at and work together to figure out. There is a lot of issues why values were off, by the way, in the last three years.

The cap rates dramatically went down which caused values to go up dramatically. Number one. And number two, many buildings were sold because the uses were change. You have an office building that gets changed to residential. Investor sees that but you guys can't say that. You have to value it as an office building. So the price could have doubled because it was a residential. Look at all the apartment buildings that were office buildings before in this City that were converted. That's a reason why a lot of these value have changed.

Now we don't have the firepower to go back in and fix it. So what I'd like -- you don't have to give me an answer today. What I would like you guys to think about is how do we fix this really well. If you need more assets, you got to tell us. Because I look at this as an investment. I don't look at this as a cost. I think we need to really focus in this area and get all these land values that are off. I know a penthouse recently sold for huge numbers,

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

like, 10 million and the land value is 68,000. This property on Walnut Street sold for 40 billion and it's assessed at 4 and a half. I can go on with those examples, but that's not productive.

I want to try to give you guys the tools to fix all this stuff. So having said that, I would like you to think about. Maybe we can meet again and figure this out and we'll work together.

MR. PIPER: Councilman Domb, I appreciate what you're saying and the support. I got to share something with folks in this room that I've already shared with my senior staff and I think with you.

Your expertise is something we certainly appreciate. When I got into trying to sell real estate part time in the early '90s, my managing broker requested that I try to find a way to have a conversation with Allan Domb because Allan Domb knows what he's talking about. And I asked him to facilitate the meeting, but then he told me Allan Domb charges to watch him work. And I couldn't afford to meet Allen Domb. Now that you're here to give me free advice, I certainly do appreciate it and the staff does, too.

They've always -- particularly, our condo unit -- always said you have been good at sharing what you do know. I appreciate the support. There's a couple quick comments.

You made a comment about salaries the staff is paid. I think to some degree, that's a concern because I know we have gotten folks in over the past few years with college degrees and business-related subjects. And a few of them actually have left when the economy got a little better. I think that's a concern. I think between Council and the Civil Service Commission, we have gotten some support in trying to kind of go outside the City a little bit. We haven't gotten a lot of folks from outside the City. We're doing everything we can.

Actually, I think we are getting close to our goals. And our goal, by the way, for substantial -- a big jurisdiction like

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

Philadelphia, you are looking at approximately one person to every 2,500 to 3,000 parcels. That, you know, that could change depending on the inventory. But I think we're getting pretty close to that. Having said that, looking at what we're doing going forward with not only the CAMA System, which is going to require some of our folks to be involved in implementation efforts, the commercial reappraisal is something that we really do want to have some consultants help on.

I appreciate your support on that.

COUNCILMAN DOMB: Thank you. Thank you very much.

Thank you, Council President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman. Also known as our City Council secret weapon on real estate. Thank you, sir.

Chair recognizes Councilwoman Parker.

COUNCILWOMAN PARKER: Thank you, Mr. President. Let me say good afternoon to each of you. Thank you for being here.

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

MR. PIPER: Good afternoon.

COUNCILWOMAN PARKER: Let me start by asking you to just give us a summary, if you will, on how much revenue you think is not being collected for properties that have multiple exemptions?

You can give us an example of, you know, something that automatically comes to mind where you can think of a few properties where they have multiple exemptions.

MR. PIPER: Sure. Let me say, first of all, before someone jumps up and stops me from talking about revenue, I don't -- I can't really speak to revenue. I understand the question as it relates to what we do. So in terms of what -- maybe what percentage of properties are exempt that maybe should be taxable, that's kind of my question.

COUNCILWOMAN PARKER: Yes. For example, you are going out and trying to conduct your assessments. But there is a property that may have multiple exemptions because they file in categories. They find themselves in different categories where they are

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

eligible --

MR. PIPER: Sure.

COUNCILWOMAN PARKER: -- to receive exemptions. I'm asking you of all of the properties that we do assess, how many of them have multiple exemptions?

And then would you be able to tell me if there are any commercial properties that have multiple exemptions?

MR. PIPER: That's a very good question. The answer to the first part of that, let me say, is there may be some properties that have multiple exemptions or an exemption and an abatement. But because we don't have a modern CAMA System, the current V-SAM based system that we use now does not allow us to track those exemptions in a way that's apparent to the assessor. It's sort of a manual process. And I will give you an example of one.

There's a property owned by one of the major university in which they have partial exemption because they are statutorily exempt as a nonprofit. But some of the

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

upper space is used for apartment buildings. And the developer that developed that has an abatement on it, which is a temporary exemption. So in order to track those multiple exemptions, meaning the one that matures after a certain amount of time and the ones that would stay on forever, it's very difficult to do without the modern CAMA System.

COUNCILWOMAN PARKER: Because we don't have CAMA, are you telling me that even -- we don't have an approximate even though it would have to be this data sort of collected manually? You don't have sort of a snapshot. Without CAMA, I get it, we can't give you a number and say this is the accurate, official number.

Can you give us a snapshot of properties with multiple exemptions, or you don't have a number?

MR. PIPER: I can find out. I can tell you that. But I think the first part what you just asked, in other words, without CAMA, does that mean we don't do anything?

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

The answer is no. We do track them, but it's more of a manual process that either allows the taxpayer to go ahead receiving an exemption that they shouldn't have till we catch it or us terminating an exemption. And that usually creates some anxiety with a taxpayer who says, how did you do this? I still have a few more years.

We catch it, but that's the only way we can do it right now.

COUNCILWOMAN PARKER: And I guess -- let me just let you know where my concern is. And I know the CAMA will help to alleviate some of this. I think about the legislation that we helped to provide the enable of this authority for this Council to act. And Councilman Kenyatta Johnson and Councilman Squilla just worked extremely hard so that we could make some adjustments to benefit the community for that. We provided the enabled legislation for the Homestead advocated by all members here and then we had the abatement. Despite what people can personally think about it, it's been used as an effective tool in some areas despite what you think.

And so, the issue becomes when you think about people who are eligible and how hard you fight to extend the eligibility guidelines, and then you say as a call I received, someone receiving Homestead and LOOP and abatement. They say, Cherelle, is that possible? And I couldn't answer the question.

MR. PIPER: Oh, right. For those I think we do have a pretty good auditing process in place. Those are fairly new programs, so there were some rules. And I think some of the rules have been modified a little bit to say you can pretty much have one or the other. So, I think we audit those on a regular basis.

What triggers an audit usually is a new -- a new deed, a new title owner. If you have -- if there is a property with Homestead and they apply for abatement, of course, we can always check that out. If they have an abatement on it currently and

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

they are looking to get a Homestead exemption, we can -- we can find that out.

COUNCILWOMAN PARKER: Can you forward that information to the Chair for distribution so that we can just get a snapshot of those properties.

MR. PIPER: Sure.

COUNCILWOMAN PARKER: In addition to that, I want to go back to the staffing question that you talked about earlier, particularly as it related to the commercial assessments and training because this is extremely important for me, to have a challenge. I know there are some things I will agree the private sector does much more efficiently than the government does. But when we have the opportunity for professional growth and development and/or training, we can learn.

So with that being said, tell me how often do you remember have you -- do you work with the Civil Service Commission as it relates to any of the incoming courses or testing that's being offered? And in your

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

role as the chief assessment officer, are you what is something that is called a subject matter expert?

MR. PIPER: Depends on what the subject is. But sometimes, yes.

COUNCILWOMAN PARKER: So if the Civil Services offering a test and it's for real property evaluator and/or management or supervisor in those tests, would Civil Service look to you as being a subject matter expert as the chief officer?

MR. PIPER: I think what Civil Service would do is say who would be a subject matter expert.

COUNCILWOMAN PARKER: The question for me is, have you ever served in that capacity?

MR. PIPER: Yes.

COUNCILWOMAN PARKER: How recent would you say that have been like recently in terms? I am thinking about the number of people we are trying to bring in, in terms of testing.

MR. PIPER: I would say as recently as

couple years ago.

COUNCILWOMAN PARKER: A couple years ago, so '14? '15? '13? I just want to finish this line of questioning, Mr. President, and then I'll come back on the second round.

MR. PIPER: Some time, I think, during '15.

COUNCILWOMAN PARKER: Sometime during '15, that's the last time, '15?

MR. PIPER: I think so.

COUNCILWOMAN PARKER: The last time you will remember. Okay. We are going to come back around. And I will see you during the next go around. I really want to get into the staffing of professional development and training component, and then quickly come back to multiple exemptions.

MR. PIPER: Okay.

COUNCILWOMAN PARKER: Thank you very much for your patience.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Chair recognizes Councilman Johnson.

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

COUNCILMAN JOHNSON: Thank you, Council President. I want to thank all of you for being here and providing your testimony.

Just a couple questions going back to your testimony regarding the second phase of the actual value initiative. Can you give me an overview on -- I know you talk about the coefficient of dispersion as a part of your testimony and how you are going about doing reassessments of various parcels of property throughout the area. My primary concern right now is residential properties specifically in gentrifying neighborhoods such as Point Breeze, Grays Ferry, Southwest Inner City, three key areas in which I represent. But also, I get calls from individuals who live in Girard Estate, Packer Park regarding the impacts of AVI.

And so when we talk about the second phase of AVI, I want to get an idea, one, first and foremost, how often we will be doing these assessments?

Two, can your office provide my office as well as the Chair a City-wide map of the

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

assessments that have been taking place, one, for 2014 for us to take a look at and then most recently 2016? If you can map that data and provide it to us.

And then three, I want to get an idea of rapidly changing gentrifying neighborhoods, how often can my residents count on their properties to be reassessed moving forward?

MR. PIPER: I will try to answer the last part of that first, which is how often can folks expect reassessment, residential reassessment particularly in the 2nd Councilmanic District but also in other areas.

COUNCILMAN JOHNSON: Let me say that for the record. Not just the 2nd Councilmanic District, I am going to talk about the City of Philadelphia as a whole. Because also I know I have other colleagues specifically in the 1st Councilmanic District that borders the 2nd Councilmanic District and also the 5th Councilmanic District are seeing rapid growth and development, probably more than any of the other districts.

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

MR. PIPER: You mentioned you said gentrifying, yeah. I'm sorry. The area that seems to be growing -- I know the term is gentrification sometimes.

COUNCILMAN JOHNSON: Rapid growth.

MR. PIPER: Rapid growth, right. The idea with AVI in the first place was to make sure that regular reassessments occur, so that we never get in the position we were for decades in which we didn't do much of anything other than put on values that reflect new construction. Every now and then we raised everyone 4 percent or 5 percent or 7 percent and, you know, kind of did a fundraiser. All that did was exacerbate the inequities. We still weren't addressing the inaccuracies and uniformity issues.

Okay. So again, we are still committed to doing regular ongoing reassessments.

COUNCILMAN JOHNSON: Can you clarify for the record, what -- be more specific. What's regular? Every year? Every two years? Every three years.

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

MR. PIPER: What do I mean -- let me clarify. But -- and I apologize if I'm not actually answering the question as to when like these particular areas might see reassessment notices.

What we do is we look at the entire City every year, okay?

COUNCILMAN JOHNSON: Every year you are doing a review of the whole City.

MR. PIPER: No. Well, we are looking at the entire City. And then we are looking at where we find that there are some -- some -- some things that we think we should be doing a lot better and we prioritize that stuff.

So for instance, what we did last year -- I don't know if you remember -- but I did actually bring maps and some reports to District Council people to show what we were doing in the individual Council Districts and City-wide. We are actually prepared to that this year, also.

COUNCILMAN JOHNSON: Thank you.

MR. PIPER: So what we do is when we look at the City, however, we have to in

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

addition to trying to figure out where it is that we need to lower our coefficient of dispersion or address our mean ratio, we also look at what is the priority, what do we need to do right now because it's starting to lag behind. We look at the resources that we have.

And our reassessment project for each year is based on those things. So, I can't say that we're going to do a reassessment that's going to necessarily affect certain areas or even our residential properties every year. The idea is to do something every year so that we never have that disparity between, you know, the properties we reassessed recently and the ones that we haven't reassessed in five or ten years.

COUNCILMAN JOHNSON: Okay. And you're going to provide the map?

MR. PIPER: We will provide the maps that we provided when we did AVI. And then I can have the ones redone that we did last year. Like I said, we do have reports for everyone that shows what we did for this

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

year.

COUNCILMAN JOHNSON: For 2016 for this year, do you have information either now or you can provide those particular areas that are rapidly developing and give me an idea of what the assessment is for those particular areas.

MR. PIPER: It -- so if I look at areas where the values have jumped substantially since we did AVI, we can look at that? And we can kind of, you know, maybe come to an understanding of what we mean by drastic increases in values versus this normal real estate goes up in value anyway type of valuing. We can do that.

COUNCILMAN JOHNSON: Thank you very much.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilwoman Parker.

COUNCILWOMAN PARKER: Thank you, Mr. President. Let me sort of just quickly -- I want to go roundabout here to the beginning of my questioning. I want to

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

go to the number of appeals. Tell me if the number is accurate, Mr. Piper.

How many appeals do you --

COUNCIL PRESIDENT CLARKE: Councilwoman, can you hold.

COUNCILWOMAN PARKER: I know you got back around to me much quicker. You didn't get to Squilla. Listen, if you were trying to show some love today, Mr. President, I wasn't going to tell you, you were wrong.

COUNCIL PRESIDENT CLARKE: Councilwoman, I show love every day.

But we have what is called a technical difficulty. All right.

So now we going to call on Councilman Taubenberger.

COUNCILMAN TAUBENBERGER: Mr. Council President, thank you. And I will note for the record that you do show love every day.

COUNCIL PRESIDENT CLARKE: Thank you.

COUNCILMAN TAUBENBERGER: You're welcome. I do have a question in this regard.

We got from Mr. Brian Abernathy that

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

approximately $300 million increase in revenue for this year is the fact that we are looking at approximately $16 million for reassessing vacant land and $15 million for commercial. Instead of saying it seems low, ask this.

How many vacants lots -- this is my real question. How many vacant lots are being reassessed and how many commercial lots? And are they being reassessed on the priority of ZIP code?

MR. PIPER: They are not being reassessed on the priority of ZIP codes. I can answer that. The vacant lots, there are about 30,000/35,000 that we're looking at the assessments on those. Those are included in this year's project, but that will not be included in what we send out to maps because we haven't actually finished those yet. That's a little bit more of an involved process. And to be honest with you, it's the first time we have done it in house, so we want to make sure we are doing it correctly.

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

The other question in terms of the commercial properties, again, because we are looking to do commercial reassessment next year, vacant lots that we consider having had commercial use or in commercial corridors, are not included in the projects.

COUNCILMAN TAUBENBERGER: That would be potential commercial use, as well?

MR. PIPER: It would be potential commercial use or something that had a commercial -- it could even be a parking garage or parking lot that we coded vacant land but has that type of commercial use to it.

COUNCILMAN TAUBENBERGER: Do they have to be zoned commercial or in your criteria?

MR. PIPER: They have to be more than just zoned commercial, but yeah.

COUNCILMAN TAUBENBERGER: Okay.

MR. PIPER: So to answer your question, we kind of limited to scope to the vacant ground that the vacant land was related to a former residential use or is in a residential area. And the residual

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

residential properties where we look at the current allocation of land improvement and looked to see if that was something we needed to make an adjustment for.

COUNCILMAN TAUBENBERGER: Thank you very much. Mr. President, thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You're welcome.

COUNCILMAN SQUILLA: And I want to reiterate some of my colleagues who said about the responsiveness from OPA when we call, and my office calls we have a lot of complaints -- not complaints, but concerns and issues. Always, somebody gets back to us. So that's very important and may not always be the answers we want, but at least there is a return, and that's what we want the most.

MR. PIPER: Thanks, Councilman. I think

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

we speak to someone in your office on a weekly basis.

COUNCILMAN SQUILLA: I think daily.

MR. PIPER: And it's a good relationship.

COUNCILMAN SQUILLA: But just to reiterate the issues we had with the reassessments and understanding that the goal of reassessing every year or looking at the City every year, and I know I brought this up last year and the year before. Just with the resources we have, it's very difficult to do City-wide analysis every year now without the CAMA System, even when the CAMA System is in there. We know you have to drill down some of these properties to really get what the assessment is. We believe once we have it right the first time, then it will be easier to maintain.

Be we talked about a quarter of the City being done at a time to make sure that we can really get that, at least initially, to drill down in those areas to make sure we have all this right.

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

My question before, and it's still the
same question, is this a policy decision to
do the City every year? Or is it a
legislative decision that you must do it
every year.

MR. PIPER: Well, it's a commitment that
we made when we initially rolled out AVI
that we would do regular reassessments.
Every year I kind of, you know, shy away
from making the statement every year because
that gives the impression that we're looking
at all 579,000 parcels. And everyone is
going to get some type of change or even
most. And I don't think that's ever going
to happen even once we have a CAMA.

But I think what we're going to do,
however, is continue to look at the whole
City every year. As I said, put our
resources into what we think are inequities
or poor measurements of performance.

COUNCILMAN SQUILLA: When a sale happens
and we have a sale price and it's an ongoing
sale, is that something that triggers a
relook at an assessment, or do we just not

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

look at it at that time? Because it seems like we have properties that have currently sold for certain values, but yet the assessment stills remains either the same or changes a little but not reflecting the sale of the property.

MR. PIPER: In Pennsylvania, that's illegal. And so, the answer is no. We never look at one sale and make a change to either the subject property or other properties based on that one sale. In some states, it's the only time they reassess upon a sale. But most states do it the way Pennsylvania does it.

You can't look at the one sale, in other words, and form an opinion of value because that sale could have included even for residential properties, it could have included some conditions that you're not aware of at that time. So it wouldn't be -- it might be accurate. And if you pay $300,000 for your property and we have you assessed at $300,000 and I paid 300,000 for mine and I'm next door to you and it's same

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

type of property and we're assessed at 300,000, we're both accurate. Our assessments are accurate. But if the guy across the street paid 300,000 but he's been assessed at 100,000, it's not uniform. And us being accurate also means we are being aggrieved because we are not being treated fairly.

So, one sale doesn't trigger anything, no.

COUNCILMAN SQUILLA: All right. So ti doesn't even trigger the assessment on that property that's sold, correct?

MR. PIPER: Absolutely not.

COUNCILMAN SQUILLA: All right. Do you think that we as the City -- and I know you stated this. But to be able to look at the whole City with the number of resources that we have, we can actually be accurate on City-wide assessments every year?

MR. PIPER: I think the number of staff members we have, and I think in Philadelphia I believe the assessors, the residential assessors, the commercial assessors are some

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

of the best qualified and trained in the state. And I say that because even though we're not required by state law to necessarily be certified about -- I'm going to say, about 90 percent of us are. And some before they even step into the job.

Having said that, I think what's going to help those resources be able to do what we look to do every year, that is look at the entire City, I think the CAMA System is going to help that. It's going to involve some process modification that we change some of the way we do things. But I think with the resources, once we get staffed up to where we feel we need to be and a new CAMA System, I think we will be in a good position to be able to say we are looking at the entire City, but not necessarily have to plug holes and say we are going to do commercial one year and some residential another.

I think what we have been doing since AVI is tightening up all assessments City-wide. And I think once we have a CAMA

System and once we get staffed up, I think that's going to be a reachable goal.

COUNCILMAN SQUILLA: But we're going to need people trained in that. It's going to take time to get that information into CAMA, right?

So all -- as we're doing all this, we're still have to supposedly look at the City-wide every year at the same time. So, you know, I just feel like if we can concentrate on a quarter of the City each time, we can really work on it. And then people would know every time they are going to be assessed every four years. You sort of get a feel, some assessments will go up, some will go down depending on the neighborhoods.

But some areas feel like they change every year, and other areas don't. And maybe it is because of the hot areas and neighborhoods that have higher value. It seems we will never be able to go through in a large City that we have to be able to come up with a plan to say everybody's

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

assessments are accurate. And AVI was supposed to get us close to that. And I think the intent is there, and it's still there.

But I just think as a City, we want to be as fair as possible to all the residents. And I think the only way to do that is to say we took our time in each specific area, and then we actually did the proper assessments in that area.

That was just a statement, but I will come back after the next round.

MR. PIPER: Thanks.

COUNCIL PRESIDENT CLARKE: Thank you.

Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. President again. Just one other thing I wanted to ask in my first go round here.

I know staffing and man power you -- we talked a lot about. I know -- I don't know if you still do it this way. Like one assessor had a ward, you know, handled a particular ward.

MR. PIPER: Right.

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

COUNCILMAN GREENLEE: But I know there's some areas, as we've been talking about there, have much more activity than others.

Do you readjust according to that activity or?

MR. PIPER: We do. You mean, do we reassign assessors based on the number of parcels or the amount of activity?

COUNCILMAN GREENLEE: Amount of activity, yeah.

MR. PIPER: Sure. Sure.

COUNCILMAN GREENLEE: One person doesn't get sort of, like, overburdened in one where another might not have a lot of activity.

MR. PIPER: We are constantly adapting and reallocating resources, yeah.

COUNCILMAN GREENLEE: Great. That was my question. Thank you, sir.

MR. PIPER: Sure.

(Council President momentarily stepped away from Chair.)

THE CLERK: Thank you, Councilman Greenlee. And next is Councilman Johnson.

COUNCILMAN JOHNSON: I'm going to defer

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

to the Madam Chair, they say, of great northwest.

THE CLERK: Okay. They say it's now Council lady Parker.

COUNCILWOMAN PARKER: Thank you, very graciously. And thanks to my former state house colleague who I feel a special bond with in Councilman Johnson. Thank you so very much.

Let me quickly go back to the sort of properties with multiple exemptions. And I want to ask, are there any commercial properties that are receiving LOOP and/or Homestead Exemption, commercial properties?

MR. PIPER: Just a second. Let me see if I can find someone who can answer that question who is here now.

COUNCILWOMAN PARKER: Thank you.

MR. PIPER: Councilwoman Parker, I think we can find that information. In fact, I'm sure we can. But I don't think anyone can answer right this minute.

COUNCILWOMAN PARKER: If you could, that would be extremely important. Because again

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

when we're going out -- and just for the record, for the past ten years I have been having these annual town hall meetings and particularly during the time when we were working on these sort of instituting AVI, OPA was always -- BRT, OPA. You were there, we were doing, like, six or seven meetings back to back.

MR. PIPER: I think I just responded to one last night, yeah.

COUNCILWOMAN PARKER: For the 2016 series, and they were always there. Even then, we will acknowledge that this is a question that comes up quite often. We really need to get an answer. Because people when they think of LOOP and when they think of Homestead, they're not thinking about commercial property.

MR. PIPER: Sure.

COUNCILWOMAN PARKER: They're thinking about residential homeowners. And I need to know who is benefitting.

MR. PIPER: I can say this. There are some properties that we categorize. It's a

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

relatively new category. We call mixed-use properties which do include some commercial use but may also include a partial or a Homestead Exemption because our understanding, our interpretation of the legislation allows if you are using the property for your primary residence, even though there is a portion that has commercial use, you are entitled to the exemption on that part of the property.

COUNCILWOMAN PARKER: So let me tell you, I want more. It will usually be residential on the top and a store front on the bottom. And they are fine. And those individuals, you know, should be receiving -- they should be able to access Homestead and LOOP and whatever else they're eligible for.

But I'm really interested in not mixed use but strict commercial properties receiving a LOOP and/or Homestead Exemption.

MR. PIPER: We'll find that out.

COUNCILWOMAN PARKER: Really like to get. Next, let me just follow up on the

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

number of appeals. Just clarify the record for me. I have a note here as of February 10, 2016, 772 appeals were pending for '14 and 536 for FY15.

What is the status of these appeals? Not exactly sure where the data count or number comes from.

For the record, tell me how many appeals you have in the cue right now?

MR. PIPER: And many are still pending?

COUNCILWOMAN PARKER: Yes.

MR. PIPER: Right. That is probably one of the easiest pieces of information for me to find out. But I would kind of need to be able to query the database to do it.

COUNCILWOMAN PARKER: Okay. So, the appeals pending for '14 and for '15 and sort of what is the status.

MR. PIPER: Sure.

COUNCILWOMAN PARKER: Again, if you can forward that information to the Chair, I'll appreciate that.

MR. PIPER: No problem.

COUNCILWOMAN PARKER: Greatly appreciate

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

that.

Next. When we start talking about the City and how frequently it plans to reassess properties after you have instituted CAMA, will it then sort of move like clockwork and you expect it to be able to be done on an annual basis versus a biannual basis? And/or is some sort of legislative prescription required from Harrisburg?

Because, you know, the uniform -- some sort of uniformity -- obviously, we looked at it for some time when I was there. No longer there. But some uniformity associated with municipal appeals. Where are we with that?

MR. PIPER: You brought up the uniformity issue. The City of Philadelphia kind of gotten itself in a little bit of trouble a few years ago, I guess it was about four or five years ago when we had the CLR issue. It -- it -- you know, just abbreviate what the trouble was, from years of not doing assessments, decades really, we had gotten to the point where our uniformity

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

was so bad, we were in danger. There was a class action lawsuit. We were in danger of perhaps having a court order us to do one. And the way it comes about like that is sort of a very organic process. In other words, if you are under-assessing, no one complains. Okay.

So no one is going to come say anything. You might on a good year have 2 or 3,000 appeals. And that low number of appeals, however, did not indicate we were doing the right thing. It indicated that most people were happy. So, what we have committed to doing since AVI is regular ongoing assessments. I think a CAMA System is going to make the reassessment something -- I know Councilwoman Sanchez who said something last week. She used the term sticker shock which, you know, not to get out of my lane, that really is bad tax policy where you do something that causes a dramatic shift in the changes. And that's what we're trying to avoid.

What we look to do is regular

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

reoccurring reassessments. And it would look closer to something that you might want to call annual for the whole City.

COUNCILWOMAN PARKER: Okay.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you. I only have one little question.

Thank you, Mr. Piper, for what you do.

MR. PIPER: You're welcome, Councilwoman.

COUNCILWOMAN BLACKWELL: My staff says that people complain from your department and Revenue that they can't get receipts. Veterans, disabled folks, seniors come in for one reason or another, and they need receipts showing they have been in there. They have applied and they need proof they filled out the proper paperwork and when they apply for exemptions or whatever. But they say they having problems getting receipts.

MR. PIPER: Receipt like a photocopy of

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

something? You did?

COUNCILWOMAN BLACKWELL: Yeah. Proof that they have been there, that they applied.

MR. PIPER: Well, is someone comes in and submits exemption application or an abatement application, first of all, the abatement application actually comes with its own copy. So when you submit it, you submit a copy to us. But I think if someone sends something or brings it in, delivers it in person, they are usually -- 90 percent of the time, they are coming to our customer service unit. If they ask for a copy, we give them a copy.

COUNCILWOMAN BLACKWELL: All right. Then I will get to you in detail because they complain to me all the time. But I will get more info to you then.

MR. PIPER: Sure.

COUNCILWOMAN BLACKWELL: Thank you. Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Clarify that a little more please for the Councilperson

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

and me. You say you don't give them a receipt?

MR. PIPER: Well, we don't charge for anything, so there is no receipt if that's what you mean like. For instance, when you go to Revenue, you pay for something and get a receipt. We don't have anything that we charge for.

COUNCILWOMAN BLACKWELL: Revenue is not doing it either. Their people are complaining they can't get proof of their paperwork. They want to sell or want to do anything, they are stuck.

MR. PIPER: We don't have anything that we charge.

COUNCIL PRESIDENT CLARKE: So, there is no proof of contact.

MR. PIPER: That's why I was referring to maybe a photocopy of something someone submitted.

COUNCIL PRESIDENT CLARKE: Something stamped.

MR. PIPER: Sure. We have a time stamp right in the front lobby. It's an easy

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

thing.

COUNCIL PRESIDENT CLARKE: You can do that?

MR. PIPER: Sure. Sure.

COUNCIL PRESIDENT CLARKE: There's people, you know, particularly older people like to have records and transactions.

MR. PIPER: I understand that.

COUNCIL PRESIDENT CLARKE: I know that now because I'm kind of getting there.

MR. PIPER: Sure.

COUNCIL PRESIDENT CLARKE: Thank you.

Thanks, Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCIL PRESIDENT CLARKE: So who's next. Councilman Johnson.

COUNCILMAN JOHNSON: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Welcome, sir.

COUNCILMAN JOHNSON: I want to go back to the regular reassessments that are going to be taking place moving forward. I know you don't want to be tied down to say specifically year, every year we will be

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

doing assessments in particular areas, but you will be regularly looking at different parts of the City. And I'm looking at your testimony.

I want you to go back and clarify for me what would be the criteria?

MR. PIPER: For us to --

COUNCILMAN JOHNSON: Why you do your regular reassessments. What are some of the red flags that go up and say, hey, you know what --

MR. PIPER: Okay.

COUNCILMAN JOHNSON: -- in this particular area we are going to go down there.

MR. PIPER: Good question.

COUNCILMAN JOHNSON: And do a reassessment.

MR. PIPER: I think I can answer that.

COUNCILMAN JOHNSON: And one more. And the other follow up is begin laying out the process of the land assessments that are going to be taking place moving forward. When does that kick into place, or have we

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

started already?

MR. PIPER: We have started.

COUNCILMAN JOHNSON: Okay.

MR. PIPER: As a matter of fact, we have completed probably more than half of the process. It's just that as we are going through it, we are looking at some of the values that were being produced by the mile -- I am actually going to ask our modeling director to come up and speak to it a little bit in terms of the process.

We were looking at some of the values. We weren't comfortable that they were defendable, and that's the bottom line. We might -- what we do at the end of the day, someone may appeal and say we have done it wrong. And the Board may agree or the courts may agree, but we need to be able to start off from a place where we think we can defend the value. So on some of the vacant land parcels, we were comfortable with the values. But again, we are not comfortable saying we think these were done right and these weren't done right.

So, you're going to -- you will see those notices probably, I'm going to say, by the end of June, beginning of July, something like that.

COUNCILMAN JOHNSON: So notices -- notices haven't been going out yet?

MR. PIPER: Not on the vacant land parcels. But notices start going out this week and will continue throughout the rest of this week on the other reallocation.

COUNCILMAN JOHNSON: Second phase of the real -- the second reassessment phase is what you're saying?

MR. PIPER: Yeah. Yeah.

COUNCILMAN JOHNSON: Okay.

MR. PIPER: Did you need some further explanation in terms of --

COUNCILMAN JOHNSON: Yeah. You can bring the modeling up person.

MR. PIPER: Sure.

MS. JOHNSON: Good afternoon.

COUNCILMAN JOHNSON: Good afternoon.

MR. KEENE: I'm Kevin Keene. I'm the Master Appraisal Director. I've been pretty

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

much in charge of writing, doing the modeling for vacant land project.

So, in terms of the way that we are doing it for vacant land parcels, we are pretty much limiting ourselves to what we consider to be buildable parcels of residential land. For those, we are using a sales model, sales-based model.

And the reason why we are limiting ourselves to those parcels is when we look at vacant land, it tends to fall into one of four different classes. Each one those would have to be done using a different method because it's all different markets and what drives those values are different.

If you look at exempt land, there is not a whole lot of sales for Fairmount Park and other exempt pieces or pieces owned by exempt entities.

If you look at the small private side yards, and the unbuildable parcels that are in the middle of the block where something has been torn down, it's too small to build anything on. There's not really a market

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

for those. So we wouldn't -- it's very difficult to come up with a sales-based model to value those pieces.

Then again, the one we think we can do is these residential parcels where the players are local developers for the most part. And there are sales. We had almost 4,000 sales we could use throughout the City to develop these models.

The fourth one is the -- well, you get these large parcels that are -- where if you can put a high rise on a piece if it's big enough to put a high rise on for a department building or apartment building, the value of the piece of land skyrockets. And we don't really have a lot of data to tell us about those. We would have to look at more regional-based data because those players tend to be multi-regional players. The person who is going to come in and take on a project like that is not somebody typically in the local market.

So given that those four different classes of land would each require a

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

completely different approach, we focus on the ones that we felt we could do a reasonable job on, which was the residential land.

COUNCILMAN JOHNSON: Are the same property assessors who did -- are the same property assessors who did the assessments for the residential properties under AVI and the second phase of AVI, are they going to be the same workers who are going to be out doing the land value assessments under those four particular categories you just gave us?

MR. KEENE: Well, those accounts -- those accounts are typically assigned the same evaluator who have other residential and multi-family properties in the -- essentially, our residential evaluation staff. They also have some of these -- a lot of these vacant lots. And we assign them to go and to look at all the sales for those properties. Back prior to starting the modeling process, we also ask them to look at the properties themselves, all the vacant land to determine is it in fact still

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

vacant land. A lot of it's been built out so that we can put the values on them.

So yes, it is the same evaluators that will be reviewing. But they are not actually determining the value. We are using multiplicative sales models to project values, which the staff is then going to go out and review one at a time to see if those values make sense.

COUNCILMAN JOHNSON: Okay. I will move onto the next round. But I did have the initial part of my question also, the first part, was just the regular reassessments of properties throughout the City of Philadelphia and then the criteria that OPA is going to use to say this year, we have done an overview of the City of Philadelphia. And in this particular neighborhood, we are going to do a reassessment.

MR. PIPER: Right. So in looking at what we need to address, for instance, this year we are going to address commercial, we are looking at everything. But we know that between 2014 when we did AVI, because we used data that was at that time recent to us but as old as maybe three years old, we know that the market has changed to the degree that we need to address the lag between -- let me say this. And I know this is just not exactly in answer to your question.

But with commercial reassessments, residential reassessments, City-wide reassessments, the nature of reassessment is that it's based on a cyclical process, an annual cyclical process. So right off the bat, you know, no matter what kind of resources we have, we're going to be looking at data that's a little older than what you would call today data, but that's okay. Because it takes us a year to do everything we need to do.

We need to do what we're doing. We need to develop models. We need to verify sales before we can say these are good sales. I read them in the paper. Those numbers are important. We pay attention to them. We see the same information everyone else does.

We have to make sure they are arms-length transactions. And then when we -- that's the first part of what we do. And then when we go through the annual cycle, we have to make sure that what we're doing is time to be able to issue notices by right around now. Right after the March 31 certification date.

So, it takes us kind of a year to do everything. The idea is once we have a CAMA, there will be less things that we'll have to do just every two or three years. But by nature, an assessment cycle is something that lags a little behind. One or two years behind the sales is considered tight assessments.

COUNCILMAN JOHNSON: Thank you very much.

THE CLERK: Thank you, Councilman Johnson. Chair recognizes Councilman Domb.

COUNCILMAN DOMB: Thank you. Couple other follow-up questions.

In the CAMA System, does that handle commercial properties?

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

MR. PIPER: Does it handle commercial properties? Sure.

COUNCILMAN DOMB: It does. Okay. And I think one of the bigger issues I wanted to put a magnifying glass on is the sense of timing and time. Because when you look at this portfolio of $134 billion, and we just had as I mention earlier, a 3 percent adjustment. That's 35 to 40 million per year. The land values which you're affixing now would be 15 or 20, whatever that number is going to be, a million per year. And commercial could be 50 to 100 million dollars per year.

Waiting, we are losing that revenue every year, which is a hundred million dollars a year. And so, whatever we can do to speed up the timing, we should try to help you do because it's extremely important. The waiting costs us over a hundred million dollars every year just in these categories.

Land will get done this year, which is great. But the residential and the commercial, if there is something we can do to speed this up, we should try to do it.

MR. PIPER: I agree. Any recommendations we are certainly open to them. We have spoken about this. We absolutely would like to see it happen faster.

I think in all fairness to the vendor we're talking to and the project management consultant company we have worked with over the past couple of years, I think the aspect of time and having to get this done because it's something that we're sorely in need of is then one of the priorities. But you got to remember with Philadelphia as opposed to another big jurisdiction where they are getting a new CAMA System, we are getting a CAMA System. We have never had one before. This is the first time we are getting one. We are not just going from, you know, updating something.

And we realize that's going to be part of what we have to factor in, in terms of when it is that we think we can actually get

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

some use out of it. Because there's a lot of -- a lot that happens between signing a contract and actually being able to drive the car out of the showroom.

COUNCILMAN DOMB: Let me just say this. If there is something I can do to help, offer, sit in on meetings, whatever I can do, I am available and use me as a resource.

MR. PIPER: I appreciate it.

COUNCILMAN DOMB: Thank you.

MR. PIPER: Thank you.

COUNCIL PRESIDENT CLARKE: Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You're welcome.

COUNCILMAN SQUILLA: On the number of employees, a lot of them are new and coming in. And I know the workload. I'm curious to see, we have certain areas obviously that are hot. Who decides on the workloads of certain, I guess, GMAs and how that work is being assimilated? Is there areas that

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

never change value? Is it done by Property? Do you have a certain number of property? Or do you put more people in the resources that are heavy areas that are changing?

How does that work?

MR. PIPER: We certainly would assign more evaluators per parcel to more complex properties.

For instance, commercial properties, you wouldn't expect an evaluator to be responsible for as many commercial properties as you would residential. Even some of the institutionally-owned properties which don't get talked about as much, but they are also a big part of what we have in Philadelphia.

We have a lot of colleges and universities. That even though the majority of the assessment is exempt, there is quite a bit of taxable assessment on those parcels, and they're a little complex. They involve institutionally-owned properties that frankly have residential facility in there or commercial facility.

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

COUNCILMAN SQUILLA: Or parking.

MR. PIPER: Right. There is -- or movie theater. I actually used to do some of that more complex stuff myself years ago. So, I know it's the type of thing that we have to assign the work based on the complexity of the problem but also we do look at the amount of inventory in a particular ward.

We have evaluators that have been with the department for as little as two or three years. Once we believe they have the level of expertise to be able to go into either a more complex area or a more complex type of property is something they can be assigned to, we make that adjustment. We try to make sure that the evaluators that have demonstrated the expertise and that they have a knack for this kind of stuff gets transferred to those areas.

COUNCILMAN SQUILLA: Yeah. Well, the reason why I'm asking that is because the number of people who are doing the assessments, some of them can't do 2,500 assessments a year --

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

MR. PIPER: Sure.

COUNCILMAN SQUILLA: -- depending on the complicated issues that are associated with it. So the -- that makes me think that areas, certain areas, say an area like Queen Village and Point Breeze or some places really changing rapidly, seems like they would need a little more help in those areas compared to maybe say go northeast where the assessments aren't changing as much. Maybe that person can handle more parcels there and the workload could be different.

Because I -- just seems like if we have the same -- trying to put the same workload on people that actually work in areas that are a lot harder, those areas will not get the attention that is needed compared to the other areas. I didn't know if there was any formula you use to try to --

MR. PIPER: No. You are absolutely right. I think when I said that we strive for sort of a ratio of one employee per 2,500 to 3,000 accounts, you know, there's a little bit more explanation for that. And

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

again, that's just a sort of a basic estimate, an IAAO estimate, industry standard estimate for a large jurisdiction like Philadelphia.

But between the assessors and the clerical staff and the aides and the supervisors, and we include all of those in terms of who addresses residential and commercial, there is a lot of what we do that wouldn't be categorized as assessing residential properties or commercial.

For instance, I mentioned the institutionally owned ones and the governmental owned ones which, to a degree, to some degree they are not as in the spotlight because a lot of that is exempt or they're immune from taxation. But we still have to have the values right. But in addition to that, a lot of the folks that are also assessors and clerks or aides are responsible for other support positions such as consolidations and subdivisions and addressing. That's a specialty unit that is used to interacting with other City agencies

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

and external entities, so we assign that to one division.

We have a division that's assigned the responsibility of quality control. So when transfers take place from, say, exempt entities to taxable entities, for instance, we catch that. Put them back on the taxable roles. They address catastrophic loss applications when folks need to have their assessment temporarily reduced because of that.

We have another unit, again staffed with supervisors, evaluators and clerks, that address the appeal functions on the OPA side and the abatements. Our qual -- our customer service unit is actually staffed with assessors.

So, I guess what I'm saying is a lot of the folks that work for us work in very specialty units that don't necessarily reflect sort of, you know, how many residential or how many commercial properties we have. And -- but you're right, though. What we do is we try to make

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

sure that the areas that have the largest amount of properties or the most activities or the most growth like Council -- Councilman Johnson referred to, we have people who we believe have the best expertise assigned to those.

COUNCILMAN SQUILLA: All right. And lastly, I know we spoke about this before. But it seems like when we have residential and then we have apartments or mixed-use development on the same block, it seems like the mixed use duplex or triplexes are, for some reason, assessed less. I think it was because income-based assessment compared to there. But when they sell, they sell for more.

So my -- I'm trying to understand the reasoning behind that. And what -- why would the duplexes assess for less than a single family home in the same area?

MR. PIPER: In some multi-family areas, you see apartments in which there's some type of an agreement in which the owner of the property agrees -- there's a rent

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

restriction in which there is some subsidies involved. And there is --

COUNCILMAN SQUILLA: Say there is no subsidies where it's just regular rent, regular market rate.

MR. PIPER: But the problem is, the ones you are referring to, lots of time we have to -- we get that information because what the taxpayer, the owner who comes in and says is, is these need to be assessed differently then the way you assess anything else. And they show us the rent restrictions and everything else.

So, we have to adhere to that.

COUNCILMAN SQUILLA: I agree with that. I mean, but say it's just a corner property or a property in the middle block that's converted from single family to a duplex. And now it's assessed less because it's a duplex. What is the reasoning behind it? I just -- when that property actually sells for more money when they put it on the market.

MR. PIPER: I agree it seems

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

counterintuitive. But I think we have to look at that on an individual basis and figure does it have something to do -- in some neighborhoods, believe it or not, a duplex may not sell for as high as what a single family property sells for. But we would have to look at that.

COUNCILMAN SQUILLA: It's an income producing property. So I mean, it just -- it seems counterproductive and --

MR. PIPER: It does.

COUNCILMAN SQUILLA: Also showed when you look at the sales throughout, that the sales are actually more than a single family home. You know, I know you don't go by sales numbers. But I think -- we need to look at that as a general. If you look at all the duplexes throughout the City compared to the single family homes, they are assessed a lot less than the single family.

MR. PIPER: We look at sales. We just don't look at one, like I was saying.

COUNCILMAN SQUILLA: Right.

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

MR. PIPER: We look at sales. If sales in an area kind of indicate maybe -- I think what you're saying is you see it where the sales indicate something counter to what we have assessed to that. In that instance, I think we need to look at it.

COUNCILMAN SQUILLA: All right. Thank you.

COUNCIL PRESIDENT CLARKE: Chair recognizes Councilwoman Parker.

COUNCILWOMAN PARKER: Thank you, Mr. President.

And quickly just wanted to say that Councilman Domb, he just stepped out. But he had brought a document up online for me. And we'll go back and check it.

Remember my question earlier was just about commercial properties, right, that were receiving sort of Homestead and/or LOOP. And now we just saw a list that industrial properties were receiving a Homestead Exemption. Industrial properties. So when you send back your response to the Chair, I think it was printed in

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

October 2015 where you document the categorize properties and then the number. But you'll have to tell me what -- what constitute an industrial property being eligible to receive a Homestead Exemption.

MR. PIPER: Again, we'll find out, you know, which ones do. But I think some of it may have to do with how we've coded the property. We may have --

COUNCILWOMAN PARKER: Right. When you go back and forward that information to us.

You just brought up your -- the person responsible for modeling. And so, they gave us summary regarding land and then you use some modeling for residential areas.

MR. PIPER: Right.

COUNCILWOMAN PARKER: Do we use modeling for commercial properties, also?

MR. PIPER: To some degree but not as much. We are more looking at other information that we're relying on. For instance, from property owners. We're relying on trying to figure out what's the best cap rate to use.

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

COUNCILWOMAN PARKER: So just help me because you see, when you do it, this is what you do. Walk me through it and tell me how modeling work and is assist you from a land perspective and also a residential, but really don't use it as often with commercial.

MR. PIPER: With commercial, right.

COUNCILWOMAN PARKER: Just help me. Tell me why? Justify that for me?

MR. PIPER: Well with commercial, you have a lot of variation and property types. It really just comes down to that. Where with residential and vacant land, you have a lot of similarity in property types. So, you can model using certain coefficients based on the attributes that they share. With commercial property, you have a lot of variation. It really comes down to that.

COUNCILWOMAN PARKER: So when -- in a highly dense row home area, you know, like my block, the modeling system works. But when you go to just, let's say, the commercial corridor along Vernon or either

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

along Wadsworth Avenue, you are saying because of the variations in the styles or types of businesses along the corridor?

MR. PIPER: For commercial properties, yeah. Commercial properties along the corridor, right.

COUNCILWOMAN PARKER: Now see, that's really interesting. Because I would dare say that variation amongst commercial buildings on commercial corridors varies according to your neighborhood.

MR. PIPER: That's true.

COUNCILWOMAN PARKER: The swankier the commercial corridor is in your district where it has original architect, very good brick, it may be difficult to use modeling in that area. But when you come in neighbors where we have commercial corridors that are struggling and many of the businesses, the commercial businesses look exactly the same, the modeling would, in essence, be effective there.

MR. PIPER: That's true. I guess the other thing I should say is with residential

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

property, you tend to have a lot more sales on an annual basis than you do with commercial properties. So even looking at -- forgot the modeling for a minute.

Even looking at the difference between the properties where the commercial property, you're not likely to rely as strictly on sales information because you don't have as many sales on an annual basis. You are not relying on strictly on one approach to valuation, I should say. You are relying on commercial property, an estimate of a future income stream being capitalized into some opinion of value.

COUNCILWOMAN PARKER: And finally, I know I don't have that much time left, but I really want you to on the record for me tell me about professional development available internally for OPA assessors, particularly when they look in the eye these commercial assessors from the private sector. These mean and lean assessors come and do it extremely well, and some of them may have special training.

When we have had in the past access to opportunity to contract out with commercial assessors within the department, have we ensured that that knowledge coming from the private sector has been transferred to our employees internally through some sort of professional development?

For me, I wouldn't think we were maximizing efficient use of the resource of contracting with the private sector employee if when the contract was over and they left, all of the intellectual property left with them, right, when it ran out. I want to figure out what are we doing to make sure that they're leaving some of that intellectual property behind for our workforce.

MR. PIPER: Two things. In terms of the professional development that our staff gets on a regular basis, about ten years ago we --

COUNCILWOMAN PARKER: I'm sorry, Mr. Piper. I apologize for interrupting. I'm really talking about since we have worked on AVI. To me, there is revolution in what you have had to do with moving forward with AVI.

I'm really talking about as, you know, all of the coverage regarding our challenges with the -- you know, assessments on the commercial side. So, I guess I'm really talking about within the past four to five years. All the other Councilmembers, most of them have been here. This is new for me.

MR. PIPER: I would say this. The folks that work for us now, the assessors are -- I'd say 90 percent, maybe more, have the same certification that is required the rest of the Commonwealth of Pennsylvania, which is you have to have an assessor's license just like an appraisor's license to appraise general real estate for bank. You have to have -- it's not the exact same license. Ours is called the Certified Pennsylvania Evaluators License.

COUNCILWOMAN PARKER: I guess, Mr. Piper, my time is gone. I see the President blinking my time is coming up. I want to

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

leave you with this. This is the spirit and the tone of my line of questioning with regards to this.

We have heard it consistently stated that the level of professionalism, educational attainment and the experience within the private sector for the commercial assessors have been a challenge for the City of Philadelphia during the appeals process. And we have over the years contracted out to bring in private sector knowledge to help us with our commercial assessment process.

MR. PIPER: Sure.

COUNCILWOMAN PARKER: I am only saying to you as our chief officer that when we contract out and there are opportunities to do so, I just didn't go through the numbers like here, okay. When we contract out to bring that outside talent from the private sector within our department, we should never allow the contract to run out without having formalized a way that that individual can leave that intellectual property with our employees here.

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

MR. PIPER: I agree.

COUNCILWOMAN PARKER: I am hoping -- maybe we will do a recall. And when we come back, hopefully, you will have given some thought. Maybe we will have found a way to institutionalize it. It's like running an office and one person, you know, only knows how to sharpen the pencils. That kind of thinking just, you know, just bothers me. If that person is absent, someone else needs to know how to sharpen the pencils.

MR. PIPER: And this is a good time for us to be talking about that. As I said, we are looking to bring in outside consultants. And your point, to be able to make, I guess, get the most out of our money going forward even with the contract is about -- we agree.

COUNCILWOMAN PARKER: Usually, you know, there are silos. The outside contractors, they are over here. The internal sort of our workers, they are there. If we are managing using the collaborative style, we will assure that one is not at odds with the other. And we are finding a way to make

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

sure that knowledge is being exchanged.

MR. PIPER: We agree.

COUNCILWOMAN PARKER: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman. Just one, two quick questions.

Supposed to ask this question 12th and Lehigh. I think that's in the GMA or G341, and somehow it must be a relatively large one that they are using comps at 12th and Girard. And the taxes, the residential taxes at 12th and Lehigh have gone up significantly for the last couple of years. There is literally no new construction activity whatsoever up in that area, but their taxes keep going. And when we inquired, they said they are doing comps at 12th and Girard.

As you know, 12th and Girard is, you know, an area York Town, you know.

MR. PIPER: Sure.

COUNCIL PRESIDENT CLARKE: Popular area where there is stuff. Can you please check that because there is no way in the world

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

the taxes should be going up at 12th and Lehigh.

MR. PIPER: We can check that.

COUNCIL PRESIDENT CLARKE: Please. And the last question is U&O. I am asking a question that I assume hasn't been.

Has there been given any thought to -- U&O is essentially self reporting.

MR. PIPER: Right.

COUNCIL PRESIDENT CLARKE: Has there been any thought given to us essentially doing the assessment and, thereby, the tax bill based on the square footage of the space. And then the responsibility to the -- to notify or to approve that the property is not being utilized would be on the property owner versus the other way around where the property owner basically tells us, I am only using half of the space and we accept that and we implement that tax based on that?

MR. PIPER: It sounds like what you are asking is sort of a policy question. I have to admit, I don't know because we don't

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

really deal with U&O. I know we deal with what kind of in directly affects the U&O. But as a policy, I don't know.

COUNCIL PRESIDENT CLARKE: That would be the Mayor's Office or the Finance Director.

MR. PIPER: I'm sorry. I am going to bring Mr. Dubow up for a second.

Could you repeat that, please.

COUNCIL PRESIDENT CLARKE: Just question about U&O, we talked about probably before. The issue with respects to U&O and its implication and its collection is self-reporting.

MR. DUBOW: Correct.

COUNCIL PRESIDENT CLARKE: And the question is, has there been thought about taxing or assessing and thereby taxing the property owner based on the space, the square footage; and then there would be the responsibility of that property owner to indicate what space is being used as opposed to the other way around?

MR. DUBOW: In other words, assuming a hundred percent usage.

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

COUNCIL PRESIDENT CLARKE: Right.

MR. DUBOW: We did talk about that a couple years ago. I need to go back to Revenue, because we talked about it. And we came out not changing it. I have to remember why. Let me talk to them about it and get back to you before they come back.

COUNCIL PRESIDENT CLARKE: Yeah.

MR. DUBOW: I understand the question.

COUNCIL PRESIDENT CLARKE: People you asked me to -- I wish somebody at the IRS asked me to self-report my revenue. I would make out pretty good.

MR. DUBOW: I'm not going to comment on that.

COUNCIL PRESIDENT CLARKE: Okay. Thank you. Thank you very much. Thank you, gentleman. You don't want to leave?

MR. PIPER: I'm sorry. We done?

COUNCIL PRESIDENT CLARKE: Yes.

MR. PIPER: Thank you, Council President.

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

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

Thank you very much. There being none, the Committee will stand in recess until Tuesday, April 12, 2016, 10:00 a.m. At which time we will reconvene in Room 400 City Hall. Thank you all very much.

(Public Hearing adjourned at 4:13 p.m.)

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

C E R T I F I C A T I O N

I, hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me in the foregoing matter, and that this is a correct transcript of the same.

ANGELA M. KING, RPR
Court Reporter - Notary Public

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)

Strehlow & Associates, Inc.

(215) 504-4622

S