COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING BEFORE THE COMMITTEE OF THE WHOLE

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Room 696, City Hall
Philadelphia, Pennsylvania
Thursday, December 19, 2002
9:30 a.m.

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Bill 020808 - An Ordinance extending the discount period and the due date for payment of real estate taxes due in 2003, and enacting special provisions for additions to tax, penalties and interest if such real estate taxes are paid after the due date; all under certain terms and conditions.

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PRESENT:

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COUNCIL PRESIDENT VERNA: Good morning, everyone. This is a Public Hearing of the Committee of the Hole.

I would ask Mr. McFearson to please read Resolution Number 020764.

MR. McFEARSON: Resolution 020764, Resolution Amending the Neighborhood Transformation Initiative, Fiscal Year 2003, Program Statement and Budget.

COUNCIL PRESIDENT VERNA: Good morning. Please identify yourself for the record and proceed with your testimony.

THE WITNESS: Good morning. My name is Patricia Smith, and I'm Director of Neighborhood Transformation.

Madam President, the Administration respectfully requests that the Resolution be withdrawn at this time. That would in effect leave the Budget that was approved by Council in June in place.

We have heard the concerns that were raised by allocating all of the acquisition funds, $50 million in this fiscal year. There has not been adequate time on a number of individuals and

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Councilpersons to really vent their acquisition requests, so we respectfully request that the Resolution be withdrawn.

We anticipate any amendments or changes to the '03 Budget will probably be brought back in connection when we look at the Block Grant or when we bring forth the FY'04 NTI Program.

COUNCIL PRESIDENT VERNA: So would we be considering the properties that were in this Resolution, along with those that were supposed to be submitted and considered in spring?

THE WITNESS: We will still go through a review. There were three categories of acquisitions. There was Ordinances that were transmitted and are pending before this body, totaling approximately $12.9 million. Those Ordinances have sufficient Budget authority in the current program statement and Budget.

We were just anticipating the next round, and that anticipation was bringing forth a Budget Amendment. But what we want to do is make sure that we got all requests from all Council people, you know, have been adequately reviewed. It should not impact the planning or moving forth

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for any other projects.

If need be, the Administration is more than willing to bring back a specific Budget amendment related to a project, if that becomes the case. But I think we're going to be fine.

COUNCIL PRESIDENT VERNA: Thank you. The Chair at this time recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam President.

Miss Smith, I just wanted to make sure, for the record... This proposed action today, in your words, what if any impact will this have on the FY'03 Budget as approved or any proposed NTI actions during the course of Fiscal Year 2003?

THE WITNESS: The FY'03 Budget as approved remains in place. That's the $68 million Budget that was reflected in the program statement approved by Council in June.

And it should have no -- Within that Budget there's approximately 14.5 of Budget authority for acquisition activities, as well as for the other activities that were approved by

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Council.

COUNCILMAN NUTTER: So the withdrawal of this Resolution will not have any negative impact or interfere with your ability to carry out proposed NTI activities for Fiscal Year 2003.

THE WITNESS: That's correct. We were just trying -- Again, as you may recall from my testimony, the Budget Amendment was driven primarily by the fact that we ourselves were surprised by the number of acquisition requests that came forth in just requests. These were not commitments.

COUNCILMAN NUTTER: When money is available, people do get pretty interested.

THE WITNESS: Yes. These were not commitments; they were requests. And we were seeing we had already more than $40 million in requests. So we were just trying to anticipate that and align the Budget in anticipation of that.

COUNCILMAN NUTTER: Can you tell us for the record on a going forward basis, what will be the process by which we will determine, I guess... Now, the FY'03 budget had $11 million in

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acquisition money.

THE WITNESS: It was actually a total of $14.5 million. There was some in another category.

COUNCILMAN NUTTER: In the subsequent lines.

THE WITNESS: Mm-hmm.

COUNCILMAN NUTTER: Okay. So, we're talking about the balance. If it's 14... I remember the $11 million in the one line item. But I think you're correct; there's some subsequent line items that have other acquisition dollars allocated. But let's say the total is 14, leaving 36.

What will be the process that is established to help ensure that Council Members have an opportunity to, one, make their case for any portion of the $36 million; and two, and this is always a very delicate kind of discussion. And you and I had this discussion just the other day.

What criteria, I guess, will the Administration establish to deal with issues of an appropriate dispersion of those dollars throughout the various Councilmanic Districts, not... And

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I'm not making an equality argument, because it is clear to me -- And again I will state for the record, as I did on Monday, there are a number of Council Districts around this City that clearly have greater need, greater deterioration, which naturally will require greater resources to respond to those particular issues.

But as you work through that, there are others that have different types of situations that may not be as costly.

How do we ensure that the Districts get some representative amount of funding to allow those Councilpersons and people in those respective Districts to have some reasonable level of participation in the NTI program?

THE WITNESS: Okay. In response -- And I think these actually go together. One of the things that we're going to do is require is to -- The Redevelopment Authority will be transmitting to Council a schedule, so that we can sit down on a quarterly basis just to talk about acquisition needs, issue, what may be on the horizon.

And then, looking at the criteria

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that we've articulated, you know, in the Program Statement, we have not at this point in time developed any type of formula for distribution or things of that nature.

Again, that is something that I would like to engage in dialogue with Council about and get your, you know, feedback as to what ways one can balance both these issues.

It's one, I think, we grapple with as a City all the time.

COUNCILMAN NUTTER: Sure.

THE WITNESS: And it is a balancing act when you have limited resources and constraints. You can have a large project that may demand a great deal of resources but can have significant impact.

COUNCILMAN NUTTER: True.

THE WITNESS: There's increasingly more development interests, I think, as a result of NTI. So I don't have the answer.

COUNCILMAN NUTTER: I understand.

THE WITNESS: That was a long way to say I don't have the answer to that. But I hope to work with Council --

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COUNCILMAN NUTTER: You know I always prepare a longer answer than a shorter answer.

THE WITNESS: We'll hope to work with Council on figuring out the answer to that.

COUNCILMAN NUTTER: Thanks.

Well, I think all I can ask for the moment -- I appreciate your honesty -- is if we can utilize at least some level of the concept of accepting that there will be differences.

This is not a matter of taking $50 million, splitting it up ten ways, and everybody just gets what they get out of that, because quite honestly, that would not be fair either.

There will be differences between and among Districts. But I think if, in your thought process, there is consideration given to: Well, there should be some minimum level of funding to everyone.

And then look at what the differences are between and among the Districts, large projects small projects, intensive demolition and acquisition activity versus stable neighborhoods, where you're talking more

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preservation and maintenance, which are much less costly kinds of items. But that everyone gets something.

And then you build from that base, based on what's going on, that's pertinent or unique to that particular District. I think that that would help resolve some of these issues.

THE WITNESS: Okay. Thank you.

COUNCILMAN NUTTER: Thank you. I appreciate it. Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome. Are there any other questions or comments from Members of the Committee?

Miss Smith, again, I would ask that we start to receive some reporting documents.

THE WITNESS: Yes. We will be transmitting those reports. It's been a hectic first half of the year.

COUNCIL PRESIDENT VERNA: I'm sure.

THE WITNESS: Working through the acquisitions. And I do apologize to Council. We're a little behind, and I lost a staff person. So...

COUNCIL PRESIDENT VERNA: Thank you

very much.

THE WITNESS: Thank you.

COUNCIL PRESIDENT VERNA: The next bill for consideration is Bill Number 020808. Mr. McFearson.

MR. McFEARSON: Number 020808, An Ordinance extending the discount period and the due date for payment of real estate taxes due in 2003, and enacting special provisions for additions to tax, penalties and interest if such real estate taxes are paid after the due date; all under certain terms and conditions.

COUNCIL PRESIDENT VERNA: Good morning. Please identify yourself for the record and proceed with your testimony.

THE WITNESS: Good morning. President Verna and Members of Council.

My name is Nancy Kammerdeiner, and I'm the Revenue Commissioner for the City of Philadelphia.

I'm here today to testify regarding Bill Number 020808. I apologize for not having copies of my testimony earlier, but I do have some copies with me at this point, if you want to distribute them.

COUNCIL PRESIDENT VERNA: Would you wait a moment, please, so we could have copies.

THE WITNESS: Sure.

COUNCIL PRESIDENT VERNA: And the rule is that we're supposed to have copies of testimony 48 hours prior to the Public Hearing.

THE WITNESS: I understand that. And I apologize for the delay in getting them to you.

COUNCIL PRESIDENT VERNA: Please proceed.

THE WITNESS: This Bill will extend the discount period and due date for 2003 real estate taxes by one month. It will also adjust the dates for imposition of additions to tax.

After carefully reviewing the provision of this Bill, the Administration feels that it is unable to support this proposed legislation for the reasons that I will detail in a moment.

First, however, I would like to give you an update on the status of the preparation of real estate tax bills for 2003. In recent years,

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the Board of Revision of Taxes has certified assessed values for the coming year to the Department of Revenue on or about November 20th, and the real estate tax bills have been mailed by mid December.

Although the BRT certified the values for 2003 a week earlier than usual this year, the Department delayed in loading this information into the real estate tax system until the outcome of the various proposals for capping or freezing the assessments for 2003 were known.

On Friday, December 13, 2002, we began the process of loading the values; and the various computer programs to develop the bill files and calculate the tax were run during the week this week.

We expect to complete the preparation of print cartridges today, and this weekend we will begin the process of printing and mailing bills. It will continue until mid January for properties that have no prior year tax liabilities.

In addition to approximately 268,000 papers bill, electronic files will be prepared for

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29,778 low income installment payment program coupon books and for mortgage companies that pay real estate taxes for approximately 135,000 properties.

We recently billed those with prior year liabilities with a December 31, 2002 due date. As a result, the Department's going to need several days in early January to receive all of the timely postmarked mail from the Post Office, process these payments, and apply the receipts to the individual taxpayer accounts.

At that point liens will be placed on the properties for 2002 balances that remain on the record. As a result, our ability to process the bills for 2003 tax for these accounts -- these bills will also include any prior year liabilities -- will not be able to begin until mid January, and those bills will be mailed on or about February 1st.

As you can see, despite the delay in starting the billing process, all taxpayers should have their 2003 tax bills in hand approximately a month before the current discount due date of February 28th and nearly two months before the

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March 31st due date.

Taxpayers should have a reasonable amount of time to respond with their payments and should not require an extension in due dates because of the delay in billing.

Before I move on, I want to make one final comment about the bills. Because of this delayed schedule, all taxpayers will not have their bills before December 31st, as they've had in recent years.

For some people this will cause a problem, because they prefer to pay their real estate taxes before the tax year begins. And I regret the inconvenience that they will face, but we will be able to accommodate these taxpayers by printing a bill for them if they contact us.

They should call Revenue at 215-686-6442. That's our main real estate number. Or visit us in the concourse or one of the two service centers in North Philadelphia or Northeast Philadelphia, and we can accommodate them with a specially printed bill so they can pay before December 31st.

I understand the concern about the

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timing of hearings of Assessment Appeals, and that that may have resulted in the introduction of the legislation that's before you today.

The interest that you have in permitting these taxpayers to reach closure on their appeals before taxes are due is understandable.

However, changing the tax due dates and probably delaying payments for all taxpayers is a confusing and costly way to provide this support, especially since there are other means available to assist these people.

You are correct that some appeals will not be adjudicated before the current due date. Indeed, they may not be finalized before the extended due dates that you propose in the legislation before you.

David Glancey, Chairman of the Board of Revision of Taxes, has advised me that they have scheduled hearings through the end of January, and estimate that they will need about 40 more hearing days after that.

Assuming that they continue to meet in hearings four days a week, they expect to

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schedule 32 days in February and March, with the balance that they require actually falling over into April.

They're making every effort to mail decisions within ten days, and they're expediting the revised certifications to Revenue.

But as you can see, it will be well into April before they complete residential appeals, and only then will they be handling appeals on commercial properties.

But I submit to you that this should not be a concern. Taxpayers will not be harmed if they have not had their appeals fully adjudicated before the end of the discount period or the tax due date.

They have two alternatives. They can pay the tax bill in full and receive a refund if they are successful in their appeals to lower assessments or they can pay an amount equal to the tax due in 2002 and take advantage of the Administration's Safe Harbor Program for 2003.

Let me explain. Taxpayers who pay the full amount that they have been billed and who then receive assessment decreases from the BRT

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will have credits on their accounts.

This happens every year, as taxpayers large and small are successful in their appeals to the BRT. They may request a refund of the credit balance or may request that this credit be used to offset a tax liability for another property or even for another tax.

Any credit balances that remain on an account at the end of the year will be rolled to the next tax year to reduce that liability, so long as the property ownership remains the same.

Revenue normally processes about 1200 real estate tax refunds each year, and we anticipate that that volume will be higher this year because of the increase in the number of assessment appeals.

Refunds that are not paid within 75 days of the receipt of a fully documented refund petition will be paid with interest.

Some taxpayers may choose to pay something less than the full 2003 tax while their appeals are being heard. If they pay during the discount period, the discount amount will apply to the amount that they pay. That is, the amount

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that -- Excuse me. One percent of the amount that they pay would be applied as a credit to their account.

If the appeal is successful and the Department of Revenue receives a revised certification from the BRT to lower the assessment, the resulting tax credit will offset some or all of the remaining liability.

Revenue will bill the taxpayer for the remaining liability and provide a one percent discount if the payment is made within 30 days.

You are also reminded of the Administration's Safe Harbor Program for 2003 that was originally announced in September. This is the Administration --

COUNCIL PRESIDENT VERNA: Excuse me. I'm sorry. The noise level is much too high. Anybody having conversations, please do so in the corridor. That means everyone.

Please proceed.

THE WITNESS: Thank you. This is the Administration program that I discussed in my testimony here back in September and October. I may not have referred to it as the Safe Harbor

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Program. It was in its early developing stages at that point.

But if the taxpayer pays an amount equal to the tax due in 2002 by March 31, 2003, and pays the remaining tax principal by December 31, 2002, any additions that may have accrued on this account will be waived.

I indicated earlier that these date changes would be costly. Not only will there be operational impacts, including extensive computer programming for a one-year change in procedures and extensive customer service impact resulting from the change in due dates after the bills are mailed, but there will also be substantial cash flow impacts.

In February 2002, the current year of real estate tax collections for the City and School District totaled nearly $461 million. Of that, $193 million came from mortgage companies.

If those taxpayers should choose to delay payment until March 31st, the City and School District would lose the interest earnings on $461 million and may be required to incur expenses for temporary loan notes or other bridge

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financing, to compensate for this temporary shortfall in revenue.

Though the numbers are not as high, we could also anticipate that a significant portion of the $126 million collected in March 2002 would be delayed until April, if the tax due date is changed to April 30, 2003.

It is possible, however, that many of those who would normally pay in March without a discount would continue to pay in that month but now with a discount.

Assuming that $50 million in March payments fell into that category, it would mean a loss of $500,000 in revenue. If just $200 million in payments were delayed by one month as a result of the change in due date, the lost investment earnings would be about $290,000.

And if temporary financing should be required in order to make up for this cash shortfall, the cost could exceed $500,000 for just one month. And these costs would increase if the amount that was delayed increased.

In addition, there would be operational costs for computer programming,

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taxpayer service, and notification of taxpayers of the date change.

To conclude, this legislation, while well intentioned, would cause additional confusion for taxpayers who are already upset by new assessments and a myriad of proposed remedies.

It would be costly to implement and will provide less support for taxpayers awaiting appeal decisions than the existing refund and Safe Harbor Program.

I respectfully request that you not approve this legislation. I will be happy to answer any questions that you may have.

COUNCIL PRESIDENT VERNA: Thank you. Would you please explain the current real estate appeal process, as to both timing and payment?

THE WITNESS: The appeal process is through the Board of Revision of Taxes. And after the assessment notices were sent to people, they had until October 1st to file an appeal with the Board of Revision of Taxes.

The Board schedules hearing dates and hears those appeals.

COUNCIL PRESIDENT VERNA: And any of

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the hearing dates are not until February?

THE WITNESS: Actually, some of them will go into April. I talked with the Chair of the Board of Revision of Taxes, David Glancey. And as I mentioned in my testimony, he advised me that those appeal hearings are being scheduled on a rolling basis.

We have them scheduled through the end of January, at this point. And they estimate, with the number that have not yet been scheduled, that they will need about 40 more hearing dates in order to accomplish that.

They're meeting in hearings, hearing appeals four days a week. And based on their anticipated volume, they expect that it will take them into April until they even have the hearings on all of the residential properties.

It's not unusual for them to go well into the year, in terms of hearings and providing revised certifications to the Department of Revenue. And so, though this volume is higher and it's going to take longer than in some years, they generally do go well into the tax year.

COUNCIL PRESIDENT VERNA: As a

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taxpayer's appealing their assessment, must they pay the full amount owed by February in order to receive the discount?

THE WITNESS: No.

COUNCIL PRESIDENT VERNA: Okay.

THE WITNESS: Any amount that they pay in February or by February 28th will receive the one percent discount. Whether it's the full amount or some prorated amount, they will get the discount on the amount that they pay.

COUNCIL PRESIDENT VERNA: Would you repeat that, please?

THE WITNESS: Surely. Any amount that they pay between now and February 28th --

COUNCIL PRESIDENT VERNA: Before their appeal decision has been rendered?

THE WITNESS: Yes. Because any -- I'm just saying from a tax payment perspective, any amount that a taxpayer pays by February 28th, whether it's a partial payment or a full payment of the tax that they have been billed, will have the one percent discount.

COUNCIL PRESIDENT VERNA: Let me ask you: How does this process work for taxpayers

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that have their taxes escrowed through the mortgage company?

THE WITNESS: Unfortunately, they would have to work with their mortgage company on that, because they've already paid to the mortgage company or the mortgage company will be working out payment arrangements with them for the future.

COUNCIL PRESIDENT VERNA: Do you have any indication as to how many taxpayers there are?

THE WITNESS: About 135,000.

COUNCIL PRESIDENT VERNA: What a system.

You did mention the impact of moving the discount period back a month, and you did explain their components in the calculation.

THE WITNESS: Yes.

COUNCIL PRESIDENT VERNA: I'm wondering: Did you read the article that was in today's Daily News about the tax re-assessors contend that software they're using is faulty?

THE WITNESS: No, I did not see that.

COUNCIL PRESIDENT VERNA: Well, I

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think that's something you should read.

THE WITNESS: I certainly will.

COUNCIL PRESIDENT VERNA: I think that we're not only talking about cost, but I think we also should be talking about fairness to the taxpayers.

THE WITNESS: I think in any long-term solution, that is certainly going to be a key factor. How are the assessments done and how do we relate the tax rate to the assessment. I believe we discussed that at some point.

COUNCIL PRESIDENT VERNA: Well, what does the taxpayer do in the interim?

THE WITNESS: Most of them are appealing to the Board, in terms of a reduction in the assessment for 2003, if they feel that that's a concern.

From a tax payment perspective, we're trying to provide some relief for them, in that if they pay the amount that was due in 2002, they can defer the payment of any incremental amounts during calendar 2003 under what I'm referring to as the Safe Harbor Program, to distinguish it from the more formal deferral

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program that's as a result of the Bill you passed and the Mayor signed a few weeks ago.

COUNCIL PRESIDENT VERNA: Isn't that Bill for anything over 15 percent?

THE WITNESS: That Bill is. But that's why I'm calling it the Safe Harbor Program, to distinguish it from that.

As you may recall, back in September when I appeared before you, I indicated that the Administration was working on the development of a program for people to pay the incremental amount in their tax, anything over the 2002 amount, in installments during the course of the year.

And if they paid by December 31st, we would forgive the additions that would normally have accrued to that tax. It would still require payment in the tax year, which is why I'm not really calling it a deferral program.

COUNCIL PRESIDENT VERNA: At this time, the Chair recognizes Councilman Di Cicco.

COUNCILMAN Di CICCO: Thank you, Madam President. I actually don't even know where to begin. Thank you for your testimony. Obviously, this is the first chance I've had to

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look at it.

And quite frankly, you know, I come to these hearings. I listen to this. I just can't figure out how the average citizen taxpayer in this City would have any clue as to what to do, based on the information that I have in front of me today, on the possibilities: If you pay, if you don't pay, when you pay, when the discount kicks in, when it doesn't kick in, how it will affect the mortgage payment and the escrowing of taxes.

How do you plan to get this information out to the general public? I mean, not everyone is sitting home watching us today; that's for sure.

THE WITNESS: Right.

COUNCILMAN Di CICCO: And there's just so much you can do through print media, with all respect to the print media. I don't understand how we get this information out.

I mean, we have said from the beginning, from the very beginning when I introduced the freeze bills, that the system is broken and we have problems. And it was only an

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attempt, hopefully, to get some meaningful real tax legislation here.

And here we are again at the eleventh hour, if not the twelfth hour. You're telling us that notices are going to be sent out over this weekend.

We're trying to wrestle with an issue that is in the paper today that I thought I demonstrated -- although some people accused me of grandstanding a few weeks ago when I brought in those envelopes -- that there's a serious flaw in the system, not directly related to you. I'm not suggesting that you have caused that flaw.

But there is a flaw. And I think even David Glancey admitted, if I'm not mistaken, in his testimony that we have some problems.

Why is there such a rush to get notices out on bills that may be inaccurate? And on billings that may wind up being appealed, and so those folks may win on their appeals?

Why can't we give them at least another 30 days before the final bill, whatever that is, whether it's the full value or a discounted value, based on the appeal; give the

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general public 30 days to make those payments?

THE WITNESS: Our rush to get bills out is to get the tax revenue into the City and to the School District in a timely a fashion, so that we can deal with cash flow.

To deal with the problem that you're identifying requires a much longer term solution than I think any of us can craft or put in place in 30 days.

And I believe that was the core subject for discussion a few months ago when everyone said we needed to look at longer term solutions that would provide for a fair or more equitable way of levying the tax. And that kind of solution does not go into place overnight.

COUNCILMAN Di CICCO: Would you agree that for some people who may not have an appeal, may not be appealing, that they would -- even if we rolled the date back a month, that they're going to pay their bills soon?

I know, especially among the seniors, one of the biggest things for them is to make sure they pay their real estate taxes. That's the first thing they do even before they

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buy a loaf of bread. I mean, a portion of those people are going to pay anyway.

THE WITNESS: Some will pay as soon as they get the bill; that's correct. But a lot of people look at a due date.

And particularly the mortgage companies that have already collected this money, as you well pointed out. They have collected this money from the taxpayers, and they will be actually encouraged to wait a month.

And that $193 million that we collected last year, an amount in that magnitude would probably be delayed a month, even though the money has already been collected from the individual taxpayers.

And so I think that basically what I'm saying is that a delay of a month in the due date will encourage people who can and would ordinarily have paid by the end of February, to pay in March; and people who would probably have paid in March before, to pay in April.

And so it really will encourage people to delay making a payment that they would ordinarily have made and could make in that time

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frame.

And I think that's the vast percentage of the money that comes in in February and March.

COUNCILMAN Di CICCO: But you speak to the... in your testimony issue of cash flow.

THE WITNESS: Yes.

COUNCILMAN Di CICCO: But isn't it true; would you agree that a lot of the tax revenues that are collected and the reason we offer a one percent discount is not because we're generous and we just out of the goodness of our heart want to give people a discount. We want to get the money in sooner.

But isn't it a fact that a lot of times there's a certain amount of that money that is sitting there accruing interest on behalf of the City? So maybe we're only giving them one percent based on what we're actually earning on interest.

THE WITNESS: I can't speak to the cash flow situation at this given point in time. But I know that most years we borrow money in advance because the main portion of our revenue comes in in February, March and April.

And so we have payment due dates on borrowed money that are dependent upon the cash coming in in those time flows. That's just a general statement.

The people in the Finance Office would need to respond to more detailed comments about this particular year, in terms of cash flow.

COUNCILMAN Di CICCO: On Page 5 you talk about... They're really all assumptions. Assuming $50 million in March payments fell below, that kind of --

THE WITNESS: Yes, because we don't know how much we'd be delayed. All we can do is give you an estimate of what it would be if approximately half of the payments came in a month later than they came in last year.

And considering that of the $461 million that came in during the discount period last year, $193 million of that came from mortgage companies that could make the direct business decision of delaying payment for a month.

It is highly likely that as much as half of that $461 million would be delayed by a month. And that's why I selected that amount, in giving you at least some idea of what would happen if the delay were in place.

COUNCILMAN Di CICCO: I don't have any further questions at this time, Madam President.

Actually, I do. I assume you were not here in 1981 when the issue of the real estate taxes and the freeze on taxes was implemented.

THE WITNESS: I wasn't in Revenue at the time. I was working for the City.

COUNCILMAN Di CICCO: What happened with all the billings and all those things going on that we're trying to address today at that point in time? Do you have any knowledge of the history of it, at least?

THE WITNESS: Not of the detail of how the bills were handled.

COUNCILMAN Di CICCO: What did we do about cash flow and paying bills and everything else, since there was a cap or a freeze at the time?

THE WITNESS: I can't comment on that. I would have to go back and do the research

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on that. I was not involved in that in a direct way at the time.

COUNCILMAN Di CICCO: Okay. Thank you. No further questions, Madam President.

COUNCIL PRESIDENT VERNA: Thank you. At this time the Chair recognizes Councilman Ortiz.

COUNCILMAN ORTIZ: Thank you. Commissioner, on Page 5... And I would suggest you read the story in the Daily News because it's very significant. It, in essence, says -- and these are the people that work in the BRT and who do the re-assessments.

And we have stated, as Councilman Di Cicco just said, that this system is broken and really has caused an incredible amount of consternation across the City.

But you make several statements that paint a very dark picture, sort of a very gloomy scenario, a gloom and doom type of situation: If this is done, the sky will fall type of situation.

And at the bottom you say that if we pass this, it would cause additional confusion for taxpayers. But let me tell you something --

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THE WITNESS: They're confused already.

COUNCILMAN ORTIZ: -- there cannot be any more additional confusion for taxpayers. They're already confused.

THE WITNESS: I understand that. That's why I said that --

COUNCILMAN ORTIZ: And they're confused and angry because the system really doesn't work or really is really broken. And they cannot understand why we cannot pause for a period of time until we come up with a solution.

And I don't have the Five-year Plan in front of me, and I don't have any way of really debating the statements that you make about these gloomy predictions. But tell me on what it's based, at least.

THE WITNESS: Basically, we look back at how much we collected in March -- February and March of 2002, to get an idea of what would happen if a significant portion or all of the taxpayers who paid in those months and would have -- if you make the assumption they would have paid in those months in 2003 because they were

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gearing toward the due date.

And you consider that they would delay, make the decision to delay to a delayed due date. They want to pay during the discount period, and so right now they pay by February 28th.

You extend the discount period to March 31st, they will make the business decision, the personal business decision -- or in the case of a commercial entity or a mortgage company, the business decision to delay payment from February 28th or thereabouts to March 31st. Therefore, you've built into the process a one-month delay from the time period when they paid last year.

COUNCILMAN ORTIZ: Explain to me the statement, "The lost investment earnings would be $290,000."

THE WITNESS: Well, basically, if we had the money in hand in the bank in February, by the end of February, and instead we got the money at the end of March, we would not have the investment earnings on that $461 million or whatever portion. This assumption is based on half of the 461 or really slight less than half,

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just $200 million of it were deferred, the estimate is that based on current interest earnings we would be short $290,000 in interest.

COUNCILMAN ORTIZ: And the $500,000 figure that follows that, would that be -- would that keep on increasing geometrically as the months go by then?

THE WITNESS: Not -- Well, it would continue to increase. That's based on the borrowing --

COUNCILMAN ORTIZ: How would that increase?

THE WITNESS: The interest rate for the borrowing and dividing that by 12 months. And so for each month it would be an additional $500,000. That's essentially the monthly cost of borrowing that $200 million.

COUNCILMAN ORTIZ: I really don't have the -- I wish I did -- the Five-year Plan in front of me. But I just can't believe that if we do this, that the whole system would come crashing down like this. I mean, that the cash flow would be interrupted in such a drastic manner.

THE WITNESS: Well, basically,

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February, March and April are our highest revenue months in the entire year. February because of the discount period for real estate which brings in $461 million in that one month in real estate taxes alone.

COUNCILMAN ORTIZ: But you're talking about a system that the people who do the job of assessing have filed a report saying it's wrong. So these --

THE WITNESS: Those are two totally separate things.

COUNCILMAN ORTIZ: Yeah, but these taxpayers will be paying that tax money based on that system, the money that you say you're expecting. So in essence we're taking money from people that we should not be taking in the first place. That's what it seems like to me. I have no further questions.

COUNCIL PRESIDENT VERNA: Thank you. Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam President. Just for the record, Madam President, I know people from time to time have been wondering, but it's been established today that I

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have at least one screw loose, which is why I now don't have my glasses on. The screw came out of my glasses and I was desperately searching on the floor for it. We did find it. Now I'm fine. So there's at least been confirmation of that particular issue on one occasion. Putting that aside, I am nearsighted, so I actually can read what I have here.

Commissioner, I want to go back over your testimony, and in the same place I believe Councilman Ortiz was, on Page 5.

Your testimony says, assuming that $50 million in March payments fell into that category, it would mean a loss of $500,000 in revenue. If just $200 million in payments were delayed by one month as a result of the change in due date, the loss of investment earnings would be about $290,000. And if temporary financing is required to make up for this cash flow shortfall, the cost would exceed $500,000 for just one month.

What are the cash flow estimates in the Five-year Plan for the months ending in February, March and April of 2003?

THE WITNESS: I'm sorry. I don't

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have the Five-year Plan with me. And I don't normally work with the cash flow. That's handled through the Budge Bureau.

COUNCILMAN NUTTER: Well, I appreciate that. I do happen to have a Five-year Plan with me.

THE WITNESS: Okay.

COUNCILMAN NUTTER: According to the Five-year Plan, on Page 3 of Appendix 4, the Five-year Plan is showing that on February 28th, the closing balance will be $324.9 million, and on March 31st the closing balance will be $398.3 million, and then on April 30th the closing balance will be $573.7 million.

Now, I mean, I know this is not your testimony. And I apologize even for having to ask you this question, but unfortunately, I will.

I mean, you're not here this morning to tell us that in a government that has an overall operating revenue of $3 billion and that anticipates having a closing balance of $324.9 million at the end of February or $398.3 million at the end of March, that somehow $290,000 is going to cause the government to close up shop for a few days and not be able to function and not operate? That's not your testimony, right?

THE WITNESS: No, it's not.

COUNCILMAN NUTTER: Okay.

THE WITNESS: And I would also indicate that the Five-year Plan you're reading from was developed at this time last year.

There have been changes in both revenue and expenditures since then that could very well have affected that cash flow. And that's why I would not want to speak to the cash flow figures without consulting with someone who works with that on a daily basis. That changes regularly.

COUNCILMAN NUTTER: So, I mean, the real issue here is who gets to hold whose money for how long? Isn't that really the issue?

THE WITNESS: That's part of it.

COUNCILMAN NUTTER: I mean, whether we get to hold it, whether the taxpayers get to hold it, or whether the banks get to hold it, that's what the real issue is, right?

THE WITNESS: That's a big part of it yes, sir.

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COUNCILMAN NUTTER: Okay.

THE WITNESS: In some cases, though, if they pay at a discount period when they didn't before, there would be an actual loss of revenue because that's revenue that we would have gotten. Again, the taxpayer would get to keep that.

COUNCILMAN NUTTER: I understand that.

THE WITNESS: But that would be revenue that would never come in; whereas, in the other instance it's more of a timing issue.

COUNCILMAN NUTTER: But this is the not the only revenue that's coming into the government, correct?

THE WITNESS: That's correct, although at that time period it's the --

COUNCILMAN NUTTER: I mean, people are still going to pay their wage tax and -- I'm sorry?

THE WITNESS: At that time period it is the largest percentage of revenue that's coming in, however.

COUNCILMAN NUTTER: Sure. Now I understand.

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Your testimony also seemed to indicate that there were concerns earlier in the testimony about the timing of bills going out and the like for 2003.

THE WITNESS: Yes.

COUNCILMAN NUTTER: Your testimony is that you're not anticipating sending the bills out until mid to late January; is that right?

THE WITNESS: We're starting the process right now. We should be starting the printing process over this weekend.

By next week we will actually be doing some of the mailing, but it will take us a period of time to have most of those bills out.

COUNCILMAN NUTTER: Right.

THE WITNESS: As I indicated in the testimony, the people who will only have a 2003 liability should have their real estate tax bills by mid January.

COUNCILMAN NUTTER: Right.

THE WITNESS: But we need to delay the processing of the bills for those who have had liabilities from prior years, because we have bills on the street right now with a 12/31 due

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date that have to be processed so that we know what it is we're billing them for.

COUNCILMAN NUTTER: Right.

THE WITNESS: In the next round.

COUNCILMAN NUTTER: Well, that shouldn't change, because the taxpayer does have an obligation to pay by December 31, 2002, anyway, right?

THE WITNESS: Correct, but we have people who have delinquencies from prior years, and they may or may not pay by 12/31. We want to be sure that when we give them a bill the next time that has any prior year delinquencies, as well as 2003, that we've taken into account payments that they have made.

COUNCILMAN NUTTER: Right.

THE WITNESS: And so, we don't want to print their 2003 bill until we have any payments they're making right now on the record.

COUNCILMAN NUTTER: Now let me just say again for the record -- and you may have covered this previously. But what should I tell my constituents who, based on the fact that they're playing by the rules, going through the

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system, have appeals coming up through the course of at least January -- and I don't know when they're going to actually receive a bill, but for the people who have gone through the proper appeals process and who possibly don't receive a bill prior to the current expiration of the one percent discount period, what do we tell those people?

THE WITNESS: Well, we will be sending them a bill based on the assessed value we were given by the Board in November. That's the assessed value that they are appealing. So they will have a tax bill in hand. It will be a bill that they think is too high and they are appealing.

COUNCILMAN NUTTER: So it's a very real possibility that the bill is going to change, right?

THE WITNESS: Correct.

COUNCILMAN NUTTER: So they actually don't have a final bill.

THE WITNESS: No, they don't have a final bill, but in all likelihood their tax liability for 2003 will not be less than the one

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in 2002, for the vast majority of people. And even after the appeal is adjudicated.

COUNCILMAN NUTTER: So what bill are you going to send them? You're going to send them a 2003.

THE WITNESS: I'm going to send them a bill for 2003, based on the assessed value we were given by the Board of Revision.

COUNCILMAN NUTTER: And so if they don't pay that bill, and they miss the discount period, and they subsequently then get a final bill based on their appeal -- Let's say they're successful by, you know, whatever percent or a couple hundred dollars -- shouldn't they have the opportunity to take the discount for timely payment on the new bill?

THE WITNESS: I believe --

COUNCILMAN NUTTER: Or do you expect them to pay or you expect them to overpay and then fight with us to get a refund, right?

THE WITNESS: I indicated in my testimony that there are two things that I would recommend they do. One is the alternative you have just mentioned: If they paid in full and

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were successful on their appeal we would provide a refund. And it's not that they would fight with us. There would be a time delay while it was processed, but we would in fact provide a refund.

COUNCILMAN NUTTER: While we're holding on to their extra money that they've paid us and we generate interest off of it.

THE WITNESS: We would do it as quickly as we can, once we knew that their assessment was being decreased by the Board of Revision.

The other alternative is one that could be very attractive to people. If they need an amount equivalent to what they paid in 2002 -- and most people know that they paid or we can tell them what they paid in 2002 if they don't have a record of it. They could then wait until after they get their revised assessment to pay that incremental amount.

COUNCILMAN NUTTER: Then send another check. And then send another check.

THE WITNESS: We would bill them for any difference that remained after we processed the certification. They would have the

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opportunity to pay that incremental amount, with the one percent discount, if they paid us within 30 days.

And if they paid any balance that was remaining by the end of the calendar year, we would waive any of the additions that might have accrued to that amount. So they would still just be able to pay the principal amount, not any amount that would accrue additions.

COUNCILMAN NUTTER: Well, my last question. Commissioner, you have provided, I know to myself and my constituents, whenever I've sent any matter over to you, excellent service. And I appreciate that.

THE WITNESS: Thank you.

COUNCILMAN NUTTER: But you and I also know, from dealing with some of those situations, that at times the system has great difficulty in processing multiple checks from the same taxpayer. Checks cross themselves in the mail. Notices cross in the mail.

And I guess part of the concern here is: How do we make it as easy and as simple for our taxpayers, who at the end of the day we work

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for them; they don't work for us. How do we help assure that they make one payment, that it's clear what the payment is, that they have a reasonable time by which to take advantage of the discount, and end up not being penalized for the audacity of having participated in the appeal process.

The process drags on, goes through February 28th, and now they have to figure out how to get what ultimately is rightly theirs. I mean, why wouldn't we just make it as simple as possible for people all the way around?

THE WITNESS: I'm trying to think how we could make it simpler with just one payment. And really, I guess the only thing that we can -- No matter when --

COUNCILMAN NUTTER: You would do that by supporting the Bill.

THE WITNESS: No.

COUNCILMAN NUTTER: It would be very simple.

THE WITNESS: No, I don't believe so, because some of the assessment appeals will not be fully adjudicated by that time, as I understand it. And so, I'm not sure that it will

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solve the problem for everyone.

COUNCILMAN NUTTER: Let's say you're right and let's say I'm wrong. Tell me -- Based on scenario, tell me what the optimal one-time writing a check solution is for anybody who's presently going through the appeal process whose appeal may not be adjudicated until sometime in the future, which we don't know when.

What is that person's right, having filed an appeal, having received their appeal hearing date, having gone to the hearing, having received relief from the Board of Revision of Taxes?

Shouldn't there be some designated allowable period of time, such that for whenever that person receives their bill, they have an opportunity to pay in a timely fashion and still receive the same discount that other people who either didn't participate in the appeal process or who did not receive an increase, who know with a date certain that they can pay up to February 28th and receive a discount.

All we're trying to do is to make sure that, in an effort to serve everyone fairly

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and equally, a group of people who have a right to appeal, who have no control over when their hearing date is, that somehow in participating in that process, they lose out in another part of the process that has been established in law for everyone. Tell me what in your words the perfect solution is to that situation.

THE WITNESS: I wouldn't change the due date for everyone. I would -- If we had a perfect world and we didn't have to deal with computer systems that are sometimes difficult to restructure, I would provide a 30-day period after the assessment was re-certified and a new bill was sent out, give them 30 days to pay with a discount, and then a new due date after that, on an individual basis.

It wouldn't be that you changed the due date for 500 and some thousand properties. You would only deal with a due date change for the people who have an assessment that's still pending.

That's difficult to deal with in large volumes, but that would be a much better way to handle it, than to change the due date for

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everyone and encourage those who do know what their amount is because they're not appealing, and change the due date for people who have the ability to pay now. I would only address the people who are still in appeal.

COUNCIL PRESIDENT VERNA: I'm sorry. Councilman Ortiz, do you have a point of order? Your microphone's not on.

COUNCILMAN ORTIZ: Commissioner, the situation is one in which the citizens have lost confidence in the system. They don't believe that what we're doing in sending these bills, they don't believe these bills are correct.

And they understand -- and they get it from the BRT themselves -- that the system is broken and has been doing the wrong assessments. And they have no confidence in the system.

THE WITNESS: Then we need to have a long-term solution. And it's going to take more than 30 days.

COUNCILMAN ORTIZ: But they are going to be paying... You're asking them to keep on paying.

THE WITNESS: Are you suggesting

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that they shouldn't pay their real estate taxes?

COUNCILMAN ORTIZ: No, no. No, no.

COUNCIL PRESIDENT VERNA: Councilman Di Cicco, do you have a point of order?

COUNCILMAN Di CICCO: Thank you, Madam President.

Without trying to put words in your mouth, we have a very confusing situation moving dates around.

THE WITNESS: Yes, we do.

COUNCILMAN Di CICCO: In the simplest of terms, wouldn't it make sense if we were to do the freeze bill, so that everyone understands that they have to pay the full amount of the 2002 real estate taxes.

While the appeals are pending -- While the appeals are pending going forward on the 2003 tax, they will know at some point in time whether or not they have gotten a reduction in the reassessment or they have to pay the full amount. At least the City will have collected in total for those people who are paying their taxes all the taxes that were due in 2002, and we can deal with the issue on the reassessments without having to

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change any dates, because at some point the reassessments will have been heard. All the assessments -- All the appeals on the reassessments will have been heard.

THE WITNESS: I would like to suggest the Safe Harbor Program does in effect give people that opportunity. If they pay the amount that they paid in 2002, they can defer during the course of the year --

COUNCILMAN Di CICCO: With interest.

THE WITNESS: -- any incremental amount and we will waive those additions to tax. And that's the only interest that accrues to a tax bill during the first year, are the one and a half percent per month additions. And if we waive those additions for payment by the end of the year, they are not --

COUNCILMAN Di CICCO: So if you did the deferral, they would pay how much of their taxes on the deferral bill?

THE WITNESS: There are two different opportunities here. One is if you paid the amount that you paid in 2002 by March 31, 2003 --

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COUNCILMAN Di CICCO: The full amount. The full amount.

THE WITNESS: -- the amount that you paid in 2002, you could delay payment during the rest of the tax year for the incremental amount the amount that results from an assessment increase.

You can pay that in installments. We would be sending out bills during the course of the year, as we do normally for anyone who has past due amounts.

If that amount is paid by December 31st, the additions that show up on the bill would be waived. You would only pay the principal amount. The additions would be waived at the end of the year, assuming that you paid by December 31st.

If you have an incremental amount that is in excess of 115 percent of the 2002 -- You had an assessment increase that was greater than 15 percent -- you could take advantage of the program that the Mayor outlined to you last week where you could actually defer to the end of March of 2004 while we look at the longer term

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implications of implementing the bill that you passed and he signed, and have something more formal in place on a longer term basis.

COUNCILMAN Di CICCO: Almost sounds to me, when you say to do the deferral, you pay your bill at the 2002 rate which is what the freeze bill says.

THE WITNESS: It comes close to that, but the freeze would be a longer duration and this is --

COUNCILMAN Di CICCO: It doesn't have to be. It doesn't have to be.

THE WITNESS: It was originally structured as a longer duration.

COUNCILMAN Di CICCO: It was a temporary measure to get some real meaningful tax reform legislation out.

And I thought we almost got there last week with the ten percent cap, but unfortunately that bill was vetoed. And I think that would have been the simplest thing to do. We all would have accepted the fact everybody gets a ten percent increase in their real estate taxes for at least one year. I have no further

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questions. Thank you.

COUNCIL PRESIDENT VERNA: Thank you. I think at this time I'm going to ask that the Committee stay in recess.

We have several guests that are joining us today. They have been patiently waiting. Are we ready? Sorry. I take the recess motion back.

The Chair recognizes Councilman Clarke.

COUNCIL PRESIDENT VERNA: Okay. I'm back again. The Committee is asking that Council stands in recess on this Committee until 11 o'clock. Thank you.

And I would ask all Council members to please stay in their seats, because we are going to do something just a little differently today. We will have our invocation, we will recognize our guests. Then we will come back to the Public Hearing. Thank you.

(Brief recess.)

COUNCIL PRESIDENT VERNA: We'll now continue with the Public Hearing of Bill Number... We are recessing the Stated Meeting for two minutes so that we could come back to the Public Hearing on Bill Number 020808.

Councilman Clarke, your light was on before we called a recess. Is he in the room?

COUNCILMAN CLARKE: Thank you, Madam Chair. Good morning, Commissioner.

THE WITNESS: Good morning.

COUNCILMAN CLARKE: Commissioner, I just have a couple of questions. One of them I think you kind of responded to, was the deferral plan. And I think you referenced it as the Safe Harbor Plan.

THE WITNESS: Actually, there are two possibilities, in terms of deferral. One is the program that was announced back in September, that would give people the opportunity to pay in installments, but at least to pay by December 31st the incremental amount that resulted from an assessment increase in 2003.

The second is the Administration's response to the Bill that was passed by Council and signed by the Mayor. That's the Bill that was introduced by Councilman Rizzo.

In attempting to implement that, we

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found that doing the full implementation of the Bill would take some time, in terms of interpreting the provisions and doing regulations, but the Mayor wanted to provide something as quickly as possible for those people who had an increase of 115 percent over the prior year, in other words, a 15 percent increase in their assessment.

And so, he provided a letter for you last week, outlining the implementation provisions for Calendar 2003, that will permit someone with an increase in excess of 15 percent in their assessment, and therefore the real estate taxes, to defer through March 24, 2004, on that incremental amount.

And during that time period we will be working with the Tax Reform Commission and also internally to develop a better long-term solution.

COUNCILMAN CLARKE: All right. Let me get clarity. On the installment plan there is -- You can make an installment plan, a 12-month plan, for the increase above and beyond --

THE WITNESS: It wouldn't be 12 months, because you're already at March 31st at that point. And we will be providing some periodic bills during that time period, probably three or four bills.

You could make payments along the way. But as long as you pay by December 31st, we will waive any additions that would accrue to that amount.

COUNCILMAN CLARKE: On the increase?

THE WITNESS: On the incremental amount.

COUNCILMAN CLARKE: And you would be able to take advantage of the discount, the one percent discount, if you entered into that program.

THE WITNESS: You would be able to take advantage of the one percent discount on the amount that you paid by February 28th. I don't... I'm trying to think how we would implement that.

We haven't been considering putting the one percent on the deferred amount. In essence, that would be the cost of your installments. But that does raise an interesting question.

I'm not sure how we would implement

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that, however. We would definitely be waiving any additions that would accrue on that amount.

COUNCILMAN CLARKE: I understand that. The question that I have --

THE WITNESS: The one percent discount is more problematic, in terms of its implementation.

COUNCILMAN CLARKE: So are you saying --

THE WITNESS: The incremental amount --

COUNCILMAN CLARKE: On the incremental amount, the amount that would be part of the installment plan, you're saying at this point you're not sure if you can allow the one percent discount to be part of that.

THE WITNESS: We were not anticipating putting the one percent discount on the deferred amount.

COUNCILMAN CLARKE: Would that be problematic for you to do?

THE WITNESS: Yes, it would be problematic to implement.

COUNCILMAN CLARKE: Why?

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THE WITNESS: Trying to figure out how to do it. When you're dealing -- It's one thing to do it with one account. It's another when you're dealing with hundreds. It's a systematic problem to try and deal with it.

We can think it through and see whether we could offer that, but I'm not sure if we can.

COUNCILMAN CLARKE: Can you look into that?

THE WITNESS: I certainly will look into it, but I'm not sure that would be possible.

COUNCILMAN CLARKE: All right. And the other issue is with respect to the deferral plan, which would be deferring the entire increase until March of the following year. The discount would apply to both the --

THE WITNESS: I have to say that we had not been considering the discount amount continuing on either plan.

I will have to look at that, because the way -- That authorization comes to us from State Law, in terms of establishing a discount period, and that discount period is a fixed period

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of time. I'm not sure if we can extend that. I have to look at that.

COUNCILMAN CLARKE: You have to look at that.

THE WITNESS: And so I'll look at it for both programs. But I can't tell you right now that it will be possible, either from a legal perspective or from a systematic perspective, to be able to offer the one percent discount on the amounts that are paid.

COUNCILMAN CLARKE: In terms of the system, I mean, I don't see how that could be a problem --

THE WITNESS: You can do it --

COUNCILMAN CLARKE: -- on the deferral plan.

THE WITNESS: You can potentially --

COUNCILMAN CLARKE: If you have an entire year to --

THE WITNESS: We would have to do it at the back end once the payments were made, and then put a credit against the account.

COUNCILMAN CLARKE: Right.

THE WITNESS: I just have to see

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what it does. Our system issues are difficult to deal with right now, because we're in the process of converting to a new system. And it makes it extremely difficult for us to deal with the older system in doing some of these things.

COUNCILMAN CLARKE: But not on a deferral. I mean, you're talking 12 months.

THE WITNESS: We're still figuring out how we do it. We are committed to doing it. We just don't yet know how we're doing it systemically.

COUNCILMAN CLARKE: Okay. All right. I just need clarification on those two issues.

THE WITNESS: Thank you.

COUNCILMAN CLARKE: Thank you.

COUNCIL PRESIDENT VERNA: Commissioner, do you mind explaining again what happens to the 135,000 people who pay through a mortgage company?

THE WITNESS: Basically, they are going to be dealing with their mortgage companies, in terms of how the payments are made.

If their mortgage company would

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agree to the deferral, we would accommodate them and implement that. But our relationship in those instances is with the mortgage company. We provide an amount to them that is their tax liability and we work with the mortgage company.

COUNCIL PRESIDENT VERNA: Let me ask a question, because I think this has been prolonged. Have you or anybody from the Administration spoken to any of the mortgage companies to explain what is being offered or what is being proposed?

THE WITNESS: We have communicated with them to let them know that there would be some issues out there and ask what their response would be.

Basically, the response we got back -- And this was an informal communication back in September or October when we were first discussing all of the potential issues. They indicated that they would really not be changing their rules for Philadelphia.

Most of them are large institutions that service multiple banks. And the ones who pay us and that we have the relationship with service

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sometimes hundreds of banks around the country. And they are not interested or willing to be flexible.

COUNCIL PRESIDENT VERNA: You have a point of order, Councilman?

COUNCILMAN NUTTER: Yes.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

On that particular issue, so, Commissioner, what you're really saying is: We can offer a variety of different programs, and if the perspective is these are programs that are helpful to people, in terms of a deferral, we can offer those programs; but ultimately, the individual homeowner is not only going to have to deal with the City, but ultimately their bank will determine whether or not they can participate in the program at all. Isn't that correct?

THE WITNESS: If they have a mortgage and they escrow their real estate taxes as part of their mortgage, the mortgage company becomes a party to this whole solution, yes.

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COUNCILMAN NUTTER: So, what's the relief, then, for that person? There is none; isn't that correct?

THE WITNESS: There's a strong likelihood that that would be the case.

COUNCILMAN NUTTER: Commissioner, I think you can do a little better than that. If the program is out there, if they are not eligible for senior citizen freeze, based on Pacenet or Pace, rather, guidelines --

THE WITNESS: Pace, Yes.

COUNCILMAN NUTTER: So they're not eligible for that.

THE WITNESS: Mm-hmm.

COUNCILMAN NUTTER: They cannot take advantage of any other programs that we have, which are few, most of which are abatement programs based on improvements to your home. Just talking the average regular person, walking up and down the street. They have a job; they pay their mortgage; the mortgage company pays the taxes.

They call up First Union Wacovia, Wells Fargo. These places are in Idaho, North Dakota, Delaware, wherever they're located, and say: I want to participate in the City's 15 percent deferral program. And I'm only going to pay up to 15 percent of the increase, even though you know what the total amount is; and I'm going to defer the amount over 15 percent until next year.

I assume they're going to say: Well, that's very interesting. And you can try to participate in the program all you want. Your escrow payment is going to be increased by the amount of the increase divided by 12, and you better pay that amount when your payment comes due or we're going to be chasing after you. Isn't that really the bottom line?

THE WITNESS: I can't say that it would happen in a hundred cases out of a hundred, but it is --

COUNCILMAN NUTTER: All right. Maybe 99.

THE WITNESS: It is most likely to be the case.

COUNCILMAN NUTTER: Thank you.

THE WITNESS: Because they basically say that they want to pay the full liability.

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They do not want to take a second position to the City.

COUNCILMAN NUTTER: Right. I mean, Wells Fargo Mortgage Company is not going to change their computer system to accommodate one program in the City of Philadelphia.

THE WITNESS: That's my understanding.

COUNCILMAN NUTTER: And you know that.

THE WITNESS: That's my understanding.

COUNCILMAN NUTTER: Right. Thank you. Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you. The Chairs recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you very much. Just one point of information on that same subject. I personally have had three mortgage companies in the last two, two-and-a-half years, want a mortgage that I have.

They sell those mortgages like they sell, you know, underwear. And if you could possibly get a deal with one of these companies,

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and then six months later they sell your mortgage to another company, you have to go through the same process again.

So, three mortgage companies in two-and-a-half years. I mean, it's difficult dealing with them as it is when you have questions.

But to deal with this kind of program with three different companies in that period of time is just -- it's virtually a maze. So I mean, just to add on to what Councilman Nutter was saying, Councilman Di Cicco, and the Council President was saying, it really is going to be an ineffective program, because you're going to have to deal directly with these companies, and you don't know from month to month who you're dealing with. Thank you.

COUNCIL PRESIDENT VERNA: Thank you. The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: I'd just like to ask a question. Do the individuals who pay their taxes in escrow with the mortgage companies, do they get the benefit of the discount? Do the mortgage companies pay -- since they're escrowing

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this money, can't they pay it in time for the homeowner to get a discount?

THE WITNESS: The vast majority of the mortgage companies that pay us pay by February 28th and take advantage of the discount. I can't tell you how they handle it with the individual taxpayer, but they should be giving each taxpayer the benefit of that, because that is the amount that they are paying.

And that would have to be reviewed on a case by case basis with your own mortgage company if you're in that situation.

COUNCILWOMAN TASCO: How much is the discount?

THE WITNESS: One percent.

COUNCILWOMAN TASCO: One percent. Okay. Thank you.

COUNCIL PRESIDENT VERNA: Are there any other questions from Members of the Committee?

Do we have anyone else to testify on this bill?

Saying none, this will conclude the Public Hearing. We will now go into our Public Meeting.

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I'm sorry, Councilman. Your light wasn't on. Councilman Di Cicco.

COUNCILMAN Di CICCO: Madam President, is it appropriate at this time to ask to vote the Bill out of Committee?

COUNCIL PRESIDENT VERNA: We're going into the Public Meeting.

COUNCILMAN Di CICCO: We're going into the Public Meeting. I apologize. I'm sorry.

COUNCIL PRESIDENT VERNA: We will now go into our Public Meeting.

The Chair recognizes Councilman Di Cicco.

COUNCILMAN Di CICCO: Thank you, Madam President.

I move that Bill Number 020808 be reported out of this Committee with a favorable recommendation, and a further recommendation that the Rules of Council be suspended so as to permit first reading this day of Bill Number 020808.

COUNCIL PRESIDENT VERNA: All in favor will say aye.

(Chorus of ayes.)

COUNCIL PRESIDENT VERNA: Those

opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it. The motion carries. Bill Number 020808 will be reported out of Committee with a favorable recommendation; also recommendation that the rules of Council be suspended so as to permit first reading this day of that Bill.

The record will also note that the Administration has requested that Resolution Number 020764 be withdrawn.

This concludes the Public Hearing and Public Meeting. I would ask all of my colleagues to please go into the anteroom so that we can start our caucus.

(Public Hearing and Public Meeting concluded.)

Public Meeting

CERTIFICATE

I HEREBY CERTIFY that the proceedings, and evidence are contained fully and accurately in the stenographic notes taken by me upon the Public Hearing and Public Meeting of The Council of The Whole of The City Council of the City of Philadelphia, taken on December 16, 2002, and that this is a true and correct transcript of same.

____

DAVID A. DEIK, RPR and
Commissioner of Deeds

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