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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING
COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Monday, May 10, 2004
9:45 a.m.

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BILLS - 04009, 040010, 040011, 040012, 040013,
040014, 040015, 040016, 040017, 040018,
040019, 040020, 040021, 040022, 404256,
040261, 040313, 040421, 040422, 040423 -
Operating Budget and Tax Bills

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PRESENT:

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COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DAVID COHEN
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN JACK KELLY
COUNCILMAN JAMES F. KENNEY
COUNCILMAN JUAN F. RAMOS
COUNCILMAN FRANK RIZZO
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COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN DARRELL L. CLARKE
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN DONNA REED MILLER
COUNCILWOMAN MARIAN B. TASCO
COUNCILMAN BRIAN J. O'NEILL

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1 OPERATING BUDGET & TAX BILLS - 5/10/04

2 PRESIDENT Verna: Please. Good
3 morning, everyone. This is the Committee of
4 the Whole Public Hearings.

5 And I would ask Mr. McPherson to
6 read the title and the contents of each bill,
7 please.

8 MR. McPHERSON: Bill No. 040261, an
9 Ordinance amending Chapter 19-1500 of the
10 Philadelphia Code entitled "Wage and Nets
11 Profits Tax," by establishing certain tax
12 rates, amending the effective date for various
13 rate changes, and by amending the definition
14 of Excess Growth Rate, all under certain terms
15 and conditions.

16 Bill No. 04313, an Ordinance
17 amending Chapter 19-2600 of the Philadelphia
18 Code entitled "Business Privilege Taxes," by
19 making permanent and clarifying the pilot
20 program under which a Job Creation Tax Credit
21 will be given to certain businesses that
22 create new jobs within the City of
23 Philadelphia, all under certain terms and
24 conditions.

25 Bill No. 040009, an Ordinance

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2 amending Chapter 19-1500 of the Philadelphia
3 code entitled "Wage and Net Profits Tax," by
4 decreasing the rates of the tax, by making
5 technical amendments changing the effective
6 dates for the rate changes, and, repealing
7 certain provisions, all under certain terms
8 and conditions.

9 Bill No. 040010, an Ordinance
10 amending Section 19-2604 of the Philadelphia
11 Code relating to tax rates, credits and
12 alternative tax computation for the business
13 privilege tax, by reducing certain tax rates,
14 all under certain terms and conditions.

15 Bill No. 040011, an Ordinance
16 amending Title 2 of the Philadelphia Code
17 entitled "City-County Consolidation," by
18 removing the authority of the Board of
19 Revision of Taxes to hear appeals and
20 reassigning that authority, with the power,
21 functions and duties of hearings and deciding
22 appeals, from the Board of Revision of Taxes
23 assessment, to a newly appointed independent
24 city agency.

25 Bill No. 040012, an Ordinance

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2 amending Chapter 19-2600 of the Philadelphia
3 Code, entitled "Business Privilege Taxes," by
4 amending the definition of "Net Income" to
5 determine the net income of unincorporated
6 businesses by allowing deductions of payments
7 to certain proprietors or partners.

8 Bill No. 040013, an Ordinance
9 amending Chapter 19-1300 of The Philadelphia
10 Code, entitled "Real Estate Taxes," by
11 specifying a rate for Tax Year 2004,
12 specifying that rates thereafter be dependent
13 on total taxable assessed values.

14 Bill No. 040014, an Ordinance
15 amending Chapter 19-2600 of the Philadelphia
16 code, entitled "Business Privilege Taxes," by
17 providing a minimum number of estimated tax
18 payments in the last six months of the city's
19 fiscal year and authorizing additional
20 estimated payments in the first six months of
21 the subsequent fiscal year.

22 Bill No. 040015, an Ordinance
23 amending Chapter 19-1300 of the Philadelphia
24 code entitled "Real Estate Taxes," to mandate
25 a phase-in of equal percentages of the target

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2 Tax Billings to be imposed upon lands and
3 buildings for real estate tax purposes.

4 Bill No. 040016, an Ordinance
5 repealing Chapter 19-2500 of the Philadelphia
6 Code, entitled "Real Estate Non-Utilization
7 Tax."

8 Bill No. 040017, an Ordinance
9 amending Chapter 19-2600 of the Philadelphia
10 Code entitled "Business Privilege Taxes," by
11 amending the definition of "Net Operating
12 Loss" with respect to carryforward period for
13 net operating losses.

14 Bill No. 040018, an Ordinance
15 amending Chapter 19-1302 of the Philadelphia
16 Code entitled "Installment Payments."

17 Bill No. 040019, an Ordinance
18 amending Chapter 19-1400 of the Philadelphia
19 Code entitled "Realty Transfer Taxes," by
20 amending the definition of "Value" to include
21 deeds in lieu of foreclosure.

22 Bill No. 040020, an Ordinance
23 amending Chapter 19-1300 of the Philadelphia
24 Code entitled "Real Estate Taxes," by
25 providing discounts and penalties related to

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2 the installment payments and new fiscal year
3 billing, and to guarantee that payments are
4 applied to current year tax first to avoid
5 accumulation of additions and penalties.

6 Bill No. 040021, an Ordinance
7 amending Chapter 19-500 of the Philadelphia
8 Code entitled "Taxes and Rents-General," by
9 providing for uniform time limitations on
10 collections, examinations and assessments,
11 under certain terms and conditions.

12 Bill No. 040022, an Ordinance
13 amending Chapter 19-1300 of the Philadelphia
14 Code entitled "Real Estate Taxes," by
15 providing that no change by the Board of
16 Revision of Taxes to the ratios it uses to
17 calculate assessed value shall be effective
18 unless Council by Ordinance adjusts real
19 estate tax rates so that such change is
20 revenue neutral or else Council otherwise
21 approves such change by Ordinance, all under
22 certain terms and conditions.

23 Bill No. 040256, an Ordinance
24 amending Chapter 19-1200 of the Philadelphia
25 Code entitled "Parking Tax," by establishing a

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2 rate of taxation on parking transactions for
3 fiscal year 2005 and thereafter, under certain
4 terms and conditions.

5 Bill No. 040421, an Ordinance
6 amending Titles 3 and 6 of the Philadelphia
7 Code, the "Air Management Code" and "Health
8 Code," respectively, by increasing the fees or
9 establishing new fees for various
10 health-related licenses, permits,
11 certificates, approvals, and variances issued
12 by the city.

13 Bill No. 040422, an Ordinance
14 amending Title 9 of the Philadelphia Code,
15 entitled "Regulation of Businesses, Trades and
16 Professions," by adding a new Section
17 establishing a fee schedule for reinspections
18 conducted by the Department of Licenses &
19 Inspections.

20 Bill No. 040423, an Ordinance
21 amending Section 11-203 of the Philadelphia
22 Code entitled "Sewer and Water Pipe and other
23 Underground Service," by increasing permit fee
24 charges for breaking and excavating of any
25 paved or macadamized street, under certain

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2 terms and conditions.

3 PRESIDENT VERNA: Thank you. Our
4 first witnesses will be from the
5 Administration. Is Ms. Wilkerson here?

6 Good morning.

7 MS. WILKERSON: Good morning.

8 PRESIDENT VERNA: Please identify
9 yourself for the record and proceed with your
10 testimony.

11 MS. JOYCE WILKERSON: My name is
12 Joyce Wilkerson. I am Chief of Staff to Mayor
13 John F. Street. With me today is Janice
14 Davis, the City's Finance Director; Phil
15 Goldsmith, Managing Director; and Rob Dubow,
16 Budget Director for the City of Philadelphia.

17 I want to thank you for this
18 opportunity to present testimony on FY '05 tax
19 measures that are currently before City
20 Council.

21 Over the years, few people have done
22 more in support of tax change and tax relief
23 than Mayor John F. Street. As Council
24 President, he joined with Mayor Rendell to
25 initiate the city's unprecedented program of

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2 tax cuts after a half century of steadily
3 rising tax burdens.

4 As Mayor, he has not only continued
5 this program through a ninth consecutive year,
6 returning \$244 million in tax relief to
7 taxpayers, he has proposed and implemented
8 accelerated rate reductions.

9 The \$375 million in tax relief
10 proposed in the FY '05, FY '09 five-year
11 financial plan would extend the tax reduction
12 program to a 14th year and provide the largest
13 amount of tax relief in any Five-Year Plan.

14 Although the Mayor has warned of the
15 challenges and choices involved in making
16 these changes, he has proposed tax relief in
17 each of his budgets because it is one of the
18 key investments that is necessary to our
19 city's future.

20 You have heard about a \$270 million
21 deficit that loomed when we began to prepare
22 the plan. You have learned about the steps we
23 propose to head off the deficit and avert
24 another fiscal crisis.

25 In spite of the palpable risk in our

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2 future, this Administration maintained its
3 commitment to tax reductions. And not only
4 maintained the existing tax reduction program,
5 but also provided another \$65 million in tax
6 relief proposed by the Tax Reform Commission.

7 The annual reductions in the wage
8 tax would leave the resident rate 15 percent
9 lower in FY '05 than before the tax cuts
10 began. And annual reductions in the gross
11 receipt rate would cut the FY '09 rate to less
12 than half what the rate was when the cuts
13 began.

14 After three years of declining fund
15 balances, after a prolonged national slump
16 that has caused local governments in New York,
17 Los Angeles, Detroit, Washington, D.C.,
18 Atlanta, and Baltimore to raise taxes or halt
19 tax reductions, we found a way to continue tax
20 cuts.

21 As you well know, our neighbors in
22 Pittsburgh, on the brink of bankruptcy, sought
23 and received the designation of a fiscal
24 distress in order to obtain the authority to
25 increase their taxes.

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2 Here in Philadelphia, we are doing
3 things differently. No other major city has
4 continued to cut taxes every year, as we have.
5 We are unique. We make tax relief a priority
6 because it is one of our strategic
7 investments. However, there is a limit.
8 There is a limit to what is affordable and
9 fiscally responsible.

10 We are faced with the daunting task
11 of balancing the many strategic investments
12 that Philadelphia needs to grow in the midst
13 of our most serious financial challenge in a
14 decade.

15 For the past month, you have been
16 diligently learning about the difficult
17 choices that must be made on the expenditure
18 side of our budget.

19 In order to offset \$119 million
20 increase in our pension and health benefit
21 costs for FY '05, as well as increases in our
22 mandated subsidies to state authorities and
23 key investments in a few departments, we have
24 proposed cutting a total of \$170 million from
25 the rest of the city budgets, or 5.4 percent.

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2 You have heard about the impacts
3 these cuts may have on services. Even though
4 in our proposed budget we attempted to limit
5 the impact on service as much as possible
6 through innovation, restructuring, and
7 productivity improvements, the proposed budget
8 you are considering makes no allowance for
9 wage increases or public emergencies.

10 We have been cutting our
11 expenditures in our greatest expense item,
12 personnel costs, consistently for the past
13 several years, until there is very little
14 opportunity to reduce the size of our work
15 force further without disrupting services.

16 Since October 2003, the size of our
17 work force has dropped 3.5 percent. Prior to
18 that date, the hiring freeze we implemented in
19 2001 had already resulted in the reduction of
20 over 600 positions in departments that were
21 not exempt from the freeze.

22 The hiring freeze will remain in,
23 and we will fill positions only when
24 absolutely necessary.

25 We will continue to replace only

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2 half the positions that leave through the
3 DROP, as we budgeted for in this year's
4 proposed plan and last year's.

5 Further reductions in staffing will
6 likely lead to service reductions. It will
7 become more and more difficult to pick up the
8 trash on time, replace and restore our roads
9 on the proper cycle, keep libraries open,
10 fight homelessness, child abuse, and the
11 spread of disease, maintain our parks and
12 recreation centers, and make Philadelphia a
13 safer place with ever-dwindling staffing.

14 Although the Mayor in his budget
15 message signaled the willingness to compromise
16 on his proposed budget, he was clear that for
17 every recommended restoration there must be a
18 correction through new and offsetting cuts.

19 Similarly, for every dollar of
20 revenue that we forego, there must be an
21 adjustment in expenditures. We are not the
22 federal government. We cannot print money or
23 borrow against our future to avoid the
24 difficult choices of today. Yet, we all agree
25 that tax reductions are valuable and necessary

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2 for our city to become more competitive and
3 grow.

4 Unfortunately, as we sit here today,
5 we start from less than zero. Many of you
6 would like to see funding restored to programs
7 or departments you support. The reality is
8 that we must first find the funding to make
9 the plan balanced again.

10 PICA sent a letter to the Mayor and
11 City Council indicating that it would not
12 approve certain revenue projections.
13 Subsequent to that letter, the Administration
14 determined that we would need to forgive the
15 annual payment from the Philadelphia Gas Works
16 in order to cease PGW's cash flow crisis and
17 avoid a devastating ratings downgrade.

18 Instead of projecting positive fund
19 balance of \$11.5 million in FY '09, we must
20 now address a negative fund balance of almost
21 \$90 million before we can even think of
22 restoring spending cuts or tax relief beyond
23 the \$440 million already in our proposed plan.

24 The Philadelphia Tax Reform
25 Commission was charged with studying our taxes

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2 and making recommendations on how they would
3 be reduced and simplified in a fiscally and
4 socially responsible manner.

5 I would like to take this
6 opportunity to thank the members of the Tax
7 Commission for their volunteer service and
8 their contribution to the discussion of our
9 tax structure.

10 The report of the Commission brought
11 many potentially fruitful ideas to light and
12 provided informative data on which to base
13 decisions, data which in part was developed in
14 conjunction with members of city government.

15 Our proposed Five-Year Plan endorsed
16 and incorporated 15 of the Commission's
17 recommendations. These recommendations are
18 detailed in the plan. But the key changes the
19 city is proposing for the next year, which
20 were incorporated into the proposed five-year
21 FY '05 budget, include, establishing accurate
22 land and structure values for all parcels.

23 This will provide more comprehensive
24 and accurate data collection for the real
25 estate tax assessment process. The FY '05

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2 budget includes \$5 million in funding for the
3 Board of Revision of Taxes to carry out this
4 recommendation.

5 Next, eliminate fractional
6 assessments. The BRT will attempt to value
7 all properties at 100 percent of market value.
8 The Administration supports the BRT's proposal
9 to implement this recommendation in FY '06
10 following a pilot and the establishment of
11 more accurate land and structure values. This
12 proposal would entail adjusting real estate
13 tax millage rates in the future.

14 Phased-in land value taxation. The
15 Commission's recommendation is to increase the
16 percentage of real estate tax revenues from
17 taxing the value of land from its current 22.5
18 to 50 percent by 2014. This change would
19 begin in FY '06 after the BRT has established
20 accurate values.

21 Single factor apportionment.
22 Instead of basing the net income portion of
23 the business privilege tax on property,
24 payroll, and a double weighting of sales in
25 Philadelphia, the city would base this tax

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2 solely on sales in Philadelphia.

3 Although the change is projected to
4 cost the city \$13 million annually, it will
5 eliminate the current penalty for businesses
6 that operate and invest within Philadelphia.

7 This change is proposed for our FY
8 '05, in conjunction with the proposed increase
9 in the parking tax from 15 to 20 percent to
10 help offset the cost.

11 Finally, a shift to January 1
12 implementation of changes in wage and earnings
13 tax rates. Changing the effective date of
14 reductions in the wage and earnings tax rates
15 from July 2 to January 1 beginning FY '05
16 would conform those changes to the federal tax
17 year and remove a compliance burden for
18 businesses so they need only adjust their
19 withholding rates once each year.

20 These recommendations will reduce
21 the city's revenue by approximately \$65
22 million, and cost at least \$5 million to
23 implement and administer over the life of the
24 plan, in addition to the \$375 million in tax
25 relief from our proposed rate reductions.

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2 The Tax Reform Commission made other
3 recommendations that, unfortunately, we
4 determined we could not responsibly adopt at
5 this time.

6 The recommendations that require
7 your approval have been introduced as
8 legislation. Exhibit A to my testimony
9 indicates which bills we do not support
10 because of the potential negative effects they
11 would cause, including unavoidable revenue
12 losses, changing in timing that would
13 significantly impair our budget or cash flows
14 or cause taxpayers to pay their bills twice in
15 one year, or unduly restrictive legal
16 constraints.

17 The recommendations we do not
18 support were projected by the commission to
19 reduce the city' revenues by \$285 million over
20 the life of the FY '05-'09 plan, although this
21 revenue projection has since increased to over
22 \$290 million due to increased growth
23 assumptions in the plan.

24 However, the loss of revenues
25 resulting from the Commission's

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2 recommendations did not end with this plan.

3 The bills before you today include schedules
4 for mandated wage tax reductions through 2014
5 and the elimination of the BPT by 2015.

6 Yet, despite its charge to provide a
7 fiscal impact statement along with any
8 required ordinances, the Commission made no
9 estimate of the cost of its recommendations
10 beyond FY '09, even as the magnitude of the
11 wage tax reductions increased in FY '10 and
12 the gross receipts reductions accelerated in
13 FY '09.

14 Put another way, in order to pay for
15 the wage and business privilege tax reductions
16 in changes proposed by the Tax Reform
17 Commission in FY '09, the city would have to
18 increase the real estate tax revenue
19 collections by 37 percent or find alternative
20 source for the \$146 million cost in that
21 single year.

22 To pay for the elimination of the
23 business privilege tax, whether by 2015 as
24 recommended by the Tax Reform Commission, or
25 by 2009 in an alternative bill, the city would

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2 have to increase collections from real estate
3 tax by 75 percent or find alternative sources
4 to replace this funding.

5 In addition, the recommendations we
6 do not support would possibly even worsen the
7 tax burden for a significant portion of our
8 taxpayers, particularly our most vulnerable
9 taxpayers.

10 The Tax Reform Commission hired
11 Econsult to produce an econometric model on
12 tax rates and their effect in Philadelphia
13 similar to the model they were hired to
14 produce for the Pennsylvania Economy League in
15 2002.

16 In their report, the Commission
17 Econsult produced estimates of the supply side
18 effects of tax reductions. The Econsult
19 report estimates that by FY '09, the city's
20 real estate tax revenue would increase by \$92
21 million. That amount represents a 23.5
22 percent increase from our plan projection.

23 In other words, within the length of
24 this plan, a typical resident might pay 23.5
25 percent more real estate taxes due to the Tax

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2 Reform Commission's package of
3 recommendations.

4 The Econsult report also projects
5 that by 2017 the median home value in
6 Philadelphia would increase 29 percent in real
7 or inflation-adjusted dollars, or 40 percent
8 after inflation.

9 To many this would be great news, to
10 others it would represent a difficult burden
11 and a damaging blow to one of Philadelphia's
12 historic strengths, its relatively high home
13 ownership rate among northeastern cities.

14 To the Tax Reform Commission, the
15 increased real estate taxes represent an
16 opportunity for the city to replace some of
17 the revenue lost by tax cuts. However, the
18 Econsult itself addressed these concerns in
19 its 2002 report to the Economy League.

20 The increase in property tax revenue
21 from the increased value of properties is
22 unlikely to be politically feasible. It would
23 imply large increases in property tax payments
24 by Philadelphia property owners, many of whom
25 have little ability to pay the increased

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2 property taxes resulting from the higher value
3 of their properties. You haven't heard much
4 about this, but it is a critical issue.

5 If real estate taxes did increase as
6 much as the Econsult report estimates, many
7 Philadelphians would suffer.

8 If elected officials prevented real
9 estate taxes from increasing as much as
10 Econsult estimates, then the supply side
11 effect touted by the Tax Reform Commission
12 would be illusory.

13 It is also important to point out
14 what Econsult modeled. Econsult modeled the
15 effects of the tax rate changes recommended by
16 the Tax Reform Commission by comparing them to
17 our current rates.

18 In other words, the supply side
19 effects they estimate include the effects of
20 both tax reductions in our proposed plan and
21 the Commission's additional reductions.

22 Whenever you see the costs of Tax
23 Reform Commission's proposals, however, they
24 are always calculated by subtracting the cost
25 of tax reductions included in the

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2 Administration's proposed plan.

3 If anyone shows you a comparison of
4 Tax Reform Commission cuts and supply side
5 benefits where the supply side benefits are
6 greater than the costs between FY '05 and '09,
7 they are comparing apples and oranges and they
8 are wrong.

9 Under the most optimistic supply
10 side scenario, which is essentially what
11 Econsult has given us, tax cuts would mean
12 less revenue for the city during this plan.

13 Since Econsult modeled the impact of
14 both cuts proposed in the plan, as well as the
15 additional cuts proposed by the Commission, we
16 can identify the potential impact of the cuts
17 proposed in our plan.

18 The cuts proposed in the plan
19 represent 66 percent of the value of the tax
20 cuts modeled by Econsult through FY '09.
21 Based on that proportion, their model
22 indicates that the plan's tax cuts alone would
23 result in an increase of over 31,000 jobs by
24 2010, although we do not have enough
25 confidence in that figure to build it into our

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2 budget.

3 Supply side effects, or voodoo
4 economics as they were once described by
5 George Bush, have a very limited role in
6 government forecasting.

7 Some state governments, and very
8 recently the federal government, look at
9 supply side effects as part of their budget
10 analysis, but they do not include them in the
11 budget itself, despite years of pressure.

12 As recently as 2002, the nonpartisan
13 congressional Budget Office believed that
14 using supply side effects in the budget
15 process would pose intractable problems.

16 We believe that the tax reductions
17 have a beneficial effect on our economy, or we
18 wouldn't be discussing these measures today.

19 What we don't know with any
20 certainty is how great these effects are and
21 when they would take place.

22 For this reason, in 1998 the
23 District of Columbia Tax Reform Commission
24 refused to recommend the use of supply side
25 effects as a means of funding tax reductions

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2 following their two-year-long study.

3 Consider that after years of
4 pressure from Republican legislators, the
5 State of California developed a supply side
6 model with the assistance of the university of
7 California Berkeley economics department.
8 This model projected no more than a 20 percent
9 supply side return to state tax cuts.

10 Other models, Connecticut and
11 Massachusetts state governments, have similar
12 returns, as did a study in New York City tax
13 cuts by a private think-tank.

14 The Conservative Heritage Foundation
15 projected no more than 50 percent supply side
16 returns to the federal cuts, although even the
17 Bush White House continues to avoid using
18 supply side to justify tax cuts.

19 The Econsult model projects far
20 higher returns than any of these models, more
21 than five times as great as the model
22 developed for the country's largest state by
23 one of the leading economics departments in
24 the world.

25 To our knowledge, no other federal,

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2 state, or local government explicitly budgets
3 for supply side effect, and this government
4 does not intend for Philadelphia to be the
5 first.

6 Even though cities that have
7 multi-year budgets have made tax reductions in
8 the last five to ten years, like New York City
9 and Washington, do not budget for supply side
10 effect.

11 We did not believe that being the
12 first would be bold and innovative. We
13 believe it would be unreasonably risky,
14 desperate, and fiscally irresponsible.

15 While we are discussing tax measures
16 here today, it is appropriate to touch on the
17 issue of tax collection rates and receivables.

18 There has been some discussion
19 recently of our outstanding tax receivables.
20 The Tax Reform Commission recommended that the
21 city could improve tax collection rates by 1
22 percent, although it provided no benchmarking
23 or other support for that contention. This
24 Administration does agree that tax collections
25 could improve and, accordingly, proposed a

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2 small investment in staffing for FY '05 in
3 expectation of generating additional revenue.

4 Based on some preliminary analysis
5 of other cities and the real estate tax
6 collections, while there is room for
7 improvement, it is not a dramatic amount of
8 room.

9 For FY '05 -- excuse me. For Fiscal
10 Year 2002, our real estate tax collection rate
11 of 93.7 percent was superior to that of New
12 York and Washington, D.C., and only slightly
13 lower than Pittsburgh, while a four-year
14 average rate produced similar results.

15 The majority of our tax revenues
16 are, of course, from the wage tax. And due to
17 state laws mandating employer filings, our
18 improve database, and our cross-matching
19 against IRS files, we are confident that our
20 tax collections of this tax are strong.

21 As City Solicitor Ramos detailed in
22 his budget testimony, we can and will do
23 better. But I assure you that this is not the
24 magic wand and it will provide the funding for
25 budget restorations -- that will provide the

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2 funding for budget restorations and additional
3 tax cuts.

4 The Administration supports several
5 bills that were not part of the Tax Reform
6 Commission's package, including 040261 and
7 040256.

8 Bill No. 040261 would allow for the
9 adoption of the Tax Reform Commission's
10 recommendation to shift effective date of
11 future wage reductions from July 1 to January
12 1 to ease compliance burdens for businesses.

13 This bill would also modify the
14 trigger for reductions in wage taxes that by
15 Bill No. 030073 must be implemented in
16 response to real estate tax collection growth
17 of more than 2 percent per year.

18 This bill would increase that
19 threshold to 4 percent, which will continue to
20 provide residents relief and protection
21 against surges in real estate values, while
22 allowing the city to benefit from reasonable
23 levels of inflationary growth in our second
24 largest tax source.

25 Bill No. 040256 would raise the

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2 parking tax rate in order to provide
3 additional revenue necessary to balance the
4 plan.

5 The Tax Reform Commission commented
6 that, when compared to our Philadelphia taxes,
7 the burden created by the parking tax is
8 relatively small. The Administration agrees.

9 This change would provide
10 much-needed revenue, while protecting
11 Philadelphia residents.

12 Just as we all believe the tax
13 reductions provide an economic benefit or we
14 wouldn't support them, we all recognize that
15 maintaining our core public services is also
16 necessary, or we would agree to the wage tax
17 rate -- of reducing the wage tax rate to zero
18 percent.

19 Professor Robert Inman of Wharton
20 has conducted ground-breaking an extensive
21 work on the effect of taxes on our city. And
22 while he was the first to estimate the
23 negative effects of taxation, he has also
24 always stressed the need to maintain public
25 services in order to gain economic benefits

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2 from taxes.

3 The Tax Reform Commission in its
4 hard and valuable work identified numerous
5 reforms and key tax-cutting goals, the
6 elimination of the business privilege tax and
7 the reduction in the wage tax to an arbitrary
8 3.25 percent.

9 The Commission then concluded these
10 recommendations were fiscally and socially
11 responsible.

12 Each year this Administration and
13 this Mayor applied decades of collective
14 expertise in the city's finances in order to
15 determine what tax reductions are affordable
16 and to make them work within the city's budget
17 by trimming expenditures.

18 This year we are facing the biggest
19 fiscal challenge in a decade. The tax
20 reductions included in the proposed plan
21 provide an investment in our future, while
22 protecting our services and fiscal health.

23 The cost of any tax reductions
24 beyond those in the proposed plan must be paid
25 for with offsetting revenue increases or

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2 expenditure reductions.

3 Those who support additional tax
4 reductions should be prepared to identify the
5 corresponding budget cuts. We have gone as
6 far as we can.

7 Thank you for the opportunity to
8 present testimony regarding the FY '05 tax
9 measures. We would be happy to answer any
10 questions you have at this time.

11 PRESIDENT VERNA: Thank you.

12 Are there any questions from members
13 of the committee? Are there any questions?

14 The Chair recognizes Councilwoman
15 Tasco.

16 COUNCILWOMAN TASCO: I just want to
17 ask, you may have made an error in your
18 discussion. I want the record to reflect the
19 correct number.

20 On Page 2 of your testimony, the
21 last paragraph, "In order to offset a \$119
22 million increase in our pension and health
23 benefits costs in Fiscal Year '05, as well as
24 increases in our mandated subsidies to state
25 authorities and key investments in a few

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2 departments, we have proposed cutting a total
3 of \$107 million," I thought you said, "170."

4 Did you just transpose? Did you
5 mean 107?

6 MS. WILKERSON: It is 107.

7 COUNCILWOMAN TASCO: Thank you.

8 PRESIDENT VERNA: You are welcome.

9 Are there any other questions or
10 comments of these witnesses?

11 The Chair recognizes Councilman
12 O'Neill.

13 COUNCILMAN O'NEILL: Yes. Thank
14 you, Madam President.

15 Ms. Wilkerson -- and this is,
16 really, for the other two witnesses, as well.

17 I think everyone realizes that if
18 there is tax reduction, it can put a hole in
19 the budget.

20 I mean, the idea of tax reduction, I
21 believe, is to grow the economy so that we are
22 doing something to increase revenues.

23 Before asking a question that
24 involves the Five-Year Plan and the impact,
25 Tax Reform Commission has a chart that shows

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2 the projected hits on the budget in the early
3 and out years in the Five-Year Plan.

4 Does the Administration agree with
5 those numbers? This is if all the 12 bills
6 are --

7 MS. WILKERSON: Let me --

8 COUNCILMAN O'NEILL: -- that affect
9 our business privilege and our wage tax are
10 approved.

11 MR. ROBERT DUBOW: Rob Dubow, Budget
12 Director.

13 We actually worked with the Tax
14 Reform Commission in developing those numbers.
15 So we, essentially, agree. There are minor
16 differences here and there, but we essentially
17 agree with those numbers, with the exception
18 that one of the recommendations that went into
19 their cost calculation, the single-factor
20 apportionment, is in our plan. So, you need
21 to back that out.

22 COUNCILMAN O'NEILL: In looking at
23 the chart, do we come out positive in the end?

24 MR. DUBOW: No; we come out
25 negative.

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2 COUNCILMAN O'NEILL: This doesn't
3 result in additional revenues to the city?

4 MR. DUBOW: The Econsult report
5 identifies potential additional revenues that
6 you could get based on growth in the economy.
7 It is comprised of several things, including
8 growth in the property tax.

9 And I think the way the report was
10 laid out there, it included both the city
11 portion and the school district portion of the
12 property tax.

13 So if you believed in using a supply
14 side effect, which we don't for the reasons
15 that Ms. Wilkerson identified in her
16 testimony, you would still have to adjust the
17 numbers that were in the Econsult report.

18 COUNCILMAN O'NEILL: So you disagree
19 that we have a positive cash flow at the end
20 of five years?

21 MR. DUBOW: Yes.

22 COUNCILMAN O'NEILL: If this Council
23 felt so strongly that we were willing to take
24 the risk that they were right, you were wrong,
25 and the PICA would do something that, in the

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2 short history of PICA, I guess, would be
3 unprecedented, and that would be to agree to
4 this Five-Year Plan -- in other words, that we
5 would have hits in the first few years, we
6 would look at them each year to see if they
7 were meeting our targets, this is a Tax Reform
8 Commission and the Econsult targets that I am
9 talking about -- and then would finish
10 positive after five years, what would you say
11 to that?

12 If they would sit down at the table,
13 PICA, that is, and agree to work with us on
14 this.

15 MR. DUBOW: We have had discussions
16 with PICA because we tried to work through
17 these numbers, even assuming a supply side
18 effect.

19 And even in assuming the supply side
20 effect that is included in the Econsult
21 report, we still didn't think that we came out
22 ahead. And that was the last conversation we
23 had with PICA.

24 COUNCILMAN O'NEILL: Right. But
25 what if PICA agreed to approve these numbers

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2 in a Five-Year Plan with knowing there is an
3 annual review where adjustments could be made?

4 MR. DUBOW: We would still have a
5 problem with rating agencies. I think that's
6 what Ms. Davis wants to address.

7 MS. JANICE DAVIS: Yes. I think
8 while PICA might be willing -- and I am not
9 certain that they would -- be willing to sign
10 onto this, we would quickly find ourselves in
11 trouble with the rating agencies who do not
12 buy supply side as a way to balance a budget.

13 Particularly from the standpoint
14 that, if we were wrong, we would quickly face
15 a cash-flow problem.

16 The diminishment of our fund balance
17 has removed a lot of the excess cash in this
18 government. And we will quickly find
19 ourselves with not enough cash to fund
20 operations, if we are wrong by just the
21 slightest bit.

22 So while perhaps we could get PICA
23 to sign on, I don't believe that the rating
24 agencies would be as accepting of a plan that
25 was built on hopes for a future.

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2 COUNCILMAN O'NEILL: Do you think
3 the rating agencies would accept a plan that's
4 built on more aggressive tax collection?

5 MS. DAVIS: I don't believe that
6 they would, especially since in the past they
7 have been unwilling to sign on to anything
8 that we didn't feel fairly certain was a
9 positive and a definite.

10 Rating agencies are in the business
11 of protecting bondholders, and they are not
12 into supply side or voodoo economics. They
13 have to be certain that what they say goes to
14 the real dollars that will come in.

15 And there is -- there has been just
16 recently a statement by the rating agencies
17 that identified some of the political risks
18 associated with credit analysis.

19 And one of those is an unwillingness
20 to do taxes and an unwillingness to tax to pay
21 obligations.

22 And, so, I viewed this as something
23 that the rating agencies would picture as our
24 supporting -- supplanting the need to generate
25 true revenues with a wish for revenues to

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2 grow.

3 COUNCILMAN O'NEILL: Do you
4 believe -- and I am talking about the
5 Administration -- that your tax collection
6 efforts are as good as they can get?

7 MS. WILKERSON: The Administration
8 has, you know, as I mentioned in my testimony,
9 increased funding for the law department
10 because we do believe that there is additional
11 dollars, there are additional dollars, out
12 there.

13 We have increased projected
14 collections from the revenue department by
15 about 10 or 11 million dollars.

16 We have also increased -- or
17 proposed to City Council that we increase a
18 number of the fees and fines in order to
19 increase revenue to the city.

20 We have legislation that we have
21 been working with the state legislators that
22 would increase our capacity to raise the
23 fines. And, so, we believe that there are
24 additional revenues out there.

25 We have not been as aggressive in

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2 putting a dollar figure. We think what we
3 have is what we can reasonably expect to
4 collect.

5 We have looked at the receipts out
6 there, we have looked at what we have done in
7 the past, and that's how we arrived at our \$10
8 million figure.

9 COUNCILMAN O'NEILL: That's about
10 half a percent increase in collections?

11 MR. DUBOW: Roughly.

12 COUNCILMAN O'NEILL: Pretty
13 aggressive.

14 The question I have, Ms. Davis, I
15 appreciate your candor about the rating
16 agencies and the concern the Administration
17 well should have for their concerns because of
18 the negative impact rating agencies can have
19 on the city.

20 But does the city have the same
21 discussions, and do the rating agencies have
22 the same concerns, when we go on a spending
23 spree with overtime, where we don't have the
24 money in the budget, we are just spending done
25 surpluses and bringing ourselves to the point

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2 we are at today?

3 It would seem to me that they
4 wouldn't wait two years to tell you that we
5 are on a downward spiral if we continue to
6 spend money we don't have.

7 Can you address that, please?

8 MS. DAVIS: The rating agencies
9 don't look into our expenditure side, and we
10 don't have two-year discussions with the
11 rating agencies.

12 Whenever there is anything
13 significant happening around our finances, we
14 in fact contact the rating agencies and have
15 the discussions.

16 Rating agencies -- when the rating
17 agencies know what's proposed, and there are
18 no surprises to the rating agencies, you are
19 least likely to face negative impacts.

20 So we have discussions with the
21 rating agencies whenever there is anything of
22 a significant financial impact on the city.
23 But, they don't monitor our expenditures.

24 COUNCILMAN O'NEILL: So they are
25 concerned if we do something that lowers our

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2 revenues to the point where they may be below
3 expenses, but they don't monitor if we
4 increase our expenses to the level that they
5 are beyond our revenues?

6 MS. DAVIS: In the context of our
7 budget --

8 (Applause.)

9 MS. DAVIS: In the context of the
10 budget, which is all that the rating agencies
11 have to review, they are concerned if we
12 include speculative revenues.

13 COUNCILMAN O'NEILL: But I thought
14 my question was, they don't seem to have the
15 same concern when we are spending more than we
16 are going to take in, but they are concerned
17 if we take in less than we are going to be
18 spending.

19 (Applause.)

20 COUNCILMAN O'NEILL: It would seem
21 to me one should match the other.

22 MS. DAVIS: The rating agencies look
23 at our budget as a balanced budget. Their
24 concern doesn't weigh on those things, such as
25 expenditures.

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2 They look at the reasonableness of
3 the revenues that we say will cover those
4 expenditures. It is just not something that
5 they review.

6 COUNCILMAN O'NEILL: Well, it just
7 seems to me from the Administration's
8 standpoint, putting aside the rating agencies,
9 that we are being contradictory because we are
10 concerned now that lowering revenues, lowering
11 taxes -- and this morning's Inquirer was
12 shocking, even when you know you are
13 uncompetitive, how uncompetitive you are when
14 you go down to No. 3 below you on the taxation
15 side.

16 (Applause.)

17 COUNCILMAN O'NEILL: I have trouble
18 with the Administration that seems to be right
19 now awfully concerned about a budget possibly
20 being out of balance because of an attempt to
21 bring some tax fairness to this city and some
22 competitiveness and hopefully increase
23 revenues in a few years, when there doesn't
24 seem to be much concern in the last several
25 years about spending money we didn't have.

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2 (Applause.)

3 COUNCILMAN O'NEILL: I mean, what
4 kind of discussions did you have in the
5 Administration at the top during the last two
6 years when you saw this happening, when you
7 saw us spending more than we were taking in?

8 MS. WILKERSON: The Administration
9 has reduced the number of positions within
10 government by over 800 positions. We imposed
11 a tax freeze -- excuse me, a hiring freeze
12 back in November 2001.

13 We have been contracting our
14 expenditures fairly aggressively. That's why
15 we have presented the budget we have this
16 year.

17 Getting to the point of proposing
18 the elimination of funding for the arts,
19 proposing some of the other changes that we
20 have proposed, did not come easy to the
21 Administration.

22 It came with an awareness that, if
23 we were going to have a strategy that called
24 for reducing our taxes, having the capacity to
25 make targeted investments and maintaining high

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2 services within our neighborhoods, we were
3 going to have to make choices, difficult
4 choices, in cuts elsewhere.

5 I think it is important to note that
6 throughout the Tax Reform Commission's
7 proposal and all the other reports, tax reform
8 is just one component of making the city grow.

9 It is no less critical that we have
10 adequate security. It is no less critical
11 that we have neighborhoods in which people are
12 willing to live, if Philadelphia is going to
13 flourish.

14 And I would like to have Mr.
15 Goldsmith respond just briefly to some of the
16 overtime questions.

17 MR. PHIL GOLDSMITH: Phil
18 Goldsmith, Managing Director, City of
19 Philadelphia.

20 First of all, I would like to say I
21 welcome this debate. I think it is a great
22 debate for the City of Philadelphia because I
23 think it really raises the issues we should be
24 talking about.

25 And I think this Administration has

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2 found the right balance in trying to seek tax
3 reduction and tax reform, while at the same
4 time maintaining our core services and making
5 some investments in our future. And I think
6 we have a balanced approach which is important
7 for those of us governing.

8 We have been very aggressive in
9 reducing overtime. And I would say that our
10 overtime in '04 will probably be down a good
11 10, 15 percent from what it was Fiscal Year
12 '03. So I think we have taken steps.

13 And I have said before in my own
14 budget testimony, I think that there is more
15 that we can do.

16 But I think it is also important to
17 understand that overtime is not totally
18 dictated by this Administration. You have
19 independent elected officials, particularly
20 when it comes to court overtime, who have a
21 large sway in the amount of overtime.

22 We also have events that are beyond
23 our control. I am sure we are all hoping we
24 are going to have a Flyers parade and an
25 Eagles parade and a Phillies parade.

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2 We live in an age where we don't
3 know when the next anthrax scare comes, the
4 next orange alert comes from, or the next snow
5 storm comes from.

6 So while we can do a better job, and
7 I think we are doing a better job, of
8 ratcheting down overtime, we have to recognize
9 that some of these are beyond our control.

10 And some of the overtime, quite
11 frankly, is a trade-off in not hiring people.
12 So we can ratchet down overtime, but it means
13 hiring people.

14 I want to get to an issue, though,
15 of core services. Because we can talk about
16 expenditures. And I like to talk about not
17 threatening people by layoffs or things like
18 that.

19 But I think it is really important
20 for us to understand some of the things that
21 are not being done in this city, which I think
22 would have as much economic development impact
23 as wholesale tax reform.

24 We have a backlog of 30 streets in
25 this city, blocks, that need street

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2 reconstruction. We can only do 10 blocks a
3 year.

4 We are far behind in maintaining and
5 restoring ditches. We have 900 children who
6 are sleeping in emergency shelters every night
7 because we cannot provide them with shelters.

8 We have to slow down the number of
9 tours that we give in our Arts Murals Program
10 because we can't staff it.

11 If you wanted to talk about anything
12 for economic development, is to take people in
13 our neighborhoods and see the great mural arts
14 works that have been done.

15 We can't provide Saturday hours at
16 all our libraries. We only inspect
17 restaurants once every 16 or 17 months, as
18 opposed to once every year.

19 60 percent of our city ladder
20 companies are ten years or older. We need 150
21 field computers in our fire stations. Our
22 police districts and our fire stations need
23 improved maintenance.

24 We don't get to truancy prevention
25 until the kids are truant. We have to do a

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2 better job of taking care of our park systems,
3 starting with our sidewalks, starting with the
4 greatest street we have, Ben Franklin Parkway,
5 where all the sidewalks need to be repaired.

6 So I just think it is important.

7 And I could go on and on. But I want to make
8 the point that we are not talking about tax
9 reduction in a city that has our services
10 where we want to be a world-class city. We
11 still have a long ways to go.

12 And I think that core services and
13 enhancing these basic services not only has a
14 social service impact, but also talk about the
15 quality of city we have from an economic
16 development point of view. And I don't want
17 that point to be forgotten.

18 Thank you.

19 COUNCILMAN O'NEILL: Thank you. You
20 paint a pretty good picture -- not a good
21 picture, but an accurate picture -- I think,
22 of what is out there.

23 But it also is a fairly convincing
24 argument that we have to try to be aggressive
25 in trying to find a way to raise more

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2 revenues. Thank you.

3 (Applause.)

4 PRESIDENT VERNA: Councilman, was
5 your question related to overtime?

6 COUNCILMAN O'NEILL: I didn't
7 mention overtime. I wouldn't call it a
8 spending spree.

9 PRESIDENT VERNA: Somebody did.

10 COUNCILMAN O'NEILL: I wouldn't go
11 that far.

12 But in the last couple of years we
13 have had some pretty expensive programs,
14 particularly Safe Streets. That, I believe,
15 as good as they are, there is a whole lot of
16 other things that are terrific too that we
17 haven't had money to spend on.

18 And we have been spending money we,
19 basically, weren't taking in. We were drawing
20 down on a surplus. Knowing that if we
21 continued to spend at that level, we were
22 going to get a deficit. And, guess what? We
23 are here.

24 PRESIDENT VERNA: Talking about
25 overtime, when we are spending almost \$19

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2 million in overtime at the prisons, I think
3 that's an exorbitant of overtime, I really do.

4 COUNCILMAN O'NEILL: Thank you.

5 PRESIDENT VERNA: Can anybody give
6 an explanation as to why we should be spending
7 that kind of money in overtime at the prisons?

8 MR. GOLDSMITH: Well, one of the
9 things, number one, we are looking at that
10 issue. And I have instituted a number of
11 changes to make sure that our overtime is
12 being spent better.

13 In some cases, particularly with the
14 prisons, that was an issue of spending
15 overtime because we didn't hire. And, so, we
16 have a trade-off.

17 We can either hire the people and
18 put them on the payroll, or we spend the
19 overtime with the people that we have. That
20 was a judgment that was made.

21 I think in some cases we should have
22 hired and had less overtime. But probably at
23 the end of the day, there won't be a
24 significant difference in the Class 100
25 expenditures. It is really a trade-off we

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2 made between the hiring and the overtime.

3 But I will grant you that there were
4 cases that we were having people do work that
5 probably we should not have done, so I am not
6 going to defend it entirely.

7 PRESIDENT VERA: Thank you.

8 The Chair recognizes Councilman
9 Ramos.

10 COUNCILMAN RAMOS: Good morning,
11 Madam President.

12 Good morning, Chief of Staff and
13 those from the Administration that have taken
14 time out to, again, continue in this budget
15 process.

16 I learned last year, as I campaigned
17 to seek this office, and I did successfully,
18 obviously, that I was very encouraged by
19 something that I referred to as the great tax
20 debate in Philadelphia.

21 And that it no longer was an issue
22 of the affluent or the middle class of
23 Philadelphia, but that I actually came across
24 people playing dominos talking about taxes.

25 I think that's a very positive

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2 indication of the civic involvement and concern
3 of the people of Philadelphia that want to
4 stay in Philadelphia.

5 And I think that the Tax Reform
6 Commission has done a very, very good job in
7 continuing to encourage this great tax debate
8 that we are in the middle of, that I suspect
9 will go on for many years to come.

10 I want to commend the Chief of Staff
11 Wilkerson for a very good presentation, making
12 a very clear argument of where the
13 Administration stands.

14 And there has been times that I have
15 been frustrated coming here to chambers for
16 these budget hearings where there were things
17 that were not very clear to us and information
18 not gotten to us.

19 But today, after listening to you, I
20 want to commend you for a presentation that is
21 very clear, at least today, on where you
22 stand, particularly on the issues at hand
23 today on taxes.

24 MS. WILKERSON: Well, I would be
25 remiss if I didn't point to Sean McNealy, who

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2 is sitting back there in the corner, and Rob
3 Dubow. They are supported by an entire
4 department, you know.

5 We come forward and give this
6 testimony. It reflects an enormous amount of
7 expertise developed over decades that's within
8 city government.

9 And, you know, we have people who
10 are every day being solicited by the private
11 sector. We hope, you know, they don't leave,
12 Rob. And the hundreds and hundreds of hours
13 of work that they do, they do it because they
14 are concerned about the city's welfare and
15 worry about tax reform and they worry about
16 the budget and they worry about cash flows on
17 and ongoing basis.

18 And I don't want to take the credit.
19 So much of it belongs to them.

20 COUNCILMAN RAMOS: And I commend
21 them, as well. I just have a couple of
22 questions for you.

23 What is the hole in the budget
24 created for Year 2005 by the passage of the
25 entire tax reform package proposed in

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2 Councilman Nutter's bill? And by "whole," I
3 mean additional shortfall of revenues to
4 expenses/liabilities.

5 MR. DUBOW: It is about \$15 million.

6 COUNCILMAN RAMOS: 15 million?

7 MR. DUBOW: 15, one five.

8 COUNCILMAN RAMOS: And this is very
9 important to us. Because -- yes.

10 PRESIDENT VERNA: We didn't hear
11 you.

12 MR. DUBOW: It is about 15.

13 PRESIDENT VERNA: 15.

14 MR. DUBOW: Yes.

15 PRESIDENT VERNA: Per year.

16 MR. DUBOW: 15 in '05. It grows in
17 outer years.

18 PRESIDENT VERNA: Thank you.

19 COUNCILMAN RAMOS: And this figure
20 is very important to us because we have to
21 pass this budget for Fiscal Year 2005.

22 And I needed to know what kind of an
23 impact, if we pass all these tax reform bills,
24 what kind of impact it would have.

25 MS. WILKERSON: I think that is a

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2 critical figure.

3 You know, 15 million in the context
4 of a multi-billion dollars budget frequently
5 doesn't seem like much. But it is 15 million
6 on top of the millions of dollars we have to
7 find. There's \$18 million because of PGW.

8 You know, there are other
9 recommendations made by PICA urging us to
10 reform our projected revenues. There are
11 items that we are currently struggling with
12 now that the Administration proposed that we
13 cut, that others would have replaced.

14 So I think when you say, "15
15 million," I think there is also a need to
16 identify where is the \$15 million going to
17 come from, what is going to be cut that the
18 city currently does that will fund the \$15
19 million tax reduction.

20 COUNCILMAN RAMOS: What is the hole
21 in the Five-Year Plan that would be created by
22 Bill No. 040009? That's the wage tax reform
23 bill.

24 That alone, how much would that be?

25 MR. DUBOW: Over the life of the

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2 plan, that's about \$98 million.

3 COUNCILMAN RAMOS: How about Fiscal
4 Year 2005?

5 MR. DUBOW: 2005, the wage tax
6 impact would be a little over 2 million.

7 COUNCILMAN GOODE: Point of
8 information.

9 PRESIDENT VERNA: The Chair
10 recognizes Councilman Goode for a point of
11 information.

12 COUNCILMAN GOODE: I think in '05 it
13 is actually an increase in revenue. I think
14 '06 is \$2 million.

15 MR. DUBOW: No. The increase that
16 you are seeing there that was in the original
17 Tax Reform Commission report was comparing
18 against last year's plan.

19 And the reason that went positive
20 was because of the shift in the date of the
21 change in the wage tax from July 1 to January
22 1. But that shift is assumed in the plan.

23 So comparing to this year's plan,
24 you don't get that increase in revenue.

25 COUNCILMAN GOODE: So what is it for

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2 '06?

3 MR. DUBOW: It is about 8 million in

4 '06.

5 COUNCILMAN GOODE: Okay. Thank you.

6 PRESIDENT VERNA: Councilman Ramos.

7 COUNCILMAN RAMOS: What's the basis

8 for the \$275 million hole create in the

9 Five-Year Plan that you say the tax reform

10 package would create?

11 Are you saying that if we go with

12 the entire package of the Tax Reform

13 Commission recommendation, that we will

14 create, that a 275 million additional dollar

15 deficit will be created.

16 Can you take us through how you

17 reach, you know, those numbers?

18 MR. DUBOW: Yes. Most of the

19 reduction is on the business tax side.

20 And the places where there are

21 differences between the Tax Reform

22 Commission's report and the Five-Year Plan are

23 on the gross receipts tax in the fifth year.

24 So gross receipts rates are the same

25 in the first four years. In the fifth year

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2 the Tax Reform Commission would have a more
3 aggressive reduction in the gross receipts tax
4 than the Five-Year Plan has.

5 On the net income side of the
6 business privilege tax, the Tax Reform
7 Commission would start reducing the net income
8 rate in '06. The Administration Five-Year
9 Plan doesn't have any reduction in the net
10 income side.

11 There are also changes in net
12 operating loss carry-forward. The Tax Reform
13 Commission had that go from three years to ten
14 years, and the Five-Year Plan doesn't have
15 that change in the definition of net income.

16 So that payments to partners, for
17 example, would be considered as a cost, so you
18 would change the way that your tax rate is
19 applied.

20 So those are the major differences,
21 and that's where the rest of the cost comes
22 from.

23 COUNCILMAN RAMOS: Can I continue,
24 Madam President? Or I can --

25 PRESIDENT VERNA: Can we have a

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2 second go-around, please. There are a number
3 of Council Members that would like to be
4 recognized.

5 The Chair recognizes Councilman
6 Clarke.

7 COUNCILMAN CLARKE: Thank you, Madam
8 President. Good morning. A couple of
9 questions.

10 The Administration has indicated its
11 willingness to support the land value tax and
12 the repeal of the nonutilization tax.

13 I am trying to get a sense, is that
14 support for the repeal of the nonutilization
15 tax solely based on their support for or your
16 support for the land value tax, or is it based
17 on other issues that were raised at an earlier
18 hearing, I think maybe three years ago, three
19 or four years ago, when I appealed the
20 original nonutilization tax?

21 MS. WILKERSON: I think there have
22 been legal questions about the nonutilization
23 tax.

24 But the Administration, after review
25 of the Tax Reform Commission's proposal,

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2 thought it made sense to adopt a land value
3 tax approach.

4 (Applause.)

5 MS. WILKERSON: I think this is --
6 you know, we in the Five-Year Plan discuss
7 adopting it for FY '06. The Tax Reform
8 Commission appropriately indicates that we
9 need to fix the problems with our assessment
10 system and go to, I think, 100 percent
11 assessments before we go down that road.

12 It is something that is proposed for
13 a ten-year phase-in, so we will have the
14 opportunity to evaluate it.

15 But we support that approach, as
16 opposed to the tax that I believe you
17 sponsored.

18 COUNCILMAN CLARKE: So the answer
19 is?

20 MS. WILKERSON: Yes, it is
21 either/or.

22 COUNCILMAN CLARKE: It is tied to
23 that?

24 MS. WILKERSON: Yes.

25 COUNCILMAN CLARKE: I am trying to

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2 make sense.

3 Is it more your belief that there
4 are some legal issues or is it more the need
5 to merge it with the implementation of the
6 land value tax?

7 MS. WILKERSON: I think it is both.

8 COUNCILMAN CLARKE: All right. Do
9 you agree that if the legal issues -- and I am
10 not sure they are -- but if they are, if we
11 can overcome those legal issues, our ability
12 to implement such a tax could possibly
13 increase a substantial number of revenue,
14 amount of revenue, as a result of the vacant
15 land throughout the City of Philadelphia, and
16 possibly encourage people to do something with
17 this underutilized land?

18 Underutilized in every sense of the
19 way, in that this focuses primarily on
20 blighted property, not necessarily individuals
21 who have a lot of land that they use, probably
22 lawns, parking garages, things, parking lots,
23 things of that nature.

24 MS. WILKERSON: I think it creates
25 pressure for property owners to use their

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2 land.

3 I think we are seeing increased
4 values in a number of areas of the city, areas
5 that had for a long time, you know, been
6 throw-away areas from a real estate value
7 point of view. We are seeing increased
8 interest in it.

9 I think there remains the question
10 of, can you find the property owners. They
11 have to come forward before that tax has any
12 real significance.

13 But I think we might realize
14 revenues that even five years ago, ten years
15 ago, weren't going to be available.

16 COUNCILMAN CLARKE: Well, as it
17 relates to finding property owners, I am
18 assuming that we have run into that problem
19 under the NTI program and our aggressive
20 acquisition of land.

21 Our ability to impose an additional
22 lien or impose an additional penalty or tax on
23 that land, I am assuming, would enhance our
24 ability to acquire properties under NTI.

25 I look at my friend Councilman

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2 DiCicco over there. And I know he is thinking
3 about that vacant window bill, and the ability
4 to ratchet up the liens on blighted
5 properties.

6 I mean, we don't really concern
7 ourselves when we are trying to acquire land
8 under NTI as to whether or not we will find
9 owners. Why would we concern ourselves
10 about --

11 MS. WILKERSON: When it comes to
12 acquiring land through NTI, you are right, the
13 more liens we have, the less cash we have to
14 outlay.

15 I was thinking in terms of simply,
16 you know, properties that are not going to be
17 acquired through a condemnation strategy, but
18 where you have abandoned property and you are
19 just looking to collect revenues and make it
20 expensive for somebody to support blight in
21 our cities.

22 You know, under the scenario where
23 we are not going to a acquire it and you don't
24 have the proper owner available, the tax
25 doesn't make a big difference.

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2 COUNCILMAN CLARKE: I don't
3 understand that. If there is a property
4 that's vacant now, right -- and I am assuming
5 that we are taxing that property separate and
6 aside from the nonutilization tax.

7 MS. WILKERSON: That's right.

8 COUNCILMAN CLARKE: We do impose
9 that tax. We don't simply say, because we
10 can't find you, we are going to not impose
11 that tax.

12 MS. WILKERSON: In terms of creating
13 revenue for the city, you don't necessarily
14 create revenue when you can't find the owner,
15 that's the big difference.

16 COUNCILMAN CLARKE: Have we ever run
17 into instances when people feel that the cost
18 of land, and subsequently the imposition of a
19 tax, is sometimes worth the cost of business,
20 particularly when we have speculators who own
21 properties in parts of the city where the
22 taxes are relatively low, and they say, look,
23 I am not going to worry about that, I am going
24 to speculate and I will sit on it. The taxes
25 are a hundred dollars a year, that's the cost

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2 of doing business. At some point this
3 property will be valuable, as we are seeing
4 across the city.

5 MS. DAVIS: If in fact there are
6 people who are holding property for
7 speculation, that would have an impact.

8 But what we have seen historically
9 is that these are not properties that are
10 vacant because they are being held for
11 speculation; they are simply properties that
12 have been abandoned.

13 COUNCILMAN CLARKE: So the
14 worst-case scenario, we would increase the
15 lien on the property.

16 And at some point we will probably
17 get to that property, particularly in some of
18 the areas, since you have indicated that there
19 is a renewed interest in some of these areas.

20 I can speak about my district in
21 particular, because I happen to have a
22 substantial amount of vacant properties and
23 vacant land in my district. And,
24 interestingly enough, people are now
25 interested in the properties. And I am now

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2 having to decide as to what strategy we use to
3 dispose of this property to individuals.

4 MS. WILKERSON: You know, if it is
5 legal, there is no down side to a tax like the
6 one you proposed. It will mean additional
7 revenues as property values strengthen, you
8 know.

9 It makes owners -- I think owners
10 will make a different calculation. They will
11 go on and pay the tax or develop the property,
12 as opposed to risk losing it.

13 COUNCILMAN CLARKE: Ms. Davis, you
14 had indicated a little earlier that the
15 history has shown that these people cannot be
16 found.

17 What do you base that on?

18 (Applause.)

19 MS. DAVIS: Well, that wasn't my
20 statement. I just said historically they were
21 abandoned properties.

22 I think a lot -- if one wants to
23 look at the success in collection efforts, or
24 even what liens in Philadelphia really mean,
25 one needs only look at the tax lien sale that

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2 was done in 1997. That securitization has
3 been, by most accounts, a very unsuccessful
4 adventure.

5 We still at this point, with short
6 maybe month left to go, have outstanding --

7 COUNCILMAN CLARKE: Not to cut you
8 off. Wouldn't you agree that the land value
9 has changed substantially from 1997 to 2004?

10 MS. DAVIS: Land values have changed
11 substantially. But the ability to collect on
12 those liens has not.

13 And, so, that, where you would have
14 expected that there would have been a greater
15 ease to collect on them because of the
16 escalation in the values of properties, we
17 have not seen that.

18 There is, as of today, roughly \$45
19 million that have been uncollected on. And,
20 so, that you have a lien sale, a bind sale,
21 that now stands at risk of being in default
22 because those liens have not generated.

23 And, so, to say that this escalation
24 in values have impacted the liens is not true.

25 And the ability to collect, when you

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2 are looking at agencies whose livelihood
3 depended on collecting, and for someone who
4 has that risk, as the insurance companies have
5 that risk, millions of dollars, they have done
6 every effort they could to get those liens
7 paid, to get those liens adequately serviced,
8 and still they have not had the success.

9 So I think what we are facing here
10 is, yes, there are areas where there will be a
11 positive impact of having a nonutilization
12 tax. But then there are still areas that,
13 because of the demographics, the properties
14 involved, or whatever, where those won't be --
15 an encouragement where the tax won't be an
16 encouragement for people to pay, but will
17 simply mean that more liens build up on
18 properties that don't have the underlying
19 value to support the lien.

20 COUNCILMAN CLARKE: Okay.

21 COUNCILWOMAN BLACKWELL: Point of
22 information, Madam President.

23 PRESIDENT VERNA: The Chair
24 recognizes Councilwoman Blackwell for a point
25 of information.

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2 COUNCILWOMAN BLACKWELL: Thank you
3 very much.

4 Councilman Clarke is mentioning this
5 tax that's up on or about June 16. And my
6 question is, how does the lien sale affect the
7 taxes on those properties?

8 As Ms. Wilkerson knows, I have been
9 very upset because we can't get any
10 substitutions because we are out of
11 properties, and we have been told the city has
12 to put the whole value of the properties in.

13 And we didn't know this was
14 happening; otherwise, I would have been smart
15 like my colleague, Councilman Clarke, and
16 exempted my area. Having said that, we are
17 stuck.

18 But I have met with people who are
19 interested in trying to work with the city to
20 then buy back these liens.

21 And I know we have the insurance
22 company in the middle. But there are other
23 people who are interested in working with the
24 city to see if the city will enter into an
25 agreement to get these properties back.

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2 How would that affect taxes, and how
3 does that affect the whole issue of being able
4 to move those properties?

5 MS. DAVIS: There are a lot of
6 issues around those particular properties that
7 are involved in the lien sale.

8 Number one, in many of those
9 properties, new liens have been established on
10 those same properties. So you have properties
11 now that did not have the underlying value to
12 support the liens that were there in the
13 initial sale, lien sale, that now have more
14 liens layered on.

15 As long as the insurance company is
16 there and has the rights to those liens in
17 order to satisfy what they are going to
18 eventually have to pay out on behalf of the
19 city, if the city does not in some way step up
20 and make those payments, you have a
21 complicated situation that probably, in a
22 meeting, we could examine each individual
23 property or examine properties that people may
24 be interested in and see if there is not a way
25 to negotiate something between the insurance

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2 company, the servicer, and the parties who are
3 interested in acquiring it.

4 COUNCILWOMAN BLACKWELL: My final,
5 then I will wait my turn, Madam President, on
6 this whole issue is, it is a really important
7 issue.

8 We have private business owners who
9 want properties to expand their businesses. I
10 have talked about it all the time, so my
11 colleagues know I am talking about Bottom of
12 the Sea in my area and other businesses -- I
13 have been talking about them for the last
14 year, year and a half -- who want to expand
15 business, who want to pay taxes on that land
16 that's tied up in lien sales.

17 People want to invest in our city.
18 Isn't that what we want? Don't we want to
19 support minority businesses and businesses
20 overall and investing?

21 We say we do, and yet we don't have
22 any way to transfer properties to them so that
23 they can get a clear deed.

24 I mean, when and how do we develop a
25 process? I know I go through this all the

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2 time under NTI and CDBG. When and how do we
3 develop a process, or is there any need to, or
4 do we just let areas, businesses, decide to
5 move because they can't expand, they can't
6 become further tax-producing entities because
7 we won't find a way to get them a clear deed?

8 Is there any move to have that done,
9 that you are aware of?

10 MS. WILKERSON: Yes, I think we have
11 discussed it, you know, in connection with
12 NTI.

13 We are moving thousands and
14 thousands of properties through the
15 condemnation process. We have, you know, 10,
16 20 appraisers that are working almost full
17 time doing appraisals in support of our filing
18 declarations of taking.

19 We are putting systems in place,
20 IT-supported systems in place, so we will be
21 able to monitor and do things more
22 efficiently.

23 The perfect system, though, is still
24 18 months out, something like that.

25 COUNCILWOMAN BLACKWELL: It never

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2 comes. You know, it is very frustrating when
3 the city says, get businesses to invest in
4 neighborhoods.

5 We have neighborhood businesses, we
6 get them to invest, they want to pay taxes,
7 the properties are either in this lien sale
8 business or they have owners they can't find,
9 and the city still can't find a way to work to
10 get a clear deed.

11 It is very frustrating and it makes
12 businesses and neighborhood commercial
13 corridors think we don't say what we mean;
14 that we really are not committed to their
15 expansion. Because no matter how long we talk
16 about it, we don't come up with a plan.

17 Thank you, Madam President. I will
18 wait my turn.

19 PRESIDENT VERA: Thank you. And I
20 suggest that you put your light on again,
21 because it went off.

22 (Applause.)

23 PRESIDENT VERA: Councilman Clarke,
24 are you about finished? Because we have a
25 number of Council Members that would like to

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2 be recognized.

3 COUNCILMAN CLARKE: Yes.

4 So your response is that,
5 essentially, the ability to collect taxes on a
6 substantial amount of vacant land and vacant
7 property is iffy, at best.

8 Do you or have you calculated in
9 your equation for your support for the land
10 value tax that, under that particular program,
11 you won't be able to collect that revenue?

12 Because I believe in some of the
13 earlier testimony by some of the supporters of
14 the land value tax, is that the imposition of
15 that particular bill would in fact encourage
16 individuals who currently have vacant land and
17 vacant properties, because the shift of
18 focus -- particularly on vacant land, and in
19 some instances vacant property, because it was
20 indicated that improvement on vacant property
21 would be taxed at a lesser level now because
22 the focus now has shifted to the vacant land
23 in terms of increased penalties.

24 So if you don't get it on
25 nonutilization, you are not going to get it on

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2 the land value

3 MS. DAVIS: The rate of the land
4 value tax is, the way we have costed it, to be
5 cost neutral, is that you are spreading it
6 over the same items.

7 But the same -- same things that
8 impact the nonutilization tax would also
9 impact land value tax, if you had a vacant
10 piece of property.

11 Changing the proportion that's tied
12 up in land, or the improvement, if you have
13 something that's abandoned and not desired, is
14 not going to change the dynamic.

15 COUNCILMAN CLARKE: So we are not
16 going to get a response from the vacant land
17 under either program is what --

18 MS. DAVIS: Not if it is land that
19 is not in demand.

20 There are those areas that are hot
21 where --

22 COUNCILMAN CLARKE: So the primary
23 focus on the land value tax is, essentially,
24 properties that first we can find the owner,
25 there is a strong likelihood that the land is

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2 being used for some reason or another, i.e.,
3 someone's lawn or parking lot or something
4 that's being used, we can track the person
5 down; but, essentially, the likelihood that it
6 is going to encourage the development of
7 vacant land is --

8 MS. DAVIS: The land value tax is
9 predicated on taking those properties that are
10 under some lesser use and moving them up to a
11 higher use; i.e., development.

12 So that is exactly the predicate.

13 COUNCILMAN CLARKE: Okay. All
14 right. I'm glad we cleared that up. I will
15 come back for followup.

16 PRESIDENT VERNA: Thank you. I just
17 have a question.

18 From time to time City Council has
19 to approve TIFs and/or KOIZs to attract or
20 retain businesses.

21 By giving our special tax breaks to
22 a few, are you not giving them a competitive
23 advantage over other businesses in the city?

24 With that being said, don't you
25 think that tax reform is a fairer means of

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2 creating a tax-friendly atmosphere for the
3 city than the other inducements that you have
4 been using?

5 (Applause.)

6 MS. DAVIS: I will respond to the
7 idea that TIFs and KOIZs and KOZs are of
8 special benefit to a few.

9 I think those are very needed
10 economic development tools and they are used
11 even in those cities that have booming,
12 thriving economies.

13 They are ways of targeting your tax
14 benefit to an area or an industry that you
15 hope to see develop and grow in your area.

16 Tax reform is another way of
17 accomplishing that on a broader base.

18 MS. WILKERSON: I think I found it
19 interesting in the Tax Reform Commission's
20 report that it did not propose the elimination
21 of all the property or project-specific
22 incentives, you know.

23 It basically supported what Ms.
24 Davis just testified to, that, particularly in
25 the interim, these are the kinds of incentives

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2 that the city needs to continue to utilize;
3 that we may reach the point where we don't
4 have to consider them anymore.

5 Although, you know, Ms. Davis was
6 showing me an article about what's going on in
7 Denver. And even there you still, you know,
8 from time to time find locales still using the
9 incentives, particularly the TIF program.

10 PRESIDENT VERNA: But you didn't
11 answer my question, in a way.

12 Don't you think that tax reform is a
13 more fair way of creating a tax-friendly
14 atmosphere than the incentives such as TIF or
15 KOIZs?

16 MS. WILKERSON: I think in the long
17 run it may be. But in the short run, I think
18 that there is still a need for the
19 project-specific incentives.

20 PRESIDENT VERNA: All right. I
21 would like to remind my colleagues that we do
22 have a number of Council Members that want to
23 be recognized.

24 I did not time anyone in the
25 beginning, only because there were very few

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2 Council Members who had their lights on.

3 However, the board is really full
4 now, so I would ask my colleagues to please
5 keep that in mind.

6 We will start with the next
7 go-around for five minutes per Council Member.
8 Thank you.

9 The Chair recognizes Councilman
10 Rizzo.

11 COUNCILMAN RIZZO: Thank you, Madam
12 President.

13 I want to take an opportunity to
14 discuss something that the managing director
15 said about core services.

16 And I want to point out one
17 particular core service that I think, if it
18 diminishes anymore, we might just put the
19 closed sign on the city, and that's the area
20 of traffic control.

21 I get letters, I get phone calls
22 about the gridlock in Center City. And I
23 think many of us have driven from one side of
24 the city to the other during peak.

25 And I look to see if I see police

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2 officers, traffic officers, and I see very
3 few, if any.

4 But when we see special events, we
5 see just overwhelming numbers of police
6 officers.

7 Mr. Managing Director, if you are
8 suggesting that tax reform would cut any
9 further into some of the core services, I
10 think we would be in big trouble in this city.

11 Because I think right now people
12 that really depend on coming to the city, that
13 can't use public transportation, absolutely
14 have a right to complain because the gridlock
15 that is occurring in Center City lately is
16 beyond description.

17 MR. GOLDSMITH: Councilman, I am
18 pleased to tell you that I actually have a
19 meeting scheduled in my office some time later
20 this week with the police, and traffic
21 division in particular, to discuss this issue.

22 And I hope you are there with us
23 when we start giving tickets out. Because if
24 I have anything to do with it, we are going to
25 start getting tough on people blocking the

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2 intersections, going through red lights. It
3 is time that -- as far as I am concerned, it
4 is as much a part of economic development and
5 making this city a livable place and a place
6 where people want to visit.

7 So hopefully you will be there with
8 me when some of your constituents start
9 screaming when they get the tickets.

10 COUNCILMAN RIZZO: If they are
11 breaking the law, they can scream as loudly as
12 they like.

13 But my point being that there is
14 very little police presence, especially
15 traffic police, that goes on right now.

16 So, obviously, you have recognized
17 that, and you plan to dispatch police officers
18 to allow people that need to come into the
19 city -- and I know that you are a big promoter
20 on bicycles and alternate forms of
21 transportation.

22 But I can tell you this, that after
23 hearing people at the Chamber of Commerce
24 meeting recently talking about the fact that
25 it is almost impossible to travel through

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2 Center City either at the morning rush or the
3 evening rush, is to the point where they
4 hesitate to even want to come to the city any
5 longer.

6 MR. GOLDSMITH: I agree with that.

7 COUNCILMAN RIZZO: Thank you, Madam
8 Chair.

9 PRESIDENT VERNA: You are welcome.

10 The Chair recognizes Councilman
11 DiCicco.

12 COUNCILMAN DiCICCO: Thank you,
13 Madam President. And good morning to the
14 panel.

15 I believe I asked this question a
16 couple of weeks ago. I'm not absolutely
17 certain if I did, so I apologize if I am
18 repeating it.

19 When you do your budget and you take
20 into account whatever those figures are going
21 out over the Five-Year Plan, have you taken
22 into account the buildings that were given the
23 ten-year exemption back in 1997?

24 I see Mr. Dubow shaking his head.

25 And you are factoring in those numbers as

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2 additional revenues?

3 MR. DUBOW: Yes. You mean when the
4 abatements expire?

5 COUNCILMAN DiCICCO: Yes.

6 MR. DUBOW: Yes.

7 COUNCILMAN DiCICCO: I don't want to
8 get away from the tax issue for a moment, but
9 I think this kind of falls into where we are
10 today, how we got here, and what we need to do
11 going forward.

12 And it picks up on Councilman
13 O'Neill's question, which I believe the
14 managing director responded to, about overtime
15 and the way monies are being spent, and what
16 we need to do about getting some of those
17 controlled. So that at the end of the day, no
18 matter what of the bills, if not all of
19 the tax reform bills are passed, or some of
20 them are passed, changes need to be made.

21 A couple of weeks ago I spoke to,
22 when the Recreation Commissioner was in this
23 Council for hearings, I brought up the issue
24 of Camp William Penn, 671-acre facility in the
25 Pocono Mountains. And I have done some

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2 further investigation as a result of that
3 discussion.

4 My understanding is, it is being
5 used 29 days a year, at an approximate cost of
6 \$500,000 per year.

7 I have had some discussions with
8 people in the casino industry, which I raised
9 at the hearing, that it is very valuable land.
10 Not certain if casinos would even be
11 interested in it.

12 But at the very least I am told that
13 that land is probably worth today,
14 non-casino-related purchaser -- and it wasn't
15 done by a professional appraiser, but just
16 kind of, like, off-the-cuff value -- it is
17 worth about \$10 million.

18 So when we are sitting here talking
19 about tax cuts possibly, if we pass any of the
20 Tax Reform Commission recommendations, talk
21 about city services, libraries possibly
22 closing and not opening on Saturdays, pools
23 not opening this season and maybe for the next
24 few years, a half a million dollars a year
25 annually over a Five-Year Plan is \$2.5

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2 million, notwithstanding any of the additional
3 monies we may have to invest to keep that
4 place up to the standards that it needs to be
5 kept up to.

6 What, if anything, is being done
7 about that notion, suggestion, if you will,
8 about selling that facility?

9 MR. GOLDSMITH: Councilman, we are
10 expecting an appraisal on that land any day
11 now, so that's something that we are looking
12 at.

13 I hope that you just didn't put a
14 ceiling on what the value might be. But we do
15 have -- we have contracted with an appraiser.
16 They are going to come back to us with what
17 they believe the value of that land is.

18 And, given that, then we will find
19 out what alternatives we have.

20 COUNCILMAN DiCICCO: I mean, you are
21 half a million dollars a year. I think it
22 costs about \$50,000, I am being told, to keep
23 a pool open yearly, on a season. So that's
24 ten pools we can keep open every year.

25 And I understand that 500 children

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2 get a great experience by going to the
3 Poconos. But I think we can do the same thing
4 in Fairmount Park, if we had to.

5 So this all falls into the area of
6 how do we --

7 (Applause.)

8 COUNCILMAN DiCICCO: I don't know if
9 that was an applause for the Poconos or
10 whatever.

11 But, in any event, I think those are
12 the kinds of things that, during this whole
13 tax debate, we need to be taking into
14 consideration.

15 Not only about reducing taxes, but
16 on the supply side, as we talked about in Ms.
17 Wilkerson's testimony, these are things that
18 have to be addressed, I think, simultaneously.

19 MR. GOLDSMITH: Councilman, we are
20 addressing that particular issue, as well as a
21 lot of different issues at the same time.

22 But that one we are looking at, what
23 the value of the land is. Camp William Penn
24 gives a great experience, you know, in the
25 country for urban kids. So we don't want to

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2 lose that.

3 But we are also looking at ways, can
4 we send them to another camp that someone else
5 operates, and so forth.

6 So those issues are legitimate
7 issues that we are exploring.

8 COUNCILMAN DiCICCO: I have some
9 other questions, but it is really concerning
10 the parking tax. And I will wait for people
11 who are coming up from the Commission.

12 Thank you.

13 PRESIDENT Verna: Thank you.

14 The Chair recognizes Councilwoman
15 Tasco.

16 COUNCILWOMAN TASCO: Yes. Thank
17 you, Madam President.

18 In looking at the bills that you are
19 not supporting, I would just like to have some
20 discussion with you about why the
21 Administration is not supporting some of those
22 bills.

23 The one bill, Bill 040012, phase-in
24 over five years the ability for partnerships
25 to fully deduct payments to partners against

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2 their business privilege tax liability, so
3 partnerships are no longer taxed higher than
4 corporate competitors, what is wrong with
5 that?

6 MR. DUBOW: There is nothing wrong
7 with the theory of it. It is the cost that
8 concerned us.

9 We didn't develop a hundred percent
10 accurate cost, but we think it is probably in
11 the neighborhood of \$10 million a year. So
12 that was, really, just a decision made on the
13 basis of cost.

14 COUNCILWOMAN TASC0: Could you just
15 further, could you tell me what that bill
16 means, and how do you calculate the cost?

17 MR. DUBOW: What that bill means is
18 that, if you are a certain type of business,
19 you can deduct payments to partners,
20 basically, as a cost of doing business.

21 And then instead of being taxed at
22 the net income rate of 6 and a half percent,
23 you wind up getting taxed at the net profits
24 rate, which is lower.

25 So it is a lower tax rate for

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2 businesses. So it helps them and makes, you
3 know, our tax rate more competitive for them.

4 On the other hand, it costs us
5 money.

6 COUNCILWOMAN TASC0: So if they go
7 from the 6.5 percent to the lower rate. The
8 city loses money?

9 MR. DUBOW: Right. So we lose on
10 the business privilege tax and gain on the
11 nets profits tax.

12 COUNCILWOMAN TASC0: And you
13 calculate it to be?

14 MR. DUBOW: About 10 million a year,
15 but we're not a hundred percent sure of that.

16 COUNCILWOMAN TASC0: So how do you
17 make a decision whether it is 10 or 4 or 3 or
18 2?

19 MR. DUBOW: Well, one of the reasons
20 that we haven't endorsed it is that we
21 couldn't get an accurate cost. We know it is
22 something that will be costly; we don't know
23 exactly what the cost will be.

24 COUNCILWOMAN TASC0: Okay. The next
25 one, 13. Enact budget-based real estate

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2 taxation so elected officials set tax rate
3 after assessments are performed to create
4 accountability in the real estate tax system.

5 What is your position on that, and
6 why?

7 MR. DUBOW: We oppose that one, too.

8 Our fear as to what would happen if
9 that bill became law was that, in years when
10 assessments were really strong, millage rates
11 would go down and the budget would stay in
12 balance.

13 In years where assessments were weak
14 and we needed additional revenue, we are
15 worried that that millage rate wouldn't be
16 increased, and it would just be a continuing
17 downward spiral in our revenues, which would
18 then lead to reductions in our services.

19 COUNCILWOMAN TASC0: So the Council
20 has to raise the assessment, and you have no
21 confidence --

22 MR. DUBOW: The millage.

23 COUNCILWOMAN TASC0: The millage.

24 And you have no confidence that they would do
25 that?

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2 MR. DUBOW: It was our concern that
3 that won't happen.

4 MS. WILKERSON: I think the whole --
5 you know, a lot of the, you know, the Tax
6 Reform Commission's work and ability to pull
7 this off really does turn on a willingness to
8 capture the increased growth in the real
9 estate tax.

10 And the real estate tax is the tax
11 that, because we don't have a lot of
12 flexibility with it, because of the uniformity
13 provision and the state constitution, comes
14 down hard on a lot of the senior citizens and
15 low-income residents in the city.

16 (Applause.)

17 MS. WILKERSON: You know, the Tax
18 Reform Commission, you know, talks about the
19 need for state reform in order to give us some
20 flexibility. But until that happens, there is
21 concern about the city's willingness to
22 capture the growth in revenue from the real
23 estate tax.

24 We saw it last year, when the real
25 estate tax overall did not increase, the

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2 assessments didn't increase, in a way that was
3 out of line with what it had done
4 historically. It was not one of the highest
5 growth rates in assessment.

6 And, yet, we, you know, as a city,
7 wrestled with and ultimately avoided realizing
8 some of that increased revenue because of
9 concerns for low-income and senior citizen
10 taxpayers. You know, that's something that
11 has to be dealt with.

12 The Tax Reform Commission
13 indicates -- or, the Econsult report
14 indicates, that's one of the big risks in
15 everything that's proposed, is that there will
16 not be the resolve to actually go on and
17 realize the revenue that would come from a
18 growth of the real estate tax and property
19 values.

20 COUNCILWOMAN TASCO: Thank you.

21 PRESIDENT Verna: Next go-around,
22 please.

23 The Chair recognizes Councilman
24 Clarke.

25 COUNCILMAN CLARKE: That was quick.

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2 Thank you, Madam President.

3 Real briefly, I just want to touch
4 base on the nonutilization tax issue.

5 Ms. Wilkerson, you indicated that
6 there was a legal challenge. And I am
7 assuming that you are referencing John
8 Anderson's original bill?

9 MS. WILKERSON: I don't know whether
10 it was the original bill or -- I understand
11 there was a subsequent amendment.

12 My understanding is that what is
13 currently on the books is not legal.

14 COUNCILMAN CLARKE: Based on what?

15 MS. WILKERSON: Advice of the City
16 Solicitor's office.

17 COUNCILMAN CLARKE: Is the City
18 Solicitor here?

19 MS. WILKERSON: I can have the City
20 Solicitor come and talk about that tax in more
21 detail.

22 COUNCILMAN CLARKE: I would just
23 like to get a history of the bill.

24 Because it is my understanding that
25 there is the possibility that the review of

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2 that was based on the original bill. And I
3 don't know if it was based on the original
4 bill, the legal challenges associated with the
5 original bill.

6 And I am, actually, not even sure
7 there was ultimately a ruling on the original
8 bill. I am hearing different versions of what
9 happened. That conceivably the city decided
10 to drop its case, as opposed to seeing it
11 through.

12 So with respect to the ultimate
13 legality of the bill, I am not really clear.

14 MS. WILKERSON: I will have somebody
15 from the Law Department come prepared to
16 answer your question.

17 COUNCILMAN CLARKE: With respect to,
18 Ms. Davis, your comparison to the lien sale
19 and the nonutilization tax issue.

20 Correct me if I am wrong. Under the
21 lien sale -- because, fortunately, I didn't
22 have a substantial amount of properties in my
23 district that was then Council Street's
24 district, that was formerly Councilman
25 Street's district -- my understanding, that

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2 these liens were sold at a substantially
3 reduced rate to individuals; right?

4 MS. DAVIS: The liens were not sold;
5 they were used as security for a bond deal.
6 And they were at a discounted rate.

7 COUNCILMAN CLARKE: So conceivably
8 the lien could have been \$3,000, and that
9 person was able to secure that lien for half
10 of that, maybe?

11 MS. DAVIS: Well, in order to
12 generate, I believe it was, 75 million,
13 thereabouts, in proceeds, the city put up in
14 the neighborhood of 135, 140 million dollars
15 in bonds. So, there was a deep discount.

16 And most of our liens would be in
17 that situation, deeply discounted lien.

18 COUNCILMAN CLARKE: And, so, that
19 person, essentially, had to go out and find
20 the owner of the property and threaten to take
21 the person to sheriff's sale, and that was
22 their only way of getting any revenue out of
23 it?

24 MS. DAVIS: They would have done
25 exactly the process that the city pretty much

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2 faces. And I believe maybe the discounting
3 was at 70 percent.

4 COUNCILMAN CLARKE: And, so, but
5 when the city takes the property to sheriff's
6 sale, we essentially throw it out there and we
7 start bidding at a certain level. And we,
8 under our powers, must accept the highest bid;
9 correct?

10 MS. DAVIS: Yes.

11 COUNCILMAN CLARKE: So we weren't
12 looking at a number, necessarily the number,
13 that the individual who purchased the lien was
14 looking at when we go to sheriff's sale; we
15 are looking for whatever we can get, in most
16 instances?

17 MS. DAVIS: By the time it gets to
18 sheriff's sale, even for the people who are
19 now the lien holders, when you go to sheriff's
20 sale, at that point you are trying to get the
21 best deal that you can and the best return
22 that you can for those liens.

23 COUNCILMAN CLARKE: What does the
24 city do?

25 MS. DAVIS: The city does the same

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2 thing.

3 COUNCILMAN CLARKE: Do we turn down
4 a bid at the sheriff's sale? I don't remember
5 that happening.

6 MS. DAVIS: I am not intimate with
7 that process. But I believe that should a
8 lien -- should there be no interest at all in
9 liens, and you get one that is, like, bottom
10 basement, on a property that it doesn't
11 satisfy the outstanding liens, and the
12 apparent value of the property would be well
13 in excess of the amount bid, you may get a
14 property pulled.

15 But you would have to get the
16 sheriff's office, who are more intimate
17 with --

18 COUNCILMAN CLARKE: My limited
19 knowledge of sheriff's sales, particularly
20 when the city goes to sheriff's sales, is, we,
21 essentially, take whatever we can get.

22 MS. DAVIS: That's generally the
23 process. But there are instances under which
24 you would not want to.

25 COUNCILMAN CLARKE: All right. But

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2 the ability -- would you agree that the
3 ability, because the city has a lower level of
4 acceptance, would you agree that the ability
5 for the city to get some revenue out of that
6 is probably a little better than a person who
7 purchases a lien, because that person has an
8 initial cash outlay and they are trying to get
9 as much as they can get, if not more?

10 MS. DAVIS: At this point their aim
11 is exactly the same as the city's. So I don't
12 think you would find -- because, in fact,
13 their liens are going to the same sheriff's
14 sales that ours are.

15 COUNCILMAN CLARKE: I understand
16 that. But I think you really need to look at
17 the history of the sheriff's sale.

18 Is that when an individual has a
19 lien sale, that individual wants to get more
20 than they purchased that lien for.

21 The City of Philadelphia
22 historically, particularly in a substantial
23 amount of the neighborhoods, frankly speaking,
24 would be very happy if they can get the \$800
25 minimum on a lot of these properties.

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2 So our ability to collect under the
3 traditional sheriff's sale, I have to say that
4 it is much better than the process that was
5 set in place in 1997, particularly given --

6 MS. DAVIS: The liens that are in
7 this lien sale from 1997 are in fact serviced
8 through the same sheriff's sales.

9 So properties that they have
10 identified may go through the same sheriff's
11 sale that something that is not subject to
12 that property.

13 COUNCILMAN CLARKE: I understand
14 that.

15 But there is a different threshold
16 established by virtue of that lien purchaser
17 purchasing a lien for a set amount of dollars;
18 right?

19 The City of Philadelphia, we didn't
20 purchase the lien; we own the lien. And what
21 I am saying is that, you know, our ability to
22 accept a lower amount, given the fact that in
23 some instances we are not getting anything,
24 you know, is more likely to happen.

25 I understand you are not the

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2 sheriff. And I understand you don't want to
3 commit yourself

4 MS. DAVIS: The lien servicers are
5 in exactly the same situation that the City of
6 Philadelphia is in. They are, at this point,
7 taking whatever they get.

8 Because they don't purchase
9 individual liens; they use a portfolio of
10 liens as security for a loan. They are now
11 trying to recover as much as they can.

12 So you would be surprised to find
13 that they are in that same pool with the City
14 of Philadelphia.

15 And, in fact, if they got the \$800
16 at this point, they would take the \$800
17 because they are attempting to do exactly what
18 we are attempting when we take them to
19 sheriff's sale.

20 PRESIDENT VERNA: Councilman, your
21 time has been up. So --

22 COUNCILMAN CLARKE: I'm sorry.

23 PRESIDENT VERNA: -- either make
24 this your last question until the next
25 go-around, please, or just wait until the next

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2 go-around.

3 COUNCILMAN CLARKE: I will come back
4 to this issue.

5 PRESIDENT VERNA: Thank you.

6 The Chair recognizes Councilwoman
7 Blackwell.

8 COUNCILWOMAN BLACKWELL: Thank you,
9 Madam President.

10 The Commission report says that by
11 2017, over 175,000 jobs will be created as a
12 result of this recommendation.

13 By our calculations, that would be
14 about a 26 percent growth in jobs. Is that a
15 reasonable conclusion?

16 It is my understanding that we would
17 need every job in Bucks and Chester Counties
18 to move into Philadelphia in order to increase
19 by that number.

20 Do you think that other cities like
21 New York, Detroit, or even D.C., can add
22 175,000 jobs in ten years?

23 And what was the impetus for making
24 this conclusion for our city? Do you think
25 this is a risky assumption, or is this one

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2 that assumes that the national economy is
3 going to help us?

4 MS. WILKERSON: I would rather -- I
5 don't want to opine to the Tax Reform
6 Commission number.

7 I think that our expectation is that
8 there will be an up side to all this tax
9 reform.

10 We are not -- you know, the city has
11 not pursued tax reduction and tax reform
12 without an expectation that it would have an
13 impact on creating jobs.

14 Whether it is 175,000, you know,
15 something less, we don't know. That's in part
16 why the Administration is not willing to adopt
17 a supply side approach. We are not going to
18 capture the revenue from those jobs before
19 they actually occur.

20 But I think the Tax Reform
21 Commission people could probably respond to
22 how they determined that number.

23 COUNCILWOMAN BLACKWELL: Thank you,
24 Madam President.

25 Also, again, I would really like to

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2 deal with the whole issue of properties, since
3 it is my area of interest, in terms of housing
4 and properties, and how we get clear deeds,
5 and how we raise money for businesses who are
6 willing to pay.

7 I would hope that it would be a real
8 focus, so that we can do something in short
9 order, and not have to wait 18 months to move
10 the economy in neighborhoods forward.

11 Certainly NTI is an agenda who --
12 that is supposed to spur economic growth. It
13 is supposed to be a leverage for neighborhood
14 development. And we hope that we can move
15 forward in that area.

16 And I'm sure that my colleagues
17 agree with me in that regard.

18 Thank you, Madam President.

19 PRESIDENT Verna: You are welcome.

20 The Chair recognizes Councilman
21 Kenney.

22 COUNCILMAN KENNEY: Thank you, Madam
23 President.

24 Ms. Wilkerson, or anyone else at the
25 table, my understanding, absent any tax

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2 reform, that the Five-Year Plan as we speak
3 today is at a balance relative to, I guess,
4 the \$18 million deferred payment over four
5 years, and then the water sinking fund scoop
6 issue, which I guess is around 95, 96 million
7 over the Five-Year Plan?

8 Or is there a number that you
9 would -- what's the plan out of whack now,
10 based on those two items?

11 MR. DUBOW: It is about 90 -- it is
12 right around 90, yes.

13 COUNCILMAN KENNEY: So 90.

14 MR. DUBOW: All together, at the end
15 of '09.

16 COUNCILMAN KENNEY: What are you
17 guys doing to fix that?

18 MS. WILKERSON: We are considering a
19 number of additional proposed cuts. We have
20 not made final decision on what it is that we
21 are going to propose to City Council.

22 Some of the cuts are additional --
23 will probably end up being additional
24 personnel cuts, but we don't have a final plan
25 we propose yet.

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2 COUNCILMAN KENNEY: Do you know when
3 that is going to be coming to us?

4 We are getting to get, as you know,
5 into a time limitation issue on PICA
6 requirements and our Charter-mandated
7 responsibilities on passing the budget.

8 Is there some idea when we may be
9 seeing any of that?

10 MS. WILKERSON: I would, rather than
11 throw out a guesstimate, we are sensitive to
12 the fact that, you know, there are time
13 limits, and are working now trying to identify
14 exactly, you know, what it is that we are
15 going to propose, what adjustments. But it
16 will involve additional cuts.

17 COUNCILMAN KENNEY: Just to go talk
18 philosophically a little bit about the tax
19 reform effort and the Administration's
20 opposition to various components of the tax
21 reform plan.

22 I agree with your comparison -- I
23 agree with your analysis on the issue of
24 federal tax cuts, which I believe were done
25 more for conservative philosophical reasons of

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2 the Republican party than for anything else.

3 (Applause)

4 COUNCILMAN KENNEY: And I also

5 believe that people generally will not --

6 generally, I don't think people at all will

7 move out of the country, will change their

8 citizenship, based on high taxes or not having

9 tax cuts on a federal level.

10 And I think the federal tax cuts not

11 only have put us in a terrible deficit, but

12 have really lost opportunities to fund things

13 for education and other types of things,

14 healthcare, that really the country needs.

15 But I disagree with your comparison

16 when it comes to supply side on the federal

17 level and on a local level. Because,

18 different than the United States, people may

19 not move out, but people will move out of

20 Philadelphia, and have moved out of

21 Philadelphia, to a very, you know, close

22 proximity to the city because of issues like

23 taxes and schools.

24 Do you really think it is a fair

25 comparison to compare federal tax cuts with

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2 the effort to reduce taxes here to put us in a
3 more competitive position with our surrounding
4 five-county or SMAS area in South Jersey?

5 Isn't it a little bit of an apples
6 and oranges comparison?

7 MS. WILKERSON: First let me say
8 that this Administration embraces tax
9 reduction and tax reform.

10 I think that what we do differ on is
11 the rate at which we can accomplish this in
12 light of the city's financial resources.

13 When we say that we are unwilling to
14 capture supply side effect, it is because of
15 our determination that the risk associated
16 with that is so great. We don't have all the
17 resources the federal government might.

18 And I want to have Ms. Davis talk a
19 little bit about just the cash-flow side of
20 this, because that's some of what we look at
21 when we decide that we are not going to
22 recognize the supply side impact.

23 I guess some folks said, well, put
24 it in now. If it doesn't work out next year,
25 you can always roll back the tax reductions.

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2 And, Janice, if you would talk a little bit
3 about the risks for the city.

4 MS. DAVIS: As the city has depleted
5 its fund balance, it has also depleted its
6 cash reserves.

7 PRESIDENT VERNA: Excuse me, please.
8 The noise level is much too high, and we are
9 having difficulty hearing the witness.

10 Please proceed.

11 MS. DAVIS: As we depleted our fund
12 balance, we have also depleted excess cash in
13 the city's coffers.

14 The use of speculative revenues are,
15 the supply side impact, should it not
16 materialize, will put tremendous strain on our
17 ability to have cash flow.

18 And that is a large part of our
19 problem now, that we are at a situation where,
20 including anything that's not a deficit, only
21 puts additional strain on our ability to
22 generate the cash.

23 COUNCILMAN KENNEY: I think that,
24 just in closing with this particular comment,
25 as we go forward with the loss of population

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2 and the increasing numbers of problems that
3 the city tries to deal with, and whatever
4 happens in the national economy, it seems that
5 at some point we may never get to a point
6 where we could implement this kind of tax
7 reform because things probably will not be
8 getting better.

9 And even though it may be difficult
10 to do it now, I think it becomes increasingly
11 more difficult to do it later, and,
12 therefore --

13 (Applause.)

14 COUNCILMAN KENNEY: Kind of
15 continues to send the city in the wrong
16 direction.

17 And while I recognize the pain
18 associated with doing this, I think it is
19 going to be more painful next year, the year
20 after, the year after that, as people continue
21 to leave, jobs continue to leave, and we still
22 can never recoup the revenues that we need to
23 take care of our problems.

24 Thank you.

25 PRESIDENT VERNA: Thank you.

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2 The Chair recognizes Councilman
3 Ramos.

4 COUNCILMAN RAMOS: Thank you, Madam
5 President.

6 Ms. Davis or Rob, what do you say to
7 the Tax Reform Commission's point that
8 piecemealing the implementation or incremental
9 implementation of their recommendations won't
10 change the business-unfriendly regressive tax
11 environment that exists in this city in a
12 sufficient way to bring about positive
13 economic results?

14 You have proposed incremental
15 reductions. The Commission has a more
16 aggressive plan of doing this right now, and
17 fairly fast.

18 MS. DAVIS: What we would say is
19 that, what we have proposed is what the city
20 can afford without impacting core services.

21 What the Tax Commission, Tax Reform
22 Commission's programs, if taken as a whole,
23 would do, would be, in the short run, force us
24 to cut those essential and core services that
25 get right to the quality of life. And that is

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2 something, a trade-off, that we feel is
3 dangerous.

4 You cannot grow a city while you are
5 taking essential services away. And full
6 implementation, all at once, in a drastic form
7 that's being indicated, would in fact have
8 that impact.

9 COUNCILMAN RAMOS: You are telling
10 the people of Philadelphia that if we are to
11 do the recommendations per the bills that are
12 presented here by my distinguished colleague
13 from West Philadelphia, Michael Nutter, that
14 you are telling the people of Philadelphia
15 that if we dare to do this, that we are going
16 to be seeing a decrease, a substantial
17 decrease, and the elimination of basic city
18 services because the city will not be able to
19 afford these deep tax cuts; is that so?

20 MS. DAVIS: Yes.

21 We have already cut and cut and cut
22 just to get this budget balanced.

23 To layer on additional tax cuts
24 would mean that we would go back to the
25 drawing board to those areas that have already

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2 been cut and demand that they give more.

3 When we looked at just what the
4 impact of losing PGW might mean to the
5 Five-Year Plan, my friend and colleague Rob
6 Dubow presented me with something that would
7 amount to an \$800,000 cut for my department
8 alone. And that would have meant that I had
9 to get rid of 16 positions in order to provide
10 that 800,000.

11 16 positions in a department that is
12 all mandated services means that you then
13 start to pick away randomly at parts of the
14 service.

15 Because you can't eliminate payroll,
16 so maybe you take one or two people out of the
17 department.

18 And you can't eliminate the revenue
19 department, and you can't eliminate the
20 treasurer's office. So what you end up doing
21 is cannibalizing every department to the point
22 that it can't function.

23 And what would happen in the service
24 departments --

25 COUNCILMAN GOODE: Point of

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2 information.

3 PRESIDENT Verna: I am sorry.

4 The Chair recognizes Councilman
5 Goode.

6 COUNCILMAN GOODE: Thank you, Madam
7 President.

8 Ms. Davis, isn't the cost of tax
9 reform in the first year comparable to the
10 cost of foregoing the PGW payment?

11 MS. DAVIS: Yes, it is roughly that.

12 COUNCILMAN GOODE: But you don't
13 know what cuts you are going to make yet to
14 forego the PGW payment.

15 So is it the same doom and gloom for
16 foregoing the PGW payment that it would be for
17 tax reform in the first year?

18 MS. DAVIS: Tax reform on top -- PGW
19 is not -- at this point PGW is not an option.
20 PGW is something that we have to do. It gets
21 to the health and safety of the citizens of
22 Philadelphia in providing heating.

23 COUNCILMAN GOODE: I will be real
24 brief.

25 But the Mayor presented his budget

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2 address to City Council, then went into a
3 press conference and said that if Council
4 would mess with any of those cuts,
5 essentially, it might mean layoffs.

6 The Mayor and the Administration are
7 now saying that if we do tax reform, which is
8 roughly \$17 million in the first year, it
9 might mean layoffs. But in between that time,
10 the Administration decided to forego a PGW
11 payment, but said nothing about layoffs.

12 That's just not fair to this
13 Council.

14 MS. DAVIS: There are going to be
15 restructurings, layoffs, or something to
16 accommodate the full PGW impact. There is no
17 way that we walk away without an impact.

18 COUNCILMAN GOODE: So the decision
19 to forego the payment from PGW in and of
20 itself is probably going to cause layoffs?
21 That's a yes or no question.

22 MS. DAVIS: Layoffs are not hiring
23 where we would have, yes.

24 COUNCILMAN GOODE: Can you simplify
25 that answer a bit?

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2 The decision to forego the PGW
3 payment in and of itself is going to force
4 layoffs? That's a yes or no question.

5 MS. DAVIS: I can't give a yes or no
6 answer, because there may not have to be
7 layoffs; there just may be a reduction in the
8 work force because we don't rehire.

9 COUNCILMAN GOODE: So if you don't
10 forego the PGW payment, but we do the tax
11 reform, which costs less than foregoing the
12 PGW payment, will there be layoffs?

13 MS. DAVIS: The two taken in concert
14 will create a problem.

15 COUNCILMAN GOODE: I didn't say, "in
16 concert." I didn't say, "the two."

17 MS. DAVIS: I don't know that you
18 could forego --

19 COUNCILMAN GOODE: If foregoing the
20 PGW payment is not going to cause layoffs,
21 then adopting the Tax Reform Commission's
22 proposals in the first year will not force
23 layoffs?

24 MS. WILKERSON: I think it may well
25 require layoffs or we would have to adjust

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2 what we plan to do --

3 COUNCILMAN GOODE: It is a
4 comparable amount of money.

5 In the first year, tax reform costs
6 17 million. The PGW payment is 18 million.
7 Get your answer straight, then give me a yes
8 or no.

9 MS. WILKERSON: I think there are --
10 (Applause.)

11 COUNCILMAN GOODE: Thank you, Madam
12 President.

13 MS. WILKERSON: I think it would
14 inevitable involve a reduction in the work
15 force.

16 There are a couple of ways you can
17 accomplish a reduction in the work force. One
18 way is through layoffs. Another option that
19 the city has is by simply not replacing as
20 many employees who leave through the DROP
21 program.

22 So it may be layoffs, it may be
23 increase in number. But at the end there will
24 be fewer people in the work force.

25 COUNCILMAN GOODE: I didn't ask how

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2 you accomplish it. I asked is it a comparable
3 amount.

4 Is foregoing the PGW payment
5 comparable to the cost of the first year of
6 tax reform?

7 MS. WILKERSON: Yes.

8 COUNCILMAN GOODE: Thank you.

9 (Applause.)

10 PRESIDENT Verna: Thank you.

11 Councilman Ramos. And we are giving
12 you your time.

13 COUNCILMAN RAMOS: Thank you, Madam
14 President.

15 Concerning the wage tax, will you
16 consider this wage tax being a regressive tax?

17 MS. DAVIS: Yes.

18 COUNCILMAN RAMOS: How much do folks
19 working with incomes in the 14 to 20 thousand
20 dollars per year pay each year in wage tax?
21 Do we have a number for that, Mr. Dubow?

22 MR. DUBOW: No. We would have to
23 get back to you on that.

24 COUNCILMAN RAMOS: Can you get back
25 to me before the day is out? We are running

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2 out of time here in these budget hearings.

3 MR. DUBOW: Do you mean in

4 individual or collectively?

5 COUNCILMAN RAMOS: Individually.

6 Yes, what does an individual paying

7 wage tax, if they make anywhere between 14 to

8 20 thousand dollars a year?

9 MS. DAVIS: You are looking at the

10 high end pretty close to \$1,000, the 20,000

11 person would be in that neighborhood.

12 COUNCILMAN RAMOS: And about how

13 many people -- do you know how many people are

14 in that wage tax bracket?

15 MS. DAVIS: I have no idea.

16 COUNCILMAN RAMOS: What would be the

17 impact, you think, of eliminating the wage tax

18 for such tax payers on the 2005 budget?

19 MS. DAVIS: We would have to have

20 someone do the research on that to come up

21 with an answer. I don't have that answer.

22 COUNCILMAN RAMOS: Can we get that?

23 We need that information.

24 MR. DUBOW: I think we have,

25 actually, done an analysis similar to that in

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2 connection with a bill Councilman Cohen
3 proposed a year ago. So I think we should be
4 able to get that for you relatively quickly.

5 COUNCILMAN RAMOS: Would you be able
6 to get that for me as it stretches out through
7 the Five-Year Plan?

8 MR. DUBOW: Yes.

9 COUNCILMAN RAMOS: Can you get it to
10 me before the day is out, let me know? We
11 need this information right away.

12 MR. DUBOW: Yes.

13 COUNCILMAN RAMOS: The clock is
14 ticking.

15 (Councilwoman Blackwell assumes the
16 Chair.)

17 MR. DUBOW: We can get you that
18 information today.

19 COUNCILMAN RAMOS: Let's say that
20 the hole in the budget for 2005 created by the
21 full implementation of the tax reform is now
22 anywhere between 242, 245 million dollars.

23 Isn't the only way to fill that hole
24 presently by increasing parking fees,
25 amusement tax, and other related charges?

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2 MR. DUBOW: Well, I mean, the other
3 option to fill that hole is to reduce costs.

4 (Applause.)

5 MR. DUBOW: There is a revenue side
6 and expenditure side. But reducing costs will
7 lead to a reduction in services.

8 COUNCILMAN RAMOS: This reference to
9 the Tax Reform Commission, that there are no
10 problems, the recommendations are that there
11 is nothing -- I'm not sure they are saying it
12 verbatim in this way that I am expressing, but
13 there is not something very, very wrong in
14 increasing parking fees, amusement tax, and
15 other related charges, would you go in that
16 direction?

17 MR. DUBOW: The Five-Year Plan
18 recommends and includes revenue estimates for
19 increasing fees and fines and the parking tax.

20 So there is some of that that was
21 discussed in the Tax Commission's report that
22 is already included in the Five-Year Plan.

23 COUNCILMAN RAMOS: Doesn't this just
24 shift the tax burden from, you know, relieving
25 some taxes here, but putting the burden

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2 somewhere else?

3 MR. DUBOW: What it does is, it
4 shifts the burden from the entire tax base, to
5 focus it more specifically on the people who
6 are using a specific service.

7 COUNCILMAN RAMOS: Are you for the
8 Tax Reform Commission recommendation that
9 essentially says, you can go tax these other
10 things as a way of giving them full -- giving
11 and implementing of the recommendations of the
12 Tax Reform Commission?

13 MR. DUBOW: We already include a lot
14 of those things in the Five-Year Plan. So,
15 yes, we endorse them, and we are already
16 counting on them just to keep the plan where
17 it is now.

18 COUNCILMAN RAMOS: But we are
19 shifting tax burdens here; right? I mean,
20 there is something -- I haven't been around
21 here, I am not a tax expert, but I feel
22 uncomfortable telling the people of
23 Philadelphia that we are doing tax reductions;
24 and what we are doing, what we could possibly
25 be doing is reducing taxes in certain set

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2 categories, and then increasing them somewhere
3 else, where it still hits the pockets of the
4 people.

5 MS. WILKERSON: In fairness to the
6 Tax Commission, it does propose some
7 additional revenue measures. It proposes some
8 supply side.

9 But at the end of the day, it
10 acknowledges that you may be shifting the tax
11 burden. And it tries to be strategic in
12 recommending where the tax burden ought to end
13 up.

14 It would, you know -- it says you
15 have to be willing, you know, to recognize
16 more revenue coming off of your real estate
17 taxes. It does propose increasing the parking
18 tax, and we have captured that.

19 MS. DAVIS: And the amusement taxes.

20 And those tend to be taxes that are
21 viewed as being paid also by people who don't
22 live in Philadelphia, the amusement tax and
23 the parking tax; that the preponderance of
24 those taxes are paid by people external to the
25 City of Philadelphia.

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2 So it is a way of shifting the
3 burden. Not only allowing real estate to pick
4 up more of the burden, but also to shift more
5 of the burden to nonPhiladelphians who use
6 Philadelphia facilities.

7 COUNCILMAN RAMOS: I heard the
8 clock. I will come around again another time,
9 unless I will keep on going.

10 COUNCILWOMAN BLACKWELL: Thank you,
11 Councilman.

12 Councilman Kelly.

13 COUNCILMAN KELLY: Thank you, Madam
14 Chair.

15 I just wanted to follow up on
16 something that Councilman DiCicco mentioned,
17 something about the selling of Camp William
18 Penn.

19 Very interested if you have any
20 additional property or assets that you would
21 think of selling off just to put -- get us out
22 of this hole?

23 For instance, the Councilman
24 mentioned something about \$10 million that
25 that property might be worth. If we receive

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2 \$10 million, we could probably restore all the
3 funding for our cultural and arts institutions
4 of this city. We can also open our libraries
5 on Saturday. We would also probably keep some
6 recreation centers open.

7 We could do a lot to make this city
8 better, and, of course, to get people
9 interested in coming into our city.

10 Because right now I think all of us
11 here, all of us here, are interested in one
12 thing, and we should be interested in one
13 thing, and that's the increased growth of our
14 tax revenue or economic development, are the
15 two things that are going to generate money
16 and to put us and get us into, I think, a more
17 stable economy

18 MS. WILKERSON: This five-year
19 financial plan already includes over \$30
20 million in revenue from sale of city assets.
21 And, so, that is a part.

22 But the Administration would caution
23 against using the proceeds from a one-time
24 sale in order to support ongoing expenses,
25 like ongoing support that will be needed for

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2 the Art Museum, like the ongoing annual
3 support that will be needed for the recreation
4 department.

5 The question is, what are you going
6 to sell next year? How are we going to fund
7 these activities next year and Year 3 of the
8 plan and 4 and 5?.

9 COUNCILMAN DiCICCO: Point of
10 information.

11 COUNCILWOMAN BLACKWELL: Yes.

12 COUNCILMAN DiCICCO: I understand
13 that selling an asset this year is not going
14 to get you out of the hole.

15 But my question or my comments were,
16 in addition to the sale of it, we know that we
17 are spending at least \$500,000 a year for 500
18 people to go to that facility for 29 days of
19 the year.

20 So --

21 MS. WILKERSON: And your point is
22 well taken. We are doing the appraisal.

23 COUNCILMAN DiCICCO: I understand
24 you can't sell a building this year, and
25 eventually there won't be any buildings.

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2 MS. WILKERSON: We appreciate when
3 recommendations come forward.

4 COUNCILMAN DiCICCO: I am looking to
5 see how we can reduce some of our costs in
6 order to get the budget to where it should be,
7 but not necessarily for the sake of selling
8 properties or buildings.

9 (President Verna resumes the Chair.)

10 MS. WILKERSON: The point is well
11 taken, And we are doing the appraisal.

12 We had not considered the sale of
13 William Penn. We are doing the appraisal on
14 that. You are right. If we ended the camping
15 experience outright, it is a \$500,000 annual
16 savings. And in the context of our financial
17 situation, that's significant.

18 COUNCILMAN DiCICCO: And I look at
19 overall the recreation department's situation
20 today. And you are talking about possibly
21 closing pools. And I have about 10 or 12 rec
22 centers in my district that are on that list.
23 Where we wind up at the end of the day, I
24 don't know.

25 But in just simple terms, that would

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2 keep ten pools open every year for the next
3 five years.

4 Thank you, Councilman Kelly.

5 COUNCILMAN KELLY: Thank you,
6 Councilman.

7 I just want to follow up on that
8 again. Because if we do sell some property or
9 assets off, at least we can take some action
10 on the recommendations of the Tax Commission.

11 For instance, the most, probably,
12 negative tax that we have today, there are two
13 of them. One of them, of course, is the wage
14 tax, and the other is the business privilege
15 tax.

16 (Applause.)

17 COUNCILMAN KELLY: If we can reduce
18 them in any way, in any way, I think it sends
19 a signal out to everyone that we are going to
20 be business friendly in this city and we are
21 also going to get people who want to work in
22 Philadelphia.

23 And that's the growth. We have it
24 really keep our eyes focused on the growth of
25 this city. And I think that's one of the

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2 things we have to do.

3 Sometimes we do have to bite the
4 bullet. And that would be maybe selling off
5 an asset that we normally wouldn't think of.

6 But I think if we do that, and if we
7 send out the right signal to people that we
8 are going to get serious about reducing our
9 wage -- and a lot of these taxes to me are
10 very regressive.

11 The worst tax in the world, in my
12 opinion, is the gross receipts tax. That's
13 totally unacceptable.

14 MS. WILKERSON: I think it is
15 important to keep in mind that, while the
16 Administration is not doing everything that
17 the Tax Reform Commission proposes, in very
18 difficult times we are still virtually the
19 only jurisdiction that is reducing the wage
20 tax, reducing the business taxes. We have
21 adopted the recommendation on single-factor
22 apportionment.

23 This is a city that has embraced the
24 need for tax reform, and we are doing it at a
25 substantial rate.

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2 COUNCILMAN KELLY: And I believe you
3 are on the right track, at least in reducing
4 that wage tax. It really is. And I want to
5 commend the Tax Commission for giving us this
6 report.

7 I think it has a lot of room for
8 thought, and I think that some of them
9 absolutely have to be enacted.

10 MS. WILKERSON: I think it is
11 important that the proposed state tax reform
12 get the same kind of support.

13 If what the Governor has proposed at
14 the state level actually comes to pass, we
15 will have a real opportunity to make major
16 reductions in the wage tax.

17 COUNCILMAN KELLY: Thank you, Madam
18 Chair.

19 PRESIDENT Verna: Thank you.

20 The Chair recognizes Councilwoman
21 Tasco.

22 COUNCILWOMAN TASCO: Thank you very
23 much.

24 I just want to go back to your
25 position on these various bills, because I

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2 haven't had the benefit of the discussion to
3 why you all are not supportive of the bills.

4 There are three bills that are
5 revenue neutral. No. 14, which is establish
6 two estimated payment dates for paying the
7 business privilege tax. Taxpayers no longer
8 have to pay their full obligation in one day.

9 MS. DAVIS: The reason the
10 Administration is opposing that bill is that,
11 in the initial year of implementation, it
12 disrupts the cash flow because we would then
13 be able to recognize only that revenue that
14 had been recognized within the fiscal year, or
15 within the 60 days immediately after the end
16 of the fiscal year.

17 So that one is a cash-flow impact,
18 and that's why the city does that support the
19 implementation of that bill, at least not at
20 this point.

21 COUNCILWOMAN TASCO: What would make
22 you change your mind?

23 MS. DAVIS: If the city were in a
24 better financial state, implementing that bill
25 would not be as problematic.

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2 It is that we can't take that cash
3 flow and revenue hit at this point. Because
4 it would be roughly half of the BPT for a
5 year, about \$50 million.

6 COUNCILWOMAN TASC0: Is there some
7 way you could phase it in?

8 MS. DAVIS: The phasing in, there is
9 no way to phase in something that relies on a
10 date-specific implementation. So we would
11 have to take the full hit in whatever year we
12 did it.

13 So, that's our reason for opposing
14 that one.

15 COUNCILWOMAN TASC0: Okay. The next
16 revenue neutral, establish discounts for early
17 payers and penalties for late payers necessary
18 to enact quarterly real estate tax payments.

19 MS. DAVIS: That one also has the
20 timing of revenue recognition as the issue.

21 We would be foregoing roughly 50
22 percent of our real estate tax in the initial
23 year of implementation. So your hit would be
24 a cash flow, and also a fund balance hit, in
25 the first year that it was implemented.

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2 COUNCILWOMAN TASC0: Apply tax
3 payments to current year's liabilities so
4 taxpayers who are making tax payments but may
5 still owe some back taxes are no longer
6 excluded from participating in the state's
7 property tax rebate program. It is Bill 20.

8 MS. DAVIS: That one is also -- we
9 are opposed to that one because of the
10 quarterly billing.

11 The portion you recommended about
12 applying it, the way it would be applied, the
13 bill payment would be applied, is not
14 problematic, as I understand. It is simply
15 the quarterly installments that create the
16 problem.

17 And because they are part of one
18 bill, we opposed it.

19 COUNCILWOMAN TASC0: Okay. And
20 another bill which you oppose that's not,
21 probably, revenue neutral is Bill 17, extend
22 net operating loss carry-forward so that the
23 city's relatively short carry-forward period
24 no longer makes Philadelphia an unattractive
25 place to start a business that may begin with

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2 years of losses before becoming profitable.

3 MR. DUBOW: That one is just because
4 it is not revenue neutral, because there is a
5 cost to it.

6 COUNCILWOMAN TASC0: I know. I said
7 it wasn't. Okay.

8 No. 18, establish quarterly real
9 estate tax payments so that nonmortgage paying
10 taxpayers no longer have to pay their full
11 obligation on one day. That's Bill No. 18.

12 It also requires, eliminate need for
13 the city to borrow against future real estate
14 taxes which would save the city money.

15 MS. DAVIS: This one in its initial
16 implementation would have a cash-flow impact.
17 Because, again, you would get half of the
18 year's revenue, and then you would go without
19 it until the next year.

20 You would be okay in subsequent
21 years. But in your year of implementation,
22 you suffer from the quarterly payment. You
23 can't recognize it.

24 COUNCILWOMAN TASC0: And I just have
25 one more, then I will be finished with mine.

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2 Bill 21, unify refund and assessment period so
3 that the city and tax payers have equal rights
4 for auditing and seeking refunds.

5 MR. DUBOW: On the audit -- we are
6 okay with the bill except for one section. So
7 we are generally okay with it. We want it to
8 be amended. So we don't oppose that bill.

9 COUNCILWOMAN TASCO: I see that.
10 Okay. Thank you.

11 PRESIDENT VERNA: Do we know what
12 the amendment is going to be?

13 MR. DUBOW: Yes. There is a Section
14 19-501(A)(2)(b) which we would want to amend
15 so that there would be a written statement
16 that went with the form. That's how we would
17 want it to be amended.

18 PRESIDENT VERNA: All right. I
19 would like to remind my colleagues, we have
20 approximately 69 witnesses.

21 We will go on this round with the
22 Administration. We can always call them back
23 on Wednesday. But I think we have to move
24 forward.

25 At this time the Chair recognizes

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2 Councilman Clarke.

3 COUNCILMAN CLARKE: I am sorry.

4 PRESIDENT VERNA: I would ask you --
5 it is your turn. I would ask you to be brief.

6 COUNCILMAN CLARKE: Yes.

7 PRESIDENT VERNA: So that we can go
8 on with the hearing.

9 COUNCILMAN CLARKE: I just want to
10 get some clarity on what I had requested
11 earlier.

12 One was information on the legal
13 aspects of the nonutilization tax. And the
14 other, Madam President, I'm not sure if the
15 sheriff is needed here, because I wanted to
16 talk about the judicial sales, and essentially
17 the success rate for lien sales versus
18 traditional city judicial sales as it relates
19 to the city implementing that process.

20 MS. WILKERSON: I will have the City
21 Solicitor come back either later or Wednesday,
22 if you prefer.

23 PRESIDENT VERNA: I think Wednesday
24 would be fine. And, also, the sheriff.

25 COUNCILMAN CLARKE: He is an

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2 independently elected official.

3 PRESIDENT VERNA: Are you suggesting
4 the sheriff be called, also?

5 COUNCILMAN CLARKE: The sheriff or
6 whoever runs the sheriff's sale program.

7 PRESIDENT VERNA: Ms. Wilkerson, are
8 you going to take care of that?

9 MS. WILKERSON: We will reach out to
10 the sheriff's office.

11 PRESIDENT VERNA: Thank you very
12 much.

13 COUNCILMAN CLARKE: Thank you.

14 PRESIDENT VERNA: The Chair
15 recognizes Councilwoman Miller.

16 COUNCILWOMAN MILLER: Thank you,
17 Madam President.

18 I just want to do a followup to
19 Councilwoman Tasco's question regarding Bill
20 No. 18.

21 And in that, you said that -- I have
22 read that you have said you need to determine
23 the impact that this will have on mortgage
24 company escrow accounts and the way that those
25 payments are handled. And at this time you

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2 opposed the bill.

3 But earlier, Ms. Davis, you did
4 state that you needed to do further analysis.
5 And I do understand that you said it impacts
6 cash flow.

7 MS. DAVIS: This bill impacts your
8 cash flow because you would only -- in your
9 first year, in the year that you implement it,
10 you would only receive, roughly, 50 percent of
11 your taxes, if it were done in two payments,
12 depending on whether you scheduled them all
13 within one Fiscal Year, which then would not
14 give benefit of what you are attempting to
15 accomplish.

16 If we structured this bill in a way
17 that would be beneficial to the taxpayer, the
18 city would be foregoing roughly 50 percent of
19 its revenue in the initial year of
20 implementation.

21 Subsequent to that, revenues would
22 come in for payments, or two payments,
23 whatever was decided, in a year.

24 So you would be okay after the first
25 year. But your initial year would be the year

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2 where you took a significant hit.

3 COUNCILWOMAN MILLER: Is there some
4 way, or will you be actually analyzing a way
5 to maybe implement this type of payment
6 schedule without it being -- I know we are in
7 a cash crunch at this point, but in some way
8 that it would help? Particularly the future,
9 if we are talking about raising real estate
10 taxes.

11 MS. DAVIS: We will look at ways to
12 possibly soften the blow.

13 But at this point it appears that
14 any attempt to make it friendly to the real
15 estate taxpayer puts an unacceptable burden on
16 the city, especially from the cash-flow
17 standpoint.

18 COUNCILWOMAN MILLER: Okay. I just
19 have one more question, Council President,
20 then I can wait until Wednesday.

21 PRESIDENT VERA: Okay.

22 COUNCILWOMAN MILLER: In your
23 testimony at Page 3, under the single factor,
24 single sales factor apportionment, there are
25 comments about basing that income -- portion

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2 of the business privilege tax on property,
3 payroll and a double weighting.

4 In that regard, can you explain how
5 the increase in parking tax, in the parking
6 tax, from 15 percent to 20 percent is going to
7 offset, or how much would it really make up of
8 the \$13 million that you said you would lose
9 in revenue?

10 MR. DUBOW: We project that our
11 parking tax revenues will increase by about
12 \$11 million from '04 to '05. So, it would
13 make up most of that cost.

14 COUNCILWOMAN MILLER: So just the 5
15 percent will make up 11 million?

16 MR. DUBOW: Yes.

17 COUNCILWOMAN MILLER: Of the 13 that
18 you lose? Okay.

19 MR. DUBOW: Yes. That's our
20 estimate.

21 COUNCILWOMAN MILLER: All right.
22 Thank you.

23 Thank you, Madam President.

24 PRESIDENT VERNA: You are welcome.

25 The Chair recognizes Councilman

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2 Nutter.

3 COUNCILMAN NUTTER: Did you have
4 something, Marian?

5 COUNCILWOMAN TASCO: Madam
6 President, point of information or request.

7 That the bills where the
8 Administration have cited that they would
9 be -- the implementation of the bills would
10 cause them a cash-flow problem, could we get
11 that analysis of the cash-flow implications on
12 the initial start-up, and then see what it
13 does in the outer years?

14 PRESIDENT VERNA: Can we get that,
15 please?

16 MR. DUBOW: Yes, we will put that
17 together for you.

18 PRESIDENT VERNA: Thank you.

19 Councilman Nutter, I believe I
20 recognized you.

21 COUNCILMAN NUTTER: Thank you, Madam
22 President. Just two questions.

23 I am reading from -- has the
24 Administration produced a document on analysis
25 of the various bills?

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2 MS. DAVIS: Yes.

3 COUNCILMAN NUTTER: Has it been
4 handed out?

5 MS. WILKERSON: We have not
6 disseminated it generally, no. We can supply
7 that.

8 COUNCILMAN NUTTER: Have you
9 disseminated it specifically?

10 MS. WILKERSON: When we have been
11 asked for it, we have given it out. If you
12 would like it, we will give you a copy.

13 COUNCILMAN NUTTER: How would one
14 know that there was one?

15 MS. WILKERSON: From time to time
16 individuals asked us, individual Council
17 Members or outside parties, will ask us for an
18 analysis.

19 If you would like a copy, we will
20 give it to you.

21 COUNCILMAN NUTTER: Yes, that would
22 be nice.

23 Is this the document that has
24 reference points for tax discussion, and then
25 the tax bill summaries with more detailed

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2 explanation of each of the bills?

3 MS. WILKERSON: Yes.

4 COUNCILMAN NUTTER: Is that the
5 document?

6 MS. WILKERSON: Yes.

7 COUNCILMAN NUTTER: So this was
8 given out to members by request?

9 MS. WILKERSON: Yes.

10 COUNCILMAN NUTTER: Are there any
11 provisions in any of the bills in front of us
12 today that would result in an irrevocable
13 decision or something that could not be
14 changed later?

15 MR. DUBOW: Well, there is a
16 possibility that, yes, there are, at least on
17 the local level. Because there is discussion
18 in Harrisburg of amending the property tax
19 reform legislation to lock the city into
20 whatever tax reductions it has in place.

21 So there is a possibility that
22 anything we put in place here is something
23 that we won't be able to change at the local
24 level, depending on what happens in the
25 discussions up in Harrisburg.

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2 COUNCILMAN NUTTER: Are you
3 suggesting that if the Governor's plan goes
4 through, that we will never be able to change
5 our wage tax rates again? Is that your
6 testimony?

7 MR. DUBOW: My testimony is that we
8 wouldn't be able to deviate from the scheduled
9 reductions without getting approval from
10 Harrisburg, if the legislation, the way it is
11 being discussed in Harrisburg now, passes.

12 MS. WILKERSON: I think --

13 COUNCILMAN NUTTER: Is it being
14 discussed in such a way that the state
15 legislature or the Governor is going to start
16 setting the wage tax rate, or are they
17 proposing to give us an amount of money such
18 that it would require the rate go to a certain
19 point to accommodate for that amount of money,
20 and then we would go back to doing what we
21 have been doing? Which is it?

22 MR. DUBOW: It is being discussed in
23 such a way that it would require that we not
24 be able to change local tax law as it is in
25 place as of a certain date.

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2 So it is being discussed in such a
3 way that we would not be able to change our
4 tax laws without going back to Harrisburg.

5 COUNCILMAN NUTTER: Any of them?

6 MR. DUBOW: That's the way -- it is
7 one of the scenarios up there, yes.

8 COUNCILMAN NUTTER: How many other
9 scenarios are there?

10 MR. DUBOW: There is another
11 scenario where they talk -- where they would
12 mention specific bills.

13 But I think what they are telling us
14 they are trying to do is, make sure that they
15 don't give us funding, and then in later years
16 we make other changes in our tax law that's
17 backing off of reductions that are already in
18 place.

19 So if they do that, then, yes, we
20 would be locking ourselves in.

21 COUNCILMAN NUTTER: Let me ask this
22 question. As of -- go ahead.

23 MS. WILKERSON: I would like to add
24 one other factor. It is not a legislatively
25 mandated limitation. But from the beginning

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2 of the city's tax reform program, back in the
3 '90s, one of the hallmarks has been a
4 consistent year-by-year decrease in the taxes.

5 Philadelphia was going to be a place
6 where businesses could rely on there being
7 dependable tax reductions. It wasn't up one
8 year, down the next year. And we have tried
9 to continue that.

10 Ms. Davis talked a little bit about
11 how, depending, tax rates and structures
12 matter to the rating agencies.

13 COUNCILMAN NUTTER: With every
14 respect, and I am sure I would be pleased to
15 hear from Ms. Davis, but the only time there
16 was ever a guarantee of tax reduction in
17 Philadelphia other than on a year-by-year
18 basis was when Council passed Bill No. 020092.

19 All the other rate reductions were
20 on a year-by-year basis up until that time;
21 isn't that correct?

22 MS. WILKERSON: The legislation, in
23 fact, was year by year. However, the city's
24 Five-Year Plan forecast what was --

25 COUNCILMAN NUTTER: I understand.

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2 Ms. Wilkerson, but the Five-Year Plan does not
3 set the tax rates. It does lay out a proposal
4 for the tax rates, but it is true that the
5 Five-Year Plan doesn't set the tax rates; is
6 that correct?

7 MS. WILKERSON: Yes.

8 COUNCILMAN NUTTER: I can't hear
9 you.

10 MS. WILKERSON: I am sorry. Yes.

11 COUNCILMAN NUTTER: Ms. Davis, what
12 did you want to tell us?

13 MS. DAVIS: I lost my train of
14 thought.

15 COUNCILMAN NUTTER: I am sorry.

16 MS. DAVIS: No. I just wanted to
17 say, in support of what Joyce said, that the
18 rating agencies like the fact that there was a
19 steadiness about our approach, and that there
20 was a --

21 COUNCILMAN NUTTER: So they must
22 have liked Bill 92 a whole lot.

23 MS. DAVIS: -- a certain amount of
24 certainty to what we were doing.

25 COUNCILMAN NUTTER: Right.

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2 MS. DAVIS: What is, I guess, in
3 these times, a little disconcerting to the
4 rating agencies, not only in relationship to
5 Philadelphia, but in relationship to all
6 municipalities and state governments -- and I
7 think we saw it with Tennessee's downgrade --
8 is the unwillingness to face the economic
9 factors that are impacting an area, and
10 respond in a way that ensures that the
11 municipality or state or local government will
12 be able to meet its obligations. And that is
13 the unwillingness to tax, even when taxes are
14 what's called for.

15 So on the one hand, where our steady
16 approach was good, I think if we get into
17 cutting taxes merely because it is the vogue
18 of the moment, without regard to what it does
19 with our ability to handle our obligations, we
20 run a very real risk of a ratings downgrade.

21 COUNCILMAN NUTTER: Well, let me
22 present a slightly different point of view. I
23 hadn't planned to get into this.

24 But if your argument on the one hand
25 is that the rating agencies like a certain

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2 stability in tax reduction, which in the past
3 we would do tax reduction on an annual basis,
4 as Ms. Wilkerson points out, we then have a
5 Five-Year Plan which did not set rates but
6 laid out what the rates should be, that gave
7 us certain stability to what we anticipated
8 doing.

9 Then a couple of years ago this
10 Council, along with the Mayor, put in place
11 for the first time a guaranteed five-year
12 reduction in both wage and business taxes.

13 Now we have a proposal in front of
14 us to put into effect at least a ten-year
15 guaranteed rate reduction.

16 I do find it interesting, though,
17 that one of the bills in front of us would
18 actually propose to interrupt the five-year
19 guaranteed rate reduction, and for a moment,
20 essentially, proposes a tax hike in the wage
21 tax from the guaranteed cut that is supposed
22 to take place on July 1, 2004, and extend the
23 rate that is presently in place for the
24 current Fiscal Year until January 1, 2005,
25 which, at least by my mathematics, is a tax

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2 increase.

3 But you are, in fact, interrupting
4 the five-year guaranteed laid out schedule of
5 reductions.

6 And, so, I mean, if one year with
7 the Five-Year Plan was good, and if five years
8 guaranteed was even better as it relates to
9 the rating agencies, then I don't see how you
10 then argue against longer-term guaranteed
11 reductions.

12 And, again, whether it is the Tax
13 Reform Commission or the 21st Century Review
14 Forum, both seem to have arrived at the same
15 conclusion. Which is, yes, we have an
16 obligation to pay our bills, yes, we have an
17 obligation to provide certain services; but
18 both seem to arrive at pretty much the same
19 conclusion, that we also have an imperative to
20 rye dues the onerous tax structure that is
21 killing our ability to provide long-term the
22 needed services that all of us want to
23 provide.

24 So, you know, but that's the
25 challenge of leadership.

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2 MS. DAVIS: Yes. Ten years of tax
3 reductions at a time, when the city is having
4 difficulty meeting its basic obligations, is
5 not something that the rating agencies would
6 embrace.

7 Ten years in time --

8 COUNCILMAN NUTTER: I didn't hear
9 you.

10 MS. DAVIS: Ten years of cutting
11 taxes, at a time when the city is having
12 difficulty balancing its budget and meeting
13 its basic obligations, would not be something
14 that the rating agencies would embrace.

15 Because it also then puts into
16 question whether or not the city has a
17 willingness to meet the obligations it has to
18 bond holders.

19 MS. WILKERSON: I think there is
20 also --

21 COUNCILMAN NUTTER: Or maybe it just
22 raises the whole challenge of how we managed
23 not only our finances, but run the government.

24 MS. WILKERSON: There is also the
25 question of, what would you cut?

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2 The Administration has proposed
3 cutting rec centers, changing deployment at
4 fire companies, cutting funding for arts, for
5 the art communities. But the question is,
6 what would you cut? What expenses can we
7 identify that allow the city to support the
8 kind of reform --

9 PRESIDENT Verna: The Chair
10 recognizes Councilman Clarke for a point of
11 order.

12 COUNCILMAN CLARKE: Madam Chair, did
13 the bell go off?

14 PRESIDENT Verna: Yes.

15 COUNCILMAN CLARKE: I just wanted to
16 confirm that. Thank you.

17 COUNCILMAN NUTTER: I am sorry. I
18 may have missed it. We can conclude. I
19 didn't hear the bell. I am sorry.

20 PRESIDENT Verna: Okay. The Chair
21 recognizes Councilman DiCicco.

22 COUNCILMAN NUTTER: I am done.

23 COUNCILMAN DiCICCO: Thank you,
24 Madam President.

25 The rating agencies -- I am going to

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2 pick up on where Councilman Nutter just left
3 off, and kind of include it in the comments
4 and discussion that took place with Councilman
5 Ramos.

6 You say the bond rating companies
7 would not look favorably on us if we did these
8 tax cuts that would last ten years because
9 of -- what was your statement, Ms. Davis,
10 again?

11 MS. DAVIS: I said cutting taxes for
12 ten years, in a time where we are having
13 difficulty, it is not the -- it is not the
14 stability of the tax cut that creates the
15 problem.

16 COUNCILMAN DiCICCO: How would the
17 rating agencies look at us if we don't do
18 anything, status quo remains, we continue to
19 lose jobs, and we continue to lose revenues?
20 Would they look any more favorably upon us
21 then?

22 MS. DAVIS: The rating agencies have
23 in fact looked at the city during a period
24 when it was declining in revenues. As long as
25 it was being fiscally responsible, the city

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2 has maintained its credit rating.

3 There has been no real negative
4 impact during this period when the city
5 continued to lose population and jobs while
6 the economy was booming.

7 They looked at our ability to pay
8 our bills, and that is where their primary
9 focus is.

10 COUNCILMAN DiCICCO: I guess, then,
11 for me, the concern is, in the simplest of
12 terms, is that, we are a city that has been on
13 life support for a very long time, and I think
14 that we need to do something extremely bold.

15 During the eight years or so that I
16 have been in Council, I recognize that the
17 only times that we ever were able to get
18 something of any significant economic
19 development going is when we came up with some
20 creative idea, whether it was the KOIZ,
21 whether it was the TIF, whether it was an
22 abatement, some sort of a tax relief, if you
23 will. You can call it a lot of different
24 things.

25 But were it in the for those

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2 incentives, most of those projects, if not all
3 of those projects, would never have occurred
4 or taken place.

5 So when we sit here and we talk
6 about, if we continue to do the tax reductions
7 that we are talking about, obviously there is
8 less revenue coming in, we assume. Because of
9 that, we recognize there would have to be cuts
10 in services, et cetera. But we are still a
11 city that is losing jobs. We are still losing
12 jobs.

13 So either we are going to slowly but
14 surely eventually die, or we are going to do
15 something that is bold to try to stop the
16 bleeding and see if we can't save it.

17 And I think that, for me -- although
18 I still have a problem with one of the
19 recommendations of the Tax Reform Commission,
20 and that's the land tax, because I am still
21 not perfectly clear on that -- but I am
22 speaking overall, overall in general, if we do
23 nothing but continue to do the small
24 incremental cuts that we have done and all the
25 things that have been in place for at least

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2 the eight years that I have been here, and we
3 are still losing jobs, what is the end result
4 going to be?

5 Additional loss of jobs, which
6 translates into additional loss of revenues,
7 which translates into additional costs, cuts
8 in services, anyway.

9 So my point is, you know, no one can
10 predict the future. We can look at the
11 numbers and say, if you cut X, you will have
12 less coming in. That's a given.

13 But no one is looking at the up side
14 of that. Because if we cut and make it a more
15 business-friendly city, in a dramatic way,
16 will we continue to retain the jobs that we
17 have and, quite possibly, will we increase
18 jobs?

19 I don't have the answer for that.
20 But I think the one thing that we all know is
21 consistent, is that everything we have done to
22 date on a small scale hasn't produced the
23 results that we need to continue to run this
24 city and grow.

25 So I think from a practical

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2 standpoint, we either bite the bullet now and
3 figure out and try to do something bold, or we
4 just say, we will continue to go on and maybe
5 by the grace of good somewhere down the line
6 the national economy is going to do great and
7 for some reason people are still going to want
8 to come to the City of Philadelphia and do
9 business, even though, even though the taxes
10 are higher to do business here and the
11 incentives aren't here that they may be in New
12 Jersey, as an example.

13 (Applause.)

14 MS. DAVIS: If we are willing to say
15 we will take cuts in services that could be
16 extreme in order to fund those cuts in taxes,
17 then it is a proposition that works.

18 But, again, as Joyce said, what do
19 we cut that's acceptable?

20 COUNCILMAN DiCICCO: But, Ms. Davis,
21 isn't that really an unknown?

22 We are looking at the number. If
23 you take in less revenue, therefore, you have
24 less money to spend on services.

25 But we are never looking at the

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2 other side of this, that maybe by doing that
3 we will increase jobs, maybe become a more
4 attractive place to do business. We are
5 always looking at it on the negative side.

6 I mean, just last week -- and I am
7 going to sound like I am patting myself on the
8 back, but it really was the efforts of this
9 City Council, this Mayor, and Mayor Rendell --
10 the housing project we just did in South
11 Philadelphia.

12 But for the fact we were able to
13 create affordable housing with the ten-year
14 tax break, those homes would never have been
15 sold. 93 homes were sold in four days. And
16 people from outside of Philadelphia bought
17 those homes.

18 So, I mean, that was a bold step
19 that we took. And it cost some money on both
20 the city side, the state side to invest into
21 that, but it was something different that we
22 tried.

23 Just like when the Rendell
24 Administration was in, we tried something
25 different with the wage tax and the business

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2 tax reductions. It set a tone. It started
3 sending a message. And I think, though, that
4 the message needs to be something more
5 forceful.

6 And I am not criticizing any of the
7 panel people here or the Administration. We
8 are never going to move from where we are. If
9 anything, I think we are going to continue to
10 slide backwards. We need to do something much
11 more dramatic.

12 Thank you.

13 (Applause.)

14 PRESIDENT VERNA: Thank you.

15 The Chair recognizes Councilwoman
16 Krajewski.

17 COUNCILWOMAN KRAJEWSKI: Thank you.

18 In light of all the proposed cuts, I
19 just have a few questions regarding the
20 noncollection of revenue due the city.

21 We have heard about collection with
22 PGW, the Water Department, but also in other
23 areas.

24 For example, what about real estate
25 agents who live outside the city but sell

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2 properties and earn their commission in the
3 city?

4 I understand that currently the city
5 collects no tax revenue from these realtors.

6 MS. DAVIS: I will have the Revenue
7 Commissioner come forward.

8 COUNCILWOMAN KRAJEWSKI: Because
9 this could go into millions.

10 MS. NANCY KAMMERDEINER: Nancy
11 Kammerdeiner, Revenue Commissioner.

12 We are aware of the concern that's
13 been raised about people like real estate
14 agents who are outside the city.

15 We have met with the representatives
16 of the Board of Realtors. We work regularly
17 with them providing seminars for new realtors
18 in terms of their own personal tax
19 obligations, as well as those of the clients
20 they will be working with.

21 And we also seek information through
22 discovery projects in terms of identifying
23 people who are in that situation.

24 I know it is not perfect, we don't
25 find them all.

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2 To the extent that --

3 COUNCILWOMAN KRAJEWSKI: This has
4 been going on for a long, long time. Just
5 pick up the paper, and you can see it. What's
6 it going to take the city to collect all this?

7 MS. KAMMERDEINER: We do use that as
8 a way of identifying discovery projects. We
9 use newspaper listings.

10 We particularly use listings from
11 the Center City area, where we are talking
12 about higher-dollar transactions.

13 Again, we don't get them all. We do
14 our best to identify them.

15 The additional staff that was
16 referenced earlier in terms of revenue
17 enhancement projects for Fiscal '05 will be
18 looking at some projects that will be heading
19 in that direction, among others.

20 To the extent that there are
21 specific cases that you or others are aware
22 of, we always welcome information that will
23 enhance our discovery activities.

24 PRESIDENT VERNA: Excuse me.

25 The Chair recognizes Councilman

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2 Kelly for a point of order.

3 COMMISSIONER KELLY: I just want to
4 follow up on Councilwoman Krajewski's
5 question.

6 Do the realtors outside of
7 Philadelphia, do they currently have a
8 business privilege tax enabling them to do
9 business in Philadelphia?

10 MS. KAMMERDEINER: Most of the
11 realtors, the individuals, would need to have
12 a business privilege license and pay business
13 privilege tax, because most of them are not
14 employees. Most of them are independent
15 contractors.

16 COUNCILMAN KELLY: The realtor
17 company, the realtors?

18 MS. KAMMERDEINER: The realtors as
19 individuals in many cases are independent
20 contractors. They don't pay wage tax because
21 they are not a full-time employee.

22 COUNCILMAN KELLY: They don't pay
23 wage tax, nor have a business privilege tax?

24 MS. KAMMERDEINER: They are supposed
25 to.

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2 COUNCILWOMAN KRAJEWSKI: Point of
3 order.

4 PRESIDENT Verna: The Chair
5 recognizes Councilwoman Krajewski, please.

6 COUNCILWOMAN KRAJEWSKI: Would the
7 Councilman please wait until I am finished my
8 questions. Because I am not through yet, Mr.
9 Kelly.

10 COUNCILMAN KELLY: Okay. Go right
11 ahead, Councilwoman.

12 COUNCILWOMAN KRAJEWSKI: Thank you.

13 I just wanted to know how many other
14 nonresidents will see this loophole to do the
15 same.

16 Do you have any idea the amount of
17 money that we are losing annually?

18 MS. KAMMERDEINER: That's almost
19 impossible to estimate.

20 PRESIDENT Verna: Councilwoman
21 Krajewski, the stenographer cannot hear you.
22 Pull the microphone closer, please. Thank
23 you.

24 COUNCILWOMAN KRAJEWSKI: You said
25 the city right now is in the process of

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2 working on this; is that right?

3 MS. KAMMERDEINER: Yes.

4 COUNCILWOMAN KRAJEWSKI: And how
5 long do you think this will take, because of
6 the money we are losing?

7 MS. KAMMERDEINER: We work on this
8 very regularly. We use Internal Revenue
9 Service data, we use newspaper advertisements
10 for homes in terms of the real estate data.

11 We pursue a number of different
12 avenues.

13 COUNCILWOMAN KRAJEWSKI: You know,
14 just looking at this -- I am sorry. Just
15 looking at this, each week in the Philadelphia
16 Inquirer I am looking, just looking at this,
17 each week millions of dollars a year, I
18 believe, that we are losing.

19 MS. KAMMERDEINER: We do use that as
20 a source. And I don't have a way of putting a
21 dollar figure on what we don't know about.

22 COUNCILWOMAN KRAJEWSKI: I hope the
23 next time when you come here in Council, that
24 you will have that figure. Before we are
25 talking about cuts, lack of collection. I

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2 think we are very, very remiss in this.

3 Thank you.

4 COMMISSIONER KELLY: I don't have
5 any followup questions. I think,
6 Councilwoman, you asked the right questions.

7 PRESIDENT VERNA: He wouldn't dare.

8 COMMISSIONER KELLY: I wouldn't dare
9 intrude on your time.

10 PRESIDENT VERNA: Thank you.

11 The Chair recognizes Councilman
12 Clarke.

13 COUNCILMAN CLARKE: Thank you, Madam
14 President. I promise I will not ask about the
15 nonutilization tax.

16 MS. WILKERSON: Although Mr. Faider
17 from the law department is here, who can
18 answer your question.

19 COUNCILMAN CLARKE: I understand the
20 Administration will be called back, I have a
21 request, at some point?

22 PRESIDENT VERNA: We are telling
23 them to be here on Wednesday. As of now they
24 are being told they should be back on
25 Wednesday. Because we do have, as I said, any

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2 number of witnesses today.

3 COUNCILMAN CLARKE: I did have a
4 question.

5 Actually, in preparation for that --
6 and I don't know how difficult this may be --
7 but I would like to, if at all possible, you
8 do as best an analysis as possible -- and I am
9 assuming you are able to get a dollar
10 figure -- on what the proposed recommendations
11 will be on the budget.

12 The difficulty of what I am going to
13 ask you to do would be possibilities of areas
14 where the budget will be impacted; i.e., cuts
15 or reduction in employees. And I know in two
16 days it is difficult to pull that together.

17 But prior to the ultimate passage of
18 these bills, I think personally I would like
19 to know what the potential impact will be on
20 the budget and on service levels.

21 And the reason why I ask that, I
22 want to ask it in this context: Having
23 represented a district that includes Center
24 City, and parts of North Philadelphia over the
25 last years or so, I have seen in the past

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2 Administration a surplus that was substantial,
3 and a lot of that, I believe, a substantial
4 amount of that, was as a result of the boom in
5 the national economy. But I also know that
6 there was not a focus on certain parts of my
7 district in terms of investments. And some
8 those areas have been allowed to suffer for a
9 long time.

10 My concern, as we talk about supply
11 side, as we talk about additional
12 tax-reduction programs -- and remind you I
13 haven't made up my mind what I am going to
14 vote for yet -- I would like it know what
15 impact of any supply side programs or any
16 reduction in revenue will have on the people
17 in the district that have been allowed to
18 suffer for too long, and finally have some
19 focus put on their neighborhoods. And they
20 are, actually, turning around.

21 And I am a little concerned that
22 that debate, that part of the equation is, not
23 being heard during this discussion. That, you
24 know, people who have been allowed to live in
25 conditions that, frankly speaking, nobody

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2 should, are finally getting some focus.

3 And when we talk about reducing
4 revenue, and talk about the hope -- and I hope
5 that, you know, some of the speculations are
6 in fact true, the speculative nature of
7 ultimate job creation and subsequent
8 additional revenue that will flow into these
9 neighborhoods, that people shouldn't have to
10 wait for another ten years before we take
11 advantage of what we hope will be a change in
12 the economy.

13 So I am extremely concerned that
14 those neighborhoods who now have maybe three
15 years of focus, now will be again put on the
16 back burner.

17 So I really would like you to give
18 me a sense of where the likely cuts would have
19 to come from across the board, Safe Streets,
20 aggressive neighborhood programs, and things
21 of the like, because I think that should be a
22 part of the discussion.

23 MS. WILKERSON: Okay.

24 COUNCILMAN CLARKE: Thank you, Madam
25 President.

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2 PRESIDENT Verna: Thank you.

3 The Chair recognizes Councilwoman
4 Brown.

5 COUNCILWOMAN BROWN: Thank you,
6 Madam President.

7 Good morning. The Administration
8 opposes Bill 040020, which you acknowledge is
9 a collection issue.

10 When we factor in and consider what
11 budget hearings have revealed with regards to
12 how poorly our city is doing in the area of
13 collections, and though you acknowledge on
14 Page 6 of your testimony that there is no
15 magic wand, should we not seize the moment to
16 adopt all measures that are going to help the
17 city do better with regards to collections at
18 any level?

19 MS. DAVIS: The particular bill you
20 are referencing has a negative impact from a
21 cash flow standpoint, in that it resorts to
22 quarterly installment payments.

23 In the initial year of this bill's
24 implementation, the city would use -- would
25 lose roughly 50 percent of its revenue for

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2 that year and create a cash-flow situation,
3 cash-flow problem, quite frankly. And that's
4 the reason that we are opposed to that bill,
5 because of its negative impact in the year of
6 implementation.

7 COUNCILWOMAN BROWN: You said 50
8 percent?

9 MS. DAVIS: Yes, in that first year,
10 if you did quarterly installments.

11 Only two of the installments would
12 come due in that initial year of
13 implementation.

14 COUNCILWOMAN BROWN: Can you say
15 what that dollar amount would be?

16 Because my followup question
17 becomes, would that not be offset in the out
18 years by taking some of the pain early on?

19 MS. DAVIS: You never, from an
20 accounting fund balance standpoint, once you
21 lose it, you never get it back.

22 So you would take that hit. And
23 then that hit, although in subsequent years
24 you would collect a full year of revenue, in
25 the first year of implementation, you would

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2 only have a half year's revenue.

3 There are -- we would be looking at,
4 I guess, half of the real estate, and real
5 estate is about 300 million. So you are
6 looking at an impact of roughly \$150 million.

7 COUNCILWOMAN BROWN: And that is the
8 principal reason for the lack of support?

9 MS. DAVIS: That is the reason.
10 Yes, ma'am.

11 COUNCILMAN NUTTER: Councilwoman,
12 point of order.

13 COUNCILWOMAN BROWN: Please.

14 COUNCILMAN NUTTER: Was that Bill 20
15 that was under discussion?

16 COUNCILWOMAN BROWN: Yes, that's
17 Bill 20.

18 Thank you, Madam President.

19 PRESIDENT VERNA: You are welcome.

20 The Chair recognizes Councilman
21 DiCicco. Your light is on.

22 Councilwoman Brown.

23 COUNCILWOMAN BROWN: Quick followup
24 question.

25 Are not 18 and 20 related or tied

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2 together?

3 MS. DAVIS: 18 and 20 both call for
4 installments. And, in that sense, they have a
5 similar impact on the city.

6 COUNCILWOMAN BROWN: So we would not
7 save any money?

8 Because it was reported, or maybe I
9 read, there is a potential to save 10 million
10 a year, with the support of 040018?

11 MS. DAVIS: If you saved 10 million,
12 it would be after you took a hit of 150 plus.

13 I mean, I don't think you even save
14 that 10. I am assuming that the savings were
15 attributed to having a reduced borrowing.

16 But because you wouldn't get all of
17 the revenue in one fiscal year, that would be
18 eliminated; that savings benefit would be
19 eliminated.

20 COUNCILWOMAN BROWN: Thank you.

21 Thank you, Madam President.

22 PRESIDENT VERA: Thank you.

23 The Chair again recognizes
24 Councilman Nutter.

25 COUNCILMAN NUTTER: I will be very

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2 brief, Madam President.

3 I guess either Ms. Wilkerson or
4 Secretary Davis, in your testimony, as well as
5 in the distributed or specific distribution
6 piece, the analysis of the various bills, I
7 noticed that while there was specific mention
8 of the work of the Tax Reform Commission, that
9 there was no mention of the work of the 21st
10 Century Review Forum, which looked at a
11 variety of tax issues based on the work of the
12 Tax Reform Commission and other work that they
13 may have reviewed.

14 Why is that?

15 MS. WILKERSON: I think the request
16 was a request to prepare responses to the
17 specific bills. We will just use the Tax
18 Reform Commission's recommendations as the
19 point of reference. There was nothing.

20 COUNCILMAN NUTTER: I understand
21 that. But didn't the 21st Century Review
22 Forum agree with 27 out of the 28
23 recommendations of the Tax Reform Commission?

24 MS. WILKERSON: I think it was about
25 that.

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2 COUNCILMAN NUTTER: Well, then, why
3 was there no mention of their work?

4 MS. WILKERSON: We disagree with
5 them, too.

6 COUNCILMAN NUTTER: Didn't the
7 Administration appoint the 21st Century Review
8 Forum members?

9 MS. WILKERSON: Yes, the
10 Administration appointed the 21st Century
11 Review Forum.

12 COUNCILMAN NUTTER: But now you
13 disagree with their work, as well?

14 MS. WILKERSON: We don't embrace all
15 of the work of the 21st Century Review Forum,
16 either.

17 COUNCILMAN NUTTER: From the report,
18 the tax subcommittee was made up of Dr. Jeremy
19 Nowag, Dr. David Crawford, Edward McBride,
20 Joseph Kiniones, and Dr. Edward Schwartz.

21 So it is now your testimony that
22 their findings, or their analysis, is
23 incorrect, as well?

24 MS. WILKERSON: No. I think what
25 the Administration's position is, is this is

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2 very valuable work that was done. The
3 Administration has tried to integrate as much
4 of the recommendations as we could, while at
5 the same time being what we think is fiscally
6 responsible.

7 COUNCILMAN NUTTER: Do you think
8 they were being fiscally irresponsible in
9 their recommendations?

10 MS. WILKERSON: We think that -- we
11 differ with them on some specific
12 recommendations.

13 We don't agree with recognizing
14 supply side effect. We don't agree with -- I
15 mean, that's one of the largest.

16 We think that tax reform is critical
17 to the city. We also think that -- and
18 perhaps place a larger emphasis on the service
19 side of the equation.

20 I think when we look at the
21 magnitude of the cuts that would happen in
22 services to the city were we to extract
23 another several hundred million dollars out of
24 the Five-Year Plan, we would find that the
25 results were unacceptable.

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2 You know, when we read through the
3 Tax Reform Commission recommendations and some
4 of the supporting information, when we look at
5 some of the polling that was done, tax reform
6 was not, in many instances, the most critical
7 component.

8 They talked about security in
9 neighborhoods, people talked about the need to
10 have high-quality code enforcement. Those are
11 the kinds of things that people see as being
12 critical to staying in the city and growing
13 the city.

14 And those are specifically the kinds
15 of services that we would not be able to
16 preserve at any kind of acceptable level.

17 I think the Administration also has
18 an obligation to try to project forward. We
19 are currently in arbitration with the FOP. We
20 know that there will be some cost associated
21 with that.

22 We have the AFSCME contracts
23 expiring at the end of June. And there are
24 going to be costs associated with those, as
25 well.

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2 And, so, when we tried to put
3 together a Five-Year Plan, we did our best to
4 anticipate some of the risks down the line.

5 We didn't do a perfect job, and
6 that's why we have had to -- we will have to
7 recommend changes in the Five-Year Plan to
8 take into account the loss of PGW revenue, the
9 \$18 million a year, and also moving back the
10 timing of the \$45 million repayment.

11 So it is all those factors that
12 underpin the city's decision not to embrace
13 more comprehensively the changes recommended.

14 COUNCILMAN NUTTER: So what comes
15 out of this -- and I will just kind of
16 conclude with this -- is, I mean, two things
17 become clear: That the Administration's
18 position is that the Administration is right,
19 the Tax Reform Commission is wrong, the 21st
20 Century Review Forum is wrong, that's one.

21 And, second, there is a statement
22 here in the document that says, "Philadelphia
23 has a fundamental choice to make. We can try
24 to manage continued economic decline or we can
25 seize the moment of opportunity to create

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2 significant economic growth." That's from the
3 21st Century Review Forum.

4 And I think what we have heard
5 today, in essence, is that the city is,
6 basically, going to try to manage continued
7 economic decline; is that the position?

8 MS. WILKERSON: No.

9 COUNCILMAN NUTTER: Okay. But there
10 is no other proposal to deal with the second
11 part of it, which is, seize the moment of
12 opportunity to create significant economic
13 growth?

14 MS. WILKERSON: I don't agree with
15 that, either.

16 COUNCILMAN NUTTER: Well, it is from
17 the document that was from the committee
18 appointed by the Mayor.

19 I mean, it is, really, kind of one
20 or the other at this point, isn't it?

21 MS. WILKERSON: No, I don't think it
22 is one or the other.

23 COUNCILMAN NUTTER: Okay.

24 MS. WILKERSON: I think that the
25 Administration has put forward a proposal that

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2 in fact puts adopts and embraces a number of
3 the recommendations of the Tax Reform
4 Commission.

5 They are not recommendations that
6 the Administration came up with. We respect
7 the work that was done and have adopted some
8 of the recommendations.

9 For example, the land value tax is
10 something that the Administration did not
11 initiate; it is something that we have
12 embraced from the Tax Reform Commission. We
13 have embraced the single-factor apportionment.
14 We have embraced the need for change at the
15 BRT, the hundred percent assessment. So there
16 are any number of changes.

17 The Administration views this as not
18 just an issue, though, about tax reform. That
19 in order to grow this city's economy, we have
20 to proceed along a number of fronts.

21 And, so, we proposed strategic
22 investments in order to develop assets, we
23 propose continuing in investments in
24 neighborhoods, in addition to tax reform.

25 COUNCILMAN NUTTER: Okay. All

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2 right. I appreciate your response. Thank
3 you.

4 Thank you, Madam Chair.

5 PRESIDENT VERNA: Thank you.

6 Are there any other questions from
7 members of the committee?

8 Seeing none, thank you. And we will
9 see you on Wednesday.

10 Our next witness?

11 MR. MCPHERSON: Jonathan Saidel.

12 PRESIDENT VERNA: Good afternoon.

13 Identify yourself for the record and proceed
14 with your testimony.

15 MR. JONATHAN SAIDEL: Jonathan
16 Saidel, City Controller of the greatest city
17 in the world, the City of Philadelphia.

18 I am not going to read my statement
19 because you can read it at your leisure.

20 I am concerned that a number of the
21 individuals that have taken off a day from
22 work have already left, while listening to
23 city employees ask other city employees
24 questions.

25 And I am a city employee. So rather

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2 than me answering questions from respective
3 Council people, I am more than happy to come
4 back Friday, tonight, Tuesday morning,
5 Thursday, whenever you need me to.

6 But let me make a couple of
7 statements for the record.

8 I support Bill 040313. It was
9 introduced March 25, 2004, signed by Council
10 Members Goode, Miller, Ramos, and Blondell
11 Reynolds Brown, which concerns the pilot
12 program of the jobs credit and making it part
13 of a permanent ordinance.

14 It was originally prescribed by the
15 tax analysis that my office did in 2001, in
16 working with Councilman Goode and others. I
17 think it is a step in the right direction.

18 The other bill which I know is
19 before you that I would like to make mention
20 is, I am not in favor of increasing the
21 parking taxes in the City of Philadelphia.

22 And the reason is that I have lived
23 my life in Northeast Philadelphia, and all
24 four of my children think that the Willow
25 Grove Mall is actually an extension of

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2 Northeast Philadelphia.

3 And the people where I live go to
4 those malls because a dress at that mall that
5 costs \$70, they will pay \$70 for in the
6 suburban areas.

7 But if they drive into Philadelphia,
8 that dress ends up costing \$95 because of the
9 additional taxes and additional parking fees
10 that are involved in coming into Center City.

11 So I think there is a disadvantage
12 and will effectively reduce the amount of
13 transportation that is done from people living
14 in the farther areas of the inner-city to
15 Philadelphia to shop in our areas.

16 We should look at San Francisco,
17 which has a forgiveness program, and has
18 worked with their parking lot owners to create
19 an atmosphere upon which urban malls have an
20 opportunity to compete with suburban malls.
21 So it is not something I think that would help
22 us beneficially.

23 I know that there was a question, an
24 analysis, that the parking tax in the City of
25 Pittsburgh is 31 percent. Certainly using a

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2 city as an analogy that's going down the
3 toilet is not an analogy that I think would
4 benefit the people of Philadelphia.

5 Let me, before I make a general
6 statement about the bills that have been
7 introduced, let me try to answer some of the
8 questions of the two Council people that are
9 still here, three, four -- four Council people
10 that are still here. When I start talking --

11 PRESIDENT VERNA: Everyone is
12 listening to you.

13 MR. SAIDEL: Oh, yes, I am sure they
14 are. I am sure they are.

15 Councilman O'Neill had asked about
16 the rating agencies. As the only one
17 testifying today who has been involved with
18 rating agencies, I was asked, Councilman, in
19 the latter part of the Goode Administration
20 and the beginning of the Rendell
21 Administration to go with the respective
22 Mayors to talk with ratings agents about the
23 budgets that were submitted.

24 In the last two years of Mayor Goode
25 and the beginning of, as you remember, the

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2 PICA and a variety of other things that went
3 on during the Rendell, they do look at
4 expenses. How could they not look at
5 expenses?

6 You know, if your revenue doubles,
7 but your expenses quadruple, you have no money
8 to pay debt service. It is not a good thing,
9 and it is something that they look at.

10 And though they don't micro-manage
11 any government's budget, they do look for
12 trend lines and they do like to see are we
13 meeting our obligations, are we showing that
14 we have the leadership to move our city
15 forward. So they do look at the expenses.

16 And I didn't really understand the
17 answer to the question that you asked three
18 hours ago, but that's exactly how they asked
19 me.

20 In fact, they sit there with blue
21 books. And as you speak, they actually write
22 down a variety of information, not only
23 written testimony, but oral testimony, as you
24 speak on behalf of the people of Philadelphia.
25 So I wanted you to know about that. My

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2 pleasure.

3 There was a question that was asked
4 about the estimated payment schedules, which
5 to me are revenue neutral. And the
6 Administration mentioned twice that it has an
7 impact upon the cash position of the City of
8 Philadelphia.

9 To me, the most, the biggest impact
10 to our cash in the City of Philadelphia is
11 that people that are leaving the City of
12 Philadelphia, that people are not working in
13 the City of Philadelphia, they are not buying
14 homes in the City of Philadelphia and raising
15 a family.

16 So the major impact in the last
17 number of years that I have been the
18 controller of Philadelphia to our cash in bank
19 has been the lack of taxpayers.

20 So when the question came up, and I
21 think the Finance Director mentioned, that
22 there is an impact on estimated. We are the
23 only major city in the country that, when you
24 pay your current tax, you pay a hundred
25 percent of your estimated. The state doesn't

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2 do that, the federal government doesn't do
3 that.

4 So I think those recommendations are
5 to lessen the impact of the tax schedule. And
6 that is only if there is a cash problem at any
7 given time. That only happens for the first
8 year, because everything catches up for the
9 year after that.

10 A couple of things that the Mayor
11 has put into his budget, which I have been in
12 favor of.

13 In 2001, as you remember, I came in
14 with a tax analysis which included the single
15 apportionment; that businesses that did a
16 hundred percent of their sales outside the
17 City of Philadelphia, those types of
18 businesses, we would like to see stay in
19 Philadelphia because they have portability and
20 can move from city to city and even from
21 nation to nation.

22 That bill that was asked by
23 Councilwoman Blondell Reynolds Brown is that
24 bill, and it is incorporated into the Mayor's
25 2005. He still needs to resubmit a Five-Year

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2 Plan.

3 The other thing that was mentioned
4 was the land tax. I have been a proponent of
5 the land tax for a number of years.

6 Every time someone fixes their home,
7 why should we increase their real estate
8 taxes, when the ability to pay is not a nexus
9 with those people that are fixing their homes.

10 Every time somebody fixes their home
11 in the City of Philadelphia, it is less money
12 we have to spend on NTI.

13 And with the lack of uniformity in
14 the real estate tax system, the lack of
15 understanding as to the broad base for real
16 estate tax system, I think that the land tax
17 is something that everyone in this Council
18 should look at.

19 (Applause.)

20 MR. SAIDEL: Anyone that has been
21 involved in government and the City of
22 Philadelphia for the last 50 years knows that
23 our taxes are too high. They know that our
24 real estate taxes are too high, that our
25 business taxes are an impediment to bringing

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2 businesses here, and the real estate taxes,
3 which are not our primary way of funding
4 government, the government function here in
5 the City of Philadelphia, is in many respects
6 inequitable in its application. Everyone
7 knows that.

8 Now, the choice, to me, is the
9 choice between -- the Mayor says he is going
10 to close a couple of pools today. Well, if we
11 don't stop tinkering around the edges, we are
12 going to have to close all the pools for the
13 foreseeable future.

14 I think the tax bills that are
15 presented through Councilman Nutter and from
16 the Tax Reform Commission -- which are not the
17 first time they have ever been spoken about,
18 nor will they be the last -- is a group of
19 bills that have been addressed to over a long
20 period of time by a divergent representative
21 of our society at large, and was voted on
22 overwhelmingly, 14 to 1, by the Tax Reform
23 Commission. They deserve a lot of credit for
24 that.

25 But we also have a responsibility

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2 not to tinker around the edges, but make the
3 fundamental differences to move our city
4 forward.

5 The impact on our budget is almost
6 minimal, as was the question asked by
7 Councilman Goode in relationship to the \$18
8 million a year that the Mayor says he is not
9 going to take from PGW. It was miniscule in
10 relationship to the total responsibilities of
11 the City of Philadelphia.

12 And budgets are not the Holy Grail,
13 they are not the Bible. And taxes, once they
14 are approved and become an Ordinance, can be
15 changed if problems arise in the next few
16 years.

17 But I believe that we have to make
18 the necessary steps so that this city can
19 survive and be profitable and move forward.

20 I don't want to be part of the last
21 generation of Philadelphians that left the
22 city to the next generation of Philadelphians
23 in less shape than they were me growing up in
24 the 1950s and the 1960s.

25 And we all have our work cut out for

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2 us. There isn't anyone here who doesn't know
3 that we have a responsibility to the people of
4 Philadelphia.

5 A lot of the questions that have
6 been asked this morning from the
7 Administration officials have been asked and
8 answered, and asked and answered, 700 times.
9 And I have been asked the same number of
10 questions over and over and over again for the
11 last three years.

12 I think it is important that we open
13 up the process, that we see exactly what we
14 can do, that we constrict the size of our
15 government based upon the revenue that's
16 collected in relation to the taxes that we
17 have.

18 For anyone to believe, and for the
19 government to say, that it is voodoo economics
20 to say that not even one job or one business
21 will be created by changing our tax structure
22 I think is irresponsible by the
23 Administration.

24 There will be an increase of
25 employment. There will be an increase of

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2 productivity in the City of Philadelphia. It
3 is about jobs.

4 You know, the president is looking
5 for weapons of mass destruction in Iraq. We
6 have a weapon of mass destruction in
7 Philadelphia, and it is called poverty.

8 And if we allow it to continue and
9 allow the decay to continue in the City of
10 Philadelphia, it will overcome us and overcome
11 the state and overcome the United States of
12 America. I think we have a responsibility to
13 do what is necessary today.

14 I thank you for this opportunity to
15 be here for the last six hours. I am not
16 going to take any questions. Let these people
17 that have been waiting all day. I will come
18 back Wednesday, Thursday morning. Whenever
19 you want me, I am here for you.

20 God bless. Thank you.

21 (Applause.)

22 PRESIDENT Verna: Thank you very
23 much.

24 MR. McPherson: Thomas O'Drain.

25 Bill DiMascio.

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2 PRESIDENT Verna: The Chair
3 recognizes Councilman Goode.

4 COUNCILMAN GOODE: I believe that
5 witness was for Bill 313. He had to leave,
6 but he did leave written testimony.

7 PRESIDENT Verna: Do you have the
8 written testimony? Do you know who he left it
9 with?

10 COUNCILMAN GOODE: My office has
11 copies of his written testimony.

12 PRESIDENT Verna: Because we don't
13 have it.

14 MR. McPHERSON: Mr. Malik Aziz.

15 PRESIDENT Verna: Good afternoon.
16 Please identify yourself for the record and
17 proceed with your testimony.

18 MR. MALIK AZIZ: Good afternoon,
19 President Verna, Council Members. My name is
20 Malik Aziz, and I am the Program Manager for
21 the Philadelphia Ex-Offenders Task Force, and
22 also the program director for the Safe School
23 Safer Communities Program and the Mayor's
24 Office of Community Service.

25 PRESIDENT Verna: Please proceed

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2 with your testimony, sir.

3 MR. AZIZ: I am trying to focus. I
4 am here for bill -- Council Wilson Goode's
5 bill and Ramos and Councilwoman Brown, bill on
6 tax rates for employers that hire
7 ex-offenders.

8 I would like to start to say that
9 employment means freedom. Our mission is to
10 enable ex-offenders to effectively re-enter
11 society with the reasonable expectation of
12 securing employment, housing, social services,
13 job training, and minimal support.

14 We need to assist and re-integrate
15 offenders who have rekindled their sense of
16 civic responsibility and want to be active,
17 productive members of society.

18 Employment in new businesses provide
19 that incentive to be successful and
20 responsible in society.

21 There is a lot of people out of
22 work. There is also a lot of people in
23 Pennsylvania prisons. Most of those
24 incarcerated in Pennsylvania prisons are from
25 Philadelphia, in the state prisons.

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2 As a matter of fact, out of the
3 42,000 currently residing in the Pennsylvania
4 Department of Corrections prisons, 42 percent
5 are from Philadelphia, or 16,800.

6 In regards to re-entry or
7 reintegration, the majority of those
8 incarcerated in Pennsylvania prisons will
9 return to society.

10 In Pennsylvania, Philadelphia is the
11 home address for more of them. Most
12 important, if we do not address the needs of
13 those returning citizens, many will return to
14 the cycle of crime, most within 90 days after
15 their release.

16 A chance for an opportunity to have
17 employment making a livable wage will enhance
18 the odds that they will not return to the
19 cycle of crime and return back to prison.

20 Of 300 ex-offenders that were
21 interviewed after their release from prison,
22 90 percent said that if they had a full-time
23 job opportunity, they would not return back to
24 prison.

25 Having people gainfully employed

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2 decreases crime in our neighborhoods and
3 brings an influx of new stability to the tax
4 base. Simply, Economics 101.

5 The formula is simple. People
6 released from prison works and earns a livable
7 wage equals a stronger economy, safer
8 community, and a more stable family, equals
9 successful reintegration.

10 Existing businesses and new start-up
11 businesses need to be made aware that tax
12 breaks and takes incentives will be made
13 available to them if they hire an ex-offender.

14 Most ex-offenders, having completed
15 their sentence, may be on probation or parole,
16 if given that chance to work a livable wage,
17 prove to be a valuable and trustworthy
18 employee.

19 Many also hope to start small
20 businesses and need start-up capital and
21 technical assistance. Mostly all will
22 continue to reside in Philadelphia, and work
23 here.

24 Bill No. 040313 will amend Chapter
25 19-2600 of the Philadelphia Code entitled

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2 "Business Privilege Taxes," by making
3 permanent and clarifying the pilot program
4 under which a job creation tax credit will be
5 given to certain businesses that create new
6 jobs within the City of Philadelphia.

7 We humbly ask that Philadelphia City
8 Council will pass this ordinance as an
9 investment in the quality of life and public
10 safety of each and every citizen in the City
11 of Philadelphia.

12 Thank you.

13 PRESIDENT Verna: Thank you very
14 much.

15 The Chair recognizes Councilman
16 Goode.

17 COUNCILMAN GOODE: Thank you, Madam
18 President.

19 I just wanted to thank Mr. Aziz for
20 his testimony, for the work he has done in
21 this area.

22 He has often challenged me to look
23 for ways to do some of my economic development
24 work to benefit ex-offenders. I hope this
25 will be a useful tool for him if this Council

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2 passes it. But I want to thank him again for
3 his work and for his testimony.

4 I also want to say that the written
5 testimony from the Prison Society has been
6 submitted for the record.

7 PRESIDENT VERNA: A copy has been
8 given to the stenographer and it will be
9 transcribed in full. Thank you.

10 COUNCILMAN GOODE: Thank you, Madam
11 President.

12 MR. MCPHERSON: The next witness is
13 Pete Matthews.

14 PRESIDENT VERNA: All right, Mr.
15 Matthews, let's go. Please move forward,
16 identify yourself for the record, and proceed
17 with your testimony.

18 MR. MATTHEWS: Pete Matthews,
19 President District Council 33.

20 Council President Verna, members of
21 City Council, I want to thank you for the
22 opportunity to offer comments and testimony on
23 the proposed budget for the City of
24 Philadelphia.

25 My name is Pete Matthews, President

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2 of District Council 33.

3 The members and retirees of District
4 Council 33 are the backbone of this city. And
5 all of you know that this city works because
6 the members of District Council 33 make it
7 work.

8 There is not a single function of
9 city government that is not dependent in some
10 way on the services provided by union members.
11 Our diverse and dedicated memberships do their
12 job so well, with little disruption of
13 service, that we are almost invisible to the
14 taxpayers and citizens of this city, and yet
15 we are all taxpayers and citizens, too.

16 We are invisible, that is, until
17 there is a budget crisis. Then the members of
18 District Council 33 are the first place the
19 city Administration looks when they are
20 attempting to make up for deficits by cutting
21 costs.

22 I realize that you are conducting
23 hearings today on the packet of bills that
24 have been introduced to reform the city's tax
25 structure. Our District Council has no

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2 problem with any reasonable forms of the
3 city's tax structure.

4 With that in mind, I am here today
5 to set the record straight on the valuable and
6 necessary services that are performed by the
7 members of local unions that make up District
8 Council 33 and to remind you, the members of
9 Council, that the city Administration and the
10 City Council both need to pay close attention
11 to make sure that the basic services our
12 members provide are recognized and adequately
13 funded.

14 As I already mentioned, our District
15 Council 33 members are all residents of the
16 city, and all of them are also taxpayers. Our
17 members make their living serving the citizens
18 of the city, and they recycle the money they
19 make many times over in our local economy
20 because they are residents of the city.

21 Therefore, the members of District
22 Council 33 recognize that they have a dual
23 interest in seeing that our city survives and
24 prosper.

25 With that in mind, I have a simple

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2 question to ask each of you as you consider
3 the Mayor's proposed budget. How can you
4 consider passing a budget that doesn't have
5 any sufficient funding to cover the costs of
6 contracts that covers the members of District
7 Council 33 who deliver the city basic
8 services?

9 The Mayor's budget address before
10 Philadelphia City Council on March 18 appears
11 to our union to be an attempt to put our
12 District Council Members back to the wall and
13 make our members once again bear the costs of
14 balancing the city's budget.

15 We believe that it is unconscionable
16 to propose a budget for the City of
17 Philadelphia that has no money for any of the
18 four city unions. It is not good for our
19 members and it is not good public policy for
20 the city.

21 By boldly stating that this budget
22 contains no provisions for wage increases or
23 health benefits, the Mayor has told the
24 members of AFSCME District Council 33 that
25 they do not matter, just when we are entering

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2 into contract negotiations.

3 In spite of the fact that health
4 benefits costs are increasing at a rate of 15
5 to 20 percent per year, the Mayor has
6 expressed his feelings for city workers
7 seeking a fair contract by insisting any wage
8 improvements have to be financed by the
9 savings produced by health benefit cuts.

10 Now the Mayor is once again trying
11 to turn the clock back to 1992, with his
12 assertions that the fiscal crisis is due to
13 the financial burden of having to pay fair
14 wages and decent health and pension benefits
15 to city workers.

16 It is the position of AFSCME
17 District Council 33 that the Mayor should have
18 set aside sufficient funds for city workers'
19 contract, as well as investing tax dollars in
20 blight, safe streets, and building new sports
21 stadiums.

22 We contend that this Administration
23 should have been making sure the basic city
24 services are preserved and adequately funded,
25 along with the city workers who deliver them.

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2 When the Mayor talks about change in
3 the structure of the city pension fund from a
4 defined benefit plan to a defined contribution
5 plan that would put the pensions of thousands
6 of tax-paying city workers at risk in the
7 stock market, he is showing us and every
8 taxpayer in the city that he doesn't care
9 about the long-term fiscal security of the
10 city's work force.

11 This kind of underhanded attempt to
12 shred the safety net of a decent pension for
13 District Council 33 members is something that
14 we would expect from a President Bush, who is
15 dedicated to destroying public sector unions,
16 not from a Mayor that refers to himself as the
17 labor Mayor.

18 Instead of closing recreation
19 centers, fire houses, and playgrounds, all of
20 which will only serve to make living in the
21 city more unsafe and unattractive, maybe this
22 Administration, City Council should consider
23 ways to fund programs and services that city
24 residents and taxpayers can use to increase
25 their quality of life.

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2 Instead of continuing to cut
3 business taxes and promote tax shelters for
4 big companies and developers without studying
5 the long-term consequences, the Administration
6 and this City Council would be better served
7 to use this budget to make sure that basic
8 infrastructure of the city is able to support
9 the increased demands for public services that
10 large commercial developments will produce.

11 (Councilwoman Blackwell assumes
12 Chair.)

13 MR. MATTHEWS: By forcing the Mayor
14 to change his priorities to reflect the real
15 needs of the city residents and taxpayers,
16 this City Council will easily improve the
17 quality of life for all city residents,
18 including city workers.

19 As District Council 33 starts
20 negotiations with this Administration for a
21 new contract, I want City Council and all the
22 citizens and taxpayers of Philadelphia to
23 understand that this Administration wants to
24 balance the budget on the backs of city
25 workers, just like in 1992, and as the Mayor,

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2 who should be held accountable for any
3 disruption of services that could result from
4 what could end up to be very contentious
5 talks.

6 The members of District Council 33
7 have sacrificed time and time again in the
8 past and have shouldered the burden of the
9 city's financial woes.

10 District Council 33 members have
11 been forced to give back holidays, sick days,
12 management rights, work rules, and subject to
13 the start of a two-tier pension system, to say
14 nothing of millions of dollars -- hundreds of
15 millions of dollars in healthcare benefits
16 concessions in past contracts.

17 These sacrifices were made in the
18 past as our members' contributions to the
19 overall financial health of the city, when
20 forces beyond our control put the city into a
21 city crisis. That time has passed.

22 We have lived through wave after
23 wave of job freezes and attrition and poorly
24 planned attempts to contract out jobs that are
25 vital to the city's operations.

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2 We have fought as a union to protect
3 the wages, benefits, and working conditions of
4 our members because we believe that this city
5 benefits from having a resident work force
6 that is stable and fairly compensated.

7 We have also done our part as a
8 union to help keep healthcare costs in check
9 by closing and selling JFK Hospital, for which
10 years was a huge burden on our union's health
11 and welfare, and by restructuring our health
12 benefits plan and changing our health benefits
13 provider, saving the city \$6 million in
14 healthcare costs this year alone.

15 In addition, virtually every union
16 in our District Council has proposed ways in
17 which the city can save money by listening to
18 the suggestions of the workers on the front
19 line of service delivery.

20 I have here today Charles Gaskin,
21 the President, and Business Agent Sam Shelton
22 of Local 403, as well as Fred Cummings and Ann
23 Cohen, the President and Business Agent
24 respectively, of Local 1637, who can detail
25 for you in their own words what they have done

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2 in their local unions to make the delivery of
3 city services more efficient and, in the
4 process, saved the city's millions of tax
5 dollars.

6 For example, Ann Cohen will present
7 testimony among the longstanding problem of
8 using police officers for civilian duties that
9 can be performed more efficiently and less
10 expensively by members of Local 1637.

11 In face, Ann's research has detailed
12 changes in civilization that could save the
13 city close to \$2 million, and at the same time
14 put more cops on the street to make our
15 neighborhoods safer.

16 Charles Gaskin can detail for you
17 the ways in which the members of Local 403 can
18 perform the same city services better and
19 cheaper than are currently being done by
20 private contractors.

21 These local union officers, along
22 with other officers of local unions within
23 District Council 33, who can and will be
24 offering testimony before this body, represent
25 city workers who are very experienced in doing

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2 their jobs for the taxpayers and citizens of
3 Philadelphia.

4 The members of local unions and
5 District Council 33 have been finding ways to
6 do the job more efficiently and at a cheaper
7 cost to taxpayers for many years, but their
8 experience is always discounted or ignored.

9 The fact of the matter is that
10 whenever the members of the local unions,
11 District Council 33 come up with suggestions
12 to improve city services or save tax dollars
13 in delivering basic city services, our
14 suggestions seem to fall on deaf ears.

15 By taking the concessions in past
16 contracts, which we have spent most of the 12
17 years recovering from, and by making
18 suggestions to improve city services and save
19 taxpayers millions of dollars, the members of
20 District Council 33 have provided enough
21 relief for the city.

22 Our members are not responsible for
23 the current budget situation, and we firmly
24 believe that we should not be required to bear
25 the brunt of solving any budget shortfalls.

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2 The members of District Council 33
3 have earned the right to a fair contract, and
4 we will not agree to a contract that calls for
5 concessions in wages, health and pension
6 benefits.

7 It is the Mayor's responsibility to
8 negotiate with this union and settle a fair
9 contract. And we believe that it is the City
10 Council's duty to make sure that the Mayor
11 fulfills that responsibility.

12 That is why AFSCME District Council
13 33 is asking you, the members of City Council,
14 to postpone passing any budget for the City of
15 Philadelphia until we have concluded
16 negotiation for a contract covering city
17 workers.

18 COUNCILWOMAN BLACKWELL: Thank you
19 very much. We certainly appreciate, I know I
20 do, for one --

21 (Applause.)

22 COUNCILWOMAN BLACKWELL: And we know
23 the vital role that you play in our city and
24 your commitment to making sure that we move
25 forward in a positive direction.

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2 And I am hopeful that, out of all of
3 this, that you and -- I mean, this is a union
4 city -- that all will be satisfied that you
5 get a fair contract, and many of us are
6 committed to that.

7 Councilman Clarke.

8 (Applause.)

9 COUNCILWOMAN BLACKWELL: As they
10 say, District Council 33 is in the house for
11 sure.

12 Councilman Clarke.

13 COUNCILMAN CLARKE: Thank you, Madam
14 Chair.

15 Good afternoon, gentlemen.

16 MR. MATTHEWS: Good afternoon.

17 COUNCILMAN CLARKE: First I would
18 like to commend your workers for the wonderful
19 work they do in the City of Philadelphia, and
20 particularly in my district, as I see the
21 trucks moving around the city and the work
22 that's being done.

23 One of the questions, and I
24 understand it to some way this is your opening
25 salvo to your negotiations for your contract,

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2 I would like to ask you a question about the
3 matter before us today, on tax reform.

4 Have you had any conversations or
5 any substantive conversations with members of
6 the Tax Reform Commission?

7 MR. MATTHEWS: No, I haven't.

8 COUNCILMAN CLARKE: Have they
9 reached out to you during their
10 deliberations --

11 MR. MATTHEWS: No.

12 COUNCILMAN CLARKE: -- about the
13 potential impact on tax reform on the
14 municipal workers?

15 MR. MATTHEWS: No.

16 COUNCILMAN CLARKE: None at all.

17 MR. MATTHEWS: No.

18 COUNCILMAN CLARKE: All right.

19 Has your union taken a position? I
20 see you reference in your testimony to some --

21 MR. MATTHEWS: Our reference is, we
22 understand it, as far as some citizens of the
23 tax reform, that taxes will be reduced. But
24 our reference is, how do we get these services
25 done without taxes? And, you know, I would be

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2 open to that.

3 But, quite frankly, as I was talking
4 about, health costs go up, our members want
5 raises. So, I mean -- and we pay taxes, also.
6 So it is not a point of when we come here, or
7 come to City Council, we come to negotiations
8 with our hand out.

9 All of our 10,000 members represent
10 a part of the city and pay taxes, as well.
11 And how are you going to --

12 COUNCILMAN CLARKE: You pay the
13 resident tax, because I live in the city. It
14 is a little higher than nonresident.

15 MR. MATTHEWS: That's right. And
16 how are you going to keep these services going
17 without taxes?

18 COUNCILMAN CLARKE: Thank you.

19 Thank you, Madam Chair.

20 COUNCILWOMAN BLACKWELL: Thank you.

21 Councilwoman Tasco.

22 COUNCILWOMAN TASCO: Thank you.

23 Good afternoon, everyone, and
24 welcome to City Council. And I, too, would
25 like to offer my appreciation for the hard

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2 work of the employees of District Council 33,
3 and all city employees who service the public
4 in my district.

5 (Applause.)

6 MR. MATTHEWS: Thank you.

7 COUNCILWOMAN TASC0: I get a lot of
8 flak for that street cleaning program in
9 Olney, but it works.

10 MR. MATTHEWS: Thank you.

11 COUNCILWOMAN TASC0: You said that
12 Ann Cohen is going to testify about the
13 efficiencies that you all have come up with.

14 I know some time ago, when we were
15 negotiating the trash collection contracts
16 some time ago -- let me get this right in my
17 head.

18 Let me pull that back. Let me hear
19 her first, because I have to go too far back
20 and I can't remember.

21 MR. MATTHEWS: She is here.

22 COUNCILWOMAN TASC0: I just wanted
23 to know some of the efficiencies that you are
24 talking about.

25 MR. MATTHEWS: She is on our way,

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2 but Charlie Gaskins, he can talk about the
3 highway department.

4 MR. CHARLES GASKINS: Hello. My
5 name is Charles Gaskins. I am the President
6 of Local 403, that's the Highway Division of
7 the City of Philadelphia Streets Department.

8 We also represent the Traffic
9 Engineering Division, the Survey Division, and
10 we also represent employees who work for the
11 Parking Authority who do your meter repairs
12 and installing your meters.

13 I am a 33-year city employee. And
14 one of the things that I would like to say is,
15 first of all, I am a taxpayer, city resident
16 who must live here. I take great pride in the
17 work our people do.

18 The local that I represents, we
19 represent a lot of trades people, carpenters,
20 bridge painters, bridge workers, cement
21 finishers, the whole nine yards.

22 One of the sad things that I have to
23 say here is that, a lot of times over the
24 years we have come up with solutions that we
25 think would help the city.

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2 We change the specs, along with the
3 city managers that we have worked with,
4 changed the specs of some of our employees to
5 help the city along. We have gotten different
6 types of equipment that would help save money.
7 And some of these programs that we had to save
8 money are not in existence anymore.

9 And I also represent workers who
10 pave our streets. And let me just say that
11 some years ago our employees were
12 predominantly black. Years ago we weren't
13 allowed to pave streets in certain
14 neighborhoods in the City of Philadelphia.
15 And that used to disturb me. It was almost
16 like nobody thought our people could do a good
17 enough job.

18 Today I am very proud to say we pave
19 all over the city and we get commended for
20 that.

21 We had a program out not too long
22 ago called HIP, Hot In Place. And that was a
23 program where you recycled the asphalt that
24 was already there.

25 That saved the City of Philadelphia

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2 money from having to buy asphalt, from having
3 to mill the streets, because it was all done
4 right there and used right there.

5 That program ended a couple of years
6 ago primarily because of a certain contractor
7 that cried the blues. He cried because he
8 wasn't getting paid for milling the streets,
9 he cried because he wasn't getting paid for
10 selling the city asphalt. That's not my
11 concern.

12 Myself as the president of this
13 local, I am here to represent our people, keep
14 our people working. And I am also a taxpayer
15 who thinks about how my tax dollars are spent,
16 as well.

17 I have worked with some Council
18 people in this room. I don't want to put
19 anybody on the spot, but Councilman Kenney
20 some years ago came to the aid of our street
21 lighting division, where he told the then
22 Commissioner Larry Moy, who I have love and
23 great respect for, that if our workers could
24 do the work, let us do it. And it worked.

25 Now that same department over the

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2 years has been allowed to go down to nobody.

3 And I don't understand that, when you go out

4 and hire a contractor.

5 COUNCILWOMAN TASC0: It has been

6 contracted out?

7 MR. GASKINS: No, the work hasn't

8 been contracted out. But the unit is so small

9 that it is ridiculous.

10 It was so small years ago that you

11 had to get a contractor to put alley lights

12 up. How do people maintain them? How do you

13 continue to maintain them, when you don't

14 continue to maintain the work force?

15 We haven't been able to hire in over

16 three and a half years. There are no layoffs

17 there, you are just cutting people out.

18 That's not right.

19 The work is getting done, and there

20 is a lot more work that our people can do that

21 would save the city more money.

22 But it seems like a lot of times

23 that our people get caught in the middle

24 because of the political ball.

25 You have a lot of managers who, if

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2 they weren't afraid of losing jobs, they would
3 speak out. But they can't because they feel
4 like they would be politically incorrect.

5 You have commissioners that are
6 appointed by the Mayor. They don't want to
7 say anything.

8 You have the Gas Works that's
9 supposed to be in financial trouble. Well,
10 our people do ditch repairs, we do plumber's
11 ditches.

12 I don't know why we can't do gas
13 ditches. The Gas Works hire contractors to do
14 that work at the cost of two and three times
15 more. But nobody is listening to the union.
16 And it is about time that somebody listens to
17 our side of this thing.

18 And I wish we would have a bigger
19 format. Like you have all these hearings for
20 everyone to speak on the budget, and you get
21 all the department heads to come in. You
22 should listen to every one of these union
23 leaders. We have something to say.

24 Our people come up with all kind of
25 ideas. And sometimes nobody wants to listen

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2 because, quite frankly, contractors donate
3 funds to campaign coffers.

4 Our employees cannot kick out
5 \$10,000 at a time for campaign coffers. But
6 we are trying to protect our workers' jobs.
7 You think that trickle-down effect doesn't
8 affect our workers, it does.

9 And when our guys are paving those
10 streets, and the temperature is 95 degrees,
11 and that truck backs up and dumps, and it
12 pulls out, and another one backs right up, and
13 you are working shorthanded, but you are still
14 asked to do the same amount of work, it is not
15 right. It is not right. You create an
16 unsafe -- you create an unsafe environment.

17 And all we are asking for is for
18 fairness. We need some employees, and we need
19 not to be used as a political ping-pong ball.
20 And that's what I feel like we are being used
21 as.

22 (Applause.)

23 MR. GASKINS: But the thing is --
24 you have, you know, when you reduce the wage
25 taxes, for whatever reasons, it hurts us. And

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2 then you say we have to raise taxes to pay our
3 people, that hurts the public, or the public
4 perceives that as being hurt.

5 We know that our workers can do the
6 work for cheaper, a lot of this work. I mean,
7 there is enough work in this city to go around
8 for everybody, building trades and everybody
9 else.

10 But the fact of the matter is, we
11 seen, in my opinion, to be the ping-pong ball,
12 the yo-yo, or whatever. And it is not fair.
13 Because our people come to work every day, and
14 then some of they don't want to come because
15 that's all they hear about, what's going on
16 wrong with us.

17 Our departments constantly being cut
18 back, cut back, cut back, and then you turn
19 around and look at others flourishing, it
20 doesn't make an employee feel good.

21 And then the first thing that's said
22 is, well, the attendance is low. Well, you
23 have to ask why sometimes. It is not because
24 everybody doesn't want to come to work. It is
25 a lot of things that goes on.

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2 And as we are here when storms
3 happen, and you can't get ahold of those
4 contractors who live across the bridge -- such
5 as a few years ago, when we had that ice
6 storm, and you couldn't even get nobody to
7 cross the bridge. The city workers that live
8 in this city were here to respond to that
9 challenge. And that's the way it has been for
10 years.

11 I lost \$4 dollars an hour when I
12 first came to work for the city. I was
13 working on the outside building trades as a
14 carpenter apprentice. I came here because of
15 the racism that went on then. Took the pay
16 cut because I knew I would have a steady
17 paycheck.

18 There is no job security here like
19 it used to be. Now it depends on what the
20 political whims are.

21 And I think as a person who has
22 represented a local who two years ago won the
23 Governor's Award for labor management
24 cooperation, that had never been done before,
25 the Streets Department won that award, we won

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2 it with great pride, and now we are facing two
3 years later the same old thing that, you know,
4 we are looked upon as nothing. Just a
5 political ball. And I think it is time for it
6 to stop.

7 Thank you.

8 (Applause.)

9 MR. MATTHEWS: Ann Cohen, President
10 of Local 1637, she is here, and she is going
11 to testify.

12 COUNCILWOMAN BLACKWELL: Thank you.

13 MS. ANN COHEN: Thank you,
14 Vice-Chairman Blackwell, distinguished members
15 of City Council. Good afternoon. My name is
16 Ann Cohen, and I am President of AFSCME Local
17 1637.

18 Local 1637 represents civilian
19 employees of the Police and Fire Departments,
20 the Department of Public Property, the
21 District Attorney's Office, the Philadelphia
22 Parking Authority, and the Capital Program
23 Office.

24 We are here to comment on the
25 Mayor's proposed budget and Five-Year Plan.

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2 Today, however, the word "proposed"
3 seems a little inadequate to us. Six weeks
4 ago, when I first asked to testify about the
5 Mayor's budget proposal, I planned to speak in
6 defense of the mounted police unit and about
7 the cost savings that could accrue to the city
8 in a comprehensive civilianization plan.

9 Unfortunately, today there is not a
10 single horse left in the mounted police unit.

11 After more than 30 years, no horses
12 patrol the country's fifth-largest city. The
13 world's largest park system is without mounted
14 officers.

15 The demise of the mounted unit is
16 remarkable for the damage it has done to the
17 quality of life for city residents and the
18 speed with which the unit was disbanded.

19 Every year Mayors propose new
20 programs and initiatives in their budgets. In
21 hard times, the city's leaders call for cuts
22 in programs and services. The programs,
23 initiatives, and cuts are debated by City
24 Council. And, of course, the city's taxpayers
25 get the opportunity to be heard in public

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2 hearings like the one today. That's what the
3 Democratic process is all about.

4 In defense of the mounted unit,
5 concerned citizens gathered thousands of
6 signatures. District Council 33 members
7 generated hundreds and hundreds of letters.
8 But, it was a done deal before we started.

9 The fact that the city will save
10 less than \$110,000 a year by shutting down the
11 mounted unit will not be debated in these
12 chambers.

13 That the lives of the men and women
14 who cared for the horses for decades have been
15 thrown into turmoil won't even be a footnote
16 in the budget process.

17 Nor will the diminished police
18 presence in the parks, on South Street, at the
19 Greek Picnic, and every other place we come to
20 expect mounted police officers.

21 But I'm not here only to cry foul.
22 The proposal to eliminate the mounted patrol
23 unit appeared as a part of a paragraph in the
24 Mayor's Five-Year Plan that touted savings of
25 \$50 million that could be gained by

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2 transferring uniformed officers from
3 administrative to street duty.

4 This process is known as
5 civilianization. Its premise is that it makes
6 economic sense to have officers perform the
7 law enforcement functions for which they are
8 trained.

9 It makes no sense economically or
10 operationally to pay an officer to perform
11 functions that could be more efficiently
12 performed by civilian employees.

13 AFSCME local 1637 and District
14 Council 33 have long fought the
15 civilianization battles. More than 25 years
16 ago we first came before this body to make our
17 cost-savings proposals.

18 We won civilianization gains in
19 collective bargaining in 1982 and 1986. The
20 city last implemented comprehensive
21 civilianization initiatives 12 years ago.

22 And when the city violated our
23 contract by assigning uniformed officers to
24 perform civilian functions, we have gone to
25 arbitration and won.

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2 Not surprisingly, the city was found
3 to be in the wrong when it assigned police
4 officers to mop floors, make building repairs,
5 operate duplicating machines, and perform
6 secretarial duties.

7 We do not believe that it is
8 coincidental that the union's most recent
9 arbitration victory came in the mounted police
10 unit.

11 In that case, which the city has now
12 appealed to Commonwealth Court, the arbitrator
13 ruled that the city was wrong to assign a
14 veteran police officer, whose salary is in
15 excess of \$47,000 a year, to a clerk/typist
16 position.

17 We have seen the speed with which
18 the city can act as it completely demolished a
19 beloved institution in less than 45 days.

20 The question now is, will the city
21 act with similar decisiveness to save the real
22 money, by actually civilianizing hundreds of
23 police department jobs.

24 We believe that civilian employees
25 are an integral part of the police department

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2 dedicated to the mission of that department.

3 After all, we are all citizens of
4 the city. We raise our children here. We
5 need safe streets, secure schools, and the
6 quality of life that is part of the ideal 21st
7 Century city.

8 We are proud of our role in law
9 enforcement and stand in great appreciation
10 and admiration of the work performed by the
11 men and women represented by the FOP.

12 But when the work can be better and
13 more cost-effectively performed by civilians,
14 that must be our goal.

15 Our union long fought for
16 cost-saving reforms in the mounted unit, as we
17 have across the department. We have attached
18 a chart of just a few of the additional cost
19 savings civilianization suggestions.

20 But our suggestions have largely
21 gone unheeded. The city's failure to act
22 costs taxpayers millions of dollars a year.

23 This is not new news. In the 1980s
24 Kevin Tucker's blue ribbon panel identified
25 the problem. In the 1990s, City Controller

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2 Jonathan Saidel pinpointed abuses and
3 suggested solutions.

4 Our chart is just a tip of the
5 iceberg. We know that there are opportunities
6 in virtually every unit and office in the
7 police department for further civilianization.
8 In the meantime, we want to highlight just a
9 few of the suggestions contained in our chart.

10 The last meaningful civilianization
11 efforts occurred between 1992 and 1994. One
12 of the department's successful initiatives at
13 that time was the civilianization of the
14 police detention unit.

15 Police officers were transferred to
16 street duty and were replaced by over 60
17 civilian correctional officers. This is the
18 same Civil Service title and Civil Service job
19 list used to staff the city's prisons.

20 It is now time to take the next step
21 and civilianize the supervision of that
22 operation.

23 We propose the use of correctional
24 sergeants to replace both police corporals and
25 police sergeants.

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2 These civilian supervisors would
3 still report to a uniformed police lieutenant
4 and captain, but this change alone could save
5 the city over \$266,000 a year.

6 Similarly, civilianizing the
7 supervision of police radio and the DPR unit
8 could save another \$245,000 a year. Again,
9 the Civil Service job title, police
10 communications dispatcher supervisor, exists
11 to make this replacement easy.

12 More savings could come in other
13 areas using existing city job titles.

14 For example, when an attorney or
15 legal services clerk in the District
16 Attorney's Office has a problem with their PC,
17 they call a help desk and a computer user
18 support specialist responds.

19 In the police department, however,
20 an officer, a detective, or a sergeant answer
21 the PC problems. We don't think that is the
22 most effective way to ensure safe streets.

23 Other examples like this abound, but
24 we do not have the time today to focus on them
25 all. We would like to point to one more huge

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2 opportunity for cost savings. This
3 opportunity exists on every shift, in every
4 operations room, of every police district in
5 the city.

6 The operations rooms are staffed by
7 both civilians and uniformed personnel working
8 side by side and performing identical
9 functions.

10 Each uniformed officer receives
11 between 10,000 and 20,000 dollars a year more
12 than the civilians to answer the phone,
13 complete paperwork, and maintain computer
14 records.

15 If the city is serious in its
16 commitment to efficiently delivering services,
17 it will move quickly to further civilianize
18 operations rooms, easily saving the city more
19 than a million dollars a year. Totally
20 civilianizing the operations rooms would save
21 even more.

22 We regret we could not be part of
23 the public process on which we have relied in
24 the discussion about mounted police, but we
25 appreciate the opportunity to appear before

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2 you today to further the dialogue on the
3 Mayor's proposed budget.

4 Thank you very much.

5 (Applause.)

6 COUNCILWOMAN BLACKWELL: Were these
7 suggestions made part of any dialogue with
8 regard to the budget before the mounted police
9 was done away with?

10 MS. COHEN: Yes. We certainly made
11 proposals in the 1990s. We made proposals
12 throughout our arbitration and settlement
13 process of the mounted police, of the mounted
14 police arbitration.

15 We have written repeatedly to the
16 Police Commissioner. We have raised it in
17 every arbitration that we have won.

18 No later than April the 12th we
19 wrote again to the Police Commissioner asking
20 that he convene a meeting to talk about the
21 cost savings that could accrue from further
22 civilianization, to talk about the payments
23 that are owed to the union for past
24 violations.

25 COUNCILWOMAN BLACKWELL: So even

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2 though you had these other recommendations
3 that were also cost saving, and in fact which
4 means that getting rid of the mounted police
5 costs less than all of these things combined,
6 and were all of these suggestions on the
7 table?

8 MS. COHEN: I don't think that they
9 were -- they certainly weren't in the form
10 that you see them now.

11 But we certainly raised them
12 throughout Safe Streets, for example. We
13 talked about further civilianization of the
14 operations rooms.

15 They have been -- the police
16 department has been found guilty of violating
17 the collective bargaining agreement many times
18 by assigning police officers to make repairs
19 at the Police Academy, but making repairs in
20 the 14th District, by having officers mop
21 floors. It is not new.

22 COUNCILWOMAN BLACKWELL: Yes. We
23 regret to lose the mounted police, as well.

24 Councilman DiCicco.

25 COUNCILMAN DiCICCO: Point of order.

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2 Good afternoon. Ms. Cohen, you
3 mentioned that you have written to the Police
4 Commissioner about some of these issues on
5 proposing savings, proposed savings? I didn't
6 hear what the response was to that.

7 MS. COHEN: We last wrote on April
8 the 12th, and we have received no response.

9 COUNCILMAN DiCICCO: No response.
10 Thank you.

11 COUNCILWOMAN BLACKWELL: Thank you.
12 Are there any other questions for
13 these witnesses?

14 Councilman Nutter.

15 COUNCILMAN NUTTER: Thank you, Madam
16 Chair. I will be very brief.

17 I just want to say to Mr. Matthews,
18 Mr. Gaskins, and Ms. Cohen, that I deeply
19 appreciate your testimony, your service and
20 commitment to the city.

21 Many of the union members are with
22 us. Most of the others, the thousands of
23 them, are at work, and so couldn't be with us.
24 And we are the beneficiaries of that.

25 I have received tremendous service

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2 from all three of you and a number of others
3 who are not at the table. And I wanted to
4 thank you publicly for that and for the
5 service that you provide.

6 (Applause.)

7 COUNCILMAN NUTTER: I think any
8 opportunity we have, those of us who have
9 maybe a little more access to microphones and
10 newspapers and the like, should always take
11 the opportunity to recognize public employees.

12 We are public servants. We have a
13 certain job. But, you know, I try to remind
14 my constituents when they call our offices in
15 City Council that it is highly unlikely that
16 whatever service it is that you are calling
17 about, I mean, other than something that can
18 be done over the phone, it is highly unlikely
19 at, you know, midnight or, you know, 6 o'clock
20 in the evening, or 2 o'clock in the afternoon,
21 more than likely even myself or my staff are
22 not the person who is going to go out and fix
23 that particular problem.

24 Not because we don't want to. But
25 for many of the things people call for, you

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2 probably would not want me to go out and do
3 that.

4 And, so, this notion that, you know,
5 public employees, you know, do anything less
6 than in 99.9 out to infinity percent of the
7 time their best in their work and their
8 effort, you are what make our offices go, you
9 enable us to do the things that we do, and the
10 partnership is critically important.

11 I think that it is good for you to
12 share with us not only the concerns, but also
13 what you do.

14 I do have some amount of regret,
15 although I did not create this environment, I
16 did introduce the bills, and they are the
17 subject of testimony today.

18 I think we have to reach a point in
19 this city where we seek our best to stop
20 trying to pit groups or sides against each
21 other in an irrational dialogue about, if this
22 group gets X, then the other group doesn't get
23 Y.

24 And I don't mean -- I am not being
25 naive or Pollyanna-ish about it. We do have

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2 some tough decisions to make. But I do think
3 that the first course of business should not
4 be trying to pit groups against each other.

5 We are all public servants together.
6 We are all trying to serve people in the ways
7 we know best.

8 (Applause.)

9 (President Verna resumes the Chair.)

10 COUNCILMAN NUTTER: You have a
11 unique situation because in many instances
12 what we do does have a direct impact on you.
13 But nonpublic servants are in the same
14 situation.

15 We are all Philadelphians first and
16 foremost, whether you are on the public
17 payroll or not. And you do deserve a fair
18 contract because of the hard work.

19 And the citizens of this city also
20 deserve a government that can provide
21 leadership, solve problems, generate jobs, new
22 people to work here, to pay our taxes,
23 hopefully in a reduced fashion, and so that we
24 are not in a constant fight about an
25 every-shrinking pot or pool of dollars; but

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2 that we are actually moving in a direction
3 where we have the luxury one day of talking
4 about how to spend some additional dollars
5 generated by making tough decisions and making
6 investments in the future, and actually
7 providing people with at least as good, if not
8 better, quality of life in this city.

9 And, so, I think that partnership is
10 very important. I am glad that you are here
11 today participating in this discussion and
12 dialogue.

13 I do, again, regret that it is being
14 posed as one side against the other. We are
15 all Philadelphians, and we care about this
16 city, and we are all just trying to do our
17 jobs.

18 So I thank you very much.

19 (Applause.)

20 MR. MATTHEWS: Thank you, Councilman
21 Nutter.

22 And I have worked closely with you
23 in the past and will work closely with in the
24 future.

25 But I think what we need to

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2 understand, what we are really trying to say,
3 is -- and you are right, we should be
4 partners. But we should be real partners, and
5 our input should not be taken for granted and
6 should not fall on deaf ears.

7 And I always refer back to 1992,
8 when it was devastating for the union. From
9 that point, if we worked closely together, we
10 could have alleviated a lot of those problems
11 in the past. But, that just doesn't happen.

12 And that's what we are trying to do
13 now, before we get to the point June 30. It
14 seems like you don't think about contract
15 negotiations until two or three months before
16 the contract is about to end.

17 So, I mean, it just repeatedly
18 happens over and over again. And now what we
19 are facing is 1992 all over again.

20 So, you know, I appreciate your
21 help. I appreciate all the Council person's
22 help. But, I mean, we are in a dilemma.

23 And I don't pit this as one group
24 against another. I am willing to sit down and
25 work with any group.

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2 COUNCILMAN NUTTER: I know that.

3 You have always been that way. Thank you.

4 Thank you, Madam Chair.

5 PRESIDENT VERNA: Thank you.

6 The Chair recognizes Councilman
7 Kelly.

8 COUNCILMAN KELLY: Yes. Ms. Cohen,
9 I have a question here.

10 Did you ever have any discussions
11 with the leadership of the FOP in regard to
12 your recommendations of replacing police
13 officers with civilians? I was just
14 interested in that.

15 MS. COHEN: We have had discussions
16 with the FOP over a number of years.

17 Clearly their position is to defend
18 the jobs of their officers at their staffing
19 levels.

20 And I am sure there are areas in
21 which they would have fought us on some of its
22 recommendations

23 COUNCILMAN KELLY: I noticed that we
24 have had, over 25 years, I think we have been
25 discussing this. And I agree with you.

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2 Another interesting thing in your
3 testimony, on Page 1, you mention that the
4 city will save less than \$110,000 a year by
5 shutting down the mounted unit.

6 According to the Mayor's budget, it
7 was over 400,000.

8 Is there any reason for the
9 discrepancy?

10 MS. COHEN: Yes. According to the
11 Mayor's budget, it was \$400,000. According to
12 testimony given by Police Commissioner
13 Johnson, it was 750,000.

14 I can only assume that those higher
15 figures represented personnel costs. Because
16 the actual cost, the costs for feeding,
17 housing, shoeing, and vetting the horses is
18 less than \$110,000 a year.

19 And the reason that there will be no
20 savings is that the officers who have been
21 assigned to -- any greater savings, is, the
22 officers who were assigned to the mounted
23 police unit will be assigned to other units,
24 or to other districts. The civilians will be
25 placed in other jobs. So the only real

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2 savings are the savings of the actual cost to
3 feed and house those horses.

4 COUNCILMAN KELLY: Thank you.

5 I just want to thank you for your
6 testimony, all of you. I think there are some
7 interesting things in here. And what we are
8 trying to do is save as much money as we
9 possibly can. And I thank you for your
10 recommendations and your time.

11 MS. COHEN: Thank you.

12 PRESIDENT VERNA: Thank you.

13 Are there any other questions from
14 members of the committee?

15 Thank you all so very much.

16 (Applause.)

17 MR. McPHERSON: Our next witness is
18 Gabriel Bevilacqua.

19 PRESIDENT VERNA: Is Gabriel
20 Bevilacqua here?

21 Good afternoon. Welcome. Nice
22 seeing you.

23 We are going to ask that all of the
24 witnesses be given five minutes for their
25 testimony. I believe we have approximately 69

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2 witnesses, and we would like to hear everybody
3 by the end of the day.

4 Please identify yourself for the
5 record and proceed with your testimony.

6 MR. GABRIEL BEVILACQUA: My name is
7 Gabriel Bevilacqua. I am Chancellor of the
8 Philadelphia Bar Association.

9 Good afternoon, Council President
10 Verna and members of City Council.

11 PRESIDENT VERNA: Just a minute,
12 please.

13 The noise level is much too high.
14 If you are having conversation, please do so
15 in the corridor.

16 Thank you.

17 MR. BEVILACQUA: On behalf of the
18 13,000 members of the Philadelphia Bar
19 Association, I offer my thanks and
20 appreciation for this opportunity to once
21 again testify on tax reform.

22 As you know, our Association is
23 committed to this effort. And it is not just
24 this one Chancellor that has spoken about
25 this, but it is in fact the entire

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2 Association, 13,000 members strong.

3 They have joined me so that we may
4 demonstrate the sustained commitment of our
5 Association and its members to tax reform.

6 Indeed, several Chancellors of the
7 Bar Association have appeared before you in
8 the past few years to speak on this topic.
9 Our concern is real and it is ongoing.

10 We understand that tax reform is a
11 huge issue for this Council and this city
12 government to confront. And, indeed, that is
13 reflected by the fact that there are 13 pieces
14 of legislation that you are considering.

15 But I want to call your attention
16 today to one particular inequity which we
17 believe can and should be promptly addressed,
18 especially if we are really serious about tax
19 fairness and a pro-growth, pro-jobs economic
20 policy in our city.

21 Specifically, we urge the city to
22 address the disproportionately high tax burden
23 imposed by the business privilege tax and the
24 net profits tax on service firms that are
25 organized as partnerships.

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2 Under the current tax rules, if a
3 service firm is organized as a corporation,
4 the employee owners of the business will pay
5 city wage tax at a rate of 3.9127 percent for
6 nonresidents and 4.5 percent for residents.

7 In contrast, if that same firm were
8 organized as a partnership, the partners would
9 be subject to a business privilege tax of 6.5
10 percent on their net income. In addition, the
11 partnership would pay a net profits tax, but
12 would be able to claim a credit of 60 percent
13 of the net profits portion of the BPT. The
14 effective rate of tax on partnership net
15 income could in some cases exceed 7 percent.

16 As you may know, the BPT applies to
17 businesses conducted within the city
18 regardless of form of organization; for
19 example, corporation, partnerships, sole
20 proprietorship, or LLC.

21 The BPT consists of two tax bases, a
22 tax on gross receipts and a tax on net income.

23 With regard to the tax on net
24 income, taxpayers pay at the rate of 6.5
25 percent on income attributable to business

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2 done within the city.

3 By regulation, the city's Department
4 of Revenue has directed that businesses
5 conducted in partnership form may not deduct
6 payments made to partners, even where partners
7 perform a significant level of service on
8 behalf of the partnership.

9 Businesses formed as corporations,
10 however, may deduct payments of compensation
11 made to shareholders who provide services.

12 As a result, service firms organized
13 as corporations have little or no net income
14 and pay little or no city taxes on their net
15 income; instead, their shareholders pay city
16 wage taxes at substantially lower rates.

17 No apparent policy supports the
18 discrimination against service firms organized
19 as partnerships.

20 For the reasons, we encourage the
21 Council to consider the inequity presented in
22 this situation. We are not asking for special
23 treatment; we are only asking for a level
24 playing field.

25 Specifically we ask that the BPT be

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2 amended to permit partnerships to deduct
3 distributions made to partners who provide
4 services to their partnerships.

5 The effective this amendment is that
6 service partnerships would pay tax on their
7 net income at the rates imposed by NPT which
8 are the same rates that are imposed under the
9 city wage tax.

10 We believe that the inequities which
11 I have just enumerated are among the major
12 factors in the relocation of professional
13 firms from the city into the suburbs, that's
14 why we care so deeply about this.

15 Due in large part to the city's tax
16 structure as it applies to partnerships, many
17 firms have left the city either entirely or in
18 part. Many professional service firms operate
19 in partnership form for various reasons.
20 Significant tax and nontax restrictions exist
21 to limit their ability to convert to
22 nonpartnership or corporate form.

23 And, in many ways, this is really a
24 small business issue. Bear in mind that many
25 small and mid-sized firms are organized as

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2 partnerships and, consequently, suffer under
3 this provision

4 In fact, nearly two-thirds of the
5 membership of the Bar Association is composed
6 of small and mid-sized law firms, so this is a
7 serious issue for us.

8 A study released in January 2003 by
9 the Center of Philadelphia Development
10 Corporation explains that Pennsylvania suburbs
11 have enjoyed a robust 34 percent rise in
12 professional service jobs between 1990 and
13 2000.

14 The study goes --

15 PRESIDENT VERNA: Are you about
16 finished?

17 MR. BEVILACQUA: I am about
18 finished, Council President.

19 PRESIDENT VERNA: Thank you.

20 The Chair recognizes Councilman
21 Rizzo.

22 COUNCILMAN RIZZO: Thank you, Madam
23 Chair.

24 Chancellor Bevilacqua, tell us a
25 little bit about your firm and its economic

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2 impact on the city, and what your firm has
3 been experiencing in terms of its own economic
4 and needs of economic well-being in the City
5 of Philadelphia.

6 MR. BEVILACQUA: I would be happy to
7 do that.

8 Our firm is located in five states.
9 Our signature office is our office in Centre
10 Square, right at 15th and Market Street. And
11 our firm, like other large, multi-state firms,
12 has really shrunk in terms of its presence
13 here in Philadelphia, but has grown in terms
14 of its presence in our other offices.

15 And I can point to specific sections
16 within the firm that have really moved to
17 different offices in order to avoid this
18 inequitable tax.

19 COUNCILMAN RIZZO: Tell us how the
20 proposed legislation would amend the tax and
21 equity that you say exists.

22 MR. BEVILACQUA: I think it would
23 equalize it to require both corporations and
24 unincorporated associations to pay tax at the
25 same rate.

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2 COUNCILMAN RIZZO: Do you have any
3 other suggestions or any plans that you could
4 offer to be helpful with what we are here to
5 discuss today?

6 MR. BEVILACQUA: Councilman, we have
7 strongly supported the recommendations of the
8 Tax Reform Commission in the past, and
9 continue to support those recommendations.

10 But we wanted to single out this
11 one, what we considered an inequity which
12 impacts severely the unincorporated
13 associations.

14 COUNCILMAN RIZZO: Thank you.

15 Thank you, Madam Chair.

16 PRESIDENT VERNA: Thank you.

17 Are there any other questions from
18 members of the committee?

19 The Chair recognizes Councilman
20 Goode.

21 COUNCILMAN GOODE: Thank you, Madam
22 President.

23 Good afternoon. I understand the
24 issue of fairness should be one that is
25 paramount, particularly if it makes us less

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2 competitive. But I am wondering if you are
3 familiar with any revenue implications with
4 regard to next year over the Five-Year Plan?
5 I just don't have those figures broken out
6 from the other business tax figures.

7 MR. BEVILACQUA: We don't have a
8 bottom-line figure. And we would like to --
9 we really don't know what the impact would be
10 of equalizing this for corporations and
11 unincorporated associations.

12 COUNCILMAN GOODE: Thank you.

13 PRESIDENT VERNA: Thank you.

14 Anyone else want to be recognized?

15 Thank you very much.

16 MR. BEVILACQUA: Council President
17 Verna, we have complete remarks, which I would
18 like to hand up to be made part of the record.

19 PRESIDENT VERNA: We will give them
20 to the stenographer, and they will be
21 transcribed in whole.

22 Our next witness, Thomas O'Drain.

23 Mr. O'Drain, please identify
24 yourself for the record and proceed with your
25 testimony.

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2 MR. TOM O'DRAIN: Good afternoon.

3 My name is Tom O'Drain. I am the President of
4 the Philadelphia Firefighters Union. I
5 represent 2400 active firefighters and
6 paramedics.

7 I am a 19-year veteran of the Fire
8 Department. I am also a lieutenant currently
9 on leave of absence to serve as the President
10 of Local 22.

11 In March, just before the Street
12 Administration released their budget for this
13 year, the 21st Century Review Forum issued a
14 report that suggested that city services in
15 the Fire and Recreation Departments may need
16 to be redistributed to match changes in the
17 city's population.

18 But the 21st Century Review Forum
19 did not recommend any immediate cuts to the
20 Fire Department be implemented. Instead, the
21 Forum suggested that the city embark upon a
22 detailed analysis of fire protection levels
23 similar to the process used by the U.S. Navy
24 when considering base closures.

25 This process would attempt to

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2 eliminate the politics from the closure or cut
3 decisions.

4 And while I disagree with some of
5 the conclusions reached by the Forum, I agree
6 that any review of public safety services must
7 be conducted in a thorough, deliberate, and
8 open manner.

9 As president of Local 22 and a
10 life-long citizen of this great city, I was
11 extremely disappointed the following week,
12 when the Street Administration released a
13 proposed budget that called for several cuts
14 discussed, but not recommended, by the Forum,
15 without the thorough, unbiased, detailed, and
16 open review that the Mayor's own Forum deemed
17 absolutely necessary.

18 In light of the severity of the cuts
19 proposed, this course of conduct is a recipe
20 for disaster.

21 Council Members, you have heard Fire
22 Commissioner Hairston attempt to sugar-coat
23 the drastic and unnecessary cuts that the
24 Street Administration plans to impose upon the
25 Philadelphia Fire Department. But make no

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2 mistake about it, the Mayor's plan will gut
3 the Fire Department.

4 It will result in 200 fewer
5 firefighters on the streets of this city, a
6 whopping 10 percent cut. And all of this in a
7 year where fires and injuries are up and at a
8 time when public safety remains the number one
9 issue on our public discourse.

10 Despite Commissioner Hairston's
11 charts, the city-proposed cuts will have a
12 dire impact on public safety. There is no
13 doubt about it. It is just common sense.

14 Fewer engine companies and fewer
15 ladder companies means that the existing
16 companies will have to cover greater
17 distances.

18 Increased distance means increased
19 response time. In other words, under the
20 Mayor's proposal, it will take longer for the
21 Fire Department to respond to calls for
22 emergency service.

23 Every citizen can understand how
24 critical response time is when you call 911
25 and you have a loved one in distress. Seconds

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2 count, seconds are meaningful. But when it
3 comes to fire, the average citizen may not
4 know how important response time is.

5 Simply put, fire grows
6 exponentially. Each minute of uncontrolled
7 fire growth results in a geometric increase in
8 temperature and damage. This results in
9 greater damage to the initial structure, to
10 the adjoining structures, and to risk faced by
11 occupants and by firefighters.

12 So when it comes to fires, seconds
13 are not merely important, they are absolutely
14 critical.

15 And no meaningful discussion of
16 company closings can ignore the impact of
17 those closings on response time.

18 Unfortunately, Commissioner
19 Hairston's testimony did not address the
20 impact that the proposed Fire Department cuts
21 will have on response time. This is troubling
22 for several years.

23 Two months ago when the news first
24 broke of the Mayor's plan to close fire
25 companies, our union asked the Fire Department

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2 for information related to what we hoped was
3 the detailed study of the issues that the
4 department had performed seeking to close fire
5 companies. To date we have received no
6 response.

7 In my book, that means either, A,
8 there are no studies, which absolutely is
9 inappropriate in light of significant health
10 and safety risk associated with closing
11 firehouses; or, B, the studies that have been
12 performed do not support the attempt to close
13 companies.

14 Obviously, neither option is good.
15 And, clearly, neither is appropriate in light
16 of the seriousness of this issue.

17 The citizens of this city deserve a
18 full, fair, complete, and open discussion of
19 the impact that proposed cuts at their
20 neighborhood fire station may have on the
21 safety of their families and their neighbors.

22 I ask this Council this afternoon to
23 conduct full and complete hearings and to
24 require the Fire Department to justify its
25 proposed cuts before Council approves any

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2 budget that contains cuts to the fire service.

3 A second point raised during
4 Commissioner Hairston's testimony was the
5 city's plan to increase the number of EMS
6 units on the city's streets.

7 I applaud this effort, which our
8 union has been asking for for years, but I
9 dispute the Commissioner's logic.

10 The need for more medic units does
11 not necessitate a cut in the fire service. In
12 fact, the planned increase in medic units
13 should eliminate the asserted need for cuts
14 within the Fire Department.

15 Commissioner Hairston testified
16 concerning the millions upon millions of tax
17 revenue that the department's EMS service
18 generates for the city, but he ignored the
19 fact that these increased revenues should
20 eliminate the need for cuts elsewhere within
21 the Fire Department.

22 Essentially, adding more paramedics
23 should fund the continuation of existing
24 levels of fire protection.

25 In addition, the Commissioner also

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2 neglected to mention the significant savings
3 that the city will experience as a result of
4 the mass retirements of firefighters under the
5 DROP program.

6 Council will recall that one of the
7 goals of the program was to replace older,
8 higher-paid employees with younger, lower-paid
9 employees in order to achieve savings for the
10 city.

11 But, instead of considering the
12 savings that will be achieved by replacement
13 of 200 firefighters, the city seeks to instead
14 cut the positions altogether.

15 It is a shortsighted, cost-cutting
16 move that essentially implements back-door
17 layoffs within the Fire Department.

18 PRESIDENT Verna: Sorry. You are
19 going to have to wrap it up. I know that we
20 have been wanting to hear your testimony.

21 MR. O'DRAIN: Not that much longer.

22 PRESIDENT Verna: I am asking you to
23 abbreviate whatever you have there, please.

24 MR. O'DRAIN: Well, the point I want
25 to make is that, cutting back that many

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2 positions in the Fire Department will be a
3 disaster for the people in this city.

4 We do more than just fight fires.
5 We respond to medical emergencies. We have
6 all the fire prevention programs that we do.
7 We put smoke detectors in people's houses. We
8 go out to schools and we conduct fire safety
9 programs for children.

10 And there is many more items that we
11 do that protect the people in this city. And
12 I think that making cuts in the Fire
13 Department is a bad thing.

14 PRESIDENT VERNA: Thank you.

15 (Applause.)

16 PRESIDENT VERNA: I know that the
17 fees have escalated for the emergency medical
18 services.

19 MR. O'DRAIN: I didn't hear the
20 question.

21 PRESIDENT VERNA: I know that the
22 fees have escalated for the emergency medical
23 services.

24 MR. O'DRAIN: Last year the
25 medical -- the paramedics collected \$21

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2 million in revenue.

3 PRESIDENT Verna: And it is
4 anticipated that in '05 they will be
5 collecting \$25 million?

6 MR. O'DRAIN: Yes.

7 None of that money goes back to the
8 Fire Department; it goes right back into the
9 city's General Fund.

10 PRESIDENT Verna: I know. It goes
11 into the General Fund.

12 You talked about the closure of some
13 of the fire stations. Do you know if there
14 are actually going to be closures, or is that
15 something that we can simply assume by the
16 Commissioner's testimony?

17 MR. O'DRAIN: Well, the Mayor said
18 there will be no firehouse closings. What
19 they propose to do are close companies within
20 those firehouses, which would reduce the
21 number of people that we have to respond to
22 emergencies.

23 Last year we responded to 417,000
24 calls.

25 PRESIDENT Verna: Thank you.

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2 The Chair recognizes Councilwoman
3 Brown.

4 COUNCILWOMAN BROWN: Thank you,
5 Madam President.

6 Good afternoon. The fire safety
7 program that you have in the public schools,
8 is that citywide, with both Catholic schools
9 and public schools?

10 MR. O'DRAIN: Yes.

11 COUNCILWOMAN BROWN: So all schools?

12 MR. O'DRAIN: That's citywide. All
13 schools. We go out and cover all the schools.

14 We put out forms in the schools for
15 kids who may not have smoke detectors in their
16 houses. And when they fill those forms out
17 and send them back in, we will go out and
18 install a smoke detector in each house.

19 COUNCILWOMAN BROWN: That would
20 include charter schools, as well?

21 MR. O'DRAIN: Charter schools. Any
22 school in the City of Philadelphia, we go out
23 to and we conduct programs.

24 COUNCILWOMAN BROWN: That eliminates
25 my subsequent questions.

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2 Thank you for your testimony.

3 PRESIDENT Verna: Thank you.

4 The Chair recognizes Councilman
5 Kenney.

6 COUNCILMAN KENNEY: Thank you, Madam
7 President.

8 Tom, I want to talk a little bit
9 about the ladder companies and the elimination
10 of the ladder companies.

11 Certainly engine companies are also
12 very important. But talk a little bit about
13 the function of a ladder company, and what in
14 fact its responsibilities are relative to
15 search and rescue and relative to aerating the
16 building, which is the major cause for most
17 fire deaths, is smoke inhalation.

18 Can you talk about what it is they
19 do.

20 MR. O'DRAIN: Mainly the reason of a
21 ladder company is, they ventilate the
22 building, let the super-heated gases out and
23 the smoke out. That allows the engine
24 companies to go in and make an attack on the
25 base of the fire.

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2 Ladder companies are responsible for
3 rescuing anybody that may be overcome by
4 smoke. Most times when they are, they are
5 laying right inside of a window. And when
6 they get their ladders up and they go to go
7 in, nine times out of ten, if there is
8 somebody in there, they are right there and
9 they can grab them and get them out.

10 COUNCILMAN KENNEY: Or a child in a
11 closet, things like that.

12 MR. O'DRAIN: Right. They go in and
13 they conduct a thorough search of the
14 building.

15 COUNCILMAN KENNEY: So they are the
16 members of the department that normally you
17 see wearing the breathing apparatus.

18 MR. O'DRAIN: Well, we all wear them
19 now.

20 COUNCILMAN KENNEY: They are the
21 first in.

22 MR. O'DRAIN: Yes, they go in and
23 immediately that's their top priority, are to
24 make rescues.

25 COUNCILMAN KENNEY: And that

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2 includes finding their own people, when they
3 are trapped or lost inside.

4 MR. O'DRAIN: Right.

5 COUNCILMAN KENNEY: When you respond
6 to a large event, for example, the thing that
7 comes to mind recently was the rescue, that
8 dramatic rescue, of construction workers at
9 the Kimmel Center. How many pieces of
10 apparatus generally respond to something of
11 that magnitude?

12 MR. O'DRAIN: For that particular
13 rescue, I believe there were about three
14 alarms worth of companies. I think that
15 was -- about 50 companies were down there that
16 day.

17 COUNCILMAN KENNEY: And in the event
18 that something like that happens -- and thank
19 God it doesn't happen often, but it does
20 happen maybe once, twice, three, or four times
21 a year, there is something where there is a
22 large number of people, personnel and
23 apparatus, that need to respond --
24 hypothetically, what would that do to a
25 dwelling fire response, when you have that

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2 many companies engaged in one particular site,
3 doing one particular rescue or group of
4 rescues?

5 What would that add on to the
6 response time to a fully involved dwelling,
7 you know, 20, 25 blocks away?

8 MR. O'DRAIN: Well, what we try to
9 do are spread the companies out when we have a
10 big incident going on.

11 The fire communications center will
12 send companies and spread them out around the
13 city, so that we can try to cut down on
14 response time.

15 But even then, during those times, a
16 dwelling fire can have a chance to get out of
17 control and maybe spread to the house
18 next-door.

19 COUNCILMAN KENNEY: What's the
20 percentage of ladder companies that are slated
21 to be closed?

22 MR. O'DRAIN: We are -- they are
23 talking about closing 7 ladders. That's about
24 20 percent of the city's ladder companies.

25 COUNCILMAN KENNEY: And what about

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2 the engine companies?

3 MR. O'DRAIN: They are talking about
4 four engine companies.

5 COUNCILMAN KENNEY: Four engine
6 companies.

7 I just wanted to make sure that's on
8 the record clearly. That we are not talking
9 about -- rec centers are important and pools
10 are important, and those things are very
11 important. We are not talking about those
12 things. And we would like to see arts and
13 culture and everything else put back.

14 When you are talking about adding
15 minutes to response time of engine ladder
16 companies, and considering the fact that this
17 department turns back to the city General Fund
18 \$21 million last year, as much as \$25 million
19 to come, I think it is very shortsighted and
20 very foolish to put your people and our
21 citizens in harm's way by that kind of
22 reduction.

23 And that's something I think should
24 be at the forefront of our concern, be
25 concerned about public safety of our citizens

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2 and of our firefighters.

3 Because, you know, if we have one of
4 our people lost in there in a building, which
5 has happened many times, we need as many
6 people in there searching for them as
7 possible.

8 And God forbid that child gets
9 overlooked in the closet because we don't have
10 enough people on site or fast enough on site.
11 Because I understand -- you can elaborate, if
12 you like -- the number of minutes that follow
13 how increasingly dangerous the fire becomes if
14 there is any delay in getting on the scene.

15 MR. O'DRAIN: Well, the average
16 dwelling fire is only about ten minutes. And
17 if we don't get there within the first three
18 or four minutes, you are -- and if there are
19 people in there, there will be people that
20 will die.

21 COUNCILMAN KENNEY: Thank you, Madam
22 President.

23 PRESIDENT VERNA: Thank you.

24 The Chair recognizes --

25 (Applause.)

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2 PRESIDENT Verna: The Chair

3 recognizes Councilman O'Neill.

4 COUNCILMAN O'NEILL: Thank you.

5 Tom, could you go over how many
6 engine companies and how many ladder companies
7 they are talking about closing?

8 MR. O'DRAIN: They are talking about
9 closing four engine companies and seven
10 ladders.

11 COUNCILMAN O'NEILL: If an engine
12 company is closed, what is left at the site?

13 MR. O'DRAIN: Well, some houses
14 house engines and ladders in the same
15 firehouse. I don't know how they plan to do
16 this.

17 COUNCILMAN O'NEILL: You wouldn't
18 just have a ladder.

19 MR. O'DRAIN: Well, there may be.

20 COUNCILMAN O'NEILL: Are there any
21 now that are just ladders?

22 MR. O'DRAIN: No.

23 COUNCILMAN O'NEILL: That was my
24 understanding.

25 So it would be a first, if an engine

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2 company was cut with an engine/ladder --

3 MR. O'DRAIN: Years ago they used to
4 have single ladder companies, but they did
5 away with them a long time ago.

6 COUNCILMAN O'NEILL: So, based on
7 tradition, if they cut four engine companies,
8 they could be cutting four houses?

9 MR. O'DRAIN: Well, they say they
10 are not going to close any houses. So...

11 COUNCILMAN O'NEILL: So you can
12 surmise they are going to end up with just a
13 ladder.

14 MR. O'DRAIN: Just a ladder sitting
15 in there.

16 COUNCILMAN O'NEILL: Staffing
17 reductions.

18 First of all, are there any staffing
19 reductions on engines or ladders that are
20 there going down, number of firefighters on an
21 engine, number of firefighters on a ladder?

22 MR. O'DRAIN: They are proposing to
23 take a man off the back step of a ladder.

24 COUNCILMAN O'NEILL: Could you
25 explain.

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2 As we went through this several
3 years ago, the Council, the union, and
4 everyone came to the conclusion that it was a
5 bad idea.

6 While it may work in some cities
7 that have been built in the last 20, 30 years,
8 a city like Philadelphia needs a full
9 complement of firefighters.

10 Could you explain what the loss of
11 one firefighter on a ladder does both to the
12 people who are in a burning building, but also
13 to the firefighters themselves safetywise?

14 MR. O'DRAIN: The best example I
15 could give you is, the most commonly used
16 ladder that we carry is a 35-foot ladder.

17 These ladders are built very heavy
18 because we anticipate that if we are going to
19 make a rescue, there could be five or six
20 people coming down out of a window at the same
21 time. So the ladders are built very heavy.

22 35-foot ladder takes four men to
23 carry it and to put it up. So you take one
24 person off the back step of that ladder, you
25 are going to have three guys trying to put

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2 that ladder up, and there will be more
3 injuries

4 And just a few months ago we had
5 guys trying to take a 35 down, they were
6 electrocuted because, you know, a lack of
7 manpower.

8 COUNCILMAN O'NEILL: So right now
9 how many firefighters on a ladder?

10 MR. O'DRAIN: Right now they are
11 running with a lieutenant and four.

12 COUNCILMAN O'NEILL: So this would
13 be a lieutenant and three?

14 MR. O'DRAIN: Right.

15 COUNCILMAN O'NEILL: Thank you.

16 PRESIDENT VERNA: Thank you.

17 The Chair recognizes Councilman
18 Nutter.

19 COUNCILMAN NUTTER: Thank you, Madam
20 Chair. I will be brief.

21 Mr. O'Drain, thank you for your
22 testimony. As many members have expressed,
23 when we were here for the Fire Department
24 testimony, we asked a significant number of
25 questions, I think, with regard to this

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2 proposed, what amounts to, a reduction in
3 service.

4 I was perplexed to understand some
5 of the proposal in the context that statistics
6 would seem to indicate that structural
7 fires -- and that seems to be the emphasis,
8 structural fires -- are down, although they
9 seem to have leveled off the last three or
10 four years somewhere in about a 24 to 25
11 hundred number range. They were obviously
12 much higher over the past year, but they seem
13 to have leveled off.

14 Is fighting structural fires the
15 only thing that firefighters do?

16 MR. O'DRAIN: No. We fight
17 automobile fires, we respond to car accidents,
18 we respond to floods.

19 Any kind of emergency you could
20 possibly think of, we respond to it.

21 COUNCILMAN NUTTER: And are all of
22 those that you mentioned, or many others that
23 you respond to, are all of those services
24 going in a downward trend, or is there still a
25 significant need for those kinds of services

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2 that are not related to structural fires?

3 MR. O'DRAIN: Well, in 2002 we
4 responded to 319,000 emergencies calls. 2003,
5 we responded to 417,000. So that number went
6 up, total number of emergencies.

7 COUNCILMAN NUTTER: And some of that
8 increase, I am going to assume, was not just
9 related to EMS service.

10 These are responses by actual
11 uniformed -- I mean, equipment-carrying
12 firefighters to deal with fire, not the
13 transportation for medical assistance
14 immediately to people?

15 MR. O'DRAIN: Right.

16 COUNCILMAN NUTTER: Is that correct?

17 Given what the proposal is, the
18 seven and four, at least, pieces of equipment,
19 and then the way it is structured, such that
20 there may not technically be a closing of a
21 facility, but certainly an absolute reduction
22 in the type of service out of that facility,
23 have you given some thought to how we might,
24 again, in some sense of partnership, work
25 together to prevent these kinds of what I

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2 would say are significant reductions in
3 service?

4 MR. O'DRAIN: I suggested to the
5 Commissioner a number of times, and I know
6 that some of the top people in EMS have
7 suggested, that they put a paramedic on every
8 truck, which would -- the trucks are
9 responding to these medical calls anyway.

10 If they put a paramedic on there,
11 they could bill for the service and it would
12 provide a better service for everybody because
13 paramedics can -- once they contact base
14 command, they can administer drugs or anything
15 else that a doctor would be able to do in an
16 emergency room.

17 COUNCILMAN NUTTER: What happened to
18 that proposal?

19 MR. O'DRAIN: I was told that that
20 will never happen as long as Commissioner
21 Hairston is around.

22 COUNCILMAN NUTTER: Well, I mean, is
23 that because of a particular personal belief
24 by the Commissioner?

25 MR. O'DRAIN: I have no idea. He

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2 told me that himself, that he would not do
3 that as long as he is around.

4 COUNCILMAN NUTTER: Well, I think
5 you have probably assessed either from the
6 type of questions or other conversations that
7 you have had that there is a great deal of
8 concern about the removal, or proposed
9 removal, of this equipment from a number of
10 locations around the city.

11 And I think just because structural
12 fires may be down, it does not necessarily
13 mean that we shouldn't establish a base or
14 baseline of personnel and equipment that is
15 available to us. Not just because we can't
16 predict the future, but because we should have
17 a certain amount of personnel and equipment
18 available for all kinds of things that can
19 happen throughout this city.

20 And given that we are down in one
21 area, I will say what I said at the testimony,
22 it seems that if the firefighters are almost
23 being penalized for, on the one hand, helping
24 the citizens of this city better manage their
25 affairs, if you will, provide education and

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2 information to people, to cause structural
3 fires go down, and on the other hand are being
4 penalized for doing a good job, that doesn't
5 seem to make a lot of sense.

6 Thank you.

7 (Applause.)

8 MR. O'DRAIN: I agree.

9 PRESIDENT VERNA: The Chair
10 recognizes Councilman O'Neill.

11 COUNCILMAN O'NEILL: Getting back to
12 the staffing of the ladder.

13 Are there any other older
14 northeastern large cities, Baltimore, New
15 York, Boston, even Chicago, Cleveland, that
16 run with a lieutenant and three?

17 MR. O'DRAIN: No. New York City,
18 especially in the Manhattan area, they run a
19 lot heavier. They are running -- on engine
20 companies they are running a lieutenant and
21 four and on ladder companies they are running
22 a lieutenant and five.

23 COUNCILMAN O'NEILL: We used to run
24 a lieutenant and five at one time; correct?

25 MR. O'DRAIN: We ran a lieutenant

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2 and six at one time.

3 COUNCILMAN O'NEILL: The engine
4 company, I didn't ask you about, what is the
5 staffing of the engine company?

6 MR. O'DRAIN: A lieutenant and three
7 firefighters.

8 COUNCILMAN O'NEILL: Actually having
9 the same staffing on a ladder that you have on
10 an engine, which is bare-bones for an engine.

11 MR. O'DRAIN: We are bare-bones
12 right now. We go any lower than that, we are
13 in trouble.

14 COUNCILMAN O'NEILL: Thank you.

15 PRESIDENT VERNA: Thank you.

16 Are there any other questions?

17 Thank you very much.

18 (Applause.)

19 MR. MCPHERSON: The next witness is
20 Tom Cronin.

21 MR. THOMAS PAINE CRONIN: Council
22 President Verna, I would like to also
23 introduce on my right Mike Walsh, who is
24 President of Local 2186 and has as part of his
25 responsibility the rec centers in the City of

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2 Philadelphia, anticipating that there may be
3 some questions about the proposed cutbacks.
4 And also Bob McAllister, who is our health and
5 welfare administrator for our fund.

6 PRESIDENT VERNA: That's fine. And
7 before you identify yourself and start your
8 testimony, your testimony, I see, is somewhat
9 lengthy. You will be given five minutes.

10 The stenographer will have a copy of
11 your entire testimony. So if you can
12 abbreviate your testimony, I would appreciate
13 it.

14 COUNCILMAN COHEN: I will do the
15 best I can.

16 In reviewing the Street
17 Administration's proposed budget for next
18 year, I am reminded of an old joke that went,
19 there are several ways in which to apportion a
20 family budget, all of them unsatisfactory.

21 This budget has a lot of
22 unsatisfactory parts, and you have heard or
23 seen many of them.

24 I am here today to point out a few
25 items which are totally unsatisfactory to the

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2 men and women who work at providing city
3 services for all of our citizens.

4 Let me begin by pointing out that,
5 in this budget, there is not a single dollar
6 earmarked for new contracts that must be
7 negotiated for all of the city's nonuniformed
8 employees.

9 While I understand that this may be
10 a negotiating ploy, it is disconcerting that
11 the Administration has not even acknowledged
12 that city workers should be given the wages
13 and benefits that they deserve.

14 With its announced cuts in various
15 city agencies and departments which have
16 produced outcries from people impacted in
17 those proposals, this Administration appears
18 to be setting up an adversarial environment in
19 which one group will be fighting with another
20 over scarce city dollars. This is not the
21 best way to move our city forward.

22 I want to address two items in the
23 city's budget proposal which present
24 significant problems to DC 47 members.

25 The first is when the budget

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2 document calls for a single, self-insured
3 medical benefits plan for all city workers.
4 This, in our opinion, is an absolute disaster
5 for city employees.

6 Throughout the last several contract
7 negotiations, city employees have stepped up
8 and shouldered a greater share of the cost of
9 their healthcare costs.

10 They have in some cases accepted
11 benefits plans which, because they have
12 provided less benefits, have cost the city
13 less money.

14 We recognize the impact of
15 skyrocketing costs of healthcare and have
16 worked with the city to address these costs.

17 Our healthcare administrator is
18 constantly working to improve services to our
19 members within severe financial constraints.

20 The city's proposal, which, by the
21 way, has not yet been formally presented to
22 us, is so vague that it is impossible to
23 understand what the Administration is trying
24 to accomplish.

25 Is the city going to provide a

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2 single level of benefits for all city
3 employees? If so, what level are we looking
4 at?

5 As of July 1, 2004, the city will
6 contribute \$996 per member for each
7 firefighter's healthcare benefits, while the
8 city's current contribution to DC 47 is only
9 \$620 per member per month.

10 Which benefit package will the city
11 be offering? This question has not yet been
12 answered by the Administration.

13 Another unknown in this proposal is
14 whether or not the level of benefits will
15 change year to year based on the city's budget
16 appropriation for these benefits.

17 If this is the case, then the
18 Administration is asking city employees to
19 roll the dice every year to a level of
20 benefits for which they and their families
21 will be eligible. Such a proposal is now and
22 forever totally and irrevocably unacceptable
23 to the women and men of DC 47.

24 The second proposal contained in
25 this budget is a shift from what is called

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2 defined benefits for retirement benefits to a
3 defined contribution benefit.

4 Simply put, this means that the city
5 would make a specific dollar contribution to
6 each employee, who would then be responsible
7 for investing it in some type of account
8 similar to a 401K plan.

9 This means that city workers will no
10 longer have a secure and clear retirement
11 package upon which they can plan for the
12 future for themselves and their families.

13 Historically public employees have
14 received lower salaries than their
15 counterparts in the private sector. This
16 situation has been offset by the understanding
17 that public employees' retirement benefits
18 were secured by the full faith and credit of
19 the city.

20 Thus, the city worker could take
21 comfort in knowing that their pension benefits
22 were not the subject to vagaries or
23 machinations of the stock market. This was
24 often what made public sector employment
25 attractive to people.

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2 This change would remove that last
3 inducement for people to come and work for the
4 city.

5 Further, the savings supposedly
6 generated by this proposal would not be seen
7 for perhaps 10 to 15 years in the future.

8 Please remember that if this change
9 were to go into effect on July 1, 2004, all
10 those city employees hired up until June 30,
11 2004, would be qualified in the current
12 retirement plan.

13 Only, only those people hired after
14 the effective date of this proposal would be
15 participants in the new plan.

16 Therefore, it would be many years
17 before the bulk of the city workers would
18 belong to a new retirement benefits program.
19 Where would the city see its savings?

20 Remember also that if the city were
21 to try to move people covered by the current
22 retirement plan into this new plan, it would
23 surely result in immediate litigation by at
24 least one, if not more, members of the group
25 being moved.

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2 And given the case law on this
3 subject, plaintiffs would quite likely be
4 successful. This means no savings, but,
5 instead, additional costs.

6 I just want to skip a little bit and
7 let me address the whole notion of tax cuts
8 which are being addressed in today's hearing.

9 I want everyone to remember a simple
10 statement, that there is no free lunch. I
11 hear all types of plans for cutting taxes or
12 giving tax breaks to businesses or
13 individuals.

14 Please understand the consequences
15 of those actions. There will be fewer dollars
16 to spend for running the city. That is why
17 you are currently being asked to choose
18 between closing recreation centers, reducing
19 the hours that libraries are open, eliminating
20 certain firefighting units, these are the
21 consequences you must face for offering tax
22 breaks to large for-profit corporations.

23 There are ample economic studies
24 which show that reducing local taxes on the
25 hope of spurring economic development is poor

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2 public policy.

3 Many of those who complain that
4 Philadelphia has acted too slowly to
5 inaugurate these changes show -- know that the
6 cities like New York, Chicago, and Los
7 Angeles, which did succumb to tax fever, now
8 acknowledge their mistakes and are trying to
9 correct them.

10 I will stop my presentation here,
11 it goes on for another few minutes, in the
12 hopes that people may have some questions.

13 PRESIDENT VERNA: Thank you. And a
14 copy of your testimony will be given to the
15 stenographer.

16 Are there any questions of this
17 witness?

18 The Chair recognizes Councilman
19 Ramos.

20 COUNCILMAN RAMOS: Thank you, Madam
21 Chair.

22 Thank you, Mr. Cronin for coming
23 here and explaining your position so
24 eloquently in this committee hearing on taxes.

25 I am glad that you have stated for

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2 the record the defined pension plan versus
3 defined contribution. I think that we all
4 needed to hear that and hear where you stood
5 on this proposal of the Administration that
6 caused me a great deal of consternation to see
7 what this really meant.

8 And I didn't think it was going
9 to -- I didn't think it was going to go over
10 well with your members, given how much they
11 have given into looking at retirement and
12 having a defined retirement plan for their
13 retirement years.

14 I also note in your presentation --
15 please clarify for me if I am
16 mischaracterizing your statement -- are you
17 opposed to this whole Tax Reform Commission
18 proposals?

19 MR. CRONIN: Well, let me try to
20 answer it in this way: A little earlier this
21 morning, there was a question, I believe, that
22 Councilman -- I think it was this afternoon,
23 excuse me, Councilman Clarke asked Pete
24 Matthews of District Council 33.

25 COUNCILMAN RAMOS: I heard that.

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2 MR. CRONIN: About any outreach of
3 any of these various tax commissions.

4 There has been no outreach to
5 District Council 47 by any of these
6 commissions.

7 And, to me, it is very interesting
8 that we have city employees, such a large
9 portion of the city's population, ourselves
10 and our families, and no one has asked us to
11 be included on any of these tax commissions
12 for our own ideas, many of which are people do
13 the work in terms of collecting taxes or
14 figuring out about taxes, et cetera.

15 So it is with this that I say, at
16 the present time, with what information I do
17 have, I would have to say that there should be
18 a freeze on all taxes; that there shouldn't be
19 any -- certainly there shouldn't be anymore
20 tax breaks.

21 And it irritates -- I would like to
22 use another word -- the heck out of me when I
23 hear about corporations like Comcast that
24 already get a ten-year tax break, given the
25 possibility of getting another five-year tax

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2 break on top of the ten-year tax break, and my
3 people can't even get decent wages or
4 benefits. It just riles me up to hear about
5 that.

6 So ask me about that particular tax,
7 I would have to say I am absolutely opposed to
8 it.

9 COUNCILMAN RAMOS: I think you
10 answered my question. Thank you.

11 Are there any other questions of
12 this witness?

13 The Chair recognizes Councilman
14 Clarke.

15 COUNCILMAN CLARKE: Thank you, Madam
16 President.

17 Madam President, Councilman Ramos,
18 you asked the question about the tax reform
19 proposal in its entirety. And, Mr. Cronin,
20 your response was to the Comcast deal.

21 COUNCILMAN RAMOS: That was towards
22 the end.

23 MR. CRONIN: That was just one
24 example. I mean, I could probably, given an
25 amount of time, go through all of the

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2 different tax proposals.

3 But I would say right now that we
4 are opposed to all of those tax proposals that
5 we see at the present time. I would much
6 rather see a tax freeze, more study.

7 And I would certainly love to see
8 some city employees from any of the city
9 unions be called in at least to be part of
10 this committee, rather than, I feel, excluded
11 from these committees.

12 PRESIDENT VERNA: Thank you.

13 Any other comments or questions from
14 members of the committee?

15 Seeing none. Thank you very much.
16 Thank you for your patience.

17 MR. McPHERSON: The next witness is
18 Ed Schwartz.

19 Good afternoon. Thank you so much
20 for your patience. All of my colleagues are
21 giving me the five-minute notice for
22 testimony. So I am giving you the notice,
23 five minutes for testimony. Thank you.

24 MR. SCHWARTZ: Good afternoon,
25 Council President Verna.

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2 PRESIDENT Verna: Kindly identify
3 yourself for the record and proceed with your
4 testimony.

5 MR. ED SCHWARTZ: I am Ed Schwartz,
6 and I am here from the Institute of Civic
7 Values and as the former Chairman of the Tax
8 Reform Commission. And I guess my testimony
9 reflects both perspectives.

10 I am here to address what I consider
11 to be a strategic challenge in how we
12 implement the tax reform agenda, which I
13 clearly favor in its entirety, given the
14 fiscal crisis that we now face.

15 And as I have looked at the budget
16 over the last five years, the fiscal crisis is
17 real. And I find myself feeling very much as
18 I did as the Goode Administration began its
19 second term, with a fiscal crisis that no one
20 fully anticipated.

21 And sat there three years where a
22 similar kind of conflict between the Mayor,
23 the Council, within the Council developed, to
24 the disaster of all.

25 And I really think that whatever

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2 else goes on, a starting point needs to be
3 that we don't do that one again.

4 Now, this Council, this government,
5 has run an operational deficit, meaning an
6 annual deficit, for the last four years. \$65
7 million in '01, \$91 million in '02, \$48
8 million in '03, and \$77 million in '04.

9 And, yet, when we would come to
10 these Council, dealing with tax reform or
11 issues having to do with the police, there was
12 always the argument that there was lots of
13 money around. Well, there was.

14 The reason there was lots of money
15 around is that we started the Year 2000 with a
16 \$295 million surplus. And that now, over a
17 five-year period, has been whittled down to
18 \$13 million.

19 An, so, if we spend just as much
20 next year as we spent this year, we would end
21 up with an 80 or 90 million dollar deficit,
22 and close to where we were in 1989, 1990.

23 Furthermore, as you have heard, and
24 as the material that I have done indicates,
25 the city is now obliged to contribute \$118

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2 million more -- or \$67 million more, rather,
3 to our pension funds, another \$20 million in
4 health benefits just this coming year, and for
5 a total of \$288 million over the five years of
6 the plan.

7 That's equivalent, really, to our
8 entire tax reform agenda. And, in a way, it
9 attests to the socially and fiscally
10 responsible nature of that proposal, that it
11 could be trumped so easily by an area of city
12 spending.

13 But I can't sit back and say, well,
14 we have this great agenda here, which we do,
15 and then divorce ourselves from how we get
16 there.

17 If I were asked to vote on these
18 bills, most of them I would support. But I do
19 not support, for example, presetting the tax
20 rates for the City of Philadelphia to a fixed
21 level of reduction until 2010, 13, whatever it
22 is.

23 Because we rejected on the
24 Commission deficit financing because we didn't
25 want to put the Commission on the position, or

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2 the city in the position, of having to pay
3 something back where there was no ability to
4 really handle the unexpected. And this year
5 we already have seen a huge unexpected amount.

6 The problem, though, is that right
7 now there is no mechanism of accountability
8 between today and next year at this time to
9 hold the Mayor, basically, accountable, or the
10 whole city accountable, to moving in the
11 direction that we need to.

12 And the starting point for that is a
13 spending agenda that will parallel the tax cut
14 agenda and make it possible. And I will list
15 six areas that I think we need to be
16 addressing.

17 The first was recommended by the
18 Commission, it's tax collections. The
19 Commission recommended that we go an
20 additional 1 percent, we have there in the
21 Mayor's proposal.

22 We needed to broaden our crackdown
23 of code violations. The CLIP program has
24 shown us that if you really get serious,
25 people will both pay up and do up.

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2 And I just staggered. I still don't
3 quite understand how we can have 117,000 code
4 violations in a database and we are collecting
5 a handful of dollars to do that.

6 So, those are two in the
7 Commission's report.

8 The third is that we really do need
9 a thorough examination of our pension fund and
10 how it is managed, comparable to the
11 examinations that are going on with mutual
12 funds and other investment vehicles.

13 Few people know very much about it.
14 I have given you a page that shows you what
15 has happened in the last year and what is
16 projected to happen on this. It is millions
17 of millions of dollars.

18 And I'm not saying that the union
19 shouldn't have a pension; I am saying that
20 however that fund is managed, I don't know
21 what to make of it.

22 But I think we need to, in fact,
23 look at that really carefully to see if we can
24 do a little better over the next four years
25 than we did, admittedly, in a difficult stock

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2 market over the last three.

3 The same applies to the medical
4 benefits. The Administration is proposing
5 that we move towards self-insurance. Well,
6 that's a matter that would be negotiated.

7 My position before that is, the
8 cloud that this city has as an insurance
9 handler ought to be used, it seems to me, more
10 effectively with Blue Cross, which is being
11 challenged in every direction in terms of the
12 level of surplus and the rest, that, to deal
13 with that. I have two more, and I will stop.

14 There is PGW, which we all know.

15 And the final one, which I have
16 raised for the last three years, over which I
17 do think we have some control, is the huge
18 cost of crime.

19 That we have in fact had a \$182
20 million increase between 1998 and today, and
21 the amount we are spending on police and
22 prisons. The prison population has gone up
23 from 6,500 to 8,000. The police have gone up
24 from 6,100 to 6,900.

25 I do not accept the premise that we

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2 have to have the same number of committing --
3 people committing crimes every single year to
4 justify that.

5 And if we were to reduce the number
6 of police officers because we could reduce the
7 number of people in prison to the levels where
8 they used to be, that would generate as much
9 money as we needed to pay for the entire tax
10 reform agenda.

11 So having been Chairman of the
12 commission, and backing its agenda strongly,
13 but also a person who served here, and realize
14 that there is a spending side to this, my
15 commitment is to work on the spending side, to
16 be able to implement this agenda without
17 creating a fiscal crisis, which we have
18 already had and which will destroy everything
19 that we are trying to accomplish in those
20 areas.

21 PRESIDENT VERNA: Thank you.

22 Are there any questions from members
23 of the committee?

24 The Chair recognizes Councilman
25 Ramos.

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2 COUNCILMAN RAMOS: Thank you, Madam
3 Chair.

4 Thank you for your testimony,
5 Councilman Schwartz.

6 Are you saying that you have some
7 reservations about implementing all of the Tax
8 Reform Commission recommendations?

9 MR. SCHWARTZ: I have no
10 reservations about implementing the
11 recommendations.

12 COUNCILMAN RAMOS: You think we
13 should do this in this City Council now?

14 MR. SCHWARTZ: I think that --

15 COUNCILMAN RAMOS: It seems like you
16 had some reservations.

17 MR. SCHWARTZ: No. Let me give you
18 one of the keys.

19 We never discussed on the Commission
20 whether or not the ten-year timetable for
21 reducing taxes should be embodied in a kind of
22 automatic trigger every year past today. We
23 never had that discussion.

24 The impression that I had, at least,
25 as Chairman, was that our view was that each

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2 year you would look at where the taxes were
3 and attempt to reduce them.

4 So we never had that discussion.

5 Had we had it, I would have said, as Chairman
6 of the Commission, I don't support that.

7 So anybody can choose at this point
8 to pick up what we have done and to advance
9 it. But there is a big difference here
10 between saying, I am going to set the tax rate
11 in 2007 by law, and I am going to set a goal
12 in the Five-Year Plan to do it. I think the
13 exchange with Councilman Nutter is relevant to
14 that.

15 There are other things I favor and
16 as a Councilman I would support, if in fact
17 the means to pay for them existed.

18 And I know where I would vote on
19 some of this. I would vote to reduce the
20 police department and others.

21 And I challenge all of you that if
22 you are in favor of some parts of this
23 agenda -- I am in favor of all of it. But
24 what I am not in favor of is a position that
25 says we are going to reduce taxes but not take

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2 responsibility for cutting the spending to go
3 with it. That's where I am.

4 I could pack a lot of things in here
5 that the Administration is not backing because
6 I am personally committed to certain kinds of
7 spending cuts that are not reflected here.

8 And, really, the only places that
9 they are of any substantial nature that they
10 are not reflected is in the size of the police
11 force and, to a much lesser extent, but to
12 some extent, the prisons. If you look at the
13 material I have given you, it is there.

14 So I could vote for two or three
15 more things here than, you know, the
16 Administration has already adopted. And I
17 would vote, certainly, for procedural things.

18 But my vote would reflect a
19 commitment to reducing the spending. And what
20 I am afraid of is what happened 12 years ago,
21 and what's happened the last four or five
22 years, voted for tax reduction and spending
23 increases. And, so, you end up living beyond
24 your means.

25 We went bankrupt. It happened. I

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2 lived through it. The city was a disaster
3 after that. It took five or six years to come
4 back. We don't want that to happen again.

5 So there has got to be a strategy to
6 fulfill this agenda within the context of a
7 real budget, not just a projected budget that
8 we happen to, you know -- as a Commission we
9 weren't asked to look at the real budget; we
10 were merely asked to produce a blueprint for
11 what a decent tax system should look like.

12 I think we have done that. I
13 support it. But now there is a real budget
14 here, and we have to be able to implement that
15 without destroying the rest of that real
16 budget.

17 COUNCILMAN RAMOS: What I am hearing
18 now, Councilman, is that you, basically, are
19 opposed to the core momentum of the Tax Reform
20 Commission.

21 I asked a question this morning
22 concerning, you know, concerning if we -- if
23 the Administration -- it is referred to that
24 the Administration wants to piecemeal the
25 implementation or incrementally implement some

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2 of these tax reform recommendations.

3 It seems to me by what you just said
4 that you are more in line with the
5 recommendation of the Administration. Because
6 they are, basically, saying that they have no
7 problems with the Tax Reform Commission
8 recommendations, but that -- and I believe
9 Joyce Wilkerson answered this question this
10 morning -- but that they were against saying
11 that we have to eliminate the business
12 privilege tax, it has to be done in a
13 steadfast way; that they prefer to do it
14 incrementally, see if the economy, see if
15 what's going on in Harrisburg moves in the
16 direction of economic stimulus for
17 Philadelphia, then we can move on to take on
18 the consideration some of the other
19 recommendations of the TRC.

20 MR. SCHWARTZ: Well, actually, both
21 programs -- our program is incremental, as
22 well. We don't propose doing everything in a
23 year. That's part of the -- I am sorry. Our
24 program is incremental. It goes over a
25 ten-year period.

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2 In the business tax area, the rate
3 of reduction for the gross receipts tax in our
4 plan and the Administration's are identical
5 for the next two or three years. It later
6 goes into the net income tax, and that gets to
7 be more expensive.

8 A number of the real estate tax
9 recommendations we agree on, including the
10 land tax, which I noticed from today's Daily
11 News has posed a lot of problems for a number
12 of people here.

13 And the wage tax reduction right now
14 that we have is slightly short. The city's
15 wage tax reduction in the current budget is
16 slightly short of what ours would be, a
17 fraction. I think it is about \$1.5 million.

18 And then there are a series of
19 procedural things in the taxes, some of which
20 you questioned today. Some they do, some they
21 haven't done.

22 The ones that I have heard of that
23 weren't done that had to do with cash flow, it
24 seems to me that over the next two years a
25 commitment could be structured to deal with

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2 the cash-flow issues.

3 All I am saying is that both
4 positions, wage, real estate, and business
5 taxes, all need to be reduced.

6 My position is that what the
7 Administration is lacking is a clearly defined
8 set of spending objectives that would provide
9 the resources to deal with our entire program
10 in the next several years.

11 And that that's what I would like to
12 see happen, and then the rest of the agenda
13 could be structured accordingly.

14 PRESIDENT VERNA: Thank you, Mr.
15 Schwartz.

16 The Chair recognizes Councilman
17 Clarke.

18 COUNCILMAN CLARKE: Thank you, Madam
19 President. Good afternoon, Councilman.

20 Actually, I was going to ask a
21 similar question as to Councilman Ramos with
22 respect to the fixed rate for ten years both
23 for business and wage taxes. And you have
24 responded to a portion of that.

25 I want to reference in the executive

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2 summary Recommendation 7 that talks about
3 implementing a system of budget-based property
4 taxation that, essentially, gives you the
5 flexibility to adjust the real estate tax
6 aspect of this proposal to reflect our budget
7 situation.

8 I am assuming if we have a
9 shortfall, we will, essentially, increase the
10 ability to raise revenue off of real estate
11 taxes.

12 MR. SCHWARTZ: That's correct.

13 COUNCILMAN CLARKE: If in fact we
14 are doing well and have a surplus to some
15 degree, we will reduce that, or we will not
16 allow a windfall, as some people referenced
17 earlier, and last year, as a result of the
18 increase in values of properties.

19 Do you have a sense of why the
20 reform commission -- I know you are now saying
21 that you believe that you should have that
22 flexibility on both aspects. Why on the real
23 estate side that there is a recommendation to
24 have that level of flexibility to reflect the
25 city's budget condition at that time, as

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2 opposed to on the wage and the business tax?

3 MR. SCHWARTZ: Well, I think it
4 reflected the different -- the specific
5 dynamics of a real estate tax, which is, it is
6 both the question of what the assessments
7 should be and the question then of what the
8 rate should be.

9 And, so, people were angered,
10 appropriately, a couple of years ago that
11 assessments were raised geometrically to
12 reflect rising property values, and suddenly
13 they were stuck with huge increases in their
14 tax bill.

15 So that the position that Chairman
16 Glancy actually advanced was a budget-based
17 system would accommodate for that.

18 If assessments went way up, you
19 would ask what exactly do we need from the
20 real estate tax, and you would reduce it
21 accordingly.

22 So that was the particular dynamic
23 of the real estate tax that does not exist
24 with the other two taxes, and why budget-based
25 proposals were there.

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2 Interestingly enough, I also served
3 on the 21st Century Committee's tax group, and
4 advanced our agenda pretty strongly. That was
5 the only one I couldn't get through of the 14
6 or 15.

7 COUNCILMAN CLARKE: So, essentially,
8 the real estate aspect of these proposals
9 would supplement the potential or the lack of
10 growth on the business in terms of revenue on
11 the business end, the wage tax revenue?

12 MR. SCHWARTZ: Well, as I say, on
13 the revenue side, we were asked only to make
14 recommendations. And I Chaired a committee on
15 that.

16 There wasn't the same dynamic behind
17 it, and we were enjoined from talking about
18 spending.

19 Clearly there is a strong view on
20 the part of some members of the Commission
21 that our real estate tax rate is much lower
22 than it should be; that our real estate values
23 are low enough that we could accommodate a
24 hire real estate tax; and, if absolutely
25 necessary, I believe it is the final thing in

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2 the revenue supplement, we should raise the
3 real estate tax to make up for revenue losses
4 elsewhere.

5 That was not put in and enshrined;
6 it was a suggestion. But, that was there.

7 My own view, though, is that I take
8 very seriously what we said. I have got a
9 very clear idea of what the Administration is
10 proposing to do this year and what it is not
11 proposing to do this year, and what I think of
12 that.

13 But in order to be able to deal with
14 this problem, I don't see how you can deal now
15 in the real world with a tax program without
16 also looking at what the government spends.
17 And that's where I have been spending a lot of
18 my time and will continue to spend it, because
19 I think both are necessary to the life of the
20 city.

21 COUNCILMAN CLARKE: Okay. Thank
22 you, Madam President.

23 PRESIDENT VERNA: Thank you.

24 The Chair recognizes Councilman
25 Nutter.

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2 COUNCILMAN NUTTER: Thank you, Madam
3 Chair. I will try to be brief.

4 Mr. Schwartz, why don't we just do
5 some preliminary stuff.

6 You served on the Tax Reform
7 Commission; correct?

8 MR. SCHWARTZ: Correct.

9 COUNCILMAN NUTTER: You served as
10 the Chair; correct?

11 MR. SCHWARTZ: That is correct.

12 COUNCILMAN NUTTER: And you voted in
13 favor of the findings of the Tax Reform
14 Commission?

15 MR. SCHWARTZ: I did. Every one of
16 them.

17 COUNCILMAN NUTTER: Okay. I am
18 trying to understand your response, I believe,
19 to Councilman Ramos' question that,
20 notwithstanding the report and the documents
21 that came over in Volume 2, which reflect the
22 work of the Commission in its most technical
23 aspects, the actual proposing of legislation,
24 why did you respond that you thought that the
25 Commission was proposing or you thought the

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2 Commission was proposing one-year rates for
3 the wage tax -- I'm not sure what you said
4 about the business tax -- as opposed to a
5 ten-year or so schedule? Why did you say
6 that?

7 MR. SCHWARTZ: Well, if that's the
8 way it sounded, that's not what I said, or
9 meant to say.

10 Clearly we proposed a ten-year
11 structure. The question is whether or not for
12 both. And that's what made it in fact both
13 the ten years that made it socially and
14 fiscally responsible, and the ten-year decline
15 in the tax rate is what we favored.

16 The issue here is whether we locked
17 the city into that set of recommendations in
18 the first year of the program. And we did
19 not, in my judgment, have a serious discussion
20 about that.

21 COUNCILMAN NUTTER: Well, I think
22 you know, as a former member of this body, the
23 simple answer is, no; right?

24 MR. SCHWARTZ: Well, not if you pass
25 the bills. I think you made a very -- I think

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2 the other side of it in your exchange --

3 COUNCILMAN NUTTER: Is there
4 something that -- let me finish my question.

5 Is there something in the bill that
6 the Tax Reform Commission wrote such that, if
7 the bill is passed, it can never be changed?

8 MR. SCHWARTZ: That's a different
9 question. Of course any bill.

10 COUNCILMAN NUTTER: That is the
11 question.

12 MR. SCHWARTZ: Yes, of course a bill
13 can always be changed.

14 The question is, as a practical
15 matter, do you put the city in future -- this
16 group of elected officials or some future
17 group of having to undo a tax reduction that
18 existed by law.

19 COUNCILMAN NUTTER: That's what's in
20 front of us right now, Mr. Schwartz.

21 There is a bill in front of us right
22 now that would interrupt the current five year
23 wage tax reduction that is in place by pushing
24 back the proposed reduction that is by law
25 scheduled to take place on July 1, 2004, and

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2 pushing that back to January 1, 2005.

3 So, again, I think the very simple
4 response is, is that you can have a one-year
5 schedule, a five-year schedule, a ten-year
6 schedule.

7 If 11 or 12 people decide, based on
8 new information or circumstance or whatever
9 the case may be, that they want to interrupt
10 the schedule because things might not be going
11 in the direction that our good advisors,
12 including yourself, have advised us is the
13 best course for this city, then there is
14 nothing to stop us from taking a separate
15 action; correct?

16 MR. SCHWARTZ: Councilman, it is a
17 nice argument. I sat here on this Council --

18 COUNCILMAN NUTTER: It is more than
19 a nice argument.

20 MR. SCHWARTZ: Woh, woh, woh.

21 COUNCILMAN NUTTER: We are having a
22 factual discussion. This is not a theory.

23 MR. SCHWARTZ: There is no question
24 at all that, as a fact, you can undo what you
25 have done. None.

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2 COUNCILMAN NUTTER: Right.

3 MR. SCHWARTZ: If that's the
4 question.

5 COUNCILMAN NUTTER: It is.

6 MR. SCHWARTZ: But I have seen this
7 government go bankrupt, and that is an
8 overriding consideration for me.

9 COUNCILMAN NUTTER: I don't think we
10 actually technically went bankrupt. We
11 certainly were on the edge. But we don't have
12 to quibble about a couple hundred million
13 dollars.

14 MR. SCHWARTZ: You are right.

15 COUNCILMAN NUTTER: You were at the
16 tail end of it. I was here when it actually
17 happened; right?

18 MR. SCHWARTZ: Well, actually, I was
19 in the Mayor's cabinet when it happened, over
20 a three-year period.

21 COUNCILMAN NUTTER: Right. Okay.
22 Well, I think we started to try to fix it in
23 1992.

24 MR. SCHWARTZ: Agreed.

25 COUNCILMAN NUTTER: Whatever "it"

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2 may have been.

3 Then we started reducing taxes in
4 1995, much to the amazement of people here in
5 the city.

6 All I am saying is, you were on the
7 Commission. The Commission made a
8 recommendation. You gave us a schedule. We
9 introduced the bills as they were written.
10 You signed off on them. And I was perplexed
11 by the response.

12 Maybe I heard something differently
13 than what you said. That somehow by
14 supporting the legislation, we were locking
15 ourselves into an irrevocable situation.

16 MR. SCHWARTZ: Irrevocable
17 definitely would be too strong, but a
18 situation that would be difficult to reverse.

19 And the tone of the discussion that
20 we had about these rates was one that said,
21 you could go year to year, take a look and see
22 how you were doing.

23 And, frankly, I wouldn't have even
24 been as concerned about this as I became, as I
25 looked at what's just happened with the rest

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2 of the city budget over the last five years
3 and what's gone on here.

4 COUNCILMAN NUTTER: Councilman, I
5 would suggest to you --

6 PRESIDENT VERNA: Councilman Nutter,
7 your time has been up. So if you don't mind
8 holding your question for the next go-around.
9 Thank you.

10 The Chair recognizes Councilwoman
11 Brown.

12 COUNCILWOMAN BROWN: Thank you,
13 Madam Chair.

14 My question in many ways is a
15 followup to Councilman Clarke.

16 So how or why did you arrive at ten
17 years? How or why did you arrive at a fixed
18 rate of 3.25?

19 MR. SCHWARTZ: I think we felt the
20 rate, the end game, was what needed to be
21 adopted, ultimately, to make the city
22 competitive.

23 The ten-year timetable was in order
24 to make it socially and fiscally responsible,
25 that you weren't trying to do it at all once.

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2 COUNCILWOMAN BROWN: And did that at
3 the risk of not building in language that at
4 least responds to the financial conditions of
5 those times.

6 I mean, yes, we can change a law
7 after we put it in play. But is it not
8 possible to put language in legislation that
9 forces benchmark reviews over that ten-year
10 period?

11 MR. SCHWARTZ: Well, as a
12 legislative matter, that's something I don't
13 know.

14 I am merely saying that what we
15 recommended, we were asked not, in effect, to
16 look in any detail at the spending side of the
17 budget; we were asked to produce a blueprint
18 for what a decent tax system would look like
19 and a plan to get there within the structure
20 of taxes. We did that.

21 And I support what we did. And I
22 think that, apparently, so do a lot of other
23 people.

24 But now we are facing a real budget.
25 And what is the impact of any of that on the

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2 spending side? And, as I say, I'm not even
3 walking away from that. I am saying I am
4 prepared to spend a lot of time on the
5 spending side of this to see what can be
6 affordable.

7 And the fact that we are spending
8 \$288 million more over the next five years
9 just for pension contributions, or \$173
10 million between 1998 and 2004 in police and
11 prisons, suggests that our timetable is, you
12 know, not crazy. We have done this before.
13 But for me, at least, you have to deal with
14 that side, and that's what I intend to try to
15 do.

16 Because I support everything here.
17 And if I thought it wouldn't unbalance the
18 budget, I would vote for every single thing
19 here right now.

20 But I think that you have to look at
21 that and figure out between now and next year,
22 see, what we can do to, you know, deal with
23 some of these other things to get a spending
24 plan that's parallel to the tax plan.

25 COUNCILWOMAN BROWN: One final

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2 question, just so that I am clear about this
3 chart. And I will offer my editorial comment.
4 I believe your testimony is well done with
5 regards to the charts.

6 The prison and -- prisons and -- you
7 are putting that on the safety or services?

8 MR. SCHWARTZ: Safety. Public
9 safety.

10 COUNCILWOMAN BROWN: Thank you.
11 Thank you for your testimony.

12 Thank you, Madam Chair.

13 PRESIDENT Verna: Thank you.

14 The Chair recognizes Councilman
15 Clarke.

16 COUNCILMAN CLARKE: Thank you, Madam
17 President.

18 Madam President, I thought I was
19 through, but I had to respond to the whole
20 question about the fixed tax reduction in the
21 ten-year.

22 It reminds me of last year, when we
23 had a similar discussion, when we were locking
24 ourselves into tax reduction on wage. And, in
25 all fairness, that people thought that if we

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2 suspended the Five-Year Plan, early on we were
3 talking about the Five-Year Plan in terms of
4 the wage reduction, people thought that we
5 were talking about raising their taxes.

6 During the course of the debate, and
7 I know we are not -- nobody in here is running
8 for president, I hope not.

9 During the course of that debate,
10 there is this whole notion that somehow if
11 President Bush's tax cuts are suspended, that
12 that will in fact be a tax increase.

13 I look back here, and the lady had
14 the sign up a little earlier, "Don't Raise My
15 Taxes." Where is that sign?

16 (Applause.)

17 COUNCILMAN CLARKE: "No Tax
18 Increase." And I didn't get the sense that we
19 were here to raise anyone's taxes.

20 My concern, that if we pass a bill
21 that locks ourselves into a five or ten or
22 whatever, our ability to stop that reduction
23 will require a bill, and that bill will be
24 characterized as a tax increase. Technically
25 it will not be.

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2 But our understanding of the nature
3 of the way things are around here, there is no
4 way in the world that you will tell me that
5 that will not be characterized as a tax
6 increase, because we have a person now in here
7 with the sign asking us not to raise their
8 taxes. And that, my understanding, is not
9 what we are looking to do.

10 So as we have this debate, I am just
11 concerned that the characterization of the
12 public will be such that, you know, we are
13 attempting to cut the taxes. And
14 subsequently, if we knock ourselves into --
15 and I know I am not asking a question.

16 But, subsequently, if we lock
17 ourselves into a ten-year fixed tax reduction
18 program, that if in fact we try to alter that
19 particular proposal, it will be characterized
20 as a tax increase.

21 So I am just speaking from
22 experience in my limited time here in this
23 Council, and my limited time in politics.

24 PRESIDENT VERNA: I assume that the
25 woman that has the sign that you referred to

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2 is regarding the parking tax increase, I would
3 assume.

4 COUNCILMAN CLARKE: Your sign is
5 appropriate.

6 (Applause.)

7 COUNCILMAN CLARKE: But in reality,
8 when we talk about, you know, stopping
9 reductions in taxes, you know, we do get that
10 sentiment out in the communities. It is
11 characterized that way.

12 So I just want to say, with respect
13 to Mr. Schwartz' responses, I agree with him
14 that it will be characterized that way, if in
15 fact down the line we stop that particular
16 reduction program.

17 PRESIDENT Verna: Thank you.

18 The Chair recognizes Councilman
19 Nutter.

20 COUNCILMAN NUTTER: Thank you, Madam
21 Chair.

22 Councilman Clarke, I would also say
23 I got one of those calls the other day. And
24 it was from a constituent who was concerned
25 that the proposal to take properties to 100

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2 percent value would automatically result in a
3 tax increase

4 Because citizens, unfortunately,
5 have not heard a word that the only way that
6 we would do that, or the only way we should do
7 that -- I won't predict what we are going to
8 do -- but the only thing that really makes any
9 sense, if we take properties a hundred percent
10 of value, is to have an appropriate reduction
11 in the millage rate that is comparable to
12 taking properties a hundred percent of value,
13 or the fact that you do have a parking tax
14 proposed increase, which was sent up by the
15 Administration, and at least one other
16 measure, which is the intercept on the -- or,
17 the interference with the current tax
18 reduction schedule.

19 So, I mean, a part of this is
20 probably just a general lack of information
21 that are causing people to appropriately, you
22 know, look out for their best interests.

23 Mr. Schwartz, let me just finally
24 say, with regard to the concern with regard to
25 the TRC's proposal of a ten-year schedule, and

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2 the pressures that may come as a result of
3 anything that might happen on a year-to-year
4 basis, we are obviously going to continue to
5 have annual budget hearings.

6 We actually get updates on almost a
7 monthly, if not a quarterly, basis from the
8 city controller telling us what's going on
9 with tax collections.

10 The Administration I'm sure is not
11 going to be shy to tell us what's going on in
12 the course of a budget year, not just at
13 budget time, with regard to what's happening
14 with taxes.

15 And I think we need to try to dispel
16 at least some notion that we are just helpless
17 elected officials who cannot make difficult
18 decisions.

19 And I guess notwithstanding what
20 anybody might think about us, you know, it is
21 not like we are lemons or that we are just
22 completely stupid.

23 If we put a plan in place and if for
24 some reason things go awry and are not going
25 in the right direction, I at least have enough

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2 confidence that the 17 members of this body,
3 in conjunction with the Mayor, if we really
4 needed to do something, we would do it.

5 Now, many people were concerned when
6 we put the first series of cuts in place over
7 the years or even went to the five-year
8 schedule.

9 The fact of the matter is, in the
10 Five-Year Plan or any other document that
11 anybody else wants to produce, even with the
12 incremental cuts in the wage tax, wage tax
13 revenues have been up every year since we
14 started the reductions.

15 So we have had lower rates,
16 continued exodus of people out of the city,
17 loss of jobs, and everything else that goes
18 with it, and at the same time wage tax
19 revenues have continued to climb somehow,
20 notwithstanding what's going on in
21 Philadelphia.

22 So I think that we have been very
23 responsible. We will still look at this on a
24 year-to-year basis. And if push came to shove
25 and something was sending us into some kind of

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2 tail spin, I don't think that the 17 members
3 of this body are going to sit around and let
4 the whole thing come crashing down because we
5 are afraid to take a responsible or
6 appropriate action.

7 I just have more confidence in the
8 public officials of this city than to go with
9 the conventional wisdom, which is, we will
10 just sit here and let the place burn up
11 because we are afraid to make some tough
12 decision.

13 And if we need to explain something
14 to our constituents, I think all of us are men
15 and women enough to be able to do that.

16 So I do appreciate the work of the
17 TRC. I think it should be noted for the
18 record, the work that you are now trying to do
19 on the spending side -- and I think that there
20 is work to be done on the spending side -- if
21 the Tax Reform Commission, which was initially
22 empowered to look at those issues, if it had
23 been able to look at those issues in the final
24 legislation that was passed, maybe we wouldn't
25 be having some of this theoretical discussion.

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2 Because you had 15 people who spent
3 a whole lot of time, and a significant amount
4 of taxpayers' dollars, who I think were
5 willing to look at both sides of the financial
6 ledger.

7 MR. SCHWARTZ: I agree with that

8 COUNCILMAN NUTTER: But were not
9 able to.

10 MR. SCHWARTZ: No question about
11 that.

12 COUNCILMAN NUTTER: And now find
13 themselves placed in the position that they
14 were asked to do the job, they did the job
15 that they were asked to do; but since you
16 didn't come up with the other answers to the
17 other questions, somehow the credibility of
18 the work is being questioned, when you were
19 going to be empowered to do that in the first
20 place and the Administration requested and
21 demanded that you not be able to look at the
22 same information.

23 So, I mean, you can't, again, have
24 it both ways.

25 MR. SCHWARTZ: All I am saying --

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2 COUNCILMAN NUTTER: That's not your
3 issue.

4 MR. SCHWARTZ: I'm here, we were
5 given the card that we were -- we were dealt
6 the card.

7 COUNCILMAN NUTTER: And you played
8 them.

9 MR. SCHWARTZ: And we played them.
10 And I managed to get a revenue
11 committee together that was a little beyond
12 where we were supposed to be.

13 We would have done that. I
14 certainly would have taken great interest in
15 it. And I have had -- I have been speaking
16 out on some aspects of it.

17 I will merely say this again, in
18 terms of facing up to difficult decisions.
19 This year is the year that you have really
20 first time for a long time have to do that.

21 The fact is that whoever is to
22 blame -- and it was not the revenue, it was
23 the spending side -- the city has run an
24 operational deficit every single year since
25 2001. In 2000 we had a surplus of \$295

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2 million, and now we have a surplus of \$13
3 million.

4 So for five years we have been
5 living off our inheritance, and we have spent
6 it all out. And that is, frankly, not an
7 argument for, you know, being able to come to
8 control.

9 Now, this is the moment where that
10 happens. And my only -- very first economic
11 premise that was advanced to us, that if the
12 city's budget becomes unbalanced and we
13 decimate it and/or we decimate city services,
14 then all of the economic projections that go
15 to tax reform will be thrown out the window.

16 I have no problem. I would love to
17 see, wake up in the morning and see in fact
18 that this Commission has accepted every single
19 one of our recommendations, at least in
20 relation to this year.

21 But if you have done it without
22 taking the money out where it needs to be,
23 then we are in serious trouble. And that's my
24 only goal.

25 PRESIDENT VERNA: The Chair

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2 recognizes Councilman Goode for a point of
3 information.

4 COUNCILMAN GOODE: Thank you, Madam
5 President.

6 Mr. Schwartz, just following up on
7 what Councilman Nutter was talking to you
8 about.

9 You were the former Chair of the Tax
10 Reform Commission; is that correct?

11 COUNCILMAN NUTTER: That is correct.

12 COUNCILMAN GOODE: And you served in
13 a similar capacity with the 21st Century
14 Review Forum on the tax review committee?

15 MR. SCHWARTZ: That is also correct.

16 COUNCILMAN GOODE: What do you view
17 as the intended outcomes of those two
18 processes?

19 MR. SCHWARTZ: To create a blueprint
20 for what a decent tax system should look like.
21 I parallel it to --

22 COUNCILMAN GOODE: To reform the tax
23 structure, but to reform the tax structure for
24 what outcome?

25 MR. SCHWARTZ: Oh, to make the city

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2 economically competitive.

3 COUNCILMAN GOODE: To make the city
4 economically competitive in what way?

5 MR. SCHWARTZ: Well, by reducing the
6 cost of doing business to make this
7 competitive with other counties and other
8 parts of the businesses --

9 COUNCILMAN GOODE: I guess my
10 question is, that my assumption was, we were
11 looking to reform a tax structure to retain
12 the residents we have, and to retain the
13 businesses that we have, and to attract new
14 residents, and to attract new businesses.

15 MR. SCHWARTZ: True.

16 COUNCILMAN GOODE: Therefore, we are
17 asking businesses and residents to make
18 long-term decisions; is that correct?

19 MR. SCHWARTZ: Yes, that's correct.

20 COUNCILMAN GOODE: So how can we ask
21 businesses and residents, those that are here,
22 those that we want to come here, to make
23 long-term decisions, if we are not willing to
24 make long-term decisions?

25 MR. SCHWARTZ: I think we should.

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2 All I am saying is that there are
3 two sides of the ledger. There is one that
4 has to do with taxes, and the other has to do
5 with spending. The long-term decisions have
6 to be made in those directions.

7 COUNCILMAN GOODE: Allow me to
8 change the use of terminology and not use the
9 word "decisions."

10 How can we ask businesses and
11 residents to make long-term commitments, if we
12 are not willing to make long-term commitments?

13 MR. SCHWARTZ: Well, but then the
14 long-term commitment, I come back, has to be
15 done on the tax and spending side.

16 I am perfectly willing to say -- in
17 fact, I got through the 21st Century
18 committee, beyond the tax group, a specific
19 statement that we should set a goal of
20 reducing the number of people in the
21 Philadelphia prison from about 7,800 now down
22 to 6,500, I would say within the next four
23 years.

24 I would like to see us make a
25 commitment to reduce the number of people in

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2 the police department from 6,900 down to
3 6,100, where it was in 1992, by developing a
4 strategy that reduces crime.

5 Now, I am prepared to set that up as
6 a parallel to tax commitments. And if you
7 come out with that, I mean, Administration may
8 not agree with it, but maybe there is some
9 other way of doing this.

10 I am saying, you can't make a
11 long-range tax commitment without some
12 mechanism to discuss how you deal with the
13 spending side of the government.

14 COUNCILMAN GOODE: I understand the
15 point you might be making that says that we
16 should do tax reform, but we should also make
17 sure that we are enacting budgets that allow
18 us to do it in a responsible way.

19 But I am very concerned with the
20 fact that, at the same time, you seem to be
21 watering down your commitment to long-term tax
22 reform; when at the same time the purpose of
23 it, the outcomes I believe that we are trying
24 to achieve, is to ask other people, those
25 businesses and residents that are here and

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2 those businesses and residents we want to
3 come, to make a long-term commitment.

4 And worst-case scenario, we make a
5 long term commitment to try to keep businesses
6 and residents here, to try to attract new
7 businesses and residents. At some later point
8 we have to change that commitment.

9 Worst-case scenario is, we have
10 already attracted businesses and residents
11 here and kept businesses here by making the
12 right long-term commitment.

13 MR. SCHWARTZ: Well, I think the
14 core long-term commitment that a government
15 needs to make is that it will be a good
16 government and beneficial for the city, and
17 the services this it provides will be seen to
18 be worth the money that it is paid on it.

19 That's the core commitment. And
20 taxes is one part of that, yes.

21 But the real commitment needs to be
22 that we are going to have a good government
23 that works over a period of time; that is
24 affordable and competitive, but also delivers
25 the services.

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2 So you can't isolate it, even in the
3 question of a commitment, even from the
4 question of a commitment.

5 And this government has been voting
6 deficit budgets for five years. That's the
7 bottom line here. We have gone from \$230
8 million to \$13 million.

9 And if any family's finances were
10 analyzed that I had \$135,000 inheritance in
11 2000, and I am down to \$8,000, and I still
12 have a retirement fund, they might question
13 whether or not you've got it together and
14 under control.

15 So I am for the whole Tax Reform
16 Commission agenda. I am for implementing it.
17 However, but then I am also for being
18 disciplined about the spending side.

19 And this Council, by the way -- I
20 mean, the problem is that Council does not
21 have operational authority over departments.
22 I understand that.

23 COUNCILMAN GOODE: Let me end with
24 this.

25 Let me say that in terms of economic

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2 vision for the city, I believe it does begin
3 with keeping your fiscal house in order. But
4 there has to be an economic vision beyond just
5 the public sector.

6 MR. SCHWARTZ: I certainly agree
7 with that.

8 COUNCILMAN GOODE: And what we are
9 talking about is how we get the private sector
10 businesses and residents to invest.

11 MR. SCHWARTZ: I agree with that.

12 COUNCILMAN GOODE: And this is
13 really about investment and growth. It is not
14 just about government budget priorities.

15 MR. SCHWARTZ: I agree.

16 And all I am saying is that the very
17 first argument that others on the economic
18 side --

19 COUNCILMAN GOODE: Thank you, Madam
20 President.

21 PRESIDENT VERNA: Mr. Schwartz, you
22 are going to have a little more concise with
23 your responses. We have had people waiting
24 since early this morning, and I would really
25 like to go forward.

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2 Councilman Nutter, are you completed
3 with your questioning?

4 COUNCILMAN NUTTER: Yes.

5 PRESIDENT VERNA: Thank you. Thank
6 you very much.

7 Are there any other questions or
8 comments of this witness?

9 Thank you all very much. Thank you,
10 Mr. Schwartz.

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2 COUNCIL PRESIDENT Verna: Please
3 identify yourself for the record.

4 Rev. Edwards: I am Reverend Bruce
5 Edwards, and I am the President of the
6 Urban Leadership Council.

7 COUNCIL PRESIDENT Verna: Please
8 proceed with your testimony.

9 Rev. Edwards: Yes, ma'am.
10 Good afternoon. Again, it is always
11 a pleasure to come before you.

12 COUNCIL PRESIDENT Verna: Reverend,
13 just a moment, please.

14 The noise level is really much too
15 high. Let's give the witnesses respect,
16 please. Thank you.

17 Rev. Edwards: It's always a
18 pleasure to come before you to add our
19 voice to what we believe to be critical
20 issues facing our City.

21 In that we did submit our testimony,
22 I will try to jump around, and at least
23 make some of the key points that we feel
24 should be made.

25 First of all, we testified several

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2 times on this issue, one being February the
3 24th, 2004. And in that testimony we
4 talked about the number of organizations
5 and businesses that had come together in
6 2002 and began to work on this entire
7 matter of tax reform.

8 This was a diverse constituency and
9 forged a bond that has remained strong and
10 committed to achieving in a very real way
11 tax reform for our City.

12 I am one who always has a problem
13 when history is ignored, and when those
14 persons who sacrificed time and energy and
15 resources are not given credit and respect
16 for the roles that they have played.

17 Let us also be reminded that the
18 Mayor signed the Wage Tax legislation,
19 after we won that victory, with great
20 fanfare, and then took credit for lowering
21 taxes that next election cycle.

22 On May 15, 2002, the ULC submitted
23 and provided oral testimony at hearings
24 called by this body in reference to the
25 establishment of the Tax Reform Commission.

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2 Although at that time we had some
3 reservations about the Commission, and we
4 stated our reservations, we didn't want to
5 see a commission established that just
6 would be a commission whose work was done
7 and then was put on a shelf.

8 Well, thank God, that did not
9 happen. The Commission was a good one. It
10 was a responsive one. It produced three
11 documents that made a whole lot of sense to
12 a whole lot of people.

13 It then became 13 Bills that you are
14 considering now.

15 I had an occasion to speak to some
16 citizens in your caucus room earlier in the
17 day while we waited to get an opportunity
18 to speak to you. And they said to me,
19 would I do something for them in my
20 testimony today.

21 First of all, would I tell you the
22 truth?

23 And I told them, I always try do
24 that.

25 But they wanted you to know that

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2 they as the citizens were fully aware of
3 what this whole thing of tax reform was all
4 about. It wasn't too big for them. It
5 wasn't too complicated for them. They pay
6 the taxes.

7 They're fully aware of the Business
8 Privilege Taxes, in the way that impacts
9 their City. They are aware of the Gross
10 Receipts Taxes and what that does to our
11 City. They're aware of the Wage Taxes that
12 are far too high.

13 We are, in fact, besides New York,
14 the highest taxed city in the country. The
15 time has come to do something about it. We
16 can study it some more, quibble about it
17 some more, play politics with it some more.

18 I asked you the last time I was
19 here, don't play politics with it. I even
20 suggested to you that if you did,
21 consequences would come to bear.

22 Now, sometimes people look at me as
23 if I'm crazy. I might be. But I think I'm
24 just a passionate citizen who has some
25 understanding of what leadership is all

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2 about.

3 And what we're really talking about
4 here is leadership, leadership from the
5 Mayor and leadership from this legislative
6 body.

7 I understand one minute the Mayor's
8 for a land value tax; the next minute he
9 isn't for a land value tax. I don't know
10 what the Mayor's for.

11 He's going to close some recreation
12 centers over here, and then he changed his
13 mind and he's going to close them over
14 there. I mean, let's get real.

15 You have a budget to pass. That
16 budget has to deal with the 13 bills that
17 represent the work of the Tax Reform
18 Commission and the will of the citizens of
19 Philadelphia. That's what the citizens are
20 asking for.

21 They support tax reform in its
22 entirety. They don't want it picked apart.
23 I'm incensed. I can't even believe that
24 there are some people who were on the Tax
25 Reform Commission who now come before you

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2 and almost tear the thing apart.

3 That's sabotage. That's the kind of
4 thing that we say we weren't going to do.
5 We weren't going to play politics with
6 this. And that's the worst kind of
7 politics I've seen in a long time.

8 (Applause.)

9 REV. EDWARDS: The land value tax is
10 very important to us. Land value tax isn't
11 that hard to understand. It's being used
12 all over the world. You tax not what's on
13 the land. You tax the land.

14 It will give an impetus for us to
15 get some real economic juice flowing in
16 this City. The slumlords are winning now.
17 They have buildings that sit there and
18 deteriorate and deteriorate and
19 deteriorate, and they're the ones getting
20 the tax benefits for ruining the City.

21 (Applause.)

22 REV. EDWARDS: Then why don't we
23 change that formula? And why don't we give
24 the tax breaks to the hard-working people
25 in the community who paint their homes and

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2 need new chimneys, and the other kinds of
3 things to make the City the kind of City
4 that we want. Land value tax would lower
5 their taxes. Give the citizens a break for
6 a change.

7 (Applause and cheers.)

8 REV. EDWARDS: You guys... Recently
9 you guys gave yourselves a raise. You work
10 hard. We didn't quibble too much about it.
11 We didn't like it, but we didn't quibble
12 too much about it. You got your raise.

13 But what I'm sitting here saying to
14 you, give the citizens of the City a tax
15 break through the Tax Reform package.

16 (Applause and cheers.)

17 REV. EDWARDS: That's what we're
18 asking for. Not asking; we are demanding
19 it. We're telling you that if you don't do
20 it, we're going to do something about you.

21 (Cheers and applause.)

22 REV. EDWARDS: That's what we're
23 saying. If you don't do it... We are a
24 city of citizens who are no longer afraid
25 of controversy. We're no longer afraid to

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2 come back here and tell you like it is.

3 VOICE IN THE AUDIENCE: That's
4 right.

5 (Applause and cheers.)

6 REV. EDWARDS: Because that's how we
7 feel. That's how we feel. We're not new
8 people here. This is our City, born here.
9 In 1952 we had 2.5 million people. We now
10 have half that many.

11 VOICE IN THE AUDIENCE: Yeah.

12 REV. EDWARDS: We ought to be
13 ashamed of some of the things that we've
14 done to let our City get in the condition
15 that it is.

16 Now, you know I get taxed. And I
17 heard the bell. I want to be... you know,
18 follow the rules. But we really should get
19 past playing politics with this tax reform
20 issue. And ya'll ought to have the guts
21 enough to pass it in its entirety. And if
22 the Mayor vetoes it, you ought to have the
23 guts enough to override the damn veto.
24 Thank you very much.

25 (Applause and cheers.)

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2 COUNCIL PRESIDENT Verna: Thank you.

3 Are there any questions of the Reverend?

4 (No response.)

5 COUNCIL PRESIDENT Verna: Any

6 comments?

7 (No response.)

8 COUNCIL PRESIDENT Verna: Reverend,

9 thank you so much.

10 Rev. Edwards: Thank you.

11 (Applause.)

12 COUNCIL PRESIDENT Verna: Our next

13 witness.

14 Mr. McPherson: The next witness is

15 a panel. Bill Miller, Brett Mandel, David

16 Thornburgh, Sharmain Matlock-Turner and

17 Bruce Crawley.

18 COUNCIL PRESIDENT Verna: Okay.

19 Mr. Miller, please identify yourself for

20 the record and proceed with your testimony.

21 Mr. Miller: Good afternoon, Madam

22 President, and good afternoon members of

23 Council. My name is Bill Miller. I'm

24 Chairman of Philadelphia Forward.

25 And along with me this afternoon is

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2 our treasurer, my executive committee --
3 our treasurer Sharmain Matlock-Turner; the
4 President of the Greater Philadelphia Urban
5 Affairs Council.

6 UNIDENTIFIED VOICE: The Coalition.

7 MR. MILLER: And the Coalition. I'm
8 very sorry.

9 And our Secretary, David Thornburgh,
10 Executive Director of the Pennsylvania
11 Economy League, and our Executive Director
12 for Philadelphia Forward, Brett Mandel, who
13 I'm sure many of you have heard from
14 recently...

15 (Laughter.)

16 MR. MILLER: Via e-mail.

17 And we have many of our research
18 members with us, in particular... Is it
19 Jodi Bagwell is here. And we have Kevin
20 Gillen whose mother came down from Boston
21 for Mother's Day, and understood that she
22 had this great opportunity of watching our
23 form of tea party. So, she decided to stay
24 over a day with Kevin, and to see that
25 Kevin's here to answer any of our questions

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2 with regard to real estate tax.

3 COUNCIL PRESIDENT Verna: Where's
4 Kevin's mother? Maybe we can recognize
5 her?

6 MR. MILLER: Where is Mrs. Gillen?
7 Would you stand, please.

8 COUNCIL PRESIDENT Verna: Welcome.
9 Welcome.

10 (Applause.)

11 MR. MILLER: There she is.

12 Okay. We come before you to support
13 the bills 04009 through 04021 which would
14 implement the recommendations of the Tax
15 Reform Commission.

16 And I imagine I have a lot to say,
17 but I've never stuck to a script. And
18 since time is short, I'll abandon it, by
19 simply saying that we put tireless hours.

20 And this is the essence of what I
21 consider to be a democracy, citizens giving
22 of themselves for something that they
23 believe in the City that we love, and doing
24 it at our own expense. And this is the
25 actual sum total of that endeavor.

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2 And I can simply say to all the
3 members of Philadelphia Forward, as well as
4 our Advisory Committee, of which, quite
5 frankly, AFSCME, Philadelphia Council, was,
6 in fact, a member.

7 And we held countless hearings, and
8 any of them could have attended. So, we
9 were certainly inclusive and not
10 exclusionary.

11 But I want to thank all of them for
12 their work to get to this day. And I thank
13 you for giving us an opportunity to speak
14 to you about this critical issue of tax
15 reform.

16 Moving quickly to the issue, we have
17 brought before you... We have two posters.
18 And they say to you what we think is the
19 essence of our problem.

20 Those posters represent a study done
21 by the Cosemont Institute. And what they
22 in essence talk about is the cost of doing
23 business.

24 They surveyed 315 cities in the
25 United States. They extracted 20 cities,

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2 the top 10 cities which are the most costly
3 to do business and the 10 cities which are
4 the least costly to do business.

5 And regrettably I report to you --
6 And this is a national publication.
7 Philadelphia has distinguished itself
8 again. We are number one in red the most
9 costly city in the United States to do
10 business, as it relates to taxes, fees, and
11 other areas which I find almost
12 incomprehensible, is how we have spent
13 money.

14 And our business leaders are out
15 promoting -- I think it's called Select
16 Philadelphia around the country -- with
17 advertising dollars to tell people
18 Philadelphia is a good place to do
19 business.

20 Well, we simply think -- And the
21 Administration, I think, gave a million
22 dollars or so, which is a pittance in
23 advertising dollars, but did in fact do
24 that, to Select Philadelphia to convince
25 people that Philadelphia is a good place to

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2 do business.

3 Well, if you invested that money,
4 time, energy and leadership in tax reform,
5 Philadelphia would be a good place to do
6 business.

7 So, quite frankly, as I read that
8 article -- and we present you with that
9 publication -- it simply says to me that,
10 as I think one of the members of the
11 Administration said about PGW to Councilman
12 Goode, dealing with PGW in terms of its
13 finances, we had to do it. It was not an
14 option.

15 And I'm suggesting to you today:
16 Not to do tax reform for this City to move
17 forward is simply not an option.

18 MR. THORNBURGH: David Thornburgh,
19 Executive Director, Pennsylvania Economy
20 League. It's my pleasure to be with you
21 again today as well.

22 Also in the interests of time, I'm
23 going to depart from my prepared remarks.
24 But I did want to say just a few things, to
25 support again the notion of why we're here

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2 and what consequences I think passing the
3 Tax Reform Commission's recommendations can
4 mean to this City.

5 Just, again, as a reminder about
6 where we are as a City, Philadelphia has a
7 very unusual and unfortunate place in the
8 realm of tax structure and tax burdens.

9 We have high burdens. And they're
10 very different, in the way they're
11 constructed, from other cities.

12 For a resident of Philadelphia at
13 the median income of \$47,000 a year, you
14 pay \$2,400 a year more in state and local
15 taxes in Philadelphia than you do in our
16 suburbs.

17 And if you think about what \$2,400
18 buys, in terms of SEPTA, car insurance,
19 community college education, it's just a
20 huge number. And that, I think, in and of
21 itself explains much of the choices that
22 people have made over time.

23 From a business standpoint, Bill
24 pointed out some of the national press that
25 we're now receiving. We've known for some

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2 time -- I can find you studies from the
3 early 1980s that pointed out, depending on
4 the business, that a business located in
5 Philadelphia would pay anywhere from 20
6 percent to sometimes 120 percent more in
7 Philadelphia than in the median suburb.

8 As long as that continues, I would
9 suggest -- And I think it reflects the
10 conversation here today. As long as that
11 continues, we are going to have a very,
12 very difficult time selling the charms and
13 the assets of this City.

14 Point's been made that no amount of
15 marketing dollars can sell an inferior
16 product. And I think it's to improve that
17 product that this tax reform proposal is
18 all about.

19 And to bring it back to its
20 essence -- This point was made earlier.
21 This is about jobs. This is about a city
22 that has desperately struggled to hold on
23 to and to create new jobs.

24 This is a proposal that, far more
25 than anything that I've seen in any

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2 five-year plan, far more than in any of the
3 hundreds of millions of dollars of targeted
4 investments that we think we've made over
5 time, this is a set of proposals that
6 promises to create jobs, by influencing not
7 one big choice that some developer's going
8 to make or some sports team, but by
9 influencing literally millions of decisions
10 that small businesses and investors and big
11 companies can make over time.

12 And I think, when all is said and
13 done, that's the only and also the best
14 hope for creating jobs in this City.

15 And again, I would refer you back in
16 the Commission's work to simply the
17 magnitude, the promise of jobs that these
18 proposals hold. This is not in the
19 hundreds or the tens, but in the thousands
20 in the even tens of thousands over time.

21 So, again, I'm glad to be here with
22 my colleagues from Philadelphia Forward.
23 This is a new organization, set up by two
24 former members of the commission with the
25 help of Sharmain and myself, to advance

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2 this agenda, and we hope other agendas in
3 the future.

4 Thank you very much.

5 COUNCIL PRESIDENT VERNA: Thank you.

6 MR. MANDEL: Madam President, Brett
7 Mandel, Executive Director of Philadelphia
8 Forward.

9 I, too, will go off script because
10 Lord knows, you don't need to hear more
11 from me because you've heard a lot from me
12 in the past few years.

13 In fact, I wish I could say that I
14 knew what exactly would be to sway the
15 members of this elected body because I have
16 come before you before and produced
17 reports.

18 I have worked with the Tax Reform
19 Commission. I have produced lots and lots
20 of things to say that I hope would have
21 been convincing.

22 Frankly, I will stop speaking
23 because the organization Philadelphia
24 Forward was created to create a new voice
25 in the system, and I hope you have seen

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2 that new voice.

3 I brought my own collection of the
4 e-mails that have been printed out.
5 There's about a thousand e-mails in that
6 box. They came from folks all across the
7 City of Philadelphia, from every Zip Code
8 across Philadelphia. And believe me I know
9 that because I logged in every single one
10 of them, and can give you a breakdown of
11 the Zip Code any time you'd like it.

12 You've gotten phone calls, you've
13 gotten post cards, you've gotten letters.
14 These are letters and post cards and faxes
15 and e-mails from real people. Earlier
16 today the chamber was packed with real
17 people.

18 Philadelphia Forward was created so
19 that you will know that there are real
20 people behind these issues who care about
21 these issues, who write these e-mails, who
22 take a few moments of their time to say:
23 This is who I am, this is where I live,
24 this is what I feel, and press a button.

25 Yes, their tax reform is a very,

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2 very serious issue. And I can walk you
3 through the nuances of our plan.
4 Obviously, I'm here to answer any of your
5 questions.

6 But again, if I knew the words to
7 say that was going to convince you, I would
8 have already said them over the last five
9 years.

10 I will continue to provide the voice
11 for these people, and provide the voice for
12 the people who showed up this morning and
13 stayed as long as they could, and answer
14 any of the questions you have today.

15 COUNCIL PRESIDENT VERNA: Thank you.

16 MS. MATLOCK-TURNER: Thank you very
17 much. It's a pleasure to be here today.
18 And again, I will certainly have, as a part
19 of my written testimony -- I'm sure you'll
20 have an opportunity to take a look at it.

21 But I really am here as a citizen of
22 Philadelphia, to lend my voice to the
23 support of the Tax Reform Commission, and
24 to lend voice to those who I think are the
25 ones who are really suffering the most in

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2 the economy that doesn't create
3 opportunity.

4 And those are people at the lowest
5 end of the economic stream in our City.
6 Those are the people who cannot leave.
7 These are the people who are here looking
8 for opportunities, looking for jobs, and
9 can't find them because we are not a
10 competitive environment bringing more
11 opportunity in.

12 Quite often we see people having to
13 go hours outside of Philadelphia in order
14 to be able to find jobs because the jobs
15 aren't right here.

16 Yet we look at those same people.
17 We wonder how are they going to be able to
18 take care of their children? How are they
19 going to be able to show up at our schools?
20 How are they going to be able to really
21 play a part in civic life in Philadelphia,
22 if, in order for them to be able to work,
23 they really cannot find opportunities.

24 And yes, these people clearly need
25 expanded City services. But how is that

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2 going to happen if we aren't figuring out a
3 way to expand our tax base, to bring more
4 people in and to bring more businesses in,
5 in order to be able to create the kind of
6 dollars that are needed in this town so
7 that we aren't every year talking about
8 what is it that we have to cut and what is
9 it that we have to cut.

10 I say that tax reform is about
11 creating jobs. And we need to be able to
12 create jobs for those who are most in need.
13 And those are people in our communities who
14 really cannot afford to or cannot find some
15 other place to go to and leave our City.

16 Thank you.

17 COUNCIL PRESIDENT VERNA: Thank you.

18 A number of Council people want to
19 be recognized. Again, I would like to
20 remind you all about the amount of people
21 that are waiting to testify. So if you
22 could be as brief as possible, I think we'd
23 all appreciate it.

24 At this time the Chair recognizes
25 Councilman Goode.

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2 COUNCILMAN GOODE: Thank you, Madam
3 President.

4 Good afternoon. You state in your
5 testimony and even report today that
6 there's a need to pass all this as a
7 package.

8 And I might be inclined to do that,
9 even with my own votes. But within the Tax
10 Reform Commission reports and within some
11 of the tables assembled and support
12 documents, you loop together some of the
13 revenue loss.

14 And I'm particularly interested in,
15 though I might support all the business tax
16 proposals, how you break down that revenue
17 loss, \$236 million figure over five years,
18 with regard to Bill Number 10, Bill Number
19 12, and Bill Number 17.

20 MR. MANDEL: We talk about the
21 package as a complementary package, as you
22 mentioned, because we do think that it's
23 three-legged stool.

24 You need to dramatically reduce the
25 Wage Tax, incrementally eliminate the

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2 Business Tax, make the real Estate taxes
3 fair.

4 The recommendations work with each
5 other, and they also have a dynamic effect
6 against each other.

7 COUNCILMAN GOODE: I'm inclined to
8 support that.

9 MR. MANDEL: Right.

10 COUNCILMAN GOODE: And inclined to
11 support the Business Tax proposals. But
12 there are, I believe, separate costs, in
13 terms of Bill Number 10, Bill Number 12 and
14 Bill Number 17. I'm interested in knowing
15 specifically what those costs are.

16 MR. MANDEL: There are different
17 costs for each of those bills, and then
18 there's an additional different cost when
19 all of those bills are together.

20 Our staff can help you out with some
21 of the different costs; but, for example,
22 if you allow partnerships to deduct
23 payments to partners against the BPT
24 liability but don't cut the wage tax? It
25 actually costs more, because when you're

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2 cutting the Wage Tax, you are reducing the
3 Net Profits Tax that gets cut --

4 COUNCILMAN GOODE: Mr. Mandel, I'm
5 not asking for the philosophy behind how
6 they work together.

7 MR. MANDEL: Fair enough.

8 COUNCILMAN GOODE: I have a pen in
9 hand actually looking for answers, in terms
10 of what the bills cost separately and/or
11 cost together. I just want to know the
12 costs.

13 MR. MANDEL: Jodi, do you happen to
14 have the numbers with you?

15 (Unidentified woman speaking
16 privately to Mr. Mandel.)

17 MR. MANDEL: Off the top of my head,
18 the single sales factor, as I recall, is
19 about \$10, \$13 million. The net --

20 COUNCILMAN GOODE: I don't believe I
21 was dealing with single sales factor.

22 I was dealing with the elimination
23 of the Business Privilege Tax, dealing with
24 the partnership bill, and dealing with the
25 carry forward bill.

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2 MR. MANDEL: The BPT bill has no
3 cost in the first year because we mirror
4 the Administration's --

5 COUNCILMAN GOODE: I'm just
6 interested in the five-year --

7 MR. MANDEL: Oh, in the five-year?

8 COUNCILMAN GOODE: -- cumulative
9 numbers.

10 MR. MANDEL: We have... While she
11 looks... Because we designed it as a
12 package, we also costed it out as a
13 package. The spreadsheets that went behind
14 it, in terms of this bill, would cost
15 this --

16 COUNCILMAN GOODE: Are you trying to
17 tell me you can't break out the costs?

18 MR. MANDEL: I'm actually
19 stalling -- I'm actually stalling for time
20 while she looks for it.

21 COUNCILMAN GOODE: Okay (Laughing).

22 MR. MANDEL: I'll be happy to sit
23 quietly while she looks for it, too. I can
24 sing very low.

25 COUNCILMAN GOODE: Why don't you

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2 recite one of the tax reform limericks?

3 MR. MANDEL: While she's looking for
4 that, we'll get that information for you.

5 COUNCILMAN GOODE: Why don't you
6 recite one of the tax reform limericks?

7 MR. MANDEL: I'm sorry?

8 COUNCILMAN GOODE: Why don't you
9 recite one of the tax reform limericks?

10 MR. MANDEL: The best one that was
11 played out on the air today was:

12 There once was a man from Nantucket
13 who never was taxed on his bucket.

14 Then he came to Philly where he was
15 taxed willy-nilly.

16 And he decided to move home and
17 say... I'll let you fill in the...

18 (Laughter.)

19 (Applause.)

20 COUNCILMAN GOODE: I'll come back.

21 Thank you, Madam President.

22 COUNCIL PRESIDENT Verna: The Chair
23 recognizes Councilman Mariano.

24 COUNCILMAN MARIANO: Maybe someone
25 else. I'm sorry.

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2 COUNCILWOMAN BROWN: Madam

3 President, I have a point of information to
4 the Councilman to discuss, regarding Bill
5 12, if I may.

6 COUNCIL PRESIDENT Verna: Yes.

7 Chair recognizes Councilwoman Brown.

8 COUNCILWOMAN BROWN: Point of
9 information with regards to Bill 12 while
10 we wait for the information.

11 Can you just tell us why or how the
12 City ended up at a place where small
13 businesses and law firms, the disparity
14 with regards to the taxing of the small
15 businesses and law firms, and why we want
16 this bill to sort of even out the treatment
17 of small businesses? Because on its face
18 it appears to favor law firms.

19 MR. MANDEL: The bill that you're
20 being asked to pass.

21 COUNCILWOMAN BROWN: Bill 12, yes.

22 MR. MANDEL: Well, it favors... sole
23 proprietorships and partnerships. In
24 addition to law firms, of course, it favors
25 the corner grocer who is a sole proprietor.

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2 God, I wish I knew why it was that
3 our tax structure is like this. In my
4 office I have clippings from 1939 when we
5 put in place the Wage Tax.

6 And you can read the arguments:
7 This makes sense; this doesn't make sense.
8 It's hard to imagine a tax structure that
9 would be designed like this to chase away
10 businesses and residents from the City.

11 I wish I had more institutional
12 memory. David, I would defer to you. Any
13 institutional memory of why it is that we
14 have chosen a tax structure like this?

15 MR. MILLER: Councilwoman Brown, if
16 I may respond simply, that your question,
17 as it relates to this tax package, is more
18 than appropriate, particularly as it
19 relates to small businesses.

20 What I was -- The reason I was
21 motivated to join the Tax Reform Commission
22 was precisely that. It was a tax structure
23 that was not only insensitive and
24 inflexible, as it related to small
25 business.

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2 I happened to be reading some
3 national publications. And what they did
4 was, they projected into the foreseeable
5 future in this country the greatest growth
6 area in business where it was small
7 businesses.

8 So, by looking in this City -- And
9 we have small businesses. And let's put a
10 face on it. The mom and pop stores, the
11 grocery stores, our small consulting firms,
12 all the other entities that are small
13 business, it seems to me that the thinking
14 in this and previous administrations were
15 to discount those where your greatest areas
16 of growth happened to be.

17 So as a result of that, if nothing
18 else, we fought diligently to eliminate the
19 Business Privilege Tax.

20 If you indulge me just for a second,
21 we have a practice in Philadelphia, and we
22 have a practice where the Administration in
23 fact employed... It was the Business
24 Privilege Tax over your gross receipts.
25 You paid a double payment, the actual

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2 payment for one year, and then a -- the
3 second payment was projected for the second
4 year.

5 What they did not tell these small
6 business people who are all probably
7 umbrellaed [sic] by accounting firms, who
8 just do their tax -- you know, tax
9 reform -- their taxes each year was that
10 there was a potential waiver that one could
11 get, where you didn't necessarily have to
12 pay the second payment. That was sort of
13 obscure.

14 Stu admonishes me that that was not,
15 in fact, an insidious plot. But the end
16 result was, since you didn't know that you
17 had to pay it, these poor people simply
18 paid whatever their accountant told them to
19 pay.

20 Well, the fact of the matter is, the
21 City ended up garnering \$90 million in over
22 payments, \$90 million that they could
23 invest, that they could get interest from.

24 Now, I happen to have an accountant,
25 and I didn't pay the second payment. I was

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2 still overcharged close to \$15,000 on that
3 simple payment.

4 These are small businesses. And the
5 fact that we are insensitive, inflexible to
6 the fact that we only have a growth area,
7 I'm very glad you asked that question
8 because somebody needs to start thinking
9 about small businesses.

10 COUNCILWOMAN BROWN: Thank you for
11 your testimony.

12 One more follow up. This Bill says
13 over five years, whereas Bill 10 is over
14 ten years. The reasoning behind the
15 different treatment when they both deal
16 with BPT.

17 MR. MANDEL: As you heard from Gay
18 Bevilaqua, the Chancellor of the Bar
19 Association, of course lawyers and sole
20 proprietors would love to have this phased
21 in immediately.

22 The cost to do it immediately struck
23 us as excessive. We could do it over five
24 years. That seemed not as excessive. But
25 we would certainly try to do this before we

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2 phase out the entire BPT because this is
3 such a necessary component of it.

4 COUNCILWOMAN BROWN: Okay, then.
5 Thank you for your testimony.

6 Thank you, Madam President.

7 COUNCILWOMAN BLACKWELL: You're
8 welcome.

9 Councilman Mariano.

10 COUNCILMAN MARIANO: I waive my time
11 to Councilwoman Brown.

12 COUNCILWOMAN BLACKWELL: Thank you.

13 Councilman DiCicco.

14 COUNCILMAN DiCICCO: Thank you,
15 Madam Chair.

16 Good afternoon, everyone. I believe
17 that all four of you were here earlier this
18 morning when I made a statement and a
19 comment; and a question, I believe, was
20 thrown in to the Administration about
21 basically the negative philosophy that we
22 have in this City and have had for a number
23 of years, where you understand the
24 Administration's concern is less revenues,
25 less money to provide City services.

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2 Well, no one looks at the other side
3 of the equation to say, what if we made it
4 a more attractable [sic] City to do
5 business in? Would that create jobs? I
6 happen to think it would.

7 I'm curious, though -- and not to
8 contradict what I was saying this
9 morning -- curious as to how do you come to
10 the number which you come to in your
11 report, 40 something -- 47,000 jobs over a
12 10- or 15-year period?

13 I'm interested to know how you came
14 about getting that number. Is it by some
15 sort of a formula that you used, based on
16 comparing to other cities? Just explain to
17 us how you got to that number.

18 MR. THORNBURGH: Councilman, I won't
19 speak for the firm, but I'll give you some
20 background.

21 The firm E-Consult was retained to
22 provide some insight into that question.
23 We at the Economy League had worked with
24 E-Consult a few years ago on a similar sort
25 of project.

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2 The way the estimate was arrived at
3 is essentially looking in a very, very
4 detailed way at the last 50 years, give or
5 take, of Philadelphia's history, and
6 looking what happened when various changes
7 to the tax structure and tax rates were
8 made, and what effect that had on wages and
9 real estate values in the City.

10 And that information was the same,
11 conceptually the same look that Professor
12 Inman had used to document in his estimate
13 about 210,000 jobs lost to the City of
14 Philadelphia in that time period.

15 So, we simply or E-Consult simply
16 used that as a basis to sort of roll
17 forward into the future. I think that
18 approach has the benefit of kind of the
19 lessons of history.

20 It's also, I think they would say,
21 used sort of the accepted tools of the
22 trade. But it was really... It's really
23 ultimately about how much Philadelphia can
24 compete for growth that's occurring
25 throughout the nation.

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2 Think of it as sort of market share.
3 Are we grabbing more jobs, higher property
4 values or are we losing that to other parts
5 of the country? That's the sort of the top
6 level sense of where that came from.

7 COUNCILMAN DiCICCO: Is there
8 anything in the report that speaks to if we
9 do not do any of the bills that have been
10 recommended, what the continual job loss
11 will be going forward? Can anyone speak to
12 that?

13 MR. THORNBURGH: Well, again, I...
14 Again, the easiest way to predict the
15 future is essentially to keep rolling
16 forward the recent past.

17 And I think that's what the analysis
18 shows, is that absent changes, I think as
19 you suggested, sort of a fresh look, a new
20 approach to this kind of policy, that we
21 certainly shouldn't expect anything
22 different than we received over the last
23 few decades.

24 COUNCILMAN DiCICCO: But that's
25 basically --

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2 MR. THORNBURGH: That not only makes
3 common sense, but I think that plays out in
4 the analysis.

5 COUNCILMAN DiCICCO: Yeah, I thought
6 so, too. I just wanted that for the
7 record.

8 I just can't imagine for what reason
9 we would see any increase in job creation
10 if we continue to do business as usual.
11 Just don't understand any reason why.

12 And aside from a lot of the great
13 things that the City has to offer, and the
14 cultural institutions, and all those other
15 things which has kept people here -- And
16 we've seen some modest increase in
17 populations, but only in certain sections
18 of the City.

19 My concern is, if we want to
20 continue to see that growth in residential
21 population, which I think we can, the
22 question then becomes: Will there be jobs
23 for those people when they finally move
24 here? And they're not going to move if
25 there isn't a job.

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2 But maybe some of the younger folks
3 think that there's a possibility going
4 forward, but if we don't create the
5 environment to promote people relocating
6 here, to reside here because there's job
7 opportunities, we'll never get to where we
8 all want to be in the future.

9 Thank you. I want to commend all of
10 you for the hard work you've done. And I'm
11 pretty sure I'm there for all, but still
12 I'm not sure on that last one, that land
13 tax. Thank you.

14 Thank you, Madam Chair.

15 MS. MATLOCK-TURNER: Councilman, I
16 also wanted to add, for those of us who are
17 also concerned about small business
18 development and micro business development,
19 that we also see it's about trying to keep
20 some of the people we have here who are
21 coming here to colleges and universities,
22 to not only make sure that there are jobs
23 here for them, that hopefully what they're
24 learning, they're also going to be creating
25 and growing businesses here and helping to

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2 create opportunities for people already
3 living here.

4 So, it's about trying to create
5 jobs, but also an economic climate so that
6 people will start to develop and grow
7 businesses here, both larger businesses,
8 medium size business.

9 But we're also looking for people in
10 our neighborhoods who are going to be able
11 to grow micro and small businesses there as
12 well, to make sure the climate is there for
13 them.

14 COUNCILMAN DiCICCO: Thank you.
15 Thank you again.

16 COUNCILWOMAN BLACKWELL: Thank you.

17 Miss Matlock-Turner, is that your
18 role in all of this or GPUAC's role?

19 MS. MATLOCK-TURNER: I'm sorry.

20 COUNCILWOMAN BLACKWELL: I'm just
21 questioning your role. Everyone knows of
22 your reputation, certainly.

23 MS. MATLOCK-TURNER: Mm-hmm.

24 COUNCILWOMAN BLACKWELL: And in
25 terms of this whole Philadelphia Forward...

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2 MS. MATLOCK-TURNER: Mm-hmm.

3 COUNCILWOMAN BLACKWELL: ...will
4 GPUAC play a role? Is it another hat
5 you're wearing a part of what you just said
6 to the Councilman?

7 MS. MATLOCK-TURNER: Yes. Well,
8 certainly we've been doing a lot of work
9 with working families, as you know, the
10 Campaign for Working Families.

11 COUNCILWOMAN BLACKWELL: Absolutely.

12 MS. MATLOCK-TURNER: Which is a tax
13 effort in trying to draw down federal and
14 state taxes to make sure that low and
15 moderate income people get all of the tax
16 credits that they deserve.

17 I've also been recently appointed by
18 the Governor to a working families task
19 force for the state to, again, look at the
20 high cost of working families, not only
21 here in Philadelphia but across the state.

22 So it's an effort that we've been
23 involved in for the last several years, to
24 really try to make sure that we're looking
25 at every opportunity to make life better

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2 and to really drive down the high cost of
3 being poor in many of our cities, to make
4 sure people get access to as many goods and
5 services and opportunities as can exist.

6 COUNCILWOMAN BLACKWELL: Thank you.
7 Councilwoman Miller.
8 We'll come back to her.

9 COUNCILWOMAN BLACKWELL: Councilman
10 Clarke.

11 COUNCILMAN CLARKE: Thank you.
12 Good afternoon.

13 MS. MATLOCK-TURNER: Good afternoon.

14 MR. MILLER: Good afternoon.

15 COUNCILMAN CLARKE: Are any of you
16 prepared to respond to questions about the
17 proposed budget? Not the tax bills but the
18 budget and some of the budget cuts that
19 have been requested? And I understand if
20 you're not. I mean, that's not your
21 mission here.

22 MR. MILLER: We're prepared to talk,
23 Councilman Clarke, with regard to the tax
24 bills that are listed. And we certainly
25 can engage in that dialogue, relative to

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2 their impact. But we were not -- In fact,
3 we were...

4 COUNCILMAN CLARKE: No; I understand
5 that.

6 MR. MILLER: Okay. ...told not to
7 look at the spending side of it.

8 COUNCILMAN CLARKE: I understand
9 that.

10 MR. MILLER: But as citizens we can
11 certainly respond.

12 COUNCILMAN CLARKE: Okay. No; I
13 wanted to... And I understand, you know,
14 that's not why you're here. But it will
15 impact the tax bills, in one way impact the
16 budget.

17 One of the questions I wanted to ask
18 you -- And trust me; I understand if you
19 don't answer this one. Do you support the
20 current budget cuts?

21 MR. MILLER: Personally, speaking
22 from a -- Philadelphia Forward has not
23 taken a position on the current budget
24 cuts.

25 And I understand that you are

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2 engaged in a budget process which is really
3 a set of assumptions. So I am not hard and
4 fast upon what the outcomes are going to
5 be, because I'm not so sure what the budget
6 cuts are.

7 There are proposed budget cuts that
8 are out there, and so I'm not -- I mean, I
9 don't know what the budget cuts are.

10 COUNCILMAN CLARKE: All right. Do
11 you agree with the need that there need to
12 be budget cuts to deal with the existing
13 deficit? And they're -- I know they're
14 moving numbers, but...

15 MR. MILLER: And it really depends
16 on whether you're looking at City
17 Controller Saidel's numbers or the
18 Administration's numbers. I heard --

19 COUNCILMAN CLARKE: The number's
20 big.

21 MR. MILLER: Yeah. I heard some
22 reports from the Administration where
23 numbers are changing even this morning.

24 COUNCILMAN CLARKE: Right.

25 MR. MILLER: So I'm not --

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2 COUNCILMAN CLARKE: You agree that
3 the numbers are large, regardless of
4 who's --

5 MR. MILLER: I mean, I think there's
6 a potential deficit. But what I agree more
7 with is that... Two things: I think one,
8 that this government can be more efficient;
9 and, two, I believe that if we don't do
10 something about the environment and climate
11 to bring more business here --

12 COUNCILMAN CLARKE: All right.
13 You're not going to answer the question.
14 I'm okay with that.

15 MR. MILLER: Okay.

16 COUNCILMAN CLARKE: And trust me; I
17 understand.

18 MR. MILLER: It's okay.

19 COUNCILMAN CLARKE: You're not here
20 for that. Rather than... You know, I'll
21 just go to what you're talking about.

22 MR. MILLER: Okay.

23 COUNCILMAN CLARKE: In references in
24 the executive summary, and with respects to
25 recommendation seven also, I get a sense

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2 that a substantial amount of the burden --
3 and maybe I shouldn't characterize it as
4 burden -- but the revenue that needs to be
5 generated to support some of the
6 recommendations will come from the real
7 estate side. Am I misreading that?

8 MR. MANDEL: No. Absolutely.
9 There's the suggestion: What happens if we
10 cut taxes? What happens if we make this a
11 more hospitable environment? We grow jobs.
12 More people want to be here. More people
13 want to be here, values rise.

14 If the opposite happens, more people
15 don't want to be here; values fall. We
16 don't want that. We want the other side.
17 We want values to rise.

18 COUNCILMAN CLARKE: So the answer
19 is, yes, that a large part of this is
20 contingent upon a substantial increase in
21 revenue from real estate.

22 MR. MANDEL: It's not... Go ahead

23 MR. MILLER: There was something
24 passed around today -- I think it came from
25 the Administration -- indicating that the

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2 costs, certain costs of tax proposals would
3 result in that. I mean, we want to be very
4 clear.

5 COUNCILMAN CLARKE: I'm not talking
6 about what was passed around.

7 MR. MILLER: Okay.

8 COUNCILMAN CLARKE: I'm talking
9 about your document.

10 MR. MANDEL: If you look at where
11 revenue would come from, in terms of growth
12 in the City, some would come from new jobs.
13 We get taxes from jobs. Some would come
14 from new businesses. We still get taxes
15 from businesses while we phase out the BPT.
16 Some would come from new taxes from
17 increased values on real estate.

18 COUNCILMAN CLARKE: All right.
19 Well, can we agree that the increased value
20 in real estate and the changing of the way
21 the real estate assessments will come to
22 fore as a result of the land value tax will
23 be probably the short-term increase in
24 revenue that will help --

25 MR. MANDEL: The two shifts --

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2 COUNCILMAN CLARKE: -- support the
3 tax cuts because --

4 MR. MANDEL: The two shifts --

5 COUNCILMAN CLARKE: -- I mean, I
6 think everybody has to agree that the
7 ability to raise revenue from the jobs is
8 not going to happen tomorrow.

9 MR. MANDEL: The two shifts that the
10 Tax Reform Commission proposed: One, the
11 change to value of properties at 100
12 percent, is truly that, just a shift. It
13 would not result in any extra revenue to
14 the Administration, to the City --

15 COUNCILMAN CLARKE: I'm sorry.
16 You're talking too fast. Say that again.

17 MR. MANDEL: The two shifts that the
18 Administration or that the Tax Reform
19 Commission proposes: One, the shift to
20 land value taxation; two, the shift to a
21 hundred percent valuation.

22 COUNCILMAN CLARKE: Can you pull
23 your mike a little closer? Because you're
24 talking fast and you're talking low.

25 MR. MANDEL: We have two shifts

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2 proposed. One would do a hundred percent
3 property valuation which would mean that
4 everybody would be asked to pay a hundred
5 percent of what their property is worth.
6 We would lower the taxes so that the City
7 doesn't bring in any extra money.

8 The other shift would be land value
9 taxation. Some people would be asked to
10 pay more; some people would be asked to pay
11 less. Again, the City wouldn't bring in
12 any additional revenues. So those two
13 shifts --

14 COUNCILMAN CLARKE: Revenue neutral
15 to the City.

16 MR. MANDEL: Revenue neutral to the
17 City.

18 COUNCILMAN CLARKE: But not to some
19 of the individuals.

20 MR. MANDEL: An individual taxpayer
21 may see taxes go up or down.

22 Another reason why we say these
23 proposals are knitted together because we
24 recognize that some people who maybe have
25 been getting a break on their taxes, if we

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2 go to a hundred percent valuation, might be
3 asked to pay more. Those people would be
4 awfully upset if we weren't dramatically
5 reducing the Business Tax, dramatically
6 reducing the Wage Tax.

7 David.

8 MR. THORNBURGH: Councilman, my, I
9 guess, thought on your question is, I
10 wouldn't take it as a foregone conclusion
11 that the property tax would be used to sort
12 of fill that short-term gap.

13 I think -- and again, you can direct
14 this question to them yourselves -- but the
15 E-Consult research on Philadelphia's
16 history suggested that there was a fairly
17 quick response to tax changes coming from
18 the local economy, that in terms of new
19 jobs, and therefore tax revenues.

20 The response was fairly quick. It
21 didn't need to kind of gather steam for 10
22 or 12 years.

23 COUNCILMAN CLARKE: When was that?

24 MR. THORNBURGH: Sorry.

25 COUNCILMAN CLARKE: When was that?

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2 MR. THORNBURGH: Well, their
3 analysis had taken into account the last 50
4 years of tax changes, and --

5 COUNCILMAN CLARKE: 50 years?

6 MR. THORNBURGH: Yeah.

7 COUNCILMAN CLARKE: So I'm assuming
8 that you're talking about some time ago
9 because you yourself had indicated in the
10 last several years you have not had any
11 substantive job growth.

12 So utilizing that 50-year period,
13 I'm assuming you're talking about years
14 ago --

15 MR. THORNBURGH: Right.

16 COUNCILMAN CLARKE: -- when they
17 made their analysis.

18 MR. THORNBURGH: Although we have
19 seen revenue growth, Wage Tax revenue
20 growth, even with Wage Tax cuts, since the
21 cuts were first enacted.

22 MR. MANDEL: As David had suggested
23 earlier, all the E-Consult numbers are in
24 relation to what's happening in national
25 economy.

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2 And one thing that's very
3 instructive, if you've looked at recent
4 five-year plans, they used to include a
5 chart in the five-year plan that showed, as
6 we have reduced our Wage Tax, as we have
7 reduced our Gross Receipts Tax, even though
8 they're small reductions, the gap between
9 national employment and local employment
10 has been narrowed significantly.

11 Now, clearly, if the nation loses 50
12 million jobs, it's hard for the City of
13 Philadelphia to --

14 COUNCILMAN CLARKE: What do you
15 attribute that to? You've said that we
16 lost jobs, but yet there's an increase in
17 revenue associated with the Wage Tax. Is
18 it higher jobs? I mean --

19 MR. MANDEL: Salary --

20 COUNCILMAN CLARKE: -- better
21 collection?

22 MR. MANDEL: Salary inflations.

23 COUNCILMAN CLARKE: So it's
24 salaries. So it has nothing to do with job
25 growth.

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2 MR. MANDEL: But again, there's
3 also... We didn't lose as many jobs as
4 maybe we would have predicted, had we not
5 made the changes in the Wage Tax and the
6 Gross Receipts Tax.

7 COUNCILMAN CLARKE: Well, what is
8 it? I mean, you know, is it... You
9 referenced the fact that we had increased
10 revenues in Wage Tax and tried to imply
11 that it had something to do with the Wage
12 Tax being cut; therefore there were
13 additional jobs created.

14 But then on the other hand, you're
15 saying there were not additional jobs
16 created; there were jobs lost.

17 So, I mean, are you saying here that
18 the incremental Wage Tax, small be it, have
19 encouraged increases in the revenue?

20 MR. MANDEL: If your job prospects
21 are better, if the job market is better,
22 even if you're losing jobs, if the job
23 market in relative terms is better, then
24 you should have wage inflation. You should
25 have salary growth.

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2 If there is nobody to demand my
3 services in the marketplace, well, there's
4 no pressure on my salary to increase.

5 COUNCILMAN CLARKE: But the median
6 income in the City has dropped. Can you
7 agree with that?

8 MR. MANDEL: I don't know that
9 number.

10 MR. THORNBURGH: Well, that's...
11 Household income and households are... have
12 changed, in terms of composition over time.
13 So, it's not a parallel kind of number,
14 household income and wages.

15 But again, I think we... The
16 value... And I think David Crawford is
17 here from E-Consult. and I don't know if
18 he wants to speak to this, but the value of
19 the E-Consult work is, it looks at the
20 lessons over a long period of time which
21 are going to hold up, I think, better than
22 any sort of two- or three-year period, even
23 though I think the recent experience has
24 been positive, does suggest that there's
25 been a positive benefit to Wage Tax

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2 reductions.

3 COUNCILMAN CLARKE: And I'm not
4 disagreeing with that. I agree with you.
5 But you implied... I asked the question
6 about the short-term issue, with respects
7 to revenue reduction on the City's end.
8 That has to come from somewhere.

9 MR. THORNBURGH: Well --

10 COUNCILMAN CLARKE: There's more of
11 a likelihood that that's going to come from
12 the real estate side, if you -- if you --
13 based on this recommendation, that you have
14 the flexibility to increase revenues on
15 real estate. Right? It's your
16 recommendation.

17 So that increase could potentially
18 offset any reduction in revenue as a result
19 of the cuts, the tax cuts, right, on the
20 business -- on the wage side?

21 MR. MANDEL: If you're saying --

22 COUNCILMAN CLARKE: It's your
23 document.

24 MR. MANDEL: If you're saying that
25 an actual increase in rates, that's

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2 certainly not what's being proposed. The
3 increase in rates is a choice that City
4 Council and the Mayor would have to make
5 itself.

6 COUNCILMAN CLARKE: Are you familiar
7 with...

8 COUNCIL PRESIDENT Verna: Councilman
9 Clarke.

10 COUNCILMAN CLARKE: Yes.

11 COUNCIL PRESIDENT Verna: Do you
12 mind? We have a number of Council members.

13 COUNCILMAN CLARKE: Oh, I'm sorry.
14 I didn't hear the bell.

15 COUNCIL PRESIDENT Verna: And you've
16 been an awful long time.

17 COUNCILMAN CLARKE: I'm sorry. I'll
18 come back. I didn't hear the bell.

19 COUNCIL PRESIDENT Verna: Thank you.
20 We'll do the next go-around.

21 The Chair recognizes Councilwoman
22 Miller.

23 COUNCILWOMAN MILLER: Yes, ma'am.
24 Actually, Council President, my light was
25 on by mistake. But I do have a question.

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2 COUNCIL PRESIDENT Verna: Please
3 proceed.

4 COUNCILWOMAN MILLER: Okay. I heard
5 someone mention that David Crawford is in
6 the room?

7 COUNCIL PRESIDENT Verna: Is Mr.
8 Crawford in the room? Did you want to --

9 COUNCILWOMAN MILLER: I just have a
10 question regarding the property tax
11 increases. And that's a part of one of the
12 tax --

13 COUNCIL PRESIDENT Verna: Mr.
14 Crawford, do you mind coming to the witness
15 table, please.

16 MR. MILLER: Madam President, we
17 were including Mr. Crawford in our next
18 panel.

19 COUNCIL PRESIDENT Verna: Oh, fine.

20 MR. MILLER: If that would be all
21 right with you.

22 COUNCILWOMAN MILLER: That's fine.

23 MR. MILLER: Okay.

24 COUNCILWOMAN MILLER: I can ask Mr.
25 Miller, no relation to Donna Miller, but a

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2 friend.

3 I guess... Actually, I'm just a
4 little bit uncomfortable. Just need more
5 information about the... I was just
6 sitting here thinking about the projection
7 of the increase in property taxes.

8 And the reason I asked for Mr.
9 Crawford, I know that in 2002 he did a
10 report; just felt that increase in property
11 taxes wasn't feasible.

12 And now it's 2004. And what is the
13 difference? I don't know that they're any
14 more feasible now than they were two years
15 ago.

16 And also, when you take a look at
17 the percentage points that the property
18 taxes will go up versus the percentage
19 points of a wage tax, et cetera, are just
20 for the everyday citizen and not a
21 business, then I don't know how the
22 citizen, everyday citizen, would make out,
23 just in terms of the increase because I
24 think the property tax percentage increase
25 is higher than the Wage Tax.

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2 And could someone explain that to
3 me, if in fact that's not the case?

4 MR. MANDEL: First of all, I think
5 there might be a misconception. The idea
6 is not to increase the rates of real estate
7 taxes. There's fundamental fairness issues
8 with --

9 COUNCILWOMAN MILLER: Right.

10 MR. MANDEL: -- real estate tax that
11 we'd like to address, that might result in
12 one person's real estate tax burden going
13 up; one person's real estate tax burden
14 going down. Is that what we're trying to
15 get at?

16 COUNCILWOMAN MILLER: Well, I think
17 that that is part of it, Brett. I know
18 that the taxation of the land and the one
19 hundred percent -- The one hundred percent
20 assessment, that way.

21 MR. MANDEL: If I could throw it to
22 Kevin Gillen, who did the research for our
23 real estate panel, to give you an idea very
24 quickly of why that's necessary, I'd be
25 thrilled if you'd find that helpful, and

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2 give an example.

3 COUNCILWOMAN MILLER: All right.

4 MR. GILLEN: As I understand the
5 question, you're asking whether it's -- why
6 it's necessary to go to the hundred percent
7 assessed value.

8 COUNCILWOMAN MILLER: No.

9 MR. GILLEN: 70 percent?

10 COUNCILWOMAN MILLER: What is the...
11 Right now most of the properties are not
12 assessed at a hundred percent value.

13 MR. GILLEN: Correct.

14 MR. MILLER: Correct. But we pay
15 property tax, we pay Wage Tax. Some of the
16 business people pay Business Privilege
17 Taxes.

18 But right now I'm just looking at
19 plain old ordinary citizen that doesn't
20 have to pay any Business Privilege Tax.
21 So, we pay a three point whatever Wage Tax,
22 and... at least those of us that are
23 working. But we also pay... Is it 50
24 percent of the property, of the assessment?
25 Or it fluctuates?

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2 UNIDENTIFIED VOICE: It varies.

3 COUNCILWOMAN MILLER: Okay.

4 MR. MANDEL: What I was --

5 COUNCILWOMAN MILLER: If we go to a
6 hundred percent assessment of the -- one
7 hundred percent assessment of the value of
8 our property, then that will be for some
9 people a substantial increase, correct?

10 MR. GILLEN: Not quite. The purpose
11 of going to a hundred percent assessment
12 isn't necessarily to make more accurate per
13 se as it is to remove another layer of
14 complexity of the real estate tax process.

15 Currently, if you want to figure out
16 whether or not you're paying too much or
17 too little in real estate taxes, you take
18 the value of your property, multiply that
19 times point 7, multiply that number times
20 point 32 to get your assessment, and then
21 multiply that number times 8.264 which is
22 the property tax rate.

23 So removing the point 7 step makes
24 it a two-step process.

25 COUNCILWOMAN MILLER: So why don't

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2 you just take --

3 COUNCILMAN NUTTER: Point of order.

4 COUNCILWOMAN MILLER: -- those same
5 numbers --

6 COUNCILMAN NUTTER: Point of order.

7 COUNCILWOMAN MILLER: -- that you
8 talked about --

9 COUNCILMAN NUTTER: Point of order.

10 COUNCILWOMAN MILLER: -- and put it
11 in dollars and cents.

12 COUNCILMAN NUTTER: Point of order.

13 COUNCIL PRESIDENT VERNA: Excuse me.
14 Why don't you explain about the millage
15 rate going down?

16 COUNCILWOMAN MILLER: Right.

17 MR. GILLEN: Well, if you go to full
18 assessment and you want that to remain
19 revenue neutral, then you would presumably
20 have to lower either the mill rate or the
21 property tax rate to compensate.

22 COUNCILMAN NUTTER: May I have a
23 point of information?

24 COUNCIL PRESIDENT VERNA: The Chair
25 recognizes Councilman Nutter for a point of

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2 order.

3 COUNCILMAN NUTTER: I'd like to
4 amend that. It's actually a point of
5 information, Madam Chair.

6 COUNCIL PRESIDENT VERNA: Point of
7 information. Sorry.

8 COUNCILMAN NUTTER: I want to ask
9 for the right thing. Thank you,
10 Councilwoman.

11 Mr. Gillen, this may seem like
12 semantics; but I think, you know, words
13 have meaning. Aren't we really talking
14 about going to one hundred percent of
15 market value?

16 MR. GILLEN: As --

17 COUNCILMAN NUTTER: And you're going
18 to now then be assessed on the true market
19 value --

20 MR. GILLEN: Yes; that's correct.

21 COUNCILMAN NUTTER: -- of their
22 home? I want to make sure that we're using
23 the correct terminology.

24 And you're also familiar that if we
25 moved away from the artificial 70 percent

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2 number, which God only knows why we have
3 that number -- but we can put that argument
4 aside -- isn't it, in fact, true that if
5 the BRT could actually figure out what the
6 true market value of a home is, and then
7 we'd have all the other numbers that you
8 just ran through -- Don't take me back
9 through that.

10 One of the immediate results is that
11 the citizen would actually have some reason
12 to believe the numbers on the notice that
13 they get, traditionally now during the
14 summer, that the market value of their home
15 was correct.

16 It will be the responsibility of
17 this City Council -- And there's a piece of
18 legislation in front of us to try to deal
19 with this.

20 We would under any scheme, wouldn't
21 we, in order to have, from a revenue
22 standpoint, revenue neutrality on what's
23 actually raised by the real estate tax.
24 Wouldn't we have to then commensurately
25 lower the present millage rate to match up

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2 with whatever the new assessments are?
3 Isn't that correct?

4 MR. GILLEN: Yes, that's correct.

5 COUNCILMAN NUTTER: Okay. So, for
6 the moment -- and I'm sorry, Councilman.
7 It was a long point of information. For
8 the moment we have only half of the
9 information out to the public.

10 If we tell someone that the City is
11 going to go to a hundred percent market
12 value, and all they know is the .824 or the
13 .3125 or whatever that other... .32,
14 rather, those numbers, all they can do
15 presently is take those numbers and
16 multiply them by whatever they believe a
17 hundred percent of market value is, which
18 would then give you an astronomical
19 potential increase in your real estate
20 taxes.

21 MR. GILLEN: That's absolutely
22 correct.

23 COUNCILMAN NUTTER: And the reason
24 we can't give people the other half of the
25 question is is because we've not done a

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2 full City-wide assessment. We do not know
3 what one hundred percent market value means
4 City-wide, let alone for the 500,000
5 some-odd residential properties in the
6 City, and we have not figured out what the
7 appropriate millage rate is, based on the
8 new total assessment for the City, and
9 which would result in a revenue neutral
10 millage rate. Isn't that correct?

11 MR. GILLEN: Yes.

12 COUNCILMAN NUTTER: So we have one
13 piece of information. We propose to go to
14 a hundred percent market value. And we can
15 not tell people any of the other
16 significant three or other four critical
17 pieces of information that would tell you
18 what your new tax bill is going to be.
19 Right.

20 MR. GILLEN: Mm-hmm.

21 COUNCILMAN NUTTER: Okay. Thank
22 you.

23 COUNCILWOMAN MILLER: Well, that's
24 actually the answer I was looking for. I
25 felt like it would cost people more money.

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2 I thought it would cost our citizens more
3 money.

4 And I just wanted to know if it
5 would or if it wouldn't; and if it would,
6 how much more it might.

7 So, thank you, Councilman Nutter,
8 for answering my question.

9 COUNCILMAN NUTTER: Thank you.

10 COUNCILWOMAN MILLER: Thank you,
11 Madam President.

12 COUNCIL PRESIDENT VERNA: Thank you.

13 The Chair recognizes Councilman
14 Ramos.

15 COUNCILMAN RAMOS: Thank you, Madam
16 Chair.

17 I have a few questions, but I'm only
18 going to attempt this one on this round
19 here. Again, if you -- I believe all of
20 you were here this morning.

21 I am very pleased with the work of
22 the Tax Reform Commission, that you have
23 taken now an activist role engaging the
24 City, the people of Philadelphia in the
25 great tax debate. I think that's a very

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2 positive thing.

3 I'd like to refer to a group of men
4 that I saw last summer playing dominoes up
5 in North Philadelphia. And when I came up
6 to them, they wanted to talk taxes.

7 And I said, well, that's fine.

8 Because for many years the tax issue of the
9 City seems to have been just discussions
10 that we would have here in Center City, and
11 it was more of the affluent and certain
12 stratas of the middle class, but never --
13 And I didn't hear people in our poorer
14 communities talking about taxes.

15 So I think it's a good thing. I
16 think that this tax debate is not going to
17 stop on May the 30th, that this tax debate
18 is going to be an ongoing healthy talk
19 among all Philadelphians.

20 The renowned bond rating company,
21 Moody's Investors Services, just put out a
22 special report last week which described
23 Philadelphia's fiscal financial outlook as
24 negative.

25 This is after being on the stable

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2 category, and also that most major cities
3 are on the stable category.

4 Philadelphia again has now shown up
5 as a negative. And we saw that in the
6 early '90s. Now, why is that, in your
7 opinion? Is this because we haven't
8 approved your tax reform package this
9 budget? Or I mean, what do you make of it
10 as tax reformers?

11 MR. MILLER: Well, I have not read
12 the Moody's report. But knowing a bit
13 about financial analysis, there are many
14 variables that they take in consideration
15 when they measure the health of the City.

16 They take... One of the intangibles
17 happens to be leadership over time. They
18 evaluate what direction that leadership is
19 taking the City itself. I think they look,
20 obviously, at the charts we brought there.
21 And the City that has the... is the
22 costliest city to do business in.

23 And they look at its potential, in
24 terms of how we generate and attract new
25 business. They look at the business

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2 environment that exists, labor
3 relationships, and others. And that
4 there's many, many, many factors to come to
5 the conclusion of how they project the
6 future health of the City.

7 We look at it a little more
8 myopically. We look simply at it -- And I
9 don't mean simply at all, but we look at it
10 from a tax perspective.

11 We believe very clearly that if we
12 don't do something, and to show others
13 outside of Philadelphia, even the financial
14 institutions, that we are making an attempt
15 to make Philadelphia more competitive and
16 to retain its business, then we think that
17 that outcome that you have just talked to
18 us about becomes more dire.

19 COUNCILMAN RAMOS: They state in
20 this article that there are two factors
21 that have given Philadelphia a negative
22 outlook.

23 It says, one, our currently strained
24 financial position; and, two, declining
25 reserve levels.

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2 So let me just ask you this: Isn't
3 it fair to say that enacting the full tax
4 reform package, without figuring out how to
5 pay for it, is just the kind of thing that
6 could negatively affect the City's bond
7 rating?

8 MR. MANDEL: I -- I don't know --

9 COUNCILMAN RAMOS: Because they will
10 want to see, you know, where is revenue
11 going to come from so that we can -- And
12 this process -- I'm not a financial expert
13 like you guys are.

14 But for us to go back to stable,
15 that's a steep climb. And what I am
16 concerned about is, if all these tax reform
17 bills are passed -- again, I've looked at
18 them very favorably -- are we then going to
19 be in a position where we're going to be
20 affected negatively with our City's bond
21 rating?

22 MR. MANDEL: The credit rating
23 agencies care about one thing primarily:
24 Will we be able to pay our bills.

25 COUNCILMAN RAMOS: Right.

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2 MR. MANDEL: What they see in the
3 foreseeable future is that we're a City
4 that is declining, and we are trying to
5 spend still a lot of money. If we try to
6 spend a lot of money in decline, it makes
7 it difficult for to us pay our bills.

8 COUNCILMAN RAMOS: Are you saying
9 that if we enact all the tax reform bills,
10 that this would not impact negatively on
11 the City's bond rating.

12 MR. MANDEL: Certainly the credit
13 agencies will have their say, but...

14 COUNCILMAN COHEN: Could you speak
15 into the microphone, please, so I could
16 hear it.

17 MR. MANDEL: Certainly.

18 The credit rating agencies will
19 certainly have their say, but what we
20 suggest is that with tax reform we have a
21 chance to grow. Short of tax reform,
22 nothing in the City's recent history,
23 nothing in the City's prior history
24 suggests that we are going to grow.

25 COUNCILMAN RAMOS: But in the

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2 equation -- And you've made this very
3 clear, that you depend on other factors to
4 make that happen.

5 Let's say that those factors --
6 Let's say slot machines never -- slots
7 never come to be or they'll come to be
8 maybe later on. And you have taken that
9 under consideration. Doesn't that -- And
10 if that doesn't happen, doesn't that impact
11 negatively on our bond rating?

12 MR. MANDEL: It could, certainly.
13 There's no mystery to our problem. Right
14 now we're trying to spend a lot of money
15 that perhaps we don't have. We're not
16 growing enough to spend the revenues that
17 we would like to.

18 We can either grow and spend that
19 money into the future or continually find
20 ways to cut and cut and cut as we decline.

21 If we are disciplined right now, we
22 believe the tax reform will allow to us
23 grow into the future. If we are not
24 disciplined to do tax cuts, then we'll have
25 to continue to be disciplined every year

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2 and look at new things to cut.

3 COUNCILMAN RAMOS: Yeah, but there's
4 no assurances of that in the bonding, and
5 our bond rating is going to depend a lot on
6 assurances on real dollars that they can
7 pin that and say, well, this City is now
8 moving out of this hole. And that's -- You
9 know, that's -- that's a concern, after
10 taking a look at this report, that I --
11 that I -- that I -- that I read this
12 weekend, that I didn't see how you took any
13 of this -- You didn't take this scenario,
14 with our bond rating, into consideration.

15 I think maybe this should be
16 something that you guys can take a look at,
17 and see if, in fact, you know, there's a
18 positive out of this.

19 Right now what it seems like to me
20 is that if we do these tax reform bills,
21 according to this report in Moody's, that
22 our bond rating will continue to be
23 considered negative, unless -- you know,
24 unless all these other, you know, factors
25 come about.

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2 And there's no... you know, you have
3 not made the case enough and... or any of
4 us here that all these things will happen.

5 I think we will need to take a look
6 and see hypothetically if any of the
7 support from Harrisburg will actually come
8 to a fact, and there we'll be able to see
9 if we can, again, bring up our bond rating.

10 MR. THORNBURGH: Councilman, let me
11 just, if I might, respond to your question.
12 I think it's very important to go back to
13 the sort of the size or the magnitude, the
14 fiscal magnitude of the Tax Reform
15 Commission proposals in the first couple
16 years, and I think ballpark the net
17 difference between the Administration's
18 proposal and the Tax Reform Commission
19 proposal is about \$7 million in the first
20 year. Okay?

21 And it plays out in the next couple
22 years. And I'm sure Brett knows the
23 number. I would suggest that these are
24 manageable numbers in the short term.

25 I would also reflect back to an

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2 earlier conversation that says, while this
3 is a long-term strategy in investment in
4 growth, that there is nothing -- I think
5 the Tax Reform Commission understood well
6 that mid course corrections or a correction
7 after two years or after three years,
8 depending on how the balance of revenues
9 and expenditures looks at that time, is
10 absolutely a possibility and certainly well
11 within your powers in working with the
12 Mayor.

13 So, my take on the Tax Commission
14 proposal is, it is a long-term plan that
15 suggests that in order to be competitive,
16 we have to follow the long term, but there
17 are multiple opportunities for corrections
18 and changes.

19 And if the bond -- My
20 understanding -- And I'm... My
21 understanding is that rating agencies are
22 very short-term focused on, essentially,
23 the question that Brett raised: Can you
24 pay your bills today, tomorrow or the next
25 week, and in the short-term.

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2 So, I think that there's a
3 manageable impact right now on the budget,
4 and I think that we anticipate that those
5 jobs and property values will rise in the
6 short term. If those don't come as fast as
7 the proposal estimates, I think that
8 there's also room for mid course
9 corrections.

10 COUNCIL PRESIDENT Verna: Councilman
11 Ramos, your time has been up. So, if you
12 don't mind.

13 COUNCILMAN RAMOS: Councilwoman,
14 you're --

15 COUNCIL PRESIDENT Verna: You can go
16 on the next go-around.

17 COUNCILMAN RAMOS: You're the leader
18 here, so...

19 COUNCIL PRESIDENT Verna: Thank you.
20 Mr. Mandel, I believe Councilman Goode
21 asked you some time ago about what the
22 impact be on the three bills. Do you have
23 that information now?

24 MR. MANDEL: I think we're going to
25 have to get that information to you as soon

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2 as we can.

3 COUNCIL PRESIDENT Verna: I beg your
4 pardon?

5 MR. MANDEL: I think we're going to
6 have to get that information to you at a
7 future date. We've already discussed with
8 staff. They don't seem to have it on them.
9 We'll make sure we get that as soon as we
10 can.

11 COUNCIL PRESIDENT Verna: Councilman
12 Goode.

13 COUNCILMAN GOODE: Is it possible
14 that Bill 12 will cost a hundred million
15 dollars?

16 MR. MANDEL: Remind me which one is
17 Bill 12.

18 COUNCILMAN GOODE: Bill 12 is the
19 partnership bill.

20 MR. MANDEL: Over five years?

21 COUNCILMAN GOODE: Yes.

22 MR. MANDEL: It's possible.

23 COUNCILMAN GOODE: How hard is it to
24 figure that out?

25 MR. MANDEL: Again, I don't have any

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2 of the numbers in front of me. If I can
3 recall correctly, I think that, forgetting
4 any dynamic effect, the first-year impact
5 was about 20 million. That's my number.

6 COUNCILMAN GOODE: Does that line on
7 the table help you calculate it?

8 MR. MANDEL: I wouldn't doubt these
9 numbers. Again, I would say that they are
10 affected dynamically --

11 COUNCILMAN GOODE: Do you know?

12 MR. MANDEL: -- by the cuts in the
13 Wage Tax, so if you --

14 COUNCILMAN GOODE: That's not my
15 question. My question is, if over five
16 years it costs in revenue maybe \$236
17 million, and maybe I can accept the package
18 of business tax proposal bills.

19 All I asked you to do was break it
20 out, in terms of Bill 10, Bill 12, Bill 17.
21 If you have Bill 10 or have Bill 12, Bill
22 17, in terms of individual information, you
23 can offer me that information. But it
24 seems that you don't want to offer me that
25 information.

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2 If you have partial information,
3 give me partial information. I want to
4 know the cost of those three bills.

5 Separately; not just as a package.
6 I play vote for them as a package. But you
7 at least owe us that type of information of
8 giving us the cost of those bills.

9 And if you don't have one or two of
10 the bills until tomorrow or Wednesday,
11 that's fine. But if you do have the cost
12 of Bill 12, tell me how much Bill 12 costs.

13 MR. MANDEL: I will sick Jodi
14 Bradwell on you, and hopefully she can give
15 you a better answer than I can.

16 MS. BRADWELL: And I actually can't
17 give you a direct answer right now for that
18 information, Councilman, but I'll...

19 COUNCIL PRESIDENT VERA: Please
20 identify yourself for the record.

21 MS. BRADWELL: My name is Jodi
22 Bradwell.

23 COUNCIL PRESIDENT VERA: I'm sorry.
24 You're going to have to speak into the
25 microphone.

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2 MS. BRADWELL: I'm sorry. My name
3 is Jodi Bradwell. I'm a former staff
4 member of the Tax Reform Commission.

5 And I am going to attempt to respond
6 to Council member Goode's question, but I
7 cannot give you the information today.

8 The reason is that we have a lot of
9 spreadsheets. I did not prepare them. And
10 I'm sitting here trying to dig through
11 them, trying to figure what the difference
12 ones are because we have the basic
13 spreadsheet that puts them all together.

14 And when you do these calculations
15 in Excel, what we had to do was, we --
16 we... To get you the -- To get the
17 figure -- Now, I'm not going to dance
18 around it. I'm going to explain to you why
19 I can't just, like, come and look at this
20 and give you an answer. But we had to take
21 the revenue projections...

22 MR. MILLER: Councilman Goode.

23 COUNCILMAN GOODE: Yes.

24 MR. MILLER: If it would be all
25 right with you, can we simply respond to

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2 you in kind, say by Wednesday, to give you
3 that information, rather than sort through
4 it? I think we understand specifically
5 what you asked, the breakdown of the cost
6 of the individual bills.

7 COUNCILMAN GOODE: The additional
8 question was whether you can break down any
9 cost of any bill, not just whether you can
10 break down 10, 12 and 17.

11 But if can you only break down 12 or
12 you can only break down 10, you can give me
13 that. Can you break down anything?

14 MS. BRADWELL: Can I... Yeah, by
15 Wednesday I can give you certain... I'll
16 give you every blessed thing I can get you
17 by Wednesday. I can assure you I... You
18 know, it's...

19 COUNCILMAN GOODE: Mr. Mandel...

20 MS. BRADWELL: -- discussing
21 something --

22 MR. MANDEL: Will you approach the
23 witness table, please?

24 MS. BRADWELL: Pardon me?

25 MR. MANDEL: Yes, sir.

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2 COUNCILMAN GOODE: Did you not know
3 that I was going to ask you the cost of
4 Bill Number 12?

5 MR. MANDEL: I'll be honest with
6 you. This is a conversation that we've
7 been having since the Commission worked on
8 these numbers: Can we break them down
9 specifically, individually.

10 And we have been working on them.
11 Jodi and I have been trading e-mails. I
12 put poor Judy through heck trying to dig
13 through all the spreadsheets that she has.

14 So, we've been working on it. I was
15 crossing my fingers that we would have you
16 an answer today.

17 COUNCILMAN GOODE: But you did know
18 I was going to ask the question.

19 MR. MANDEL: Jodi can tell you we've
20 been back and forth on this in e-mail form.
21 Yes. Yes.

22 COUNCILMAN GOODE: Thank you, Madam
23 President.

24 COUNCIL PRESIDENT VERNA: And you
25 will have that breakdown for us by

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2 Wednesday?

3 MR. MANDEL: Yes.

4 COUNCIL PRESIDENT Verna: Now, will
5 that be on all of the bills?

6 MR. MANDEL: Jodi, can I say yes?

7 MS. BRADWELL: Well, you'll have to
8 work with me.

9 MR. MANDEL: Yes.

10 COUNCIL PRESIDENT Verna: Thank you.

11 The Chair recognizes Councilman
12 Cohen.

13 COUNCILMAN RAMOS: Madam President,
14 point of order.

15 COUNCIL PRESIDENT Verna: Yes;
16 Councilman Ramos.

17 COUNCILMAN RAMOS: I just wanted to
18 piggyback on the request of Councilman
19 Goode because I would want to get that
20 information as well, to see how, in fact,
21 this impacts on our bond rating, given that
22 Moody has classified us as negative.

23 Thank you, Madam President.

24 MR. MILLER: Excuse me. Madam
25 President, in response to your request,

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2 Councilman Ramos, we'll do our best as it
3 relates to Councilman Goode.

4 But I must add that the Tax Reform
5 Commission has been disbanded and its staff
6 has been released.

7 And never at any point during our
8 relationship was the Tax Reform Commission
9 responsible for financial analysis, as it
10 relates to those issues.

11 We will certainly endeavor to make
12 those queries. As far as Councilman
13 Goode's question with regard to specifics
14 in our tax reform package, we will do it as
15 volunteers. We'll work diligently to get
16 you that information on Wednesday.

17 COUNCILMAN RAMOS: Madam President,
18 point of order. I understand the dilemma
19 of the group forward.

20 But if they're engaging us to
21 approve all these tax reform bills and
22 their recommendations, we need to know how
23 much all of this is going to cost. I think
24 it's only fair. We've pressured the
25 Administration to give us more information.

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2 They finally, at least in my view,
3 gave us a little bit more information this
4 morning. At least I was able to understand
5 and get a clearer sense, I think, at least
6 for today, where they're at.

7 I don't know. If you cannot -- If
8 the forward group cannot provide us with
9 that, maybe this is a point where we engage
10 the consultant, Crawford & Company, to
11 assist us in getting those numbers because
12 how can we -- how can we entertain the
13 possibility of voting on all these bills if
14 we don't know how much it's going to cost
15 us?

16 I mean, the two that Councilman
17 Goode has asked for is fine. And that will
18 give us some kind of idea. But there's a
19 whole lot more than two.

20 COUNCIL PRESIDENT VERNA: All right.
21 Mr. Miller.

22 MR. MILLER: Yes, Madam President.

23 We understand that, Councilman
24 Ramos. We have a second panel that will
25 follow us. We will then confer afterwards

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2 to see, to the best of our ability, that we
3 can get your information.
4 COUNCILMAN RAMOS: Thank you.
5 MR. MILLER: Sure.
6 COUNCIL PRESIDENT VERNA: Thank you.
7 Councilman Cohen.
8 COUNCILMAN COHEN: Well, I wanted
9 to say the most sense I've heard in these
10 discussions so far has come from Councilman
11 Rojas and Councilman Goode.
12 COUNCILMAN RAMOS: Ramos.
13 COUNCILMAN COHEN: Ramos and Goode.
14 COUNCILMAN RAMOS: My compadre.
15 COUNCILMAN COHEN: Rojas is a great
16 ballplayer. And you are, too.
17 Mr. Mandel, why are you called the
18 Tax Reform Commission? What's so wonderful
19 about the word reform?
20 See, when you say reform, you
21 already color your -- You want to improve
22 something, people think.
23 And yet I have not heard a single
24 word as to why you would consider yourself
25 reform. I don't know who's going to be

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2 benefiting and who's going to get hurt.

3 I don't know what rich man is going
4 to start crying in his beer because you're
5 imposing a bigger tax on him, and what rich
6 man may be cheering.

7 Do we know who's going to be
8 benefiting by these various proposals?
9 Seems to me, from the small amount I know,
10 is that there seems to be a shuffling of
11 the chairs.

12 Some people are going to benefit,
13 but I don't see -- and some people are
14 going to get hurt. But I don't see any
15 gains.

16 For example, I thought to improve
17 housing, that would invite more people into
18 Philadelphia, we were thinking of how do we
19 build homes a little more like suburban
20 homes. How do we get a little more ground
21 around our homes so people don't feel
22 they're living just in row houses.

23 And then you come along with, let's
24 have a land use tax and make land so
25 expensive that we can't do that. So you

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2 upset that proposal. I don't know --

3 (Applause.)

4 COUNCILMAN COHEN: I just don't know
5 where you're going or what you hope to
6 achieve. And I don't know what your
7 qualifications are. And I know
8 Councilman... I said Rojas.

9 COUNCILWOMAN MILLER: Ramos.

10 COUNCILMAN COHEN: You know, my
11 children know me well enough to know if I
12 miscall them by name one day, I'm going to
13 call them that forever. So you're going to
14 be Councilman Rojas forever, probably, in
15 my memory.

16 (Laughter.)

17 COUNCILMAN RAMOS: I'll check with
18 your children.

19 COUNCILMAN COHEN: But tell us about
20 who we're going to benefit, who we're going
21 to get hurt. Where do these ideas come
22 from?

23 Tell us... For example, I
24 understand that on land use tax -- Maybe
25 I'm wrong, but I haven't heard anybody

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2 explain enough so I have any answers.

3 I understand that if the land plot
4 downtown in a giant 50-story building, if
5 the land plot or the footprints or whatever
6 you call it in the real estate market, are
7 no bigger than, say, a normal house, the
8 taxes are going to be about the same.

9 Now, if you use land value, and you
10 don't consider anything else important, you
11 use the same amount of land that might be
12 used for an ordinary home, it can be used
13 for a skyscraper building. And your taxes,
14 as I understand it, are going to be pretty
15 much the same.

16 Now, is that true or isn't it true?
17 And if they're going to be different, how
18 are they going to be different? What's the
19 basis for the difference, and so forth?

20 We're being asked to pass all kinds
21 of things we have no understanding of. And
22 basically I start with the first thing. I
23 don't know why you people should be
24 benefited by starting out by being called
25 reformers. I don't think you're reformers.

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2 I think I'm a reformer. Maybe I'm a
3 strong reformer. Maybe I'm too strong for
4 most people. But I want to change things.
5 And if we're going to -- If you're
6 proposing changes, I'd like to know what
7 the changes are and how they're going to
8 impact on us before we vote.

9 It's too late after we vote these
10 bills in, and people start crying to us.
11 We can't say in Council, gee, we didn't
12 understand it. We were told this wasn't
13 going to be true.

14 Because then they'd say, well, you
15 ought to all quit. Why didn't you find out
16 first before you voted? That's the
17 situation we're in. We're trying to get
18 information and we don't have it.

19 So first I'd like to ask any one of
20 you to say why you think you're tax
21 reformers. What are you reforming? What
22 do you hope to achieve as a result of all
23 of your proposals? And let's begin testing
24 it.

25 And then secondly I'd like to know

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2 what group of businesses are going to be
3 helped or is it just businesses or are
4 residences also going to be helped?

5 And if so, I'd like to know who.
6 And I'd like to know... Give me reasons
7 why, the example I gave you about the bank
8 building paying the same taxes as an
9 ordinary residence is not true. Give us
10 some facts so we know what we're dealing
11 with.

12 MR. MANDEL: I can briefly --

13 COUNCILMAN COHEN: That's my
14 question.

15 MR. MANDEL: I can briefly walk
16 through the major recommendations, and who
17 they benefit and how they would help the
18 City.

19 Overall the basic mission of the Tax
20 Reform Commission was to improve the City's
21 competitiveness, in terms of retaining and
22 attracting jobs and residents, in a
23 fiscally and socially responsible manner.
24 And that's certainly the charge that we
25 found ourselves with, and certainly the

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2 charge we think we accomplished.

3 COUNCILMAN COHEN: Don't go too
4 fast, now, because that's also the mark of,
5 you know, people who want to cover things
6 quickly without getting questioned too
7 hard.

8 You said businesses. Is there
9 anything for people who are not businesses?

10 MR. MANDEL: Well, let's go through
11 the recommendations theme by theme.

12 We talk about it being a
13 three-legged stool. Leg one, dramatic cuts
14 in the Wage Tax. So right now, anybody who
15 pays the Wage Tax would see their taxes
16 reduced as part of the material --

17 COUNCILMAN COHEN: When?

18 MR. MANDEL: I'm sorry?

19 COUNCILMAN RAMOS: When?

20 COUNCILMAN COHEN: When would they
21 see the Wage Tax --

22 MR. MANDEL: Wage Tax would start
23 being reduced this year and would be cut
24 all the way down to 3.25 percent for
25 residents and non-residents by 20 --

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2 COUNCILMAN COHEN: And would rich
3 people and poor people be treated the same
4 way or would there be differentials? Is
5 there any interest by your Commission in
6 that?

7 MR. MANDEL: As you know, due to the
8 Uniformity Clause in the Pennsylvania
9 Constitution, it's a proportional tax.
10 Everybody would be cut the same rate. The
11 Wage Tax reduction would --

12 COUNCILMAN COHEN: So you're saying
13 that, for example, the tax cuts by
14 President Bush are fair because everybody
15 gets them? Is that what you're saying?

16 MR. MANDEL: I would not begin to
17 speak to the Bush tax cut.

18 COUNCILMAN COHEN: The rich people
19 get more benefits by tax cuts than poor
20 people but everybody gets something. Tell
21 me how residents get helped.

22 MR. MANDEL: Residents of
23 Philadelphia who pay the Wage Tax cut would
24 see their taxes decreased dramatically. We
25 have a little check in the materials that

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2 we gave you. The average working in
3 Philadelphia would, over the next decade,
4 save more than \$3,000 in wage taxes.

5 COUNCILMAN COHEN: Mm-hmm. Can you
6 tell us how much he'd save each year? When
7 you say the average wage earner, could you
8 give us the average wage that you're
9 computing from.

10 MR. MANDEL: Right now the average
11 wager earner in Philadelphia earns about
12 \$40,000.

13 COUNCILMAN COHEN: \$40,000?

14 MR. MANDEL: A little bit north of
15 that, but yes.

16 COUNCILMAN COHEN: Mm-hmm. Is there
17 anybody here from the Revenue Department of
18 the City? I'd like to know where you get
19 that figure from.

20 MR. MANDEL: That's actually a
21 census figure, I believe?

22 COUNCILMAN COHEN: \$40,000.

23 MR. MANDEL: It's actually the State
24 Department of Labor and Industry number.

25 COUNCILMAN COHEN: Mm-hmm.

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2 MR. MANDEL: State Department of
3 Labor and Industry.

4 COUNCILMAN COHEN: And you feel that
5 it's fair that the people who are at the
6 upper levels of income get the same kind of
7 cuts as the lower income people?

8 MR. MANDEL: I don't know that we
9 debated that as a question or whether we
10 thought that was fair or not.

11 Legality... Or the law in
12 Pennsylvania, by the Uniformity Clause of
13 the Constitution, says that we can't charge
14 a higher tax rate. We can't have a
15 progressive tax rate in Philadelphia. So
16 we have no choice but to be proportional.

17 COUNCILMAN COHEN: Well, then how
18 does the government at the federal and
19 state level justify having these refunds of
20 people with lower income?

21 MR. MANDEL: The state has a program
22 and the Federal Government has a program
23 for tax forgiveness. One of the major
24 recommendations of the Tax Reform
25 Commission is that we expand funding to the

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2 Campaign for Working Families so that
3 people can access --

4 COUNCILMAN COHEN: You do what? You
5 expand... And then I lost everything after
6 that word.

7 MR. MANDEL: Expand funding for the
8 Campaign for Working Families which would
9 help people access this tax credit money.

10 Right now about \$150 million of tax
11 credits due to low income Philadelphians
12 are left on the table because people don't
13 access that money.

14 COUNCILMAN COHEN: But that's to
15 help get back taxes paid at the state or
16 Federal level.

17 MR. MANDEL: Absolutely.

18 COUNCILMAN COHEN: And you think it
19 fair at the local level that we give them
20 no refunds at all?

21 MR. MANDEL: The suggestion was that
22 right now because so many people are
23 leaving this money on the table, rather
24 than to create an additional local program
25 to complement the state and Federal

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2 program, we should invest locally to go
3 after the revenues at the federal and state
4 level.

5 If we invest \$1 million a year
6 locally to support the Campaign for Working
7 Families, we have a chance to access as
8 much as \$150 million that's currently left
9 on the table by low income Philadelphians.

10 COUNCILMAN COHEN: What's happened
11 to the concept of fairness and equity in
12 taxes? Does that no longer apply? Are we
13 agreed that the sales tax is a fair tax, a
14 tax built on sales tax principles, like the
15 Wage Tax is a fair tax? Because it taxes
16 rich and poor at the same rate?

17 MR. MANDEL: One of the
18 recommendations of the Tax Reform
19 Commission --

20 COUNCILMAN COHEN: What a backward
21 point of view that is, isn't it?

22 COUNCIL PRESIDENT VERNA: Councilman
23 Cohen... Excuse me, Mr. Mandel.

24 COUNCILMAN COHEN: Yes.

25 COUNCIL PRESIDENT VERNA: You're way

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2 over your time, so would you --

3 COUNCILMAN COHEN: Madam President,
4 I must say I think I'm much shorter than
5 any of the time spent by any of the Council
6 members --

7 COUNCIL PRESIDENT VERNA: No.
8 Everybody has been timed, Councilman.

9 COUNCILMAN COHEN: -- who I've heard
10 this afternoon.

11 COUNCIL PRESIDENT VERNA: And I
12 would suggest --

13 COUNCILMAN COHEN: And I deeply
14 resent --

15 COUNCIL PRESIDENT VERNA: -- that
16 you conclude your questioning.

17 COUNCILMAN COHEN: -- being reminded
18 of that.

19 COUNCIL PRESIDENT VERNA: Hold your
20 questioning until the next go-around.

21 COUNCILMAN COHEN: I think your
22 ruling is out of order, Madam President.

23 COUNCIL PRESIDENT VERNA:
24 Councilman, according to our chart here,
25 you have been on for 12 minutes and 56

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2 seconds.

3 COUNCILMAN COHEN: That may be, but
4 I can say I was on maybe a third or a tenth
5 of what Councilman Nutter has been on.

6 (Laughter.)

7 COUNCILMAN COHEN: Or Councilman
8 Rojas.

9 (Laughter.)

10 COUNCILMAN COHEN: I think as soon as
11 my voice comes on, you're ready to say I
12 spoke too much.

13 COUNCIL PRESIDENT Verna: Come on.
14 Councilman, seriously, you're going to have
15 to wait for the next go-around. We have a
16 screen full.

17 COUNCILMAN COHEN: Well, I'd like
18 you to just use one time limit for
19 everybody. And then keep going around
20 until we get a chance. I'm not --

21 COUNCIL PRESIDENT Verna: I'm going
22 to have to put the bell right up to the
23 mike. I mean, you've been on for --

24 COUNCILMAN COHEN: But I object to
25 disproportionate uses.

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2 COUNCIL PRESIDENT Verna: But you
3 may not hear.

4 COUNCIL PRESIDENT Verna: Okay.
5 Councilman Kenney.

6 COUNCILMAN RAMOS: Point of order,
7 Madam President.

8 COUNCIL PRESIDENT Verna: Yes.

9 COUNCILMAN KENNEY: Stop my clock.
10 Time's running.

11 COUNCILMAN RAMOS: Madam President,
12 I'll yield my time to my good Councilman
13 Shapiro.

14 (Laughter.)

15 (Applause.)

16 COUNCIL PRESIDENT Verna: Okay.
17 Councilman Kenney.

18 (Laughter.)

19 COUNCIL PRESIDENT Verna: Councilman
20 Kenney.

21 We have so many people that have
22 been waiting. I think this is very unfair.

23 Councilman Kenney.

24 COUNCILMAN KENNEY: Thank you, Madam
25 President.

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2 Can we just go back a moment. Maybe
3 Mr. Thornburgh or someone else at the table
4 could kind of talk a little bit about what
5 happens if we stayed the course we're on
6 now.

7 If we continue to spend the way we
8 spend, if we continue to incrementally
9 reduce the tax structure rates in the City,
10 Wage Tax and Business Taxes, what do you
11 project in the way of slow, bleeding death
12 of jobs and citizens?

13 And if that's the case, into the
14 future, without some bold step, it's never
15 going to be the right time to do this
16 because we're going to continually have
17 less and less money, and less and less
18 people, and less jobs with which to have a
19 tax base at all.

20 Could you kind of like talk about
21 the scenario of just staying the steady
22 course and doing what we've been doing and
23 spending the way we're spending.

24 MR. THORNBURGH: Councilman Kenney,
25 I think I would agree with your ominous

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2 sense of the future, absent the kind of
3 change that we're talking about.

4 I would remind you that, you know,
5 through the first five or six five-year
6 plans... actually, seven or eight five-year
7 plans in the Rendell Administration, the
8 numbers from Professor Inman were quoted
9 often and prominently about the damaging
10 impact that Philadelphia taxes had had on
11 jobs in the City.

12 And I think his last number was that
13 it's cost us about 210,000 jobs. I have
14 never seen anything singled out as being a
15 big -- for such a big loss of jobs in the
16 City than that. And I think this chart, as
17 of April 2004, suggests that the world
18 knows that.

19 And the world's going to continue to
20 react accordingly. And what that means is
21 that we will continue to lose opportunities
22 for investment, for growth. Our commercial
23 property base will stagnate, as it has
24 since the late '80s, absent kind of
25 quick-fix, one-off, big-ticket subsidy

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2 kinds of deals.

3 I think our property values will
4 continue to stagnate, recognize that at
5 about \$60,000, our median property values
6 are about a quarter of what they are in the
7 City of Boston.

8 I think that, as someone suggested,
9 that what we have had in this City is not
10 blight as a once and done condition, but
11 we've had a blight machine. And that's
12 what's spewed out 60,000 abandoned lots and
13 abandoned structures in the City.

14 In fact, I remember the Reinvestment
15 Fund as part of the planning for NTI did a
16 roll forward of what the City would look
17 like in the year 2020, in terms of blight
18 and abandonment.

19 And when we give that presentation,
20 and when they did it, it is always the
21 slide that causes people to gasp because
22 you can see in the City of Philadelphia
23 almost no contiguous census tracts that
24 aren't marked by heavy levels of blight and
25 abandonment.

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2 COUNCILMAN KENNEY: Yeah. We've had
3 a pretty bad economy recently. And a lot
4 of what is being credited with this
5 deficit, although I don't agree with it, is
6 the economy.

7 And it's certainly probably not
8 going to get as strong as it was during the
9 dot com craze. So even projecting with a
10 relatively stable economy, do you still
11 believe that those factors are, in fact,
12 true and we'll continue that downward
13 slide, even if the economy is a little bit
14 better?

15 MR. THORNBURGH: There's a simple
16 kind of a supply and demand observation at
17 work here. If you're going to be a high
18 cost environment, you have to be able to
19 deliver extraordinary value. And I would
20 suggest there are places like that in the
21 world.

22 COUNCILMAN KENNEY: New York City?

23 MR. THORNBURGH: Excuse me?

24 COUNCILMAN KENNEY: New York City,
25 for example.

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2 MR. THORNBURGH: New York City. New
3 York City for some businesses, you have to
4 be in New York. If you're going to be by
5 and large in the financial services
6 business, you have to have a footprint in
7 New York.

8 And that shows up in the high
9 property values. That shows up in the
10 rents for commercial space. And it hasn't
11 shown up in Philadelphia.

12 COUNCILMAN KENNEY: Taking all those
13 factors into consideration and
14 extrapolating forward, loss of population,
15 loss of jobs, you would also agree that we
16 are not going to lose our need for services
17 to be provided for people who are
18 increasingly older increasingly poorer and
19 increasingly more in need.

20 So those service requirements are
21 going to continue to grow at the same time
22 our jobs and our tax base shrinks, correct?

23 MR. THORNBURGH: I think it has been
24 pointed out today, if that's the future, if
25 we continue to roll forward, the choices

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2 get tougher and tougher and tougher. We're
3 simply not --

4 COUNCILMAN KENNEY: So my ending
5 point, because my time is up, is that the
6 more you put it off, the harder it's going
7 to be to do, and the probability that it's
8 never ever going to get done, then
9 fulfilling this prophecy of ultimate death.

10 MR. THORNBURGH: Yes.

11 COUNCILMAN KENNEY: Thank you.

12 COUNCIL PRESIDENT VERNA: Thank you.

13 The Chair recognizes Councilman
14 Clarke.

15 COUNCILMAN CLARKE: Thank you, Madam
16 President.

17 Briefly, getting back to this whole
18 real estate issue, maybe you can explain it
19 to me.

20 Recommendation seven. Do you have
21 that before you? In the executive summary?

22 MR. MANDEL: Seven in the report?

23 COUNCILMAN CLARKE: It's about the
24 budget-based property taxation. Explain
25 that to me. I mean, I know in the document

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2 it talks about being able to ensure that
3 there's no drastic windfall, in terms of
4 the City's ability to get revenue as a
5 result of... It also works the other way.
6 If there's a substantial gap in the budget
7 that, based on what I'm reading, it also
8 gives us the ability to increase revenue
9 from real estate to fill that budget gap.
10 Is that your...

11 MR. MANDEL: Currently in
12 Philadelphia, we set the tax rate for the
13 year before July 1st. And then we complete
14 our reassessment of properties.

15 If that reassessment says that the
16 value of the City has increased, then the
17 City generates more money from real estate
18 taxes, even though Council and the Mayor
19 have not increased the taxes on real
20 estate.

21 COUNCILMAN CLARKE: I understand
22 that.

23 MR. MANDEL: That's the way it works
24 in Philadelphia.

25 In most other jurisdictions,

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2 locally, around the country, around the
3 world, it's the opposite.

4 First, the assessments are done.

5 And then the elected officials set the
6 rate. So, the elected officials, knowing
7 full well what it is that the assessments
8 should bring in, then say, this is the tax
9 rate to bring in however much money we want
10 to bring in.

11 When the Tax Reform Commission
12 looked at that issue, of budget-based real
13 estate tax, what we suggested is that right
14 now because Council says, this is the rate
15 that we think is appropriate, if
16 assessments dramatically increased, we may
17 be bringing in more money than Council
18 would have otherwise chosen to bring in
19 from the real estate tax.

20 Similarly, as you suggest, the other
21 way around --

22 COUNCILMAN CLARKE: Let's talk about
23 the flip side.

24 MR. MANDEL: -- if there is a fall
25 or a decrease in real estate values, and

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2 you thought 8.264 percent, this should
3 bring us \$350 million, but assessments have
4 fallen, we might bring in less money than
5 Council needs and desires to serve the
6 citizens.

7 By flipping the situation --

8 COUNCILMAN CLARKE: Hold on. Hold
9 on. Slow down there.

10 MR. MANDEL: Sure.

11 COUNCILMAN CLARKE: If there's a gap
12 in the budget beyond what we anticipated in
13 the overall budget, then you can also
14 increase the assessments, to ensure that
15 you can fill that gap.

16 MR. MANDEL: Well, you can't --

17 COUNCILMAN CLARKE: But it's not
18 solely based on -- You say budget based.
19 It's not just dealing with real estate.
20 It's dealing with the entire budget. Am I
21 wrong or --

22 MR. MANDEL: No; this is just
23 dealing with real estate. Real estate is
24 the only tax that behaves that way. Wage
25 Tax...

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2 COUNCILMAN CLARKE: I understand
3 that. Right.

4 Does this have any relationship to
5 the City's overall budget?

6 MR. MANDEL: The budget based
7 system?

8 COUNCILMAN CLARKE: Yes.

9 MR. MANDEL: To the extent that we
10 say right now you as Council people don't
11 set --

12 COUNCILMAN CLARKE: Brett, Brett,
13 does this have anything to do with the
14 City's overall budget, this proposal?

15 MR. MANDEL: Yes.

16 COUNCILMAN CLARKE: All right.
17 That's all I asked you.

18 So, therefore, if there's a
19 substantial gap in the budget, there's the
20 ability to massage this to fill that gap
21 with increasing assessments.

22 MR. MANDEL: No.

23 COUNCILMAN CLARKE: Why not?

24 MR. MANDEL: Right now assessments
25 are performed. Assessments, at least in

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2 theory, are performed as a science.

3 COUNCILMAN CLARKE: I'm not talking
4 about --

5 MR. MANDEL: The BRT goes out --

6 COUNCILMAN CLARKE: Excuse me a
7 minute. I'm not talking about right now.
8 I'm saying if this is implemented.

9 MR. MANDEL: Then you don't mean
10 assessments. You mean the rate.

11 COUNCILMAN CLARKE: The rate.

12 MR. MANDEL: Yes. If you're -- The
13 assessment then would be set. You,
14 Council, get a chance to then set the rate.
15 Assessments say that the City is worth
16 this. We say --

17 COUNCILMAN CLARKE: To increase
18 revenue.

19 MR. MANDEL: Right. Okay.

20 COUNCILMAN CLARKE: To fill the
21 budget gap.

22 MR. MANDEL: It's the rate that you
23 can set.

24 COUNCILMAN CLARKE: Whatever. To
25 fill the budget gap.

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2 MR. MANDEL: Sure.

3 COUNCILMAN CLARKE: Right. I just
4 want to make sure that I'm understanding
5 that because this is a budget based system,
6 if there's a substantial gap in the budget,
7 some of the projections don't work.

8 And I'm still not clear,
9 particularly about this job creation issue,
10 that it will, in fact, work. And then we
11 subsequently will have to increase the rate
12 of real estate to fill that budget hole.

13 MR. MANDEL: Right. That's the
14 next --

15 COUNCILMAN CLARKE: -- It could
16 potentially be substantial.

17 MR. MANDEL: Right. That's the...
18 Depending on what happens with assessments.
19 In theory, assessments could go up so much
20 that you could actually decrease the rate
21 and still increase the amount of money the
22 City brings in, in terms of real estate
23 year over year.

24 COUNCILMAN CLARKE: Right. But I
25 want to talk in terms of revenue. Because

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2 we're talking about the overall budget.

3 MR. MANDEL: Right.

4 COUNCILMAN CLARKE: Regardless of
5 how you get to increasing the real estate
6 with the assessments or with the rate, at
7 the end of the day you're increasing
8 revenue to fill the budget gap.

9 Because from what I said earlier,
10 when I look at these -- when I look at some
11 of the recommendations and there appears to
12 be a shift to make sure -- to -- a shift in
13 increase in real estate revenues to offset
14 some of the reductions in the Wage and the
15 Business Tax, I just want that to be clear,
16 that that's what we're talking about.

17 MR. MANDEL: Well, I would say that
18 the most attractive thing from a
19 Councilmanic perspective on this change is
20 that right now you are powerless to change
21 the tax burden on people once the
22 assessment is set.

23 COUNCILMAN CLARKE: I understand.

24 MR. MANDEL: Under the budget based
25 system, the assessment is set, and then you

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2 have all the power in the world to increase
3 the rate, decrease the rate or maintain it
4 the same.

5 COUNCILMAN CLARKE: I understand
6 that.

7 MR. MANDEL: Okay.

8 COUNCILMAN CLARKE: I'm not
9 finished, but I'll...

10 COUNCIL PRESIDENT Verna: Thank you.

11 The Chair recognizes Councilman
12 Nutter. And I want you to know, Councilman
13 Nutter, that Councilman Cohen is paying
14 very close attention to your five minutes.

15 (Laughter.)

16 COUNCILMAN NUTTER: Thank you, Madam
17 President.

18 COUNCILMAN COHEN: (Microphone not
19 on; not reportable.)

20 COUNCIL PRESIDENT Verna: You're
21 right.

22 Councilman Nutter.

23 COUNCILMAN NUTTER: Thank you, Madam
24 President. Recognizing that, and to give
25 some sense of the ability to think on my

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2 feet, actually I'd like to yield my time to
3 Councilman Cohen.

4 COUNCIL PRESIDENT Verna: Councilman
5 Cohen.

6 COUNCILMAN COHEN: Well, I'm
7 interested solely in the answers to the
8 question about fairness and equity.

9 I've heard nothing from the Tax
10 Commission as to their belief as to the
11 role of fairness and equity in the tax
12 reform system.

13 MR. MANDEL: Perhaps I can instruct
14 you to look at the chart that was put up
15 right over there in front of you.

16 The fairness issue, I think we
17 addressed mainly in terms of the real
18 estate tax in Philadelphia.

19 And what you can see in that chart
20 in front of you is that the purple
21 neighborhoods are disproportionately under
22 assessed in Philadelphia. They are paying
23 a lower percentage of their property's
24 worth, in terms of property tax, than the
25 orange neighborhoods.

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2 COUNCILMAN COHEN: The orange areas
3 are?

4 MR. MANDEL: The purple
5 neighborhoods, as you can see: Chestnut
6 Hill, Center City, Northeast, Overbrook.
7 Right now those houses, mine among them --
8 I live in Center City -- are under
9 assessed.

10 The orange properties are over
11 assessed. They are paying, in some cases
12 more than -- paying taxes on more than a
13 hundred percent of the worth of their
14 property.

15 If we go to one hundred percent
16 valuation, we will make that fairer, so
17 that everybody will be paying an
18 appropriate amount.

19 For good or for bad, that means
20 that, just looking at property taxes, the
21 properties in the purple neighborhoods
22 would be asked to pay more, in terms of
23 property tax; the properties in the orange
24 neighborhoods would be asked to pay less,
25 in terms of property tax.

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2 Again, putting this in perspective
3 about the three-legged stool, that's one of
4 the reasons why we would say dramatically
5 reduce the Wage Tax, dramatically reduce
6 the Business Tax, because certain people in
7 the City who have been getting a break on
8 their real estate taxes because of the way
9 we assess properties wouldn't benefit so
10 much from this particular recommendation.

11 The other real estate tax
12 recommendation that benefits, in terms of
13 fairness and equity, we absolutely believe
14 that land value taxation would shift the
15 values appropriately.

16 Under land value taxation, 80
17 percent of residents across the City would
18 actually see their bills on real estate tax
19 decrease.

20 You would take the shift from
21 productive property owners who are making
22 good use of their properties, maintaining
23 and improving their properties, and you
24 would shift it onto property owners who are
25 not maintaining their properties or who are

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2 speculating on properties. That's
3 absolutely a fairness issue that we thought
4 was very important.

5 There's some fairness aspects in the
6 Business Tax as well. Right now, as we
7 suggested before, sole proprietors and
8 partnerships pay a higher Business
9 Privilege Tax burden or higher tax burden
10 overall than their corporate competitors.

11 That means that mom and pop stores,
12 sole proprietorships, actually pay more, in
13 terms of taxes, Business Tax, than, say,
14 Wal-Mart or any of their corporate
15 competitors.

16 By allowing partnerships to deduct
17 their payments to partner against their
18 Business Privilege Tax burden, that reduces
19 their burden and puts them on a fairer
20 standing with their corporate competitors.

21 COUNCILMAN NUTTER: Point of
22 information.

23 COUNCIL PRESIDENT VERNA: Yes. The
24 Chair recognizes Councilman Nutter for a
25 point of information.

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2 COUNCILMAN NUTTER: Thank you, Madam
3 Chair. And let me assure you I'm not
4 trying to reclaim the time.

5 Mr. Mandel, why don't you try to do
6 your best to put some of us out of the
7 collective misery.

8 You are not being responsive to what
9 Councilman Cohen is talking about. And the
10 particular population that his earlier
11 question was about when he had the floor
12 had to do with primarily low income
13 taxpayers, the working poor.

14 Having a discussion with him about
15 tax fairness, in the context of what
16 partners are doing in terms of deductions,
17 is a disconnected discussion. It has
18 nothing to do with the real issue.

19 The issue that Councilman Cohen is
20 raising is that people who happen to be
21 lower income, who also happen to work, who
22 make less than a certain amount of money,
23 don't have to pay the state income tax
24 which is presently, what? Two one, two
25 eight?

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2 MS. MATLOCK-TURNER: Went to 307.

3 COUNCILMAN NUTTER: Went to 307, as
4 a result of the other thing. I mean, you
5 know, they just take it out of the check.
6 Kind of doesn't matter.

7 And are able to claim earned income
8 tax credited. At the same time, the same
9 group of people have to pay a City Wage Tax
10 which is actually higher than the state
11 income tax.

12 What Councilman Cohen is chasing you
13 around about -- and you just need to
14 confront the issue directly -- is, the Tax
15 Reform Commission initially did not look at
16 this particular issue, I think. You'll
17 correct me if I'm wrong.

18 Subsequently there was discussion
19 about this issue. You looked at the issue,
20 and decided for whatever reason -- and just
21 put on the record what the reason was --
22 that of all the other things you were
23 looking at, this one did not qualify for
24 your recommendation because you have other
25 things that you're looking at, whether it's

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2 your earlier response that the same group
3 of people are leaving earned income tax
4 credit dollars on the table, and that you
5 want to continue to chase after those; you
6 didn't want to set up a new program at the
7 City level, where the same thing might
8 happen, although in that case, actually the
9 people are working, the employer could not
10 take it out of their pay, they'd have it in
11 their pocketbook in the first place, and
12 just tell the Councilman why the Tax Reform
13 Commission did or did not do or recommended
14 or did not recommend whatever it
15 recommended or didn't recommend, with
16 regard to his issue on low income working
17 people, and not having the same
18 deductibility, with regard to the Wage Tax
19 that the same population has with regard to
20 state or federal taxes. Just answer the
21 question; please.

22 COUNCILMAN COHEN: They won't answer
23 it because they're ashamed of the fact that
24 they gave no relief to working poor and the
25 ordinary poor. They're not interested.

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2 They're only interested in dividing up
3 taxes --

4 COUNCILMAN NUTTER: Well, I don't
5 know what their motivation is, but I tried
6 to tee it up. Maybe we'll actually get an
7 answer, and then, you know...

8 COUNCILMAN COHEN: Well, I thank
9 you for that, Councilman Nutter.

10 COUNCILMAN NUTTER: ...we'll go to
11 another place.

12 MR. MILLER: Councilman Nutter,
13 thank you for the clarity.

14 And Councilman Cohen, we did have
15 extensive discussion about that issue. The
16 conclusion of at least 14 members of the
17 Tax Reform Commission was in the overall
18 package, relative to cost, that we thought
19 that it would not be a proposal that we
20 could put forth and become fiscally
21 responsible.

22 And what we did decide as a body
23 because we are sensitive, obviously, to low
24 and poor income people, we thought that the
25 unearned tax credit and investment in going

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2 after money that was being left on the
3 table would probably be more feasible. And
4 we thought overall what is important for
5 lower income people is to create an
6 opportunity for jobs.

7 COUNCILMAN COHEN: Mr. Miller, you
8 put it very nicely. But in my judgment,
9 the reason you didn't mention it is because
10 you never are concerned. By you, I'm not
11 talking to you personally. I'm talking
12 about tax reformers, who are only
13 interested in dividing up profits. They
14 could care less if the poor starve or don't
15 have enough to live on.

16 And yet I'd say if you want to
17 include the poor and the working poor in
18 the tax structure, your first concern has
19 to be for their welfare.

20 And I think it's shameful that in
21 the City of Philadelphia you in your
22 original report paid no attention whatever
23 to this question, and then just gave it
24 bare routine and attention in the form of
25 an appendix as to why you don't think poor

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2 people deserve to have any relief.

3 That's ridiculous, that you think
4 that it's too expensive for poor people to
5 get some basic wage tax relief but not for
6 rich people.

7 You're ready to turn the world
8 upside down on behalf of doing something
9 that you think seems fair or I assume you
10 think it's fair for the rich people.

11 Why isn't your first concern to
12 prove that Philadelphia is a City that has
13 a heart that cares about people, that is
14 concerned about the fact that in this
15 strong Democratic stronghold -- and you see
16 me wearing the Democratic tie. I thought
17 it might change somebody into understanding
18 that Democrats ought to be Democrats.

19 And if they don't believe in the
20 principles of the Democratic party, let
21 them all on the block resign and join the
22 Republican party.

23 But it's the Democratic party that
24 talks about targeted tax cuts for working
25 poor, not the Republican party.

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2 Yet here we're shameful. Here we're
3 a strong Democratic City that gives
4 overwhelming votes to Democrats, yet we act
5 as Democratic legislators in the worst way,
6 the same way a Republican group would act,
7 but not as good as the Republicans would
8 act, at the state or federal level.

9 Aren't you ashamed by that fact,
10 that in the United States, in the U.S.
11 Congress and in the State of Pennsylvania,
12 working poor people are able to file and
13 get back income tax refunds but in the City
14 of Philadelphia the harder the Democratic
15 party -- the Democratic party thinks so
16 little about people that they insist that
17 the working poor pay constantly at the same
18 level that rich people pay? I think it's a
19 shameful thing.

20 Why do we want to pose as being the
21 Democratic party, when we're not? We're
22 carrying out the same principles that the
23 Republicans, who at least they're honest --
24 and they seem to be in this area. In this
25 area they certainly seem much fairer than

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2 we do as Democrats.

3 And I'm ashamed that the Democratic
4 party takes that position, and that people
5 who represent the Democratic party seem to
6 feel no obligation to working poor or poor
7 people. And that's my concern. That's why
8 I raised the question, Councilman Nutter.
9 And thank you.

10 If you're a tax reformer, it seems
11 to me you've got to reform a tax structure.
12 And your first responsibilities are to the
13 working people in the City and the poor
14 people. When you take care of them, then
15 you can deal with the rest.

16 But you weren't even going to answer
17 until Councilman Nutter raised the
18 question. I felt for a long time,
19 Councilman, that you were the only one
20 that's ever going to get the Tax Commission
21 to even acknowledge there is such a
22 question in the air because, otherwise, if
23 it weren't for you, they would have paid no
24 attention at all to the subject.

25 MR. MILLER: Councilman Cohen, I'd

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2 simply say to you that we're here before
3 you, as we are before the citizens of
4 Philadelphia and City Council, to give you
5 answers to the best of our ability. It may
6 not be the answer you want. But we gave
7 you the answer.

8 Also, if there's shame, as it
9 relates to insensitivity toward poor
10 people, then that is a historic shame that
11 should go around.

12 We simply are here as citizens. You
13 are the government.

14 (Applause.)

15 COUNCILMAN COHEN: I accept that.

16 I feel that Philadelphia is in a
17 shameful position on the tax structure, and
18 that if there's to be any element of
19 fairness, the number one step, the very
20 first step that has to be taken is to
21 correct this inequity about the working
22 poor. Then we can deal with all the other
23 aspects. But then we will have shown our
24 belief in the principles which we enunciate
25 as members of political parties.

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2 COUNCIL PRESIDENT Verna:

3 Councilman, please conclude.

4 COUNCILMAN COHEN: Thank you, Madam
5 President.

6 COUNCIL PRESIDENT Verna: Thank you.

7 COUNCILMAN COHEN: Thank you,
8 Councilman Nutter, for raising the issue.

9 COUNCIL PRESIDENT Verna: Councilman
10 Ramos.

11 COUNCILMAN RAMOS: No. I had
12 yielded to my good Councilman Shapiro.

13 COUNCIL PRESIDENT Verna: Very good.
14 Councilman Clarke.

15 COUNCILMAN COHEN: You're great.

16 COUNCIL PRESIDENT Verna: Councilman
17 Clarke

18 COUNCILMAN CLARKE: Oh. Okay.
19 Thank you. Thank you.

20 Real briefly, earlier in testimony
21 from the Mayor's Chief of Staff, she
22 referenced other cities, particularly New
23 York, Los Angeles, Detroit, Washington,
24 Atlanta and Baltimore, and cities of size
25 that... in the declining or actually in a

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2 prolonged national slump, that these
3 governments have either reduced their
4 revenue reduction programs, i.e., tax cuts,
5 or increased taxes.

6 Can you respond to that? And I
7 guess -- I'm assuming -- Well, her
8 reference was that in spite of that the
9 City of Philadelphia continued, which is
10 one of the reasons why we found ourselves
11 in somewhat of a dilemma, as it relates to
12 our deficit.

13 MR. MANDEL: The problem we confront
14 in Philadelphia, unfortunately, is a
15 problem of magnitude that these other
16 cities don't confront.

17 We are, as you can see on that
18 chart, the heaviest taxed City in terms of
19 business, the heaviest taxed City in terms
20 of wages.

21 The problems that we confront the
22 necessity to do something dramatic about
23 our tax structure is not the same problem
24 as the other cities have.

25 When we looked at the tax structure

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2 in Philadelphia, we certainly concluded
3 three fundamental things.

4 One, we tax where other places don't
5 tax. That sets us apart in a bad way.

6 Two, our taxes are too high.

7 Three, our taxes are unfair.

8 Our imperative is to make sure that
9 we are becoming competitive so that we can
10 get taxes down to their level.

11 Every one of these other cities have
12 their own different challenges.

13 Philadelphia's primary challenge is
14 that we can't put ourselves out as a
15 welcoming place to start a family, start a
16 business because of the these taxes. It's
17 a prerequisite for us to confront anything
18 else we do to deal with those problems.

19 COUNCILMAN CLARKE: So, with
20 respects to their needs to reduce or delay
21 or increase taxes, you do equate -- you
22 know, you do, in fact, agree that that was
23 as a result of the slump in the economy on
24 a national level?

25 MR. MANDEL: I'm certainly not

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2 intimately familiar with each of those
3 cities, although I can tell you this, that
4 if any of those cities asked Philadelphia
5 to trade its tax structure with ours, we'd
6 do it in a second.

7 COUNCILMAN CLARKE: Oh, Okay. So,
8 our willingness to continue to decrease our
9 taxes... (Bell rings.) That bell is
10 rigged.

11 (Laughter.)

12 COUNCILMAN CLARKE: I just started.
13 You didn't reset. I was talking on
14 Councilman Cohen's time? Councilman, did
15 you hear that? I was on your time.

16 So, in spite of that, the City of
17 Philadelphia continued to reduce its taxes.
18 I mean, is that a good thing or a bad
19 thing?

20 MR. MANDEL: I would say it's good.
21 In fact, played out over the chart that
22 used to be in that five-year plan, we have
23 continually narrowed the gap between
24 employment growth at the national level and
25 employment growth at the local level.

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2 That's good.

3 The fact that we've been able to
4 continue this tax reduction during these
5 trying economic times is great. The fact
6 remains, though, that our taxes are still
7 higher than other places. Our tax
8 structure is still onerous.

9 COUNCILMAN CLARKE: So we can get
10 credit for reducing taxes.

11 MR. MANDEL: Absolutely.

12 COUNCILMAN CLARKE: And sometimes
13 during this debate, I get the impression
14 that we haven't done anything.

15 MR. MANDEL: I give my
16 three-year-old one treat. She asked for
17 another one.

18 COUNCILMAN CLARKE: That's kind of
19 where I think you guys are. Okay. All
20 right. I'm going to leave that one alone
21 for now. Thank you.

22 Thank you, Madam President.

23 COUNCIL PRESIDENT Verna: The Chair
24 recognizes Councilman Nutter.

25 COUNCILMAN NUTTER: Thank you, Madam

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2 Chair.

3 Actually, I want to go back to where
4 Councilman Clarke was when he finished on
5 the last go-round prior to this one.

6 Councilman, I'm going to assume that
7 when you were asked some questions about
8 recommendation number seven, that that is
9 probably embodied in Bill Number 13; is
10 that correct?

11 MR. MANDEL: Double check, but I
12 believe that's correct. Yes, indeed.

13 COUNCILMAN NUTTER: We're beyond
14 the... We've moved from the recommendation
15 phase to the bill phase. So I need to talk
16 to you in the context of a bill.

17 MR. MANDEL: Bill 13.

18 COUNCILMAN NUTTER: It's Bill 13?

19 MR. MANDEL: Yes.

20 COUNCILMAN NUTTER: If I'm reading
21 this bill correctly, I'm left with the
22 impression and from the discussion that
23 Councilman Clarke was having with you
24 earlier that the real estate tax rates
25 under this particular proposed bill would

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2 be set and would be a function of... After
3 the City Administration has figured out all
4 the other tax revenues for all of the other
5 taxes, tax and non-tax revenues coming into
6 the City, that whatever that number is, the
7 rates would be set to fill the gap. Is
8 that accurate?

9 MR. MANDEL: It's certainly one way
10 you could approach it. As you know, during
11 the budget process, the Mayor is empowered
12 with the right to set the revenue estimate
13 the City receives.

14 So to the extent that Council agrees
15 with that revenue estimate and doesn't
16 demand any change to that, the only option
17 that you would have under your powers would
18 be the real estate tax rate.

19 COUNCILMAN NUTTER: I understand
20 that.

21 I'm trying to understand... The way
22 the bill is written, it sounds like there
23 is virtually an automatic setting of tax
24 rates which is just dependent upon, if not
25 totally independent of anything else going

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2 on, it is just a function of tax and
3 non-tax revenues for all the other taxes
4 that we have.

5 And whatever the remaining gap is
6 between expected revenues and the expenses
7 would then determine what the tax rate is
8 against the total assessed value, in order
9 to generate that amount of money. Is that
10 correct?

11 MR. MANDEL: You could read it that
12 way, yes.

13 COUNCILMAN NUTTER: Well, generally
14 you only want to have a tax bill read one
15 way by anyone that's involved in the
16 process. You don't want multiple
17 interpretations. So, which is it?

18 MR. MANDEL: I'll go with yes.

19 COUNCILMAN NUTTER: (Indicating.)

20 MR. MANDEL: I'll go with yes.

21 COUNCILMAN NUTTER: Okay. That
22 seems to create a certain element of
23 mystery, if that's the way it's to be done,
24 in what the rates are going to be, as
25 opposed to an affirmative decision, in

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2 terms off setting the rates.

3 And I think I've heard of at least
4 one other way of doing budget-based tax
5 rates which is just that in the alternative
6 the Administration would determine, as they
7 do every year, how much money we want to
8 generate from real estate taxes, that the
9 entire schedule of the assessment process
10 is completely -- This is now my
11 editorializing; it's my perspective -- is
12 completely backwards which results in what
13 the Councilman talked about earlier which I
14 certainly call -- he may not call -- does
15 result in a windfall because if the
16 Administration is left to estimate what the
17 real estate taxes should be in the next
18 fiscal year, in January, when the normal
19 budget comes in...

20 COUNCILMAN CLARKE: Point of
21 information, Madam Chair.

22 COUNCIL PRESIDENT Verna: Yes. The
23 Chair recognizes Councilman Clarke.

24 COUNCILMAN CLARKE: With respects to
25 the terminology of windfall, I was reading

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2 the document. It wasn't my turn. I just
3 wanted to clear that up.

4 COUNCILMAN NUTTER: You don't
5 usually use that term. I use that term.

6 COUNCILMAN CLARKE: Thank you.

7 COUNCILMAN NUTTER: In the context
8 of determining how much you're going to
9 raise, putting that in the budget... We
10 haven't changed the rates since '91.

11 We then approve that budget. The
12 assessments are not done until six months
13 later which over the past 30 years have
14 almost always been higher than the year
15 before.

16 The rate doesn't change because
17 we're now in the new fiscal year. And so,
18 above and beyond what we thought we were
19 going to get is what is often referred to
20 as the windfall, as opposed to an
21 assessment process that would be completed
22 toward the tail end of the calendar year
23 which is actually the middle of the fiscal
24 year, you'd know what your total assessed
25 value was before you put your budget

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2 together, determine how much you think you
3 want to raise from real estate taxes, and
4 you can set your rates at that time and
5 know that that was what it was going to be.

6 You then have no mystery in the
7 summer because you already know what all
8 the numbers are, going into it. Now, that
9 is also a way of establishing what your
10 real estate taxes are, without the mystery
11 of trying to fill some gap to the side of
12 what all your other revenues are. So I
13 guess at the end... Or I'll wait until
14 you...

15 MR. MANDEL: There certainly are
16 different mechanisms anyone can employ to
17 achieve that same goal. I think in the
18 end, based on conversations with the BRT,
19 and our staff, and the City's legal folks,
20 this is the mechanism that implemented the
21 intent of the recommendation.

22 I know at one point you had advanced
23 an idea to create a formula system that
24 would establish the take that the City
25 endeavors to generate, and then there would

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2 be a formula that would go in place.

3 COUNCILMAN NUTTER: Well, that's
4 nothing new. That's what the City does
5 every year. The City determines in the
6 budget that gets -- I mean the budget in
7 front of us.

8 MR. MANDEL: Right.

9 COUNCILMAN NUTTER: There's a number
10 in it for real estate tax.

11 MR. MANDEL: You would actually
12 propose legislation that would say the City
13 will set \$800 million of what it wants
14 total real estate. Then the assessment
15 would kick in. Automatically you would
16 then determine the rate.

17 I personally tried to advance that
18 as part of our discussions. The mechanism
19 that you see before you is the mechanism we
20 ended up with.

21 COUNCILMAN NUTTER: All right. I
22 understand.

23 Again, my concern would be that
24 there is this end of the process filling of
25 a hole as opposed to an actual

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2 determination as to what you want to raise
3 from that particular tax which is very
4 familiar to us on the front end.

5 But it is virtually impossible for
6 this Administration or any administration
7 to know what the true real estate tax
8 revenues are going to be in January when
9 the assessment is not done until the summer
10 in the course of another fiscal year, at
11 which point you can't make any changes
12 because you crossed over July 1.

13 All of that calculation and
14 information, from my perspective at least,
15 should all be done within the same fiscal
16 year, so that when the budget is completed,
17 you actually know what your rates are, you
18 know what you're going to generate, and you
19 set a rate to measure it with that, as
20 opposed to all this extra that gets
21 generated because we never changed the tax
22 rates.

23 MR. MANDEL: I certainly think we
24 agree on intent.

25 COUNCILMAN NUTTER: All right.

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2 MR. MANDEL: The mechanism,
3 obviously, is just something that we ended
4 up with --

5 COUNCILMAN NUTTER: All right.

6 MR. MANDEL: -- and maybe you ended
7 up some place different.

8 COUNCILMAN NUTTER: All right. So
9 that those are the issues with Bill 13.

10 I hear bells. I haven't been hit in
11 the head yet, so I assume that it's the
12 timer.

13 Thank you, Madam President.

14 COUNCIL PRESIDENT VERNA: Thank you.

15 The Chair recognizes Councilman
16 O'Neill.

17 COUNCILMAN O'NEILL: Thank you,
18 Madam President.

19 Gentlemen, if you could just address
20 one area for me initially, dealing with the
21 statement of the Finance Director today,
22 that this is going to result in a downgrade
23 of our bond rating; that the rating
24 agencies, I understand, have just recently
25 lowered us, lowered our bond rating because

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2 of our spending habits, spending without
3 sufficient revenues, I mean. How would you
4 react to that troubling scenario?

5 MR. MANDEL: Something we need to
6 fix, if we're going to improve our bond
7 rating.

8 COUNCILMAN O'NEILL: I mean, you
9 basically said if this tax reform package
10 passes, and even if PICA approves the
11 five-year plan impact, with hits in the
12 first couple years and then revenues at the
13 end, and we reviewed it every year to see
14 if we had to make adjustments, that that
15 would not satisfy the rating agencies and
16 they would... they'd be inclined to
17 downgrade us.

18 We're at just a state -- I think one
19 notch above investment -- one notch above
20 investment grade right now, I believe.

21 Go ahead.

22 MR. THORNBURGH: Well, Councilman
23 O'Neill, my response to that, I guess, is
24 to keep the near-term magnitude, the fiscal
25 impact, of the proposals in mind,

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2 recognizing that, as was pointed out
3 earlier, the Administration's made other
4 choices about revenue, PGW, or other
5 choices about expenditures of the same
6 magnitude, maybe without the same level of
7 consternation.

8 So it seems to me that this is,
9 again, in year one a sub \$10 million number
10 difference between these proposals and the
11 Administration's proposal.

12 COUNCILMAN O'NEILL: Okay.

13 MR. THORNBURGH: And that that would
14 seem like a manageable number to work
15 out --

16 COUNCILMAN O'NEILL: Maybe I should
17 rephrase the question. Have you... Have
18 you, the Commission, had any, either
19 directly or through a consultant
20 indirectly, in that way, had any
21 conversations about this with any of our
22 rating -- I guess it's either of our rating
23 agencies?

24 MR. MANDEL: We did have some
25 discussions under the topic of could we do

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2 some kind of debt officers or debt
3 financing of tax cuts.

4 And there was some suggestions that
5 the rating agencies might not look kindly
6 upon that. That was one of the reasons why
7 we were a little bit shy to continue
8 research down there.

9 But we did note that Philadelphia
10 has a relatively low bond rating, period.
11 Our bond rating is be the lowest of any of
12 the ten cities.

13 And in any examination of all the
14 largest cities, we tend to be in the lowest
15 cluster. That's not because we are
16 anticipating tax reform.

17 It's because we are having trouble
18 achieving structural balance, bringing in
19 enough money to cover our needs every year.

20 COUNCILMAN O'NEILL: I have a second
21 unrelated question. In talking to people
22 who are generally supportive of the tax
23 reform package, maybe with one exception
24 that's not in our discussion right now,
25 there seems to be only one caveat that

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2 comes up fairly consistently as sort of a
3 warning cry.

4 And that is, that the Commission --
5 Again, I'm quoting several people who seem
6 to have the same -- I'm trying to
7 paraphrase them -- that the Commission
8 seems to rely in some measure on the real
9 estate tax picking up whatever shortfall
10 there is that may come from this. And I
11 don't know if that's what Councilman Nutter
12 was... one of the areas he was alluding to.

13 But the one thing I know is, there's
14 really a lot of people for this tax reform
15 who don't live in the City. In other
16 words, they don't pay real estate tax.

17 And I would hate to see us do
18 something for a very good purpose that is
19 long overdue if there is a sort of a back
20 door swing going into the real estate tax
21 area to sort of shift burdens.

22 Was there discussion about that?
23 Can you comment on how much of this is
24 moving in that direction?

25 MR. MANDEL: I certainly wouldn't

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2 refer to anything as a back-door swing.
3 Certainly it was everything we discussed.

4 One of the things that was -- we
5 acutely focused on was the notion that
6 Philadelphia's real estate median house
7 value in Philadelphia is about \$60,000.

8 That's lower than Trenton, that's
9 lower than Newark, that's lower than New
10 Haven, that's lower than Baltimore, that's
11 lower than Hartford. The fact that we
12 aspire to achieve a median real estate
13 value with these cities is a joke.

14 Median house value in Boston is
15 about \$200,000, adding up to the notion
16 that Philadelphia is not desirable as a
17 location to live or to do business. If we
18 change the taxes --

19 COUNCILMAN O'NEILL: What were some
20 of the other cities you mentioned, Brett?
21 I'm sorry.

22 MR. MANDEL: Newark, Trenton,
23 Hartford, New Haven, Baltimore. These are
24 not cities.

25 COUNCILMAN O'NEILL: Any cities that

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2 are more comparable to us, in terms of...
3 Well, they're above -- Size. I mean,
4 there's all kind of.

5 MR. MANDEL: No. They're above...
6 above those. Philadelphia and then the
7 next tier are those loser cities.

8 We understand that if we make
9 Philadelphia a more desirable place, that's
10 going to be reflected in property value.

11 David can quote you the figure, but
12 in his fight or flight publication, there
13 was the notion that if you bought a similar
14 house in Philadelphia or Boston, and then
15 sold it 20 years later, you could send a
16 kid to college on the extra money that you
17 would have earned by selling it in Boston.

18 COUNCILMAN O'NEILL: I'm not
19 thinking of natural growth in real estate
20 values. What I'm referring to is things
21 that are going to be done to... not as an
22 indirect result of what we're doing our
23 real estate is going to go up.

24 But we could always hit the real
25 estate tax, you know, because it's low,

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2 because there's other ways of skinning the
3 cat off of real estate.

4 And that, in part, we talked about a
5 shift. And I just want you all to comment.
6 Does the Commission foresee part of the
7 burden of this reduction package, primarily
8 in the Wage and Business Taxes, fall into
9 real estate; not because, you know, the
10 City gets better, and more attractive, and
11 eventually your house goes up in value.

12 MR. THORNBURGH: Let me comment on
13 that. I think, in terms of the logic of
14 the report, first in line is anticipated
15 growth in values, and in jobs and wages,
16 brought on by the changes in taxes.

17 Second in line is more... If
18 that -- To the extent that's not sufficient
19 to keep the budget whole and stable, next
20 in line is expenditure reduction.

21 Next in line after that, I would
22 suggest, is the focus on real estate.

23 COUNCILMAN O'NEILL: Okay.

24 MR. THORNBURGH: But I think that's
25 a fair statement or sort of the order of

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2 priority, that the report --

3 COUNCILMAN O'NEILL: I mean, we
4 still have control; but I understand that.

5 MR. THORNBURGH: Absolutely.

6 COUNCILMAN O'NEILL: And nobody
7 raises the real estate tax without nine or
8 12 votes, depending on whether the Mayor
9 supports it. Hasn't been raised in 20
10 years or so. It's been a long, long time,
11 the rate.

12 But if there's any legislation in
13 here that is intended to increase the real
14 estate pot where it's not what it's called,
15 it's not -- you know, it's sort of a wolf
16 in sheep's clothing, I guess --

17 MR. THORNBURGH: Right.

18 COUNCILMAN O'NEILL: -- I'd like to
19 know about it --

20 MR. MANDEL: Absolutely.

21 COUNCILMAN O'NEILL: -- only because
22 I want to make sure I don't do -- I like
23 this tax reform package you have.

24 MR. MANDEL: The specific
25 recommendations on real estate tax,

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2 designed as shifts, not to bring in any
3 extra revenue, although certainly one could
4 have either the shift to a hundred percent
5 valuation or land value taxation bring in
6 extra money. That's not our approach. We
7 would make those revenue neutral.

8 COUNCILMAN O'NEILL: Okay.

9 MR. MANDEL: As David said, growth.
10 I would add one more. Increased
11 collections, more aggressive fines fees,
12 expenditure reductions.

13 And then if and only if, you could
14 actually go after increased tax rates,
15 including the parking lot tax, including
16 the amusement tax, including the real
17 estate tax.

18 COUNCILMAN O'NEILL: I just wanted
19 to get that on the record. Thank you very
20 much.

21 COUNCIL PRESIDENT VERNA: The Chair
22 again recognizes Councilman Cohen.

23 COUNCILMAN COHEN: Thank you.

24 Do you have any figures on the
25 number of Philadelphians that live in

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2 poverty? Does anybody have?

3 MR. MILLER: Sorry. I didn't hear
4 that.

5 MS. MATLOCK-TURNER: I'm sorry,
6 Councilman. You asked for, again, the
7 number of citizens that are living in
8 poverty in Philadelphia.

9 I don't know the exact number, but I
10 believe it's about 30 percent, depending on
11 whether or not where you're cutting off
12 income. If you're looking around 15 to
13 \$18,000, that's the number.

14 COUNCILMAN COHEN: Well, in
15 determining a responsibility of a
16 government for taxes, doesn't one have to
17 consider what obligations a City has?

18 MS. MATLOCK-TURNER: I'm sorry.

19 COUNCILMAN COHEN: In determining
20 what a City ought to do on the matter of
21 taxes, doesn't one first have to consider
22 what obligations a government has to its
23 people?

24 MS. MATLOCK-TURNER: Yes, I think
25 all those things need to be considered,

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2 yes.

3 COUNCILMAN COHEN: And what I
4 gather from the Tax Commission is that the
5 Tax Commission believes that the only
6 obligation that exists is the obligation to
7 increase property values, to increase
8 incentives for business, but that there is
9 no obligation that exists for the life of
10 people in the City, of residents.

11 MS. MATLOCK-TURNER: Councilman
12 Cohen, I believe that the obligation that's
13 there or the reason that I am supportive of
14 the package is that ultimately for
15 Philadelphians, especially those at the
16 lower end, and with our real push to make
17 sure that everybody has to work, there's no
18 more opportunity now for people to not have
19 to work, that if you don't create
20 opportunities for people to work and
21 increase the number of jobs in
22 Philadelphia, that there is just not enough
23 money that is left in the coffers here to
24 be able to support all the needs.

25 Clearly, services... There's always

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2 a need for continued service and expansion
3 of services. Without more people here
4 being able to pay into the tax pot, then
5 I'm concerned that those dollars will not
6 be available for services.

7 So I definitely understand your
8 concern and share your concern for those
9 who are at the lowest end of the economic
10 ladder.

11 But I believe that this package
12 gives some opportunities for an increase in
13 economic growth in Philadelphia that means
14 jobs for low and moderate income workers.

15 And also there is an opportunity to
16 increase the number of people that we
17 actually have paying taxes in Philadelphia,
18 so that it can support the services that
19 those who are at the lower end of the
20 economic ladder really need.

21 COUNCILMAN COHEN: And whose fault
22 is it in your judgment, that there is so
23 much unemployment? Is it the fault of the
24 people who are poor?

25 MS. MATLOCK-TURNER: No, I don't

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2 think it's the fault of people who are poor
3 that there are not jobs that are available,
4 no.

5 COUNCILMAN COHEN: Well, whose fault
6 is it?

7 MS. MATLOCK-TURNER: Well, I'm not
8 quite sure that I know the answer to that
9 question. I wish I did.

10 I do know that when I worked in a
11 company that was outside of the City of
12 Philadelphia and I tried to convince them
13 to come into Philadelphia, one of the big
14 issues that they kept sharing with me was
15 the whole issue about the high cost of the
16 Wage Tax; and that ultimately what happens
17 is that they end up subsidizing and sort of
18 paying another tax for those who are at the
19 upper end, what we call these higher-paid
20 professionals, those that they definitely
21 don't want to lose.

22 And ultimately it's the low income
23 workers who end up having to cover the
24 costs themselves because there are more
25 people who are able to take those jobs.

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2 COUNCILMAN COHEN: Well, if that
3 were really a concern, wouldn't the Wage
4 Tax cut bill that I've sponsored and
5 proposed which would exempt the working
6 poor from having to pay the Wage Tax, in
7 the sense that they would be entitled to a
8 refund at the end of the year, wouldn't
9 that make it much easier for companies to
10 come into the City without feeling that the
11 workers are going to pay a five percent or
12 four percent, whatever the Wage Tax rate
13 is, as a penalty?

14 MS. MATLOCK-TURNER: Well, it
15 depends on the individual business. If the
16 business is a business that is
17 supporting -- and most of the jobs are low
18 wage jobs -- that could be a scenario that
19 I could see.

20 But if with, most businesses, where
21 you're talking about a mix of incomes and
22 income-based jobs there, then not
23 necessarily.

24 I think clearly, I understand -- I
25 definitely understand the question that

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2 you're asking. And there is a tradeoff
3 here. There's no question about that.

4 I am just still convinced that the
5 more we can do about supporting folks, and
6 getting them into work, and hopefully
7 creating opportunities for them to grow at
8 work, and for their incomes to grow, the
9 better opportunity they have of taking care
10 of themselves and taking care of their
11 families.

12 COUNCILMAN COHEN: But you're
13 indicating that until -- until people, not
14 the working poor, if they are not
15 responsible for their condition, they're
16 not going to be able to create jobs for
17 themselves until others do things that
18 enable there to be jobs for everybody who
19 wants one.

20 Until that time, the working poor
21 got to pay taxes just like everybody else,
22 no matter what the impact is.

23 MS. MATLOCK-TURNER: Well, I think
24 in the interim, while we are deciding that
25 question, there are some opportunities for

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2 us to continue to draw down more money from
3 the state and Federal Government for the
4 working poor there.

5 We have not yet been able to capture
6 a hundred percent of the dollars from the
7 Earned Income Tax Credit or the State Tax
8 Forgiveness Program. And certainly --

9 COUNCILMAN COHEN: But the reason
10 that you haven't gotten compliance from
11 working poor people is that most of them
12 don't know about it.

13 Secondly, most of them believe that
14 government is aimed not at their interest
15 but at the interest of others; and
16 therefore, they're fearful of getting
17 involved with government for fear
18 government is going to come around later
19 and punish them for doing something wrong
20 because nobody in government takes the time
21 or devotes enough interests so that people
22 learn of their rights, and then you use
23 that against them.

24 MS. MATLOCK-TURNER: I think that
25 certainly some of those things are true.

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2 And that's why this year we had over 500
3 volunteers who are not associated with
4 government, who were out in neighborhoods
5 and communities, reaching out to low-wage
6 workers to say, we're not a part of the
7 government.

8 We're here to try to help you to
9 understand how the system works. And
10 here's the information. And yes,
11 ultimately people do have a right to choose
12 whether or not they want to participate.

13 COUNCILMAN COHEN: But it seems to
14 me as a Tax Reform Commission or a tax
15 commission of any kind, you were carrying
16 out a government responsibility.

17 And forgive me. And if Councilman
18 Nutter is in the room, I ask him to forgive
19 me, but I think you are a very poor example
20 of government.

21 You're a part of the reason why
22 people are so cynical about government,
23 because government never shows any interest
24 in people who are poor. And if they're
25 working poor, that's just too bad.

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2 And we don't want to make the
3 background and the community so friendly to
4 poor people that they may come and live.

5 What we'd like to do is make the
6 City very friendly for rich people to come
7 and live because they pay high taxes.

8 But poor people will use services.
9 Therefore, we're going to try to keep
10 Philadelphia as unfriendly as possible for
11 poor people and for minorities of every
12 kind because we don't want them.

13 They use up services. They don't
14 make contributions. And I think that when
15 findings of your commission come out,
16 that's what you helped create, and you
17 helped develop those ideas; whereas, if you
18 start on the basis of what's needed is
19 fairness to show that government is
20 interested in everybody, that we finally
21 learn that the number of people who live in
22 the City is itself an index of how big or
23 important or unimportant the City is.

24 For years, you know, in my earlier
25 days in Council, we never talked about

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2 population because Philadelphia wasn't
3 concerned. They were only concerned about
4 losing business.

5 Suddenly, a couple of years ago,
6 people became aware of the fact of losing
7 population also affected the stature of the
8 City. And suddenly people have become
9 interested in that. And that is moving in
10 the right direction.

11 But government has a responsibility
12 to people. It's not just in the Bible that
13 we're said to be our brothers' keepers.
14 But a principle of government is government
15 has to give people a helping hand so they
16 can lift themselves up.

17 But we're not doing that in
18 Philadelphia, despite the fact that the
19 whole service groups of senior citizens,
20 there are women, there are minorities, all
21 of whom earn very small sums that would fit
22 within the exemption set by federal and
23 state government.

24 Here in Philadelphia, we're so
25 anxious to get rid of working people or

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2 working poor people and poor people that we
3 hope to make life so tough for them that we
4 try to cut down on their income, by not
5 recognizing the fact that a tax system has
6 to be fair and has to make room for
7 exemptions for people that don't earn much
8 money, so they'll have enough money not to
9 have to choose between medicine and food or
10 food and heat, and that kind of thing.

11 And that's the reason I'm so
12 critical. How can I equate anything you
13 offered as having anything to do with
14 elements of fairness, when in the very
15 first instance you indicate you're not
16 interested in people.

17 Oh, you're interested in people if
18 they have money, but not if they don't have
19 money. And I think that is why your plan
20 is going to be going down to defeat because
21 you, instead of inspiring confidence that
22 what you've come up with is good for the
23 people, you're convincing everybody that
24 they ought to... that their cynicism about
25 government is really justified;

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2 government's only interested in making rich
3 people richer.

4 Thank you, Madam President.

5 MR. McPHERSON: Any other questions?

6 (No response.)

7 MR. McPHERSON: Thank you.

8 The next group will be the second
9 reform panel, Stewart Weintraub.

10 MS. MATLOCK-TURNER: Thank you very
11 much, Council, for the opportunity to
12 testify today.

13 MR. WEINTRAUB: Madam President,
14 members of Council, my name is Stewart
15 Weintraub, and I was a member of the Tax
16 Reform Commission.

17 As a member of the Commission, I
18 chaired the business tax working group, and
19 I participated in the other three working
20 groups: The Wage Tax, the real estate tax,
21 and the revenue and spending working
22 groups.

23 I'd like to address my comments this
24 afternoon -- I guess I can say this evening
25 at this point, to some of -- to respond to

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2 some of the questions that have been raised
3 by some of the members of Council, and to
4 respond to some of the comments that were
5 made by the Administration this morning.

6 First, I believe, notwithstanding
7 the testimony that has been received by
8 this Council, that at least the first year
9 of this tax reform package can be funded
10 without affecting any government spending.

11 Specifically, Bill Number 18 which
12 is the bill that addresses quarterly real
13 estate tax payments that the Commission
14 recommended be made, Finance Director Davis
15 suggested that in the first year there
16 would be a cash flow problem.

17 I respectfully disagree with her.
18 The cash flow problem does not exist, when
19 all four quarters of the tax are paid
20 during the fiscal year.

21 And when you look at Bill 18, the
22 first quarterly payment is due in August
23 and each quarter thereafter. So the City
24 in the first year would collect all four
25 quarters, and there would be no cash flow

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2 problem.

3 As a result of that, the City would
4 save \$10 million a year in the debt service
5 on tax anticipation notes. \$10 million is
6 equal to or greater than the cost of the
7 tax package that was not adopted by the
8 Mayor in his budget.

9 So I submit that just by adopting
10 the package, it is self-sustaining, without
11 affecting jobs, without affecting any of
12 the other cost factors within the budget.
13 First item.

14 Second item, with respect to the
15 Business Privilege Tax, I think it's Bill
16 Number 14, again, Finance Director Davis
17 suggested there is a cash flow problem on
18 that one.

19 Again, I respectfully disagree. The
20 cash flow problem there does not exist
21 because one hundred percent of the tax
22 would be paid on an estimated basis within
23 the fiscal year.

24 It would be broken down in two
25 installments: One in April, one in June.

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2 Instead of a hundred percent being paid in
3 April, it would be 50 percent in April and
4 50 percent in June, both within the fiscal
5 year. The City would not have the cash
6 flow shortfall that I believe she
7 suggested.

8 During the questioning of our prior
9 panel by Council Member Goode --
10 unfortunately he's not here -- he asked for
11 some revenue projections -- revenue loss
12 projections on Bills 10, 12 and 17.

13 While I can not give him a response
14 to that as to Bill 10 and 12, I can give
15 him a response on Bill 17.

16 And again, I'd have to disagree
17 somewhat with Budget Director Dubow in his
18 projections on Bill 17 which is the net
19 operating loss bill.

20 In that bill -- In his testimony,
21 Mr. Dubow suggested there was a revenue
22 cost to the City by enacting Bill 17.

23 Bill 17 has zero dollars of revenue
24 cost to the City until the year 2009. The
25 way the bill is currently structured -- The

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2 way the law is currently structured, the
3 City currently allows three-year net
4 operating loss carry forwards. That's what
5 the law is right now.

6 All losses previously incurred by
7 businesses would still be limited to three
8 years. Only a loss incurred in year 2004
9 which would be the first year of losses
10 which could be carried forward for 10
11 years. Well, that loss wouldn't be
12 reflected until 2005.

13 Under current law, that loss would
14 be allowed in 2006, 2007, and 2008. So the
15 first year of any revenue impact on the net
16 operating loss Bill 17, is the year 2009.

17 Why don't I give the rest of my time
18 at the moment to the rest of my panel
19 members. And if I have any time remaining,
20 I'd like to pick up on some of the other
21 points that I have.

22 COUNCIL PRESIDENT Verna: That would
23 be fine. Thank you.

24 Good evening.

25 MR. TAUENBERGER: I spent a

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2 wonderful day in Philadelphia. I did not
3 have a chance to spend any money except for
4 a little bit of lunch. And I apologize for
5 that.

6 Had I known I had a little more
7 time, I probably would have included some
8 shopping and made my wife happy.

9 Al Tauenberger is my name. I served
10 as Vice Chairman of the Tax Reform
11 Commission. I also serve as President of
12 Northeast Chamber of Commerce.

13 And I think one just needs to take a
14 look at our report that we put countless
15 hours in, to see where the difficulty is,
16 where the fairness is, and where the real
17 strong need to pass this legislation is.

18 All you need to do is... Page 31
19 mentions survey after survey from 2001
20 which was conducted by the Department of
21 Commerce, to where they asked a number of
22 businesses, and particularly in Northeast
23 Philadelphia because we helped with the
24 survey, 60 percent of businesses are
25 screaming for the fact that they're taxed

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2 unfairly and excessively.

3 And it really shows by really -- if
4 you take a look at the statistics on how
5 many businesses have left the City in --
6 just in the near time, the thing that we
7 have -- the problem is not that we have
8 lack of spirit of entrepreneurship.

9 What really saddens me is the fact
10 that once a business gets to a certain
11 level, they see the handwriting on the wall
12 and they leave the City.

13 In Northeast Philadelphia we have a
14 number of companies that have done this,
15 one of which started in someone's basement,
16 probably not a proper zoning, but they took
17 a chance and they started a business.

18 But once it was really up and
19 running -- And they could have easily moved
20 into a location in Northeast
21 Philadelphia -- because of tax
22 disadvantages, they moved to Bensalem. And
23 Bensalem is happy to have them.

24 And they employ today about 20
25 people, most of which are making minimum

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2 wage. Maybe talk about the working poor.
3 They're there and they're working in
4 Bensalem. And I think that's very sad.

5 Another example that I want to speak
6 of is a company not in Northeast
7 Philadelphia, but started in Center City
8 Philadelphia by four hospitals: Jefferson,
9 University of Pennsylvania, Einstein and
10 Hahnemann.

11 They started in 1980 what was called
12 the Philadelphia Association of Clinical
13 Trials. And what their goal was -- and
14 they were a nonprofit -- was to obtain
15 research grant money to study various drugs
16 before they went on the market.

17 Well, they became exceptionally
18 successful. And the various hospitals, the
19 four that I mentioned, and I think some
20 others, then in 1985 turned this into a
21 for-profit.

22 Then they realized by 1989 that they
23 really could not make money in
24 Philadelphia, and they left. Yet the idea
25 was to be in Philadelphia, started by

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2 hospitals that still are.

3 Today the name of the company is
4 Covance. They are in Radnor. They employ
5 over 200 people. And quite frankly, when
6 they look at the Wage Tax, and the Gross
7 Receipts Tax, and the other business taxes
8 that they had to pay, they found that they
9 had to leave. And I find this
10 exceptionally unfortunate.

11 I think this package has to be
12 looked at seriously. The facts speak for
13 themselves in our three-volume report, and
14 I would urge the adoption of the various
15 ordinances that make up this package, to
16 get some real meaningful tax reform out
17 there, and so businesses know that
18 Philadelphia is serious about doing
19 business, and not just placating to some
20 political causes and such, but that there
21 is a seriousness of reducing of taxes.

22 And the way this was structured was
23 very incremental, and a very slow
24 incremental, as well, and I think this plan
25 makes sense, and I urge for its adoption.

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2 Thank you very much.

3 COUNCIL PRESIDENT Verna: Thank you.

4 MR. VANENBRUL: Good evening. My
5 name is Andrew Vanenbrul. I'm a former
6 member of the Tax Reform Commission,
7 acknowledging the fine job that our fellow
8 Commissioners have done, in talking about
9 the broad aspects of the proposal.

10 I'm going to focus specifically on
11 the business tax piece, although I'd be
12 willing to answer questions on any of the
13 items.

14 Certainly I'd like to start out by
15 recommending the adoption of the complete
16 package of the Tax Reform Commission's
17 proposals.

18 Focusing on the Business Tax,
19 however, it's undeniable that the City of
20 Philadelphia has the assets necessary to
21 attract businesses to locate here.

22 Without going into the whole list,
23 we know about the cultural and
24 transportation, colleges and universities.
25 It just begs the question with all these

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2 assets, why aren't businesses coming to
3 Philadelphia?

4 Why aren't they investing here and
5 creating new jobs? And I think that the
6 clearest answer to this -- And we found
7 this out, as Al had mentioned, through
8 survey after survey and directly from the
9 companies -- is that it's the City's tax
10 structure that's keeping the businesses
11 from coming here and from creating jobs.
12 We know this from the research.

13 We know this from the consulting
14 that was done for the Commission by
15 E-Consult.

16 And I'd just like to point out that
17 businesses make their location decisions
18 based on a number of factors, you know, one
19 of which is taxes.

20 The... What we're... Let me skip
21 ahead here to save some time. What the
22 City needs to do to achieve sustainable
23 long-term growth is to have a comprehensive
24 plan, as we've proposed, to address all
25 these issues.

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2 This plan sends a message to
3 businesses which is very important. This
4 would be the first broadly positive message
5 that businesses have received from
6 Philadelphia on taxes in decades, to be
7 honest.

8 We need to show that there's a
9 commitment in knocking down this barrier to
10 growing jobs in Philadelphia.

11 We know that business owners value
12 the Philadelphia region and what the City
13 itself has to offer. You don't have to
14 look any farther than City Avenue, the 202
15 corridor, South Jersey, North Wilmington,
16 the whole perimeter of the City, to see
17 that companies want to be in this area.
18 And you can be sure that they're taking
19 advantage of what the City has to offer.

20 It just doesn't make economic sense
21 for them to not -- or to be in the City,
22 because of the Business Privilege Tax,
23 because of the one percent sales tax that
24 they have to pay, in addition to the state
25 tax, and also because most businesses pick

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2 up the tab for the Wage Tax.

3 I think what's most telling is the
4 fact that when the City has attracted
5 businesses recently, it hasn't done so by
6 spending on specific programs.

7 What really closed the deal on these
8 projects is lowering the tax burden,
9 whether that's Keystone Opportunity Zones,
10 tax increment financing grants, other
11 financing, all these are aimed at
12 offsetting the tax burden that exists in
13 Philadelphia.

14 While it's great to see T.J. Maxx
15 and Vanguard up in the Northeast, Abtech
16 down at the Navy Yard, Ace and ABFS in
17 Center City, what they have in common is
18 that they were presented with something
19 that offsets the imposition of the City's
20 onerous taxes.

21 Why, then, if reducing the tax
22 burden on these companies, to bring them
23 into the City, why not increase that and
24 make it available to all companies who want
25 to come into the City?

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2 If we can attract them, why can't we
3 have more success by just taking away the
4 burden completely?

5 If Council will vote to implement
6 the Tax Reform recommendations, I think we
7 can stop hiding from the tax structure,
8 stop compensating for it through programs,
9 and wholeheartedly declare that
10 Philadelphia does value the creation of
11 jobs and investment in the City.

12 And I'll pass the rest of my time
13 over to my colleague, Tom Forkin.

14 MR. FORKIN: Thanks, Drew.

15 Members of City Council, Madam
16 Chair, good evening. My name is Tom
17 Forkin.

18 I wholeheartedly support the package
19 of legislation now before this Council
20 Committee, reflecting the recommendations
21 adopted by the TRC last November.

22 As a former TRC Commissioner, the
23 current President of the 120-company,
24 several-thousand-employee American Street
25 Erie Avenue Business Association, a small

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2 business owner and City resident, I believe
3 these recommendations are fiscally
4 responsible, progressive, and clearly meet
5 the mandate given to the TRC by nearly
6 170,000 citizen voters, City Council, and
7 the Mayor.

8 Without reiterating the obvious,
9 Philadelphia's tax mix and high rates of
10 taxation are a significant impediment to
11 economic growth and long-term prosperity
12 for the City.

13 Consequently, any effort at
14 legitimate tax reform must be systemic,
15 comprehensive, and substantial.

16 Juxtaposed with this reality of true
17 tax reform are the ongoing demands open of
18 adequate City funding for public education,
19 the criminal justice system, and municipal
20 services.

21 Therefore, bona fide tax reform also
22 needs to be balanced, responsible, and
23 incremental. This package of TRC
24 recommendations successfully meets both
25 tests, and establishes honest dialogue on a

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2 public policy issue that too often invites
3 either empty rhetoric or inflammatory
4 posturing.

5 I strongly encourage City Council to
6 review and ultimately adopt the TRC
7 recommendations as a comprehensive and
8 complete package of reform measures. The
9 recommendations are meant to be considered
10 as complementary and inclusive within each
11 broad tax category.

12 Parsing out specific tax proposals
13 or promoting single recommendations will
14 only weaken the overall reform impact, and
15 in some instances may create unintended
16 adverse public consequences.

17 The depth and breath of the research
18 effort put forth by the TRC is a testament
19 to the rigorous analysis and due diligence
20 that went into this package of
21 recommendations.

22 On behalf of business owners facing
23 on a daily basis on onerous BPT tax
24 formula, employees compensating for one of
25 the highest Wage Taxes in the nation, and

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2 property owners puzzling over an arcane
3 real estate tax assessment process, the
4 time for a meaningful, once-in-a-generation
5 overhaul of the City tax structure has
6 definitely arrived.

7 The blueprint for tax reform has
8 been developed, the intrinsic budget
9 safeguard or circuit breaker of incremental
10 yearly tax reduction has been championed.
11 The policy climate is reflected in our
12 charter and widespread public support.

13 We can not allow political
14 differences, bureaucratic obstacles, or
15 mere reliance on the budget status quo to
16 blunt the momentum established by the TRC
17 and so many others over the past 18 months.

18 I encourage each City Council member
19 to review the proposals, perform the
20 necessary due diligence, and ultimately
21 adopt the comprehensive TRC package of tax
22 reform recommendations, as critical to our
23 City's continued vitality and economic
24 growth over the next decade and beyond.
25 Let's ensure that Philadelphia moves

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2 forward, and not backward.

3 Thank you for the opportunity to
4 testify.

5 COUNCIL PRESIDENT Verna: Thank you.

6 MR. CRAWFORD: My name is David
7 Crawford, and I can at least answer the
8 question how does one pronounce E-Consult.
9 It's easy enough to remember. We'd like to
10 tell people the accent's on the con.

11 We've been working on City tax
12 policy for sometime. Today I want to just
13 talk a little bit about the review of the
14 Tax Reform Commission's work by the Tax
15 Subcommittee of the 21st Century Renew
16 Forum.

17 And I want -- That report is
18 publicly available. So I just wanted to
19 emphasize several themes. First of all,
20 the tax subcommittee strongly endorsed all
21 but one of the specific recommendations of
22 the Tax Reform Commission, and assigned the
23 highest priority to the reduction of
24 business taxes.

25 The recommendation we rejected was

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2 one of the more technical, number seven,
3 about which there has been some discussion
4 already today.

5 Second, at the heart of the Tax
6 Reform Commission's recommendations and the
7 endorsement by the tax subcommittee is the
8 idea that while lower tax rates will
9 produce lower tax revenue for several
10 years, they should produce higher tax
11 revenue in the long run, a claim that seems
12 nonsensical to many people.

13 We heard the voodoo word this
14 morning. As Councilman Kenney pointed out,
15 before you associate voodoo with supply
16 side, you need to ask the important
17 question of who do the voodoo?

18 At the national level, there really
19 is an argument. And many economists,
20 including myself, do not believe in the
21 supply side arguments, do not believe that
22 tax reductions will lead to increased tax
23 revenue.

24 But I think it's fair to say that
25 the widespread majority of economists do

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2 believe that at the local level the supply
3 side effects are real and very powerful.
4 The resolution of that seeming
5 paradox is really quite simple. It's much
6 easier for employers and residents to leave
7 or avoid a city than it is to leave or
8 avoid an entire country.
9 Anyone who has doubts about the
10 reality of supply side effects of local
11 taxes needs only to drive down City Line
12 Avenue and look which side of the road the
13 buildings are on.
14 Third, the vision of the
15 Philadelphia Tax Reform Commission is for
16 the City to rely less on wage and business
17 taxes and more on property taxes in the
18 future.
19 This is consistent with the pattern
20 in most other cities, and it's consistent
21 with the conventional economic argument
22 that it makes sense to shift the base of
23 taxes away from jobs which can leave the
24 City relatively easily, toward property
25 which is much less mobile. This shift is

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2 going to require strong political will.

3 As we said in our report to the Tax
4 Reform Commission, our greatest concern
5 regarding the revenue impacts of reducing
6 tax rates, is whether the City can increase
7 its property tax revenues in proportion to
8 the predicted rise in property values
9 associated with the tax reductions.

10 The question is whether the City
11 will resist the inevitable pressure to slow
12 the growth of assessments and/or lower the
13 affected property tax rate as property
14 values rise

15 This is a very important warning for
16 City Council. You should not -- repeat,
17 should not initiate a series of significant
18 cuts in wage and business taxes, unless you
19 intend to maintain property tax rates,
20 effective property tax rates.

21 Now, in order to maintain the
22 effective tax rate, remember, that as you
23 move to one hundred percent assessment,
24 you're going to have to drop the millage
25 rate to keep the current tax revenue --

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2 keep the tax revenue at its current level.
3 But once you do that, my suggestion
4 is leave the millage rate alone. You need
5 to capture the additional property tax
6 revenue that will be generated by increases
7 in property value going forward.
8 Otherwise, you're just not going to be able
9 to afford the reductions in wage and
10 business taxes.

11 Fourth, if Philadelphia is going to
12 cut its taxes, it's going to have to cut
13 its expenditures in the short run, but it
14 should be able to increase its expenditures
15 in the long run.

16 Higher future tax revenues will
17 allow the City to provide more services to
18 enhance residents' quality of lie.

19 If the City cuts some services now
20 to fund tax reform, it will be making an
21 investment that will allow it to provide
22 more services in the future.

23 If the City does not cut services
24 now to fund tax cuts, it will be forced to
25 make even larger service cuts in the

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2 future, as the Philadelphia economy
3 continues its decline.

4 The choice facing the City is
5 between significant service cuts now and
6 larger service cuts later. It's a choice
7 between trying to turn the City around and
8 managing its continued decline.

9 Fifth and finally, the City does not
10 have to go alone. The tax committee
11 strongly urged the City to reinforce its
12 own efforts at tax reform by vigorously
13 supporting Governor Rendell's efforts to
14 reform state taxes.

15 MR. WEINTRAUB: Madam President,
16 there are two other points I wished to make
17 from my original testimony, dealing with...
18 Well, I think one's Bill Number 12, the
19 bill dealing with the unincorporated
20 deduction for the Business Privilege Tax.

21 This bill has been characterized as
22 a boon for, you know, big law firms. I'm
23 not going to suggest to you that big law
24 firms are not going to benefit from it
25 because I'm sure -- They will.

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2 But -- And there's a very big but
3 here -- the overwhelming benefit of this is
4 going to be received by small businesses.
5 Small businesses are overwhelmingly you're
6 unincorporated business, your sole
7 proprietorship and your small partnerships,
8 husband and wife partnerships. They will
9 benefit from this.

10 And whether it's the corner grocery
11 store, a beauty parlor, a barbershop, a
12 pharmacy, whatever, this is not just a big
13 law-firm proposal. This benefits all
14 unincorporated businesses in the City which
15 overwhelmingly are small.

16 Last point I wanted to make... And
17 Mr. Crawford's testimony reminded me of it.
18 That's a question of supply side.

19 We heard extensive testimony this
20 morning from Chief of Staff Wilkerson that
21 the City refuses to get into that business
22 of supply side.

23 Well, I would suggest to you that
24 every time the Administration puts a
25 revenue estimate before this Council, it is

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2 in reality doing some -- to some degree
3 supply side evaluations.

4 They are looking at the economy,
5 they are looking at the proposals in the
6 tax bills that are in the budget for that
7 year, and projecting what kind of revenue
8 will be yielded from those bills. That is
9 supply side, almost by definition.

10 So maybe not to the magnitude of the
11 proposals that are before you now in the
12 question of the extent to which supply side
13 may have an impact.

14 The City does, on an annual basis, a
15 supply side analysis, I would submit. And
16 for that I also urge the endorsement of the
17 entire package and the passage of the
18 entire package.

19 And I think we're all available for
20 any questions from Council.

21 COUNCIL PRESIDENT VERA: Thank you
22 very much.

23 The Chair recognizes Councilman
24 Nutter.

25 COUNCILMAN NUTTER: Thank you, Madam

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2 Chair.

3 Mr. Weintraub, earlier there was
4 discussion about Bills 18 and 20, and there
5 seemed to be a fairly significant amount of
6 disagreement by many of you who are at the
7 table right now, when you were on the other
8 side of the rail, in terms of when the
9 Administration was expressing its
10 opposition and the reasons therefor,
11 especially, with regard to Bill 20, which
12 has to do with real estate tax billing, and
13 quarterly payments, and the like.

14 Can you give us your perspective on
15 the bill and clear up any confusion about
16 whether it costs real dollars or is it a
17 paper transaction.

18 MR. WEINTRAUB: I believe there is
19 no cost, in real dollars.

20 COUNCILMAN NUTTER: Why is that?

21 MR. WEINTRAUB: Well, even -- I
22 think it was Finance Director Davis in her
23 testimony said the only real cost was, in
24 her opinion, in which I respectfully
25 disagree with, was in the first year; that

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2 after the first year everything is on cycle
3 to be collected on an annual basis.

4 When you look at Bill 18 in
5 particular, the payment dates in the bill
6 are July 15th, October 15th, January 31st,
7 and April 15th. All four quarterly
8 payments fall within the City's fiscal
9 year.

10 In reality, the City is going to be
11 collecting the money sooner than later.

12 COUNCILMAN NUTTER: Right. That's
13 in FY '06, correct?

14 MR. WEINTRAUB: Well, the bill is
15 written as if it's FY '06, and I... which
16 is not the budget that this City Council is
17 presently hearing.

18 I would urge this bill be amended to
19 be for FY '05. And that, I believe, is
20 what the intent of the Commission was when
21 we made the recommendation, that it be for
22 FY '05.

23 COUNCILMAN NUTTER: Right. Well,
24 could you possibly render any kind of
25 explanation?

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2 I mean, let's for argument's sake
3 say that it was amended to capture FY '05.
4 Now, the FY '05 taxes, if we're talking
5 about the same thing, the real estate taxes
6 are not due or would not be due until March
7 31, 2005.

8 MR. WEINTRAUB: Correct.

9 COUNCILMAN NUTTER: And under this
10 proposal, and if the bill were amended as
11 you indicated, you would have a real estate
12 tax payment due, actually, as you laid out,
13 July 15th, October 15th of '04.

14 MR. WEINTRAUB: Correct.

15 COUNCILMAN NUTTER: And then July
16 31st of '05.

17 MR. WEINTRAUB: Correct.

18 COUNCILMAN NUTTER: So...

19 MR. WEINTRAUB: January 31st.

20 COUNCILMAN NUTTER: Did I say July?
21 I'm sorry. January 31st, '05.

22 So at that point you have collected,
23 depending on what the collection rates are,
24 but at least by the payment schedule,
25 you've collected 75 percent of your real

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2 estate tax by the end of January which
3 under the present system you would have --
4 unless you have the real early filers or
5 whatever, you would have collected zero
6 percent of any of the real estate tax.

7 And putting aside assessment appeals
8 and everything else that goes on, what
9 you're really now talking about is, rather
10 than collecting all of it by March 31,
11 2005, again, assuming that this were
12 amended, you're getting your last payment
13 on April 15th, which is just 15 days later
14 than when you would normally get it all.
15 But under this, you will have already
16 collected 75 percent of it.

17 MR. WEINTRAUB: That's correct,
18 Councilman.

19 COUNCILMAN NUTTER: So what's the
20 issue?

21 MR. WEINTRAUB: That's my question,
22 what's the issue?

23 To me, when we did this -- When the
24 Commission debated this recommendation, to
25 us it was a no-brainer because right now

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2 the City has to go out because they don't
3 collect the taxes until March, to cover the
4 cash flow problems from July 1 to March,
5 they go into the financial markets and
6 borrow under the -- using the tax
7 anticipation notes, and it costs the City
8 \$10 million in debt service each year for
9 that.

10 By doing this kind of a payment
11 plan, you save the \$10 million. And
12 that... And I'm just talking, now, for the
13 first year of the tax package... would pay
14 for all of the tax reductions that the
15 Mayor has not endorsed.

16 COUNCILMAN NUTTER: All right.
17 Okay.

18 So, your testimony is that Bill 18
19 should be amended to reflect FY '05?

20 MR. WEINTRAUB: Yes.

21 COUNCILMAN NUTTER: But Bill 20
22 appears to cover the correct time period.

23 MR. WEINTRAUB: I'd have to take
24 another look at 20, to confirm that.

25 COUNCILMAN NUTTER: Okay. You don't

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2 have to do it now.

3 MR. WEINTRAUB: Okay.

4 COUNCILMAN NUTTER: I don't have any
5 other questions, Madam Chair.

6 COUNCIL PRESIDENT VERA: Thank you.

7 Any other questions from the members
8 of the committee?

9 (No response.)

10 COUNCIL PRESIDENT VERA: Seeing
11 none, thank you very much, gentleman.
12 You've been extremely, extremely patient.

13 Thank you for all your hard work.

14 MR. WEINTRAUB: Thank you, Madam
15 President.

16 MR. MCPHERSON: The next panel is
17 Peggy Amsterdam, Nancy Goldenberg, Merrill
18 Levitz, Laura Marmar.

19 MS. GOLDBERG: Can I start?

20 COUNCIL PRESIDENT VERA: Why don't
21 you get started, please.

22 MS. GOLDBERG: Thank you very
23 much. Good afternoon or, rather, good
24 evening.

25 President Verna and members of City

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2 Council, my name is Peggy Amsterdam, and
3 I'm the President of the Greater
4 Philadelphia Cultural Alliance which
5 represents over 270 arts and cultural
6 organizations in the region.

7 And I want to thank you for giving
8 us the opportunity to testify in support of
9 the restoration of funding for arts and
10 culture in the City's FY '05 operating
11 budget and five-year plan.

12 The cultural community is very
13 sympathetic to this difficult task that you
14 have. Nonetheless, a \$4 million public
15 investment in arts and culture is an
16 economic strategy that produces positive,
17 long-term results and benefits, all at a
18 minimal cost to the City.

19 Public dollars enable community
20 organizations to operate fund raising
21 through foundations, private donors, ticket
22 prices and fees alone does not generate the
23 money needed to pay for fundamental
24 necessities such as utilities and security.
25 Yet, organizations cannot provide services

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2 without these things.

3 The ability to operate is a base
4 criteria in attracting foundation and
5 private dollars. Yet, it is an area that
6 is rarely funded by these sources.

7 Philadelphia has a long history of
8 investing in arts and culture, for the same
9 than many other cities and countries do.
10 Their missions are essentially the same.

11 Cultural organization, just like
12 municipal governments, are constantly
13 seeking ways to make their City the best
14 possible place to live, work and visit. It
15 makes sense, then, for cities to support
16 the work of their local cultural
17 organizations.

18 Here, cultural organizations are the
19 very definition of Philadelphia. Think of
20 the Art Museum, the Village of Arts and
21 Humanities, the Mural Arts Program, the
22 Kimmel Center, and the Constitution Center.

23 Cultural organizations are our
24 City's heart, soul and identity, and we
25 cannot thrive without them.

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2 Public support for cultural
3 organizations ensures that Philadelphia
4 remains a location of choice. Without
5 public dollars as a leveraging tool, it
6 will be difficult for arts and cultural
7 institution to secure the funding needed
8 for the excellent level of programming we
9 need and deserve.

10 In Mayor Street's budget address, he
11 mentioned working with the corporate and
12 foundation community to fill in the gap.

13 After speaking with leaders of the
14 City's corporation and foundations, it's
15 apparent that this is not a viable
16 solution.

17 In fact, the City's own cultural
18 employees are already maximizing
19 opportunities to leverage additional
20 support, bringing in \$1.25 million dollars
21 in grants above and beyond the City's
22 investment in the Office of Arts and
23 Culture during the Street Administration.

24 Unrestricted public support also
25 supports jobs. A decline in cultural

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2 funding means an immediate loss of jobs in
3 the sector and the subsequent decline City
4 Wage Tax support.

5 The loss of jobs in the field is
6 also a deterrent to students looking to
7 attend colleges and work in Philadelphia
8 after graduation.

9 Businesses cite art and culture as a
10 defining criteria in their choice to locate
11 in Philadelphia.

12 Many of you have seen firsthand the
13 impact of cultural organizations on the
14 citizens and neighborhoods of Philadelphia.
15 I've attached some data to my testimony
16 today that quantifies those experiences.

17 I trust you'll consult it, and that
18 you'll be reminded of the economic,
19 educational, and community building returns
20 generated by this City's cultural
21 investments.

22 Let's not forget that arts
23 organizations annually provide thousands of
24 free tickets to Philadelphia citizens,
25 hundreds of programs in our City's schools,

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2 and countless neighborhood beautification
3 projects.

4 All of these are at risk with the
5 loss of this funding, and the loss of
6 programming has a drastic effect on the
7 Philadelphia it serves.

8 The public has voiced its support
9 for cultural funding very strongly. When
10 these cuts were announced in March, we
11 offered people an opportunity to speak out,
12 and the response has been tremendous.

13 On Friday, hundreds of
14 Philadelphians braved a thunderstorm in
15 Love Park to celebrate our cultural assets
16 and affirm their belief that culture is a
17 sound economic investment for the City.

18 You've also received more than 300
19 letters and faxes from Philadelphians in
20 your offices, and we have here in these
21 boxes, we've collected more than 6,000
22 signed postcards.

23 I'm not going to dump them out. I
24 want to be careful that they don't spill.
25 But there are over 6,000 signed postcards

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2 here, protesting the cuts.

3 They include many from other states
4 across this country, Hawaii, California and
5 Nevada among them. And a dozen from other
6 countries, like Italy and Thailand.

7 All of these cards were signed by
8 people who came to cultural events in this
9 City in the past month, a true testament to
10 the power of the arts as an economic engine
11 for residents and visitors alike.

12 Other cities, Los Angeles, have
13 considered similar drastic cuts in cultural
14 support this year. In L.A. the public
15 spoke out and the cuts were restored.

16 In Philadelphia the public has
17 spoken out, and we're all hopeful that City
18 Council and the Mayor will follow L.A.'s
19 lead.

20 On behalf of all of the cultural
21 representatives here today, and many more
22 who could not join us, I thank Council for
23 its fast support, and ask that you continue
24 your commitment by working to restore
25 cultural funding.

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2 I understand that many of you are
3 supportive of an amendment. And I thank
4 you for speaking out in support of
5 restoring this critical funding.

6 Thank you again for the opportunity
7 to appear before you today. And I hope
8 that your completed budget includes
9 restoration of these funds.

10 Thank you.

11 COUNCIL PRESIDENT VERNA: Thank you.
12 Thank you. Is Miss Goldenberg going to
13 testify? Good evening.

14 MS. GOLDENBERG: Good evening. I do
15 have copies of my testimony for everyone.

16 My name is Nancy Goldenberg. I have
17 the honor of serving as the President of
18 the Philadelphia Cultural Fund, the
19 nonprofit corporation established by City
20 Council in 1991 for the purpose of
21 providing general operating grants to
22 Philadelphia based arts and cultural
23 organizations.

24 I'm here on behalf of our 18 member
25 board of directors to respectfully request

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2 full restoration of the proposed \$1.4
3 million cut to our FY '05 appropriation, as
4 well as to underscore the importance of
5 maintaining funding levels to other arts
6 and cultural organizations facing similar
7 cuts.

8 Last year was a banner year for the
9 Philadelphia Cultural Fund, having embarked
10 upon a long-range plan that resulted in an
11 appropriation of \$2.4 million.

12 We were able to expand the number of
13 grants awarded and increase the amounts of
14 those awards, without increasing our
15 administrative cap of three percent.

16 This year we received 229
17 applications, more than ever. And we
18 awarded 220 grants, also the most ever
19 awarded.

20 Since we began, the number of grants
21 has grown by 62 percent, and our average
22 grant amount has increased from
23 approximately \$3900 to \$10,400.

24 Not only would a budget reduction of
25 1.4 million take us back a decade to 1995

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2 funding levels, it would inevitably result
3 in our ever-growing pool of awardees
4 receiving less than half of what they get
5 today.

6 We were able to process our grant
7 applications, hold our peer review panels,
8 award our grants on time this year. And
9 that was a small miracle, given that we
10 were significantly handicapped by the
11 resignation of our long-time manager and
12 only employee, Ann Edmonds, who left at the
13 end of September, the height of our season.

14 But our board stepped up to the
15 plate, took on added responsibilities, as
16 did the staffs of the Office of Arts and
17 Culture and the Greater Philadelphia
18 Cultural Alliance which pitched in with an
19 extraordinary amount of administrative
20 help, for which I am personally grateful.

21 We retained the Stockton, Rush,
22 Bartol Foundation to manage our peer review
23 process, and their assistance was God-send
24 and flawless. And best of all, we
25 conducted a search for a new manager, that

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2 has resulted in our selection of June
3 Washekita O'Neil, who begins Monday. And
4 we couldn't wait for that day to happen.

5 Our growth also reflects the need in
6 all the neighborhoods of the City for
7 services of arts and culture.

8 While the Administration may not
9 consider arts and culture a core City
10 service, I am sure the more than 11,000
11 residents throughout the region who earn
12 their living in the arts would disagree, as
13 would the hundreds of thousands of tourists
14 who visit our great museums, theaters and
15 galleries, and as would the thousands of
16 parents whose children attend high quality,
17 safe, out of school arts programs, instead
18 of roaming our streets with nothing to do.

19 Our benefits provided include the
20 employment of thousands offer people. The
21 President of the Historical Society of
22 Pennsylvania said it best when she reminded
23 us that they paid \$60,000 in wage taxes
24 this year, and that half of their 42
25 employees come to the City each day from

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2 the suburbs, and spend money on public
3 transportation, at restaurants, and in
4 retail stores.

5 Our grantees help improve the
6 tourist experience, attracting millions of
7 visitors to Philadelphia each year.

8 We foster the development of
9 commercial corridors, bring to life
10 historic buildings, and help increase
11 property values in and around neighborhoods
12 in which they are located.

13 Our grantees help attract and retain
14 businesses and encourage young knowledge
15 workers to make Philadelphia their home, at
16 a time when competition for both is fierce.

17 Our grantees enrich and empower
18 immigrants to Philadelphia, and help them
19 form a sense of belonging to a diverse
20 community.

21 And finally, our grantees create the
22 quality of life that we all want.

23 Catherine Ramey of Glenn Ford
24 Conservation Corporation said it best when
25 she noted that the Cultural Fund supports,

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2 quote, fosters a quality of life in our
3 community that is essential to positive
4 development.

5 The City will always operate under
6 financial constraints, but as the number of
7 cultural grant recipients continues to
8 grow, so too must the level of City support
9 to the cultural fund.

10 We fully recognize there is never a
11 good time to propose a budget cut, but
12 doing so now is counter intuitive to
13 everything we believe City Council and the
14 Administration supports.

15 Investing in arts and cultural
16 organizations and continuing your generous
17 support of the Philadelphia Cultural Fund
18 is an investment in economic development of
19 our City, in the safety of our
20 neighborhoods, and education of our
21 children, in the diversity of our citizens,
22 and in the future of the City.

23 Investing in the Philadelphia
24 Cultural Fund will help keep Philadelphia
25 competitive, and take us from being simply

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2 a good City to being truly a great one.
3 Thank you.

4 COUNCIL PRESIDENT Verna: Thank you
5 very much.

6 Merrill Levitz: Thank you, Council
7 President Verna and members of City
8 Council. I'm here today to support my
9 friends in arts and culture, and --

10 COUNCIL PRESIDENT Verna: Just
11 identify yourself.

12 Ms. Levitz: Yes. Merrill Levitz.
13 Can you hear me? Okay.

14 And I'm the President and C.E.O. of
15 the Greater Philadelphia Tourism Marketing
16 Corporation here to support my friends in
17 arts and culture because there's such a
18 relationship between arts and culture and
19 tourism.

20 We were created in 1996 as a
21 three-year experiment by the Pugh
22 Charitable Trust, the City, and the
23 Commonwealth.

24 But after just one year, the first
25 year that Philadelphia was ever advertised

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2 nationally, the hotels saw such an increase
3 in room nights attributable to tourism --
4 it was about 23 percent -- that they
5 championed a one percent addition to the
6 hotel tax.

7 And currently we are a 501 C-3 with
8 funding from the hotel tax, the
9 Commonwealth, the DRPA, the William Penn
10 Foundation, and Independence Foundation.

11 City Council has been very
12 supportive of us, and we thank you. You
13 helped with the formation, you passed the
14 hotel tax increase, and your post 9/11
15 funding enabled us to design and produce
16 the most successful recovery initiative in
17 the country: Philly's More Fun When You
18 Sleep Over.

19 At the same time you were investing
20 in us, you were investing in the
21 infrastructure and buildings and
22 attractions that have made it possible for
23 us to shine a consistent light on
24 Philadelphia as an accessible, affordable,
25 incredible, and desirable destination.

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2 We don't over promise and under
3 deliver with this advertising. We are
4 accurately presenting Philadelphia as the
5 beautiful, diverse, unique, and historic
6 place that it is, and that it has
7 increasingly become over the last decades.

8 Much of this investment has been in
9 arts and culture, which is what we sell, as
10 well as in hotels, sites and marketing.

11 All of these investments go hand in
12 hand and build on each other. They've paid
13 off well, and with continued investment
14 they can continue to do so.

15 I know you've heard a lot of
16 impressive numbers, but I have more for you
17 because this is National Tourism Week, and
18 we present our annual report to the
19 industry this Wednesday, an event to which
20 you've all been invited.

21 You have all the backup for the
22 figures I'm going to give you in the packet
23 that I handed out.

24 Visitors spend 14 and a half million
25 dollars a day in our region on food,

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2 lodging, attractions, and purchases.
3 That's \$5.3 bill in direct visitor spending
4 a year.

5 3.1 million hotel room nights or 41
6 percent of all room nights in the region
7 were taken up by leisure travelers in 2002.

8 Just to compare, in the late '80s
9 this number was only 15 to 17 percent. The
10 number of leisure travelers has grown a
11 whopping 39 and a half percent between 1997
12 to 2002, from 5.5 million visitors to 7.8
13 million overnight visitors.

14 In addition to rising numbers of
15 visitors, these visitors are staying longer
16 and spending more. Their stay has
17 increased from 1.8 days in 1990 to 3.6 days
18 in 2002.

19 Why? Because they're finding more
20 reasons to stay longer. And many of these
21 reasons have directly to do with our arts
22 and culture events, including programs,
23 museums, theaters, galleries and
24 performances.

25 The longer these people stay, the

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2 more they do, and the more they spend. And
3 their spending has gone steadily up, too.
4 From 2001 to 2002, the average daily trip
5 expenditure went up 26 percent, from \$78 a
6 day to \$98 a day.

7 The best part of this spending is
8 that because tourism is by definition an
9 export industry, these dollars are largely
10 drawn from the outside. That includes the
11 suburbs.

12 At the same time, these dollars
13 impose very few costs within the City
14 because rarely do visitors require the
15 expensive services that residents require.
16 So, tourism dollars are good economic
17 policy.

18 Residents benefit directly from
19 these outside dollars, and from the
20 amenities that the visitors are coming here
21 to enjoy. All these numbers plus more are
22 documented here.

23 One of the documents in the package
24 is our marketing plan for the coming fiscal
25 year which begins in July.

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2 A key strategy within it is to
3 advertise and promote our emerging and
4 established destination definer,
5 attractions and events, in order to
6 encourage overnight and multi-night stays.

7 Some of these things that we're
8 promoting include such cultural attractions
9 as the Titanic Exhibit at the Franklin
10 Institute, the opening of the World Cafe
11 Live, the Philadelphia Fringe Festival, the
12 Salvador Dali Exhibit at the Philadelphia
13 Museum of Art, the Lewis and Clark
14 Exhibition at the Academy of Natural
15 Sciences, the Black History Showcase at the
16 Independence Visitor Center, the 150th
17 Anniversary of the Academy of Music, and
18 the opening of the new space at the
19 Pennsylvania Academy of the Fine Arts. And
20 that's just to name a few.

21 We'll also be promoting our own
22 successful neighborhood tourism and network
23 tours, bringing visitors in by trolley, to
24 experience the heart and soul of
25 Philadelphia in nine of our City's

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2 neighborhoods, ranging from Fishtown and
3 Kensington for the Traditions of Industry
4 Tour, to West Philadelphia for the Urban
5 Oasis Garden Tour.

6 The season kicked off Saturday with
7 the Latin Soul, Latin Flavor Tour of El
8 Centro De Oro.

9 And this Thursday at Girard College,
10 with many partners, we'll be honoring the
11 opening of the Exhibit of the Integration
12 of Girard College, which will be a primary
13 focus of the tours centering in North
14 Philly, on Philadelphia civil rights
15 struggle. A brochure on all these tours is
16 in your packet, and we thank City Council
17 for supporting their development.

18 The arts and culture scene in our
19 City has never been better, and neither has
20 the state and quality of tourism. All have
21 benefited from private and public
22 investment. All have flourished.

23 Our City, however, as Peggy said, is
24 not alone in realizing the power of arts
25 and culture to enhance the quality of life

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2 for residents, to encourage business
3 development, and to attract and retain
4 students.

5 We're in a very competitive
6 environment. And our competitors have
7 names like New York, Boston and Washington,
8 D.C. We cannot afford to lose any of the
9 momentum that we have all established
10 together.

11 And that's why I thank you again for
12 considering, in this very, very tough job
13 that you have, maintaining your investment
14 in our City's arts and culture.

15 Thank you very much.

16 COUNCIL PRESIDENT VERNA: Thank you.
17 Is there anyone else on the panel that
18 wants to be recognized?

19 MS. MARMAR: Yes. My name is Laura
20 Marmar, and I'm sitting here with Cindy
21 Blake next to me.

22 I'm very honored to speak with the
23 three very articulate women who we have
24 just heard.

25 My position is slightly different.

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2 I am a guide at the Philadelphia Museum of
3 Art, a volunteer guide, as are several
4 dozen of us who give collectively thousands
5 of hours of our volunteer time to the
6 Philadelphia Museum of Art every year.

7 Cindy and I are representing not
8 only several guides behind us, but several
9 guides who had to leave because of the
10 lateness of the hour, and several more who
11 could not come, you know, because of the
12 inconvenience of this particular date for
13 them. So, we're representing a lot of
14 people.

15 And I was myself very enthusiastic
16 about coming today, when I heard the
17 citizens would be speaking out about
18 cultural and art funding in the City
19 because I'm a citizen of this area. And
20 the arts are very important to me.

21 And what I have, as I hope a
22 viewpoint to share with you, is the fact
23 that every day, like my fellow guides, when
24 we go out there into the museum to give our
25 tours, we present tours to people from all

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2 walks of life, from every neighborhood of
3 this City.

4 And what I wanted to share with the
5 Council today is the fact that just as the
6 Council is very conscious of this being a
7 City of neighborhoods, we at the Museum
8 serve people from every one of those
9 neighborhoods.

10 And one of the things that we do,
11 among many, is that we provide a tour
12 called a Highlights Tour of sort of the
13 highlights of the collection of the
14 Philadelphia Museum of Art.

15 You know, the Van Gogh Sunflowers,
16 whatever, are on our highlight tour. so
17 what I wanted to do today just briefly is
18 present verbally sort of a highlight of our
19 tours themselves, highlights of our tours.
20 Let me put it that way.

21 And so, I want to just give you a
22 sense of some of the people that I
23 personally have had the privilege and honor
24 to serve in this City and community just
25 within the past half year. And from that,

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2 you can extrapolate what we all do every
3 day.

4 Some of the tours that I have been,
5 as I said, privileged to give include
6 because this is the season of Manet, Manet
7 and the Sea Exhibition, tours to not only
8 residents of the City, but for example, a
9 group who came all the way from Southern
10 Maryland to very much enjoy the works on
11 display in the Museum right now.

12 In addition, I was honored to give a
13 tour in which I gave verbal descriptions of
14 the paintings in the Manet Exhibit to blind
15 or rather visually impaired visitors who
16 could not clearly see the paintings, and
17 were, I have to tell you, just so thrilled
18 to have someone go along with them and
19 explain what was in those paintings,
20 helping the blurry images to become ones
21 that they could understand and be excited
22 about.

23 Another tour that I was honored to
24 give was an outreach talk in Northeast
25 Philadelphia to a group of Russian-speaking

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2 individuals in a housing facility up there,
3 who, with a translator, were able to enjoy
4 a talk about the Manet Exhibit in Russian,
5 translated from my English, along with the
6 slides I was presenting.

7 Another tour that I gave just in the
8 last couple weeks was a tour of the Rodan
9 Museum to an elder hostel group who were
10 absolutely charmed by all that Rodan had to
11 offer them as to what they were so -- you
12 know, excited to find out that day.

13 Another tour also in the Rodan
14 Museum, that I was again privileged to be
15 part of was allowing blind individuals from
16 this City to touch certain sculptures in
17 the Rodan Museum because their way of
18 seeing them is to touch them.

19 And another tour that I gave or
20 actually a talk just last Wednesday that
21 will be continued this coming Wednesday,
22 which is why I was very keen on talking
23 today instead of your next session, and the
24 following Wednesday is a talk over the
25 telephone with individuals from this City

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2 who are homebound with multiple sclerosis
3 issues.

4 And over the telephone the ten of
5 them and I discussed the Manet Exhibit,
6 aided by booklets, with color reproductions
7 of the paintings which were sent to them by
8 the Philadelphia Museum of Art.

9 So, that is my highlight tour of
10 what some of the highlights are of tours
11 and talks I have just personally given. So
12 you must multiply those by all of us that
13 do this work.

14 And I will just close by saying two
15 things. I want to say that I know that
16 these are difficult times. And it might
17 seem that the arts are something not as
18 serious as other things in our world.

19 But I have to say -- And this is a
20 personal thing. I'm not speaking for the
21 museum here. But driving in today, I
22 thought about the world that we do live in
23 and how everything is so connected.

24 And I think that, in fact, in these
25 times that are so dispiriting, art is one

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2 thing that lifts us up and is needed so
3 much, that if anything we should be looking
4 for ways to further fund the arts, instead
5 of decrease the funding.

6 And in a time when we have seen
7 humanity displayed, the humanity that is on
8 display in the Art Museum is more necessary
9 than ever.

10 And in the time when intolerance is
11 forever on display right now, I have to say
12 that the museum houses work from all
13 cultures, from all peoples.

14 In order to understand the work from
15 other cultures, we need to understand those
16 cultures, and the Museum certainly builds
17 something very necessary, which is
18 tolerance.

19 And last of all, in a democracy, the
20 work in the Museum, the work of artists
21 builds our understanding of the individual
22 voice in this world.

23 And so, just in order to close this
24 little talk that I've been privileged to
25 give you today, I just want to say that I

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2 would sincerely like to invite every member
3 of Council to take a tour with us.

4 And as one of the guides behind me
5 suggested, if you prefer to take a tour
6 with the blind individuals who are doing
7 touch tours or the children who are on the
8 school tours, I'm sure that we could
9 accommodate you and would love to do it.
10 Thank you.

11 COUNCIL PRESIDENT VERNA: Thank you
12 very much.

13 It's quite apparent that you truly,
14 truly love what you're doing.

15 MS. BLANK: We do indeed love our
16 work.

17 I'm Cindy Blank, another of the
18 guides. And just briefly... Laura might
19 have said it, not quite as clearly, but
20 there are about 250 volunteer guides.

21 Each of us commit at lease a hundred
22 hours a year to meeting, greeting and
23 teaching the public.

24 Now, Laura covered very eloquently
25 the accessible programs. That is, those

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2 are the programs designed to make art
3 accessible to everyone, whether they be
4 handicapped, sight impaired, or physically
5 challenged in any way. And we certainly
6 have a widely developed diverse program in
7 that regard.

8 I would like to address, in addition
9 to that, our school programs. I don't know
10 how many of you are aware of the number,
11 but I think it's really important to know
12 that we see 80,000 school children in the
13 Museum every year.

14 We as guides supplement some staff,
15 the staff teachers who also teach those
16 students, but many of us are volunteer
17 guides who do the teaching.

18 These kids come from every District
19 in the City. As well, we draw heavily from
20 the suburban areas. They come from every
21 type of school, and every age group. They
22 come from the private sector and the public
23 sector.

24 So, you need to understand that
25 these 80,000 kids are the hope of the

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2 future. There's -- There are -- That's an
3 enormous number.

4 The Education Department prepares
5 those kids. There's a number of posters
6 being held up behind us. These are just
7 some of the materials that are prepared by
8 our Department of Education.

9 These go into the schools. These
10 particular posters go into the schools,
11 into the classrooms ahead of time so that
12 the children can come to the Museum
13 prepared.

14 And therefore, it kind of enhances
15 their Museum experience. And the small
16 amount of time that we do have with them
17 is, you know, much more intense because of
18 their having been pre-prepared with this
19 kind of information. And this is a very
20 small part of what is prepared by the
21 Department of Education.

22 Also, I think Laura, again,
23 emphasized accessible programs, but we do
24 see the public. And I guess Laura did
25 cover that pretty well. Of the people that

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2 pull in on the buses from, again, the
3 larger metropolitan area, the City itself,
4 and around the country.

5 And this is important. It's a
6 showcase spot. Our Philadelphia Museum of
7 Art and the arts in Philadelphia are a
8 strong pull to the region. I think that's
9 been presented really well by the three
10 women that preceded us.

11 And I guess on behalf of the
12 volunteers of the Philadelphia Museum of
13 Art, I'd like to thank you all for giving
14 us a chance to speak with you today.

15 COUNCIL PRESIDENT VERNA: Thank you.

16 (Applause.)

17 COUNCIL PRESIDENT VERNA: Can we
18 just have a show of the hands as to how
19 many of you are volunteers.

20 (Indicating.)

21 COUNCIL PRESIDENT VERNA: That's
22 wonderful. Thank you.

23 MS. BLANK: There are 500
24 volunteers, about which half of them are
25 guides. They volunteer in other areas of

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2 the Museum, in tutorial departments, you
3 know, in other spaces. The guides are
4 about 250 or so.

5 COUNCIL PRESIDENT Verna: Thank you
6 very much.

7 The Chair recognizes Councilwoman
8 Brown.

9 COUNCILWOMAN BROWN: Thank you,
10 Madam President.

11 Good afternoon, arts world. Let me
12 first commend both the leadership, the
13 membership, and all of us who are art
14 enthusiasts, for the way you have mobilized
15 and galvanized everyone in the City who
16 cares about the arts, and in many ways have
17 pumped up the volume, if you will, and
18 reminding us of the domino effect that will
19 come with this proposed budgets cuts to the
20 arts.

21 I'm persuaded to add a bit of levity
22 to this, in a way to assure you that we do
23 get it. And you know, if I was a
24 choreographer of this group of 17, I would
25 say that we're getting all of our

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2 arabesques in the same direction, and we're
3 all kicking in the same direction.

4 And first a music director, I would
5 say we're all singing the same chorus. We
6 do get the fact that arts are a core
7 service of our City. So you should be
8 assured of that.

9 There are discussions that continue,
10 with regards to restoring and in an
11 extremely substantial way, the funding to
12 all of those organizations and departments
13 that have been unfairly... unfairly hit by
14 this budget deficit.

15 Thank you for your testimony and for
16 your enthusiasm. Keep it going.

17 MS. BLANK: Thank you.

18 COUNCIL PRESIDENT Verna: Thank you.
19 The Chair recognizes Councilman Cohen.

20 COUNCILMAN COHEN: Thank you, Madam
21 President.

22 I want to echo the comments made by
23 Councilwoman Brown. We think you've done a
24 great job. You enliven the City, and you
25 enrich it at the same time. And we thank

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2 you and hope you continue to work.

3 But I did want to say to the
4 Cultural Fund, I hope there will be a
5 reconsideration of the item concerning the
6 amount of support you can give these small
7 local groups, the very small groups that
8 have very small budgets.

9 I understand Councilman Rizzo and I
10 have raised at the last meeting, I believe
11 it was, the question of changing the cap of
12 20 percent to 50 percent, the amount of
13 support you can give to these small local
14 groups.

15 I think you will hear probably
16 further, from some of us at least, because
17 we think it very important that you
18 encourage these very small groups because I
19 think that's from what -- from those small
20 groups grow these kind of groups, this
21 interest.

22 And we're hoping you're going to be
23 able to maybe reconsider this at a next
24 board meeting, to give the small
25 neighborhood people the support that they

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2 need.

3 And the amount of money is so small,
4 I understand it's probably not involved
5 more than about \$25,000 over a year, to
6 give small groups the encouragement, that
7 if they score high by your rating system on
8 how they perform, they can get up to 50
9 percent of their budget from the Cultural
10 Fund. So, we hope you'll consider that.

11 Do I speak correctly, Councilman
12 Rizzo?

13 COUNCILMAN RIZZO: That's correct.

14 COUNCILMAN COHEN: On your interest
15 in the matter? Because it was expressed at
16 the last meeting.

17 I just think it's so important to
18 encourage art and culture at the very
19 minimal levels, as well as the larger
20 levels.

21 Thank you, Madam President.

22 COUNCIL PRESIDENT Verna: You're
23 welcome.

24 The Chair recognizes Councilman
25 Rizzo.

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2 COUNCILMAN RIZZO: Thank you, Madam
3 President.

4 I've had the pleasure, and I've
5 truly enjoyed being the Vice President of
6 the Cultural Fund. And I've learned so
7 much about how such a little bit can make
8 so many people so happy and do so much
9 good.

10 It is obvious I'm ending my term,
11 with after two terms there's a limit. I
12 thank God there's not term limits in
13 Council. But after two term limits, after
14 two terms serving, again, I've seen so much
15 good and happiness created.

16 And as Councilman Cohen just said,
17 that we're going to do whatever we can do
18 here. And I think there's a lot we can do.

19 I think this is the time when the
20 strategy of a budget is obvious. And we're
21 going to make sure... At least I'm going
22 to do all I can do, and I know my
23 colleagues here that spoke are going to do
24 what they can do.

25 But we really, truly need to get

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2 this fixed because, you know, the strategy
3 of a budget, for all these years that I've
4 been around this stuff, either directly or
5 indirectly involved, you hear about
6 firehouses being closed. You hear about
7 police officers being let go, firefighters,
8 et cetera.

9 But never in my life have I heard
10 about anybody suggest to cut a cultural
11 budget. You know, I don't want to use the
12 word stupid, but it... I can't think of
13 another word, that anyone would really
14 consider cutting into such a very, very
15 small piece, like, one tenth of one percent
16 of the entire budget.

17 Just seems to me to maybe be more of
18 a strategy than a real sincerity. So, I
19 hope that's the case. We're going to fight
20 to make sure that that gets restored.
21 Thanks.

22 Thank you, Madam Chair.

23 COUNCIL PRESIDENT Verna: Thank you.
24 The Chair recognizes Councilman Kelly.

25 COUNCILMAN KELLY: Thank you, Madam

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2 Chair.

3 I just want to say that I want to --
4 I agree with comments made from Councilman
5 Cohen and Councilwoman Brown.

6 I want to thank you for your
7 excellent testimony today. One of the
8 points I'd like to... I'm glad that you
9 brought out was that by helping the
10 cultural institutions in our City, we also
11 will be helping the hospitality industry.

12 And they're intertwined. And I
13 think that by helping one, we're absolutely
14 going to be helping the other. They're the
15 vehicles that are going to generate some
16 tax revenue growth in this City. And this
17 is very, very important.

18 I also am delighted to know that
19 there's so many volunteers out there that
20 are helping in these institutions. I think
21 it's a feather in your cap. And I think,
22 as expressed today, I think that you have a
23 lot of support on this Council. I know
24 there are many other members that are going
25 to do everything they can to make sure that

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2 those cuts are restored or that the
3 proposed cuts are eliminated. All right.
4 Thank you again for your excellent
5 testimony.

6 COUNCIL PRESIDENT VERNA: Thank you.
7 Any other comments or questions from
8 members of the Committee?

9 (No response.)

10 COUNCIL PRESIDENT VERNA: Seeing
11 none, thank you very much. You've been
12 very patient. Thank you.

13 (Applause.)

14 COUNCIL PRESIDENT VERNA: Do we have
15 someone to testify from the Mural Arts? Do
16 we have someone to testify? Please
17 identify yourself for the record.

18 MS. PANDOLFI: My name is Maria
19 Pandolfi, and I teach for the Mural Arts
20 Program.

21 I'd like to thank you because your
22 office got rid of the drug dealers on my
23 block in three weeks. So, thank you very
24 much for that.

25 I've been an art educator for 17

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2 years. I taught for the School District of
3 Philadelphia for many years. Now I'm
4 teaching for the Mural Arts Program.

5 A few years ago there was a study
6 done, and they found that students got much
7 higher scores on their S.A.T. tests and
8 other tests with a good art education.

9 So it's great to see a beautiful
10 picture. It's great to have tourists come
11 and look at the beautiful art. It is
12 entertaining, but art education is
13 extremely important for other reasons.

14 I am severely learning disabled.
15 I'm dyslexic and I have ADHD. I grew up in
16 Philadelphia and South Philadelphia. And
17 if it wasn't for an art education, I would
18 not have a master's degree from the
19 University of Pennsylvania, a bachelors
20 degree from the University of the Arts,
21 because I needed to learn everything:
22 Math, English, history, every subject,
23 through the arts.

24 And there are so many children in
25 this City that also have learning

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2 disabilities. Learning disabilities are on
3 a rise. And to educate these students, our
4 program is extremely important.

5 Dawn, would you like to say
6 something?

7 MS. FLOWERS: Hello. My name is
8 Dawn Flowers. I'm also a teacher in the
9 Mural Arts Program.

10 And what I wanted to say is I
11 started as a volunteer. Everybody, I'm
12 sure, here knows where Logan is. I'm a
13 resident of Logan.

14 Mural Arts came into our
15 neighborhood to prepare a mural with
16 several children. And through
17 volunteering, I became an employee.

18 By working with Mural Arts, I've
19 learned a lot about children and their
20 development, and different things that they
21 need, as a tool, like she said, to succeed
22 in school.

23 We crammed them with math, English,
24 but we don't give them anything to -- as an
25 incentive to... We basically just don't

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2 give them anything.

3 And the Mural Arts program is very
4 important program. And I think that if we
5 can keep this program alive and keep
6 supporting our children, I think the least
7 that we could do is support them with an
8 artistic venue of some type. And Mural
9 Arts is very important.

10 I just want to say for the
11 neighborhoods of Logan, Kensington or
12 wherever, if we could just keep them open.
13 Thank you.

14 COUNCIL PRESIDENT VERNA: Thank you.
15 Thank you all very much. Thank you. Do
16 you wish to testify?

17 MR. SANTALERI: Yes. I wish to
18 testify for the Mural Arts Project.

19 COUNCIL PRESIDENT VERNA: Identify
20 yourself.

21 COUNCIL PRESIDENT VERNA: My name is
22 Paul Santaleri. I thank you very much for
23 listening to my testimony.

24 I have done a number of murals with
25 the City with hundreds of kids. I've

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2 worked... I've done a number of projects
3 in all different neighborhoods of the City,
4 every neighborhood from Logan, from the
5 area, from all different sections of the
6 City, Fairmount, North Philadelphia.

7 And I'm amazed at how, with so very
8 little money, how far you can go with the
9 arts with just a tiny bit of money that
10 goes to the Mural Arts Project that creates
11 such an amazing effect on the kids.

12 I got to say that each time I work
13 with kids in the City, that I'm just amazed
14 at how they change after a tiny, after a
15 tiny bit of time working with me.

16 Like I said, I've worked with
17 hundreds of kids, and it just is amazing.
18 I've done murals in Mexico and Dominican
19 Republic and Spain and all over the world.

20 And I've done some here. And the
21 fact is, this is a place where people
22 really recognize the arts that are booming
23 here, and the murals that are all over the
24 City.

25 I mean, if we look up, and we see

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2 the stuff that's all over this beautiful
3 room here, this is what we're doing to our
4 City, is we're giving a little bit of life
5 to the City. And that's why this is such
6 an amazing room, because the arts were put
7 into it.

8 And it's the same with the arts and
9 culture, that if we can keep putting a
10 little tiny bit of money, it goes so far.
11 That's all I want to say. Thank you so
12 much.

13 COUNCIL PRESIDENT VERNA: Thank you.

14 MR. YODER: Hi. My name is Carl
15 Yoder. I'm a mural painter. I've been
16 painting murals for the past three years
17 with the Mural Arts Program.

18 I'm currently working on my 11th
19 mural in the City. I'm speaking here today
20 because I'm concerned that I may no longer
21 be able to continue earning a living as a
22 mural painter.

23 The budget cuts to the Mural Arts
24 Program that have been proposed would
25 seriously jeopardize the careers of many

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2 artists living and working in the City.

3 I along with at least 40 other
4 artists work full-time as mural painters.
5 The career path of the artist is not nearly
6 as linear or secure as many other
7 occupations.

8 The majority of students who are
9 going to school in hopes of some day being
10 able to support themselves with their craft
11 end up having to work in menial labor,
12 doing the work they love in their free
13 time, if at all.

14 Eventually the struggle to pay the
15 bills, and try to paint and promote their
16 work, becomes too much. The vast majority
17 of painters will give up.

18 Despite this, I spent seven years in
19 higher education being trained as a
20 painter, with the hope that some day I
21 would be able to support myself doing what
22 I loved.

23 For the past few years I have been
24 living my dream, supporting myself with the
25 craft that I love and have been trained to

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2 do.

3 I'm sure everyone in this room
4 understands the importance of one's
5 occupation to their happiness and
6 well-being.

7 There's an entire community of
8 artists who owe a great debt to the City
9 and the Mural Arts Program for their
10 continued livelihood.

11 Philadelphia is renown as the mural
12 capital of the United States. It is a
13 distinguishing quality of this City.

14 If the program is crippled by these
15 budget cuts, then Philadelphia will lose
16 this distinction, and consequently the
17 tourism that is a result.

18 Northern Liberties and Fishtown are
19 examples of how a flourishing art community
20 has generated business and development in
21 the City.

22 The daily experience of the mural
23 painter is a testament to the positive
24 influence of his or her work to the
25 community.

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2 Every day people come up to me while
3 I am working and express their gratitude
4 and appreciation for the mural.

5 Especially in poorer neighborhoods,
6 you can see and hear the joy that is
7 brought to people as they pass by the
8 mural.

9 Just the other day I was stopped by
10 someone while I was working at my mural at
11 52nd and Rodman. I was a little nervous
12 because they were so serious. I thought he
13 might be angry.

14 But it turned out he was just very
15 intent on telling me how grateful he was
16 for the mural. The guy is a custodian at
17 the building across from the mural, and had
18 been watching its progress. He talked at
19 some length about the positive influence
20 the mural has had on his neighborhood.

21 I feel that the murals have had a
22 significant impact on these neighborhoods,
23 and are such a positive part of
24 Philadelphia's image.

25 The murals function as

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2 advertisements for the City, tourist
3 destinations, and keystones for the
4 beautification and improvement of
5 neighborhoods.

6 I hope that these facets will be
7 seriously considered by the Council. Thank
8 you.

9 COUNCIL PRESIDENT VERNA: Thank you.
10 Kindly identify yourself for the record.

11 MS. WILSON: Hi. My name is
12 Michelle Wilson, and I'm hopefully not
13 going to read. Too much has already been
14 said.

15 But I work in two programs with
16 Mural Arts, the Big Picture and the Art
17 Works which is the anti-truancy program.

18 And I really wanted to talk about
19 the effects that the anti-truancy program
20 has had on the youth that I've worked with.

21 One of the things that I've really
22 seen, is that these kids come in, and they
23 have this identity that they are a screw-up
24 and they don't have a future.

25 And through mural arts we really

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2 changed that. I mean, with -- I mean, the
3 sense of accomplishment they see, they
4 really learn that they can make -- they
5 have a future, and they have talent, and
6 they have opportunities.

7 And I think that the money that is
8 invested in mural arts in truancy
9 prevention and delinquency prevention has
10 really probably done a lot to also save
11 money in the long run, through probably
12 long-term crime prevention. And I think
13 that's a really important thing that should
14 be remembered here today.

15 And thank you.

16 COUNCIL PRESIDENT Verna: Thank you.
17 Any questions or comments by members of the
18 economy?

19 (No response.0

20 COUNCIL PRESIDENT Verna: Thank you
21 all so very much. Thank you for your
22 patience. I know you've been sitting here
23 all day. Thank you.

24 (Applause.)

25 MR. McPHERSON: The next witness is

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2 Jack Hunter.

3 COUNCIL PRESIDENT Verna: Good
4 evening, Mr. Hunter. You are extremely,
5 extremely patient. Thank you.

6 MR. HUNTER: Well, I am too
7 passionate about tax reform. And thank you
8 for hearing these last words on tax reform.

9 My name is Jack Hunter. I'm a
10 Certified Public Accountant, with a
11 practice in Center City. I'm also a
12 resident of Center City for the last 43
13 years.

14 I represented the Philadelphia
15 Chapter, the Pennsylvania Institute of
16 C.P.A.s, as an advisory committee member to
17 the Tax Reform Commission.

18 I'm here today to ask that you, as
19 you consider the budget, support the
20 pending legislation, to enact the
21 recommendations of the Tax Reform
22 Commission.

23 We need tax reform now, which I
24 believe would help change the business
25 climate in the City, and encourage new

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2 business activity, and improve fairness of
3 all taxes to all taxpayers.

4 All too often my clients discuss
5 with me the burden of Philadelphia taxes.
6 I have been telling them that we're working
7 on it.

8 It's now time to complete the
9 working-on aspect of this effort and enact
10 the recommendations of the Tax Reform
11 Commission.

12 Thank you for providing this time
13 for this public input.

14 COUNCIL PRESIDENT Verna: Thank you,
15 Mr. Hunter.

16 Are there any questions from members
17 of the committee?

18 (No response.)

19 COUNCIL PRESIDENT Verna: Seeing
20 none, again I thank you for your patience.
21 You've been very patient.

22 MR. McPHERSON: The next witness is
23 Sherry Williams Riles.

24 MS. RILES: Thank you.

25 COUNCIL PRESIDENT Verna: Good

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2 evening. Please identify yourself for the
3 record.

4 MS. RILES: My name is Sherry
5 Williams Riles, and I am the Vice President
6 of Up Again Incorporated.

7 I'm here today to represent Baker
8 Playground at 55th and Lansdowne Avenue.

9 Madam President, Council-at-Large,
10 City Council, and to all the people that
11 have been just patiently waiting with me to
12 fight for our children, I would like to
13 first say thank you for allowing me the
14 opportunity to speak on behalf of the
15 families surrounding Baker Playground at
16 55th and Lansdowne Avenue.

17 I would also like to apologize
18 beforehand if I say anything that's not
19 politically correct because I don't know a
20 whole lot about this politics.

21 COUNCIL PRESIDENT VERNA: Just say
22 what you feel.

23 MS. RILES: Okay. But based on...
24 With all due respect, and the decisions of
25 possibly closing the playgrounds, I can see

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2 how one could look on a map where Baker is
3 located, and adjacent to Tustin and
4 Shepherd, and think that this is one of the
5 once that can be closed.

6 But because there's so much going on
7 at Baker, and because the need for this
8 playground to exist in this community is so
9 desperate, I'm here to beg you: Please, do
10 everything possible not to close this.

11 At a time when our children are
12 being -- being forced to grow up beyond
13 their years because of increased influence
14 of the television, the internet, the movie
15 industry, kidnappings, drug dealings,
16 school violence, to include weapons and
17 beatings, once begin, our children are
18 being put at risk for possibly destroying
19 what they consider a safe haven, and as
20 well as part of their family.

21 Many of these children come to this
22 playground because they feel safe and
23 loved. You may be saying to yourself,
24 well, how does that, you know, help balance
25 the budget. But where there is no love,

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2 there is no hope.

3 For our children or for that matter
4 adults feel not wanted or displaced, they
5 go to where they do feel wanted. That's
6 where the gangs come about. That's when
7 the drug dealers surface boldly, crime
8 increases, and prison walls expand.

9 Our taxes, insurance and additional
10 money is spent on police protection. Some
11 of the reasons why Safe Streets is working
12 is because these children do have these
13 playgrounds, even if some of them are in
14 bad conditions, to go to. Something to
15 them is better than nothing.

16 It begins with giving a child a
17 chance, giving him an environment where he
18 can play, where they can play, just play.

19 I realize that might be a word that
20 sounds foreign, but that is the reason why
21 many of our children are bucking up against
22 authorities and adults in general, because
23 they don't know how to be children. We
24 won't allow them to be children. We force
25 them to grow up before their minds have

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2 time to develop basic reasoning skills.
3 And most of these reasoning skills are
4 developed in playgrounds such as Baker.

5 The City has recently spent millions
6 of dollars in giving us two great stadiums.
7 Unfortunately, many of these children I'm
8 representing will never see inside of these
9 stadiums.

10 The cost is exorbitant to enter for
11 the majority of these children's families.
12 And one hot dog or soda and some popcorn is
13 what some of these mothers spend to feed
14 four and five of them.

15 Once again, our children are being
16 derived. How can they become our future
17 when the things that help build their
18 future are being constantly taken away?

19 There are two day care centers which
20 are less than one block from Baker, three
21 schools which are within a six-block
22 radius.

23 The decision to close playgrounds,
24 especially this one, increases the chance
25 of the children standing on corners selling

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2 drugs, selling their bodies, selling their
3 souls to the enemy.

4 Most of the children that come from
5 the neighborhood come from single family
6 homes, where the means don't exist to have
7 a yearly membership to the Y.M.C.A. to
8 teach them how to swim.

9 I personally raised my sister's
10 three children. And one of them trained to
11 become a lifeguard at Baker at age 16, and
12 became the head lifeguard for several years
13 afterwards. Now, she's married and working
14 in child care because of the experience.

15 Something as simple as an after
16 school program is a great asset to a single
17 mom, who must try to work effectively and
18 efficiently, while trusting someone for the
19 safety of their children.

20 Some of our parents don't feel
21 comfortable for their children to have keys
22 to their home yet, and they tell them,
23 well, go to baker until I can pick you up
24 from work.

25 Baker is a playground that was in

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2 ruins up till 1990. It was a playground
3 that was overrun by drug dealers, drug
4 users, and prostitution, filth and glass.

5 And even then, the children were
6 entering the grounds because there is no
7 other place close by for them to go.

8 The child -- The child from ages
9 five to seven cannot walk to Shepherd or
10 Tustin Recreation Center. It's just too
11 far.

12 And even through the older children
13 can walk to them, their pools always look
14 like sardine cans with the children from
15 their own areas.

16 Baker Playground means a great deal
17 to this community. They may not be astute
18 individuals when it comes to the political
19 process, and they may not all be
20 homeowners.

21 But they are still people, and they
22 still pay taxes toward the day-to-day
23 operations of the City.

24 Please, I beg you, do not close the
25 door on this community. We have worked

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2 very hard to bring Baker Playground back to
3 a place where families can come with their
4 children, and even a place where children
5 feel safe enough to come alone.

6 We have an after school program.
7 The soccer team utilizes the neighborhood
8 school that operates out of it.

9 Because we have been neglected for a
10 long time. Instead of closing Baker, this
11 is a site that really should be built up.

12 Our building is small. If it were
13 expanded, much more could take place. We
14 have a karate class, a community choir, and
15 drill team that practices at the school
16 because of Baker.

17 Mr. Mayor said at the City-wide
18 prayer in November that he would promise
19 that the children would not be hurt.

20 If this isn't hurt, I don't know
21 what is.

22 I personally worked with these
23 children since 1991 as a volunteer. I do
24 not receive a dime for my efforts. But the
25 reward I see and the fruit that comes from

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2 this facility is remarkable.

3 Since I began as a volunteer, I have
4 seen individuals, six individuals, go to
5 college, one received a full scholarship
6 for basketball because of Baker Playground.

7 One is married now and is giving
8 back, helping the drill team. One was a
9 lifeguard and two are training for
10 lifeguard right now.

11 We have witnessed many honor
12 students. And Baker has won several prizes
13 after their -- from their after school
14 program and their summer camp.

15 Although we are small, great things
16 are happening at Baker Playground. And our
17 community incorporated feeds once a month,
18 and the community looks forward to this
19 meal.

20 With welfare cuts and food stamps
21 limited, these families need what Baker has
22 to offer. Please, please, please do not
23 close Baker playground.

24 COUNCIL PRESIDENT Verna: Thank you.
25 Thank you.

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2 The Chair recognizes Councilman
3 Nutter.

4 COUNCILMAN NUTTER: Thank you, Madam
5 Chair. Good evening, Sherry, and the many
6 supporters that you have brought. I really
7 do appreciate you coming in this evening.
8 Sorry it took so long.

9 I can only echo the comments that
10 you've made. And we've had an opportunity
11 to work together over many years.

12 My colleagues, some of them who have
13 the photos that you left, expressed their
14 surprise that there would be a proposal to
15 close Baker.

16 And whether they've visited the
17 facility or not, they can certainly see
18 from the pictures that it is active, that
19 it is alive, that there's a lot of stuff
20 going on at Baker.

21 As I shared with you, I did discuss
22 this matter with the Managing Director and
23 the Recreation Commissioner and others who
24 came to see me.

25 What you did not mention, but that I

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2 did share with them is that, you know,
3 Baker was not always what it is today.

4 And it was only because of the
5 community, yourself, Gerald, and many
6 others. And Baker had either been
7 officially closed or essentially closed
8 when the drug dealers and other elements in
9 the community took over the center away
10 from the children, the City Recreation
11 Department at that time, not under this
12 Administration but in the past, had
13 essentially abandoned this small center, at
14 54th and Lansdowne, and you and Gerald and
15 many others in the early '90s literally
16 took the place back.

17 There was no programming. There was
18 no activity. There was nothing. Community
19 people decided to take a center back over
20 the course of a year, over the course of a
21 winter, literally sleeping in the building
22 to make sure that the criminal element was
23 out.

24 Under the Rendell Administration,
25 programming and staff was put into place.

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2 We had that wonderful... And we still have
3 pictures of the pool being reopened, Mayor
4 Rendell, former Phillie Terry Mulholland,
5 Councilman Kenney, myself and others, out
6 there that day.

7 And I shared all of that information
8 with the Managing Director and the
9 Recreation Commissioner, who knew nothing
10 of the history of this center.

11 And all I could say to them was of
12 the, at the time, three facilities that
13 were on the list then -- now I have seven
14 in my District -- this is one of the worst
15 examples of a proposed closure.

16 The facility is not near any other
17 facility. Kids in that neighborhood are
18 not going to Shepherd. They're not going
19 to Tustin. They're not going anywhere
20 else. They will be left without any
21 facility themselves.

22 And so, I've obviously shared with
23 you and I've shared with others, I'm
24 opposed to this proposed closure not only
25 of Baker but the other six that have

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2 somehow miraculously ended up on a list.

3 If we need anything in this City, we
4 have presentation by the folks in arts and
5 culture, but if we certainly need anything
6 else in this great City of ours, it's
7 certainly more recreation, not less.

8 So, you have, I think, significant
9 support here in the Council not only for
10 Baker, but many other facilities across the
11 City.

12 And what we should be talking about
13 is how we're going to enhance the services
14 that are available to keep our kids out of
15 trouble, to keep them occupied, to keep
16 them learning, and to keep them focused in
17 their own neighborhood.

18 So, I appreciate you coming in. I'm
19 sorry you have to come in under these
20 circumstances. But I do greatly appreciate
21 your presence, and your testimony, and your
22 continued commitment to the children out in
23 West Philadelphia.

24 Thank you, Madam Chair.

25 COUNCIL PRESIDENT Verna: Thank you.

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2 Are there any other -- any other questions
3 or comments from members of the Committee?

4 (No response.)

5 COUNCIL PRESIDENT Verna: Thank you
6 so much for coming in.

7 MS. RILES: I'd just like to say one
8 more thing. I just would like you to
9 understand I do have a new-found respect
10 for what you guys do. I don't think I
11 could do it.

12 I mean, your tenacity, your long
13 suffering. Gallatians 5:22 is definitely
14 operating in this place.

15 COUNCIL PRESIDENT Verna: But we
16 probably can't do what you're doing.

17 MS. RILES: Well...

18 COUNCIL PRESIDENT Verna: You're
19 volunteering all of your time, and you
20 probably are very responsible for saving
21 Baker.

22 MS. RILES: Thank you.

23 COUNCIL PRESIDENT Verna: So keep up
24 the good work.

25 MS. RILES: All right. I also would

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2 like to submit that I have 526 names on the
3 petition as well.

4 COUNCIL PRESIDENT Verna: Thank you
5 so much.

6 There were quite a number of people
7 that were here and left. I really don't
8 want to call out all of the names.

9 Do we have anyone here that would
10 like to testify?

11 (Hands raised.)

12 COUNCIL PRESIDENT Verna: Please
13 come up to the witness table.

14 Good evening. Please identify
15 yourself for the record.

16 MR. MAUER: Okay. I do have written
17 testimony for the Clerk. So if the
18 sergeant-at-arms could pick it up.

19 My name is Fred Mauer, and I want to
20 testify on the operations budget in the
21 Streets Department, and it's Traffic
22 Control Unit.

23 I think every mother, worried about
24 their child's safe crossing, who must try
25 to deal with the Streets Department before

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2 we repeat the same frustrations that we all
3 get from the Streets Department's attitude
4 of indifference.

5 I want to describe some problems
6 that I encountered and suggest solutions.
7 One major problem is the intersection of
8 Rising Sun and Adams Avenue, near Tacony
9 Creek Park.

10 After 12 years of dealing with the
11 Streets Department and PENNDOT, they did a
12 project. But they made it worse in many
13 ways.

14 For one worse example, Streets
15 Department told us that they would install
16 a dedicated left-turn signal. But after
17 the project was done, there was no
18 left-turn signal.

19 The entire project actually resulted
20 with making more pedestrian harm instead of
21 safety to park and street users.

22 The missing left-turn signal was
23 addressed by a special City Council
24 ordinance to the Streets Department, but
25 the ordinance was not fulfilled.

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2 I was present when Councilman Nutter
3 and Rizzo questioned the Streets Department
4 official if the light signal would be
5 installed.

6 The Streets Department Traffic
7 Manager Denny refused to answer. I do not
8 understand how the Streets Department can
9 willfully disobey that ordinance. It seems
10 to me that someone there should pay for
11 such refusals.

12 The whole Adams Avenue project and
13 pedestrian safety issues was referred to
14 the Governor's Office. Rendell's written
15 reply to me gave the City an obligation
16 that the Streets Department would take the
17 matter and set meetings.

18 The Streets Department has refused
19 to meet or to hear complaints that are now
20 two years old.

21 I wonder: Does City Council want
22 this misbehavior to continue and pay for
23 this traffic unit malfeasance in the
24 Streets Department?

25 A second major issue is the closing

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2 of 20th Street. Because the Streets
3 Department made a deal to give LaSalle
4 University superior rights to the public
5 right of way on 20th street, which was
6 opened 81 years ago as two ways, the
7 Streets Department Control Unit took a
8 recent action to close it down halfway.

9 And that has inflamed the residents,
10 who are actually losing full access to
11 their homes, and the free travel that
12 existed when they made their homes here.

13 I think it its outrageous that the
14 Streets Department Traffic Control will now
15 do a traffic study after the facts when
16 they distorted the existing traffic.

17 The Traffic Control Unit promise
18 really just a pabulum excuse. And who will
19 ever trust this Traffic Control Unit again?

20 They won't even dignify their
21 actions with us -- to us with relevant
22 facts or to show their motive, records.
23 And they've even refused to meet with the
24 affected community, after they made
25 requests.

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2 I think the Streets Department
3 Control Unit is dishonest in dealing with
4 our local public issues.

5 We need a balance against the
6 Streets Department's ingrained habit to
7 favor cars and higher-speed highways on
8 City streets, rather than to consider the
9 effects on pedestrian and residential life.

10 I think one solution is to have the
11 Streets Department create a special traffic
12 control complaints agency, where all public
13 complaints will be heard timely and
14 investigated fairly, with the effort of
15 resolving public welfare conflicts and in
16 favor of the residential public first.

17 This may actually need a judicial
18 arm or a public ombudsman approach in the
19 Streets Department. I think another
20 solution is to split the Traffic Control
21 Unit out of the Streets Department and
22 contract it out.

23 The work of the Traffic Control Unit
24 can actually be done by traffic
25 consultants. And I think a private company

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2 with consumers' interest may give us more
3 satisfaction with public hearings and by
4 public actions on public complaints than
5 our Traffic Control Unit's current
6 arrogance and holier-than-thou attitude
7 toward us.

8 I request City Council to amend the
9 operations budget in the Streets Department
10 with special conditions provisos for its
11 Traffic Control Unit.

12 And I think it's time for City
13 Council to use the powers of the budget
14 more efficiently than just a rubber stamp.

15 COUNCIL PRESIDENT Verna: Thank you.

16 The Chair recognizes Councilman
17 Cohen. Your light is on. Did you want to
18 be recognized?

19 COUNCILMAN COHEN: No, it's not on.

20 COUNCIL PRESIDENT Verna: Well, it
21 was on here.

22 Okay. Any questions from members of
23 the Committee?

24 Councilwoman Tasco.

25 COUNCILWOMAN TESCO: No. I'd just

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2 like to say that I thank Mr. Mauer for
3 coming in to testify. That traffic light
4 is in my District, and we have had an awful
5 time with the Streets Department. Even had
6 the state say that it's okay to install the
7 light. So the next option we have, Madam
8 President, is to go to court.

9 COUNCIL PRESIDENT Verna: Oh. Thank
10 you.

11 COUNCILWOMAN Tascio: Thank you.

12 COUNCIL PRESIDENT Verna: Thank you
13 very much.

14 Please approach the witness table.

15 JUDGE DEMBY: I'm Pamela Demby.

16 COUNCIL PRESIDENT Verna: So nice
17 seeing you. And thank you. I know you've
18 been sitting there for quite a while.

19 JUDGE DEMBY: Oh, well, so have you.
20 And thank you, President, and members of
21 Council.

22 You have, all of you, been good
23 friends for my adult life. So let me
24 start, as my mother would want me to, by
25 thanking you all for not only listening to

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2 all of us, but for undergoing what you are
3 undergoing right now.
4 You don't have enough resources.
5 You have so many demands, all of them
6 valuable, all of them worthy. You are also
7 required to make choices for which you
8 cannot see the end results, and we all
9 thank you for doing your best.
10 I'm here to make a small pitch on
11 behalf of the library. As you know, I'm
12 the President of the Friends of the Free
13 Library right now.
14 And you have stepped up to the plate
15 time after time and done so well for us.
16 Because of the state cuts that we suffered
17 last year, we have had, since the beginning
18 of this past July, which is ten months, 436
19 full day closings of branches.
20 And the days when we could open a
21 branch with a real thin staff, say, just a
22 librarian, have disappeared forever since
23 that terrible incident at the Independence
24 Branch where that child was assaulted. We
25 need security, plain and simple.

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2 In addition to these random
3 closings, which mean children come to do
4 their homework or to appear at what is the
5 largest after school care program in the
6 City, the library branches, they arrive to
7 find nobody there and the door closed, and
8 you don't need much imagination to see what
9 that can lead to.

10 What I can add, that the staff of
11 the library, I think probably couldn't tell
12 you is that what's happening to the
13 Saturday and weekend -- and week night
14 closings.

15 Ordinarily, as you know, beginning
16 in September, we keep the libraries open on
17 Saturdays and a couple of evenings a week
18 for children to do homework, for people to
19 look for jobs, to learn English, all the
20 things that our libraries do.

21 Last week 17 branches were without
22 Saturday service. This week the number is
23 19. And by the next week or so, we'll be
24 up to 21 or 22.

25 And all I'm going to do, if you'll

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2 just indulge me, is just read the names of
3 the branches because I think it will hit
4 you all.
5 Fishtown, which is 1200 East
6 Montgomery Avenue.
7 Frankford, in the 4600 block of
8 Frankford Avenue.
9 Fumo in 2400 South Broad.
10 Greater Olney, 5500 North 5th.
11 Haddington, on North 65th Street.
12 Haverford, 5500 Haverford Avenue.
13 Holmesburg, up at 78th and
14 Frankford.
15 Kensington, down on Dauphin Street.
16 Lehigh at 6th and Lehigh.
17 Logan, on Wagner Street.
18 McPherson Square which is 6th and
19 Indiana.
20 Nicetown Tioga, 3700 North Broad.
21 Passyunk, 19th and Shunk Streets.
22 Queen Memorial, 1200 South 23rd.
23 Rodriguez, 600 West Girard.
24 Richmond on Almond Street.
25 Santora which used to be the

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2 Southwark at 900 South 7th.
3 Wadsworth, 1500 Wadsworth Avenue in
4 West Oak Lane.
5 Anybody here I've missed? Anybody
6 here whose constituents aren't going to be
7 affected?
8 And with that in mind, I'll just ask
9 you to do your best to find that little bit
10 of extra money to help us out. I, you
11 know, had prepared testimony to give you
12 all sorts of reasons to do it.
13 But you've all been so good to the
14 library over the years, especially at this
15 late hour, I won't do it.
16 I think about \$2 million would
17 probably at least deal with the Saturday
18 closings.
19 And beyond that, it's... I don't
20 know where we will find money to start
21 buying books and materials again.
22 We've bought nothing since December.
23 And, of course, a library pretty quickly
24 becomes pointless without new materials.
25 And I know that you will do your best. And

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2 I thank you for what you have done and for
3 you will do.

4 COUNCIL PRESIDENT VERNA: Your
5 Honor, you mentioned the emergency
6 closings. Is that because of the lack of
7 staff?

8 JUDGE DEMBY: Yes.

9 COUNCIL PRESIDENT VERNA: I think
10 when Mr. Shellcott was in, that was one
11 question that was asked of him. And he
12 indicated that there were approximately a
13 hundred, was it not, Charley?

14 MR. McPHERSON: A month.

15 COUNCIL PRESIDENT VERNA: A month,
16 because of the lack of staff and
17 consequently there were emergency closings.

18 COUNCIL PRESIDENT VERNA: I think
19 what happens is, when my number, which is
20 436 full days, if you take a half day here
21 and a half day there, that's how it adds up
22 to about the same number.

23 It has obviously accelerated as
24 staff have been let off, and as we've had
25 to increase our security requirements since

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2 the tragedy at Independence Branch.

3 COUNCIL PRESIDENT VERNA: Thank you.
4 The Chair recognizes Councilman Nutter.

5 COUNCILMAN NUTTER: Thank you, Madam
6 Chair. I'll be brief.

7 Your honor, I heard what you said
8 with regard to the \$2 million. Is the bulk
9 of that money to resolve the issue of...
10 It's either 17 or is it... Did I read in
11 your letter it might be upwards of 19
12 branches now that are closed on Saturdays?

13 JUDGE DEMBY: Yes. That is the
14 first crisis that we think we need to
15 resolve.

16 COUNCILMAN NUTTER: Does any of the
17 \$2 million help get to the issue of whether
18 it's a hundred a month or, you know, four
19 hundred some odd full and/or half day
20 closings that have taken place over the
21 past couple months? Does it help to
22 address that issue as well?

23 JUDGE DEMBY: Yes, it will. You
24 know, the more staff you have, the more
25 flexibility that you have to run people

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2 around to try to stave that off.

3 COUNCILMAN NUTTER: Okay. Right.

4 All right. So, two million is at least a
5 figure that directly addresses the Saturday
6 closings and helps to reduce the emergency
7 closings.

8 JUDGE DEMBY: Yes, sir.

9 COUNCILMAN NUTTER: Okay. Thank you
10 very much.

11 JUDGE DEMBY: Thank you.

12 COUNCIL PRESIDENT VERNA: Thank you.
13 Any other questions?

14 The Chair recognizes Councilman
15 Cohen.

16 COUNCILMAN COHEN: When was the
17 last time library was in these desperate
18 straits?

19 JUDGE DEMBY: I don't know, sir. I
20 think it's been quite a while.

21 Over the last several years the
22 libraries, I think, have been on an
23 upswing.

24 Until the latest crash at the state
25 level, the state was finally coming up with

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2 some money for the libraries.

3 And by the way, if you'll keep
4 leaning on your colleagues in the state,
5 that will be wonderful.

6 And with money from the state and
7 with the help of you folks here, as you
8 know, we renovated all of the branches
9 before we even thought about doing anything
10 to Central.

11 So that now people can go to
12 libraries that have computers, that the
13 ceilings don't leak, and things like that.

14 So, until fairly recently, we had
15 been looking at --

16 COUNCILMAN COHEN: -- in the amount
17 of money that was cut out by Governor
18 Rendell when he submitted that first
19 budget?

20 JUDGE DEMBY: Yes.

21 COUNCILMAN COHEN: How much of that
22 has been restored; do we know?

23 JUDGE DEMBY: We don't know. I
24 mean, I hear numbers but...

25 COUNCILMAN DiCICCO: 350, 400,000.

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2 JUDGE DEMBY: Okay. Is that what
3 you heard?

4 COUNCILMAN DiCICCO: Not that much.

5 JUDGE DEMBY: Maybe we could do
6 bingo at the library branches.

7 COUNCILMAN COHEN: Rendell did it to
8 us at the state level, and apparently the
9 Mayor is really going to do it to us at the
10 City level.

11 No further questions.

12 COUNCIL PRESIDENT VERNA: Thank you
13 very much.

14 Your Honor, thank you.

15 JUDGE DEMBY: Thank you.

16 COUNCIL PRESIDENT VERNA: You've
17 been extremely patient.

18 JUDGE DEMBY: Thank you very much.

19 COUNCIL PRESIDENT VERNA: Anyone
20 else to testify, please approach the
21 witness table.

22 Good evening. Kindly identify
23 yourself for the record.

24 MR. VINCENT: Good evening, Madam
25 President. My name is Joshua Vincent. I

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2 am the Director of the Center for the Study
3 of Economics.

4 Today I'm wearing a hat also as
5 President of the Henry George Foundation of
6 America.

7 Some of you might have received some
8 information in mailings from the
9 homeowners. I'm here and I'm alone.
10 Nobody will know what happened, Counselor.

11 And essentially, the Henry George
12 Foundation of America, after having served
13 for several years as providing information
14 about land value taxation, the City of
15 Philadelphia joined with the Tax Reform
16 Commission, and we hope that the entire
17 package will pass.

18 Interestingly, I feel sort of like
19 the orphan stepchild of the Tax Reform
20 Commission. This morning I arrived at
21 about 8:30 with hundreds upon hundreds upon
22 hundreds of homeowners who brought the
23 letter that we had sent them, telling what
24 would happen to their taxes if a land value
25 tax was implemented.

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2 They stayed for many, many, many
3 hours. But they're not as organized as, I
4 guess, other people are. They're just
5 regular people. They didn't get sent down
6 by their union. Their boss didn't give
7 them a day off with pay to show up.

8 We would like to have taught them a
9 chant, but they don't chant very well. And
10 I think they're too polite and considerate
11 of you to do such a thing.

12 So they stuck around for a long
13 time, and I think essentially I'm the last
14 one. I don't want to pretend to be a
15 representative of them but last man
16 standing.

17 I would remind Council of what we've
18 said over the years, that the land value
19 tax is the part of tax reform that will
20 address neighborhood issues.

21 It is the part of tax reform that
22 does address the little guy, regular
23 people. You asked about the land value
24 tax, Councilman. 78 percent of all
25 homeowners will see some reduction.

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2 (Councilman Cohen said something,
3 away from the microphone, not reportable.)

4 MR. VINCENT: It's in the numbers.
5 It's been in the same numbers over and
6 over. I've provided them over the years to
7 Tim Kearney, your --

8 (Councilman Cohen said something,
9 away from the microphone, not reportable.)

10 MR. VINCENT: Well, they're in your
11 files, because I spoke to Tim Kearney over
12 many days over several years about how the
13 land value tax will reward the most at-risk
14 neighborhoods.

15 We're talking about the River
16 Districts, Olney, East Oak Lane,
17 Holmesburg, Kensington. These are the
18 neighborhoods where the highest percentage
19 of savers under a land value tax will be.

20 In Juniata Park, for example, 90
21 percent of homeowners see a tax cut. But
22 again, it has to be balanced with the rest
23 of the tax reform program.

24 I believe the land value tax is a
25 stand-alone program, and it's a good

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2 program, to reward the people that don't
3 have anything that exists for them as far
4 as programs go.

5 It's a tax cut for people that
6 generally don't have a voice in our City.
7 I think it's a shame.

8 Now, on Wednesday many of the people
9 that we sent the letters to will be here.
10 And I'm sure they'll be grateful to give
11 their views to you, the Council.

12 And considering the huge numbers of
13 people that reacted and responded to the
14 issue of land value tax, I'm sure that
15 they'll all look forward to your
16 affirmative vote, the land value taxation.
17 Thank you.

18 COUNCIL PRESIDENT Verna: Thank you
19 very much. Any questions or comments from
20 members of the Committee?

21 (No response.)

22 COUNCIL PRESIDENT Verna: Thank you
23 again.

24 MR. Vincent: Thank you.

25 COUNCIL PRESIDENT Verna: Our next

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2 witness. Good evening. Kindly identify
3 yourself for the record.

4 MS. BISCHOFF: Good evening. My
5 name is Jamie Bischoff. I've been a
6 resident of Center City for the last 22
7 years.

8 I'm a partner at Ballard Spahr
9 Andrews and Ingersoll, and I'm also on the
10 Board of Directors of the Mural Arts
11 Advocates.

12 And I'm here to say something about
13 the mural program, in all of those
14 capacities, but primarily as someone who's
15 been living in Philadelphia for 22 years.

16 I understand that the Mural
17 Program's budget is potentially going to be
18 cut. And I can understand why people think
19 we already have enough murals in
20 Philadelphia.

21 But I think when they say that,
22 they're focusing primarily on Center City.
23 And I think they may not realize how many
24 people there are in so many other
25 neighborhoods in Philadelphia who want

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2 murals and have gone to the mural program
3 asking to have a mural in their
4 neighborhood.

5 I also think people may not realize
6 the process that the program goes through
7 when it creates a mural. It doesn't just
8 take an artist and plunk a mural down in
9 the middle of a neighborhood.

10 The mural program people, and
11 significantly Jane Golden, go into the
12 neighborhood and attend community meetings,
13 and meet all the people in the
14 neighborhood, and start a whole dialogue
15 about what the mural -- what the people
16 would like to see on the wall in their
17 neighborhood. And that's one of the
18 reasons why so few of our murals have been
19 marred by graffiti.

20 The other point I wanted to make
21 about the mural program, and the thing that
22 I think a lot of people don't realize, is
23 that they have all these art education
24 workshops for kids after schools, in
25 neighborhoods where kids go to schools that

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2 don't have art on the curriculum.

3 And I really believe that the
4 need -- there is a very deep human need to
5 express yourself, to find a way to make
6 sense of your experience.

7 And when I visited these art
8 education workshops over the last five
9 years and talked to the kids, and looked at
10 their artwork, and saw how proud they were
11 of these things they were learning to make,
12 I was very impressed by how valuable this
13 is, especially in neighborhoods where kids
14 don't have any other way to make art and to
15 learn about art.

16 These kids go to these workshops day
17 after day. They're never absent. They
18 love it. They seem to love learning how to
19 create things.

20 And I think that's a wonderful
21 outlet for them. And I would hate to see
22 the mural program have to shut down any of
23 those art education workshops. Thank you.

24 COUNCIL PRESIDENT Verna: Thank you.

25 MS. BISCHOFF: Thank you.

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2 COUNCIL PRESIDENT Verna: There are
3 any questions or comments from members of
4 the Committee?

5 (No response.)

6 COUNCIL PRESIDENT Verna: Thank you
7 so much for your testimony. And we did
8 have a group from the Mural Arts Program
9 testifying earlier. Were you here? Were
10 you here when they testified?

11 MS. Bischoff: No. I just got here.

12 COUNCIL PRESIDENT Verna: Oh. Okay.
13 They did present very good testimony.
14 Thank you.

15 MS. Bischoff: Thank you.

16 COUNCIL PRESIDENT Verna: Thank you.
17 Please approach the witness table and
18 identify yourself for the record.

19 Sister Muhammed: Good evening. I
20 thank you for the late hour and taking the
21 time. I am Sister Muhammed, Chairwoman and
22 CEO of the Lancaster Avenue Business
23 Association CDC in West Philadelphia.

24 I thought I had lost that
25 opportunity also to speak on behalf of the

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2 Mural Arts Program. We certainly embrace
3 the Mural Arts Program, as the previous
4 lady indicated. And I was here during the
5 testimony of the group.

6 Again, I'm not familiar with the
7 parliamentary procedures and did not know I
8 should have stepped up to the mike at that
9 time.

10 However, the Mural Arts Program do
11 provide an opportunity for collaboration.
12 That is certainly something that we support
13 in the Lancaster Avenue Business
14 Association, and in our immediate
15 community, and throughout the communities
16 of Philadelphia.

17 Not only do the art provide
18 beautification to our blighted areas and
19 our housings and examination our properties
20 that have been so downtrodden for a long
21 time, and brought communities together and
22 children to be a part of that process, but
23 for our business association and for our
24 business corridor, it is embracing the
25 revitalization process that is going on in

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2 our area as well.

3 We in our collaboration connect with
4 the Mural Arts Program. And not only do
5 they provide scenery, different artistic
6 expressions, but they also provide
7 portraits, portraits of pioneers, and those
8 who have come from a long time and been
9 active in the communities throughout the
10 years, to bring them alive again in our
11 communities.

12 We embrace that primarily because we
13 were blessed with being able to provide a
14 mural of my late husband, who was one of
15 the long-time pioneers of the West
16 Philadelphia area.

17 With respect to that, I hope that
18 you do take into consideration the need for
19 this Mural Arts Program. It is a good
20 thing. It provides collaborative effort.
21 It pulls communities together, working
22 together to build murals, structures, that
23 introduces communities.

24 Currently we are at Lancaster
25 Avenue. On Lancaster Avenue we have

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2 several murals beautifying our corridor, as
3 well as working currently on one specific
4 one at 40th and Lancaster Avenue.

5 Visit our community. Come out and
6 see the direction that we are utilizing
7 these art performances in.

8 I'd like to thank you for allowing
9 me that opportunity. And have a good
10 evening. Thank you.

11 COUNCIL PRESIDENT VERNA: Thank you.
12 I think we all agree it's a wonderful
13 program, and we thank you for coming in to
14 testify.

15 SISTER MUHAMMED: Thank you.

16 COUNCIL PRESIDENT VERNA: Thank you.
17 Anyone else to testify?

18 (No response.)

19 COUNCIL PRESIDENT VERNA: Seeing no
20 one, this Committee will stand in recess
21 until Wednesday, May the 12th, at 9:30.
22 And I would like to remind my colleagues
23 that tomorrow morning at 9:30 we do have
24 the School District budget.

25 (Hearing concluded at 7:45 p.m.)

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CERTIFICATE

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DEBRA D. WHITEHEAD

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