

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FISCAL STABILITY AND
INTERGOVERNMENTAL COOPERATION

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, February 20, 2013
2:25 p.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE, CHAIR
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES KENNEY
COUNCILWOMAN MARIAN B. TASCO

RESOLUTION 120739 - Resolution calling for the Philadelphia City Council Committee on Fiscal Stability and Intergovernmental Cooperation to hold hearings on the First Quarter results of the City's Fiscal Year 2013 Operating Budget and 2013 through 2017 Five-Year Plan.

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COUNCIL PRESIDENT CLARKE: Good afternoon. This is a public hearing of the Committee on Fiscal Stability regarding Resolution 120739.

I would ask Ms. Lewis to please read the title of the resolution.

MS. LEWIS: Calling for the Philadelphia City Council Committee on Fiscal Stability and Intergovernmental Cooperation to hold hearings on the First Quarter results of the City's Fiscal Year 2013 Operating Budget and 2013 through 2017 Five-Year Plan.

COUNCIL PRESIDENT CLARKE:
Thank you.

Basically what we'd like to do, the purpose of this particular Fiscal Stability Committee meeting is to kind of get a sense of where we are from a budgetary perspective. The budget this particular fiscal year is later than last year, so we're a little concerned about having a condensed timeframe as it relates to going through our budget

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2 process and being in a position to come
3 to a conclusion.

4 In this particular year, since
5 the biggest issue before us is AVI, we
6 know that there will be significant
7 challenges, and I'm a little concerned.
8 I actually spoke to you yesterday,
9 Mr. Dubow, about the concern as it
10 relates to timing as it relates to what
11 Council will ultimately do in this budget
12 and the possibility that there are some
13 issues and significant appeals and
14 possible changes as it relates to values
15 on properties and then subsequent the
16 changes that impact the budget process.

17 So I, one, want to get a
18 snapshot of where we are, but, two, I
19 want to have a little conversation about
20 that. Before I ask you to come up, I'd
21 just like to recognize Councilman Jones
22 is here and Councilman Goode.

23 So right now I'd like to ask
24 our first witness to come up, might
25 conceivably be our only witness.

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2 (Witnesses approached witness
3 table.)

4 COUNCIL PRESIDENT CLARKE: Good
5 afternoon.

6 MR. DUBOW: Good afternoon,
7 Council President Clarke, Councilman
8 Goode, Councilman Jones. My name is Rob
9 Dubow and I'm the City's Finance
10 Director. With me is Rebecca Rhynhart,
11 Budget Director. I'm here to testify
12 today on Resolution 120739, which calls
13 for hearings on the FY13 first quarter
14 results and the FY13-FY17 Plan.

15 The Quarterly Managers' Report
16 for the first quarter of FY13, the
17 quarter ended September 30th, projected
18 that the General Fund would end the year
19 with roughly a \$118 million fund balance.
20 That was over \$35 million higher than
21 projected in the adopted budget, and that
22 increase was due largely to the higher
23 than projected FY12 ending fund balance.

24 The second quarter, which ended
25 December 31st, we did -- the quarterly

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2 report on that came out last Friday. It
3 shows a projected fund balance of 114
4 million, still higher than the adopted
5 budget, but slightly lower than the
6 projection for the first quarter. And
7 while those higher than budgeted fund
8 balances are a positive development, we
9 do face numerous financial risks. In
10 addition to risks regarding labor
11 contracts, there's uncertainty regarding
12 the economic recovery. There's still the
13 fiscal cliff, whether that will --
14 federal fiscal cliff, which obviously
15 could result in some reductions for us.

16 The second quarter projected
17 fund balance also is about 3.1 percent of
18 expenditures, which is well below the
19 recommended range of 5 to 15 percent from
20 the Government Finance Office
21 Association.

22 I'll give you a little bit of
23 the reason that our fund balance is
24 better than projected. Most of it
25 relates to tax revenues. They showed

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2 improvement, and we've revised our growth
3 rates upward accordingly. In the second
4 quarter report, we increased projections
5 for the wage and earnings tax, property
6 tax, the transfer tax, and the business
7 income and receipts tax. We revised down
8 the amusement tax and the sales tax. But
9 despite those improvements to tax
10 revenues, there's some expenditure
11 increases that have helped offset them.
12 In particular, the Prisons and Fire
13 Department are running projected deficits
14 of 11 and a half million, and that's
15 really the census, and 7.2 million,
16 respectively, and that has a significant
17 negative impact on our fund balance. As
18 we move forward in formulating the FY14
19 to FY18 Five-Year Plan, we'll need to
20 balance the expenditure increases
21 necessary to continue providing core
22 services to taxpayers with the need to
23 maintain an adequate level of fund
24 balance.

25 That concludes my testimony,

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2 and Ms. Rhynhart and I are happy to
3 answer any questions you may have.

4 COUNCIL PRESIDENT CLARKE:

5 Thank you, sir.

6 Real quick. I guess you
7 answered the first part of my first
8 question with respect to the projections
9 on revenues. You said around \$44, \$43
10 million beyond projections for this
11 fiscal year?

12 MR. DUBOW: Right.

13 COUNCIL PRESIDENT CLARKE: So
14 my question is -- and I think you
15 reference it -- enhanced wage and what
16 did you say, business revenue?

17 MR. DUBOW: Wage, property,
18 business income and receipts, and real
19 estate transfer.

20 COUNCIL PRESIDENT CLARKE: So
21 in terms of those increases, do you
22 anticipate that this is long term or is
23 this an anomaly that there was a bump in
24 the market? Basically can we anticipate
25 sustained increased revenues from those

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2 particular fields?

3 MR. DUBOW: I think what this
4 will mean is an upward adjustment in the
5 base for our Five-Year Plan. So I think
6 there will be a benefit to the entire
7 Five-Year Plan from these increases.

8 MS. RHYNHART: That's right.

9 COUNCIL PRESIDENT CLARKE: Just
10 a couple of quick questions on some of
11 the expenditure side.

12 MR. DUBOW: Sure.

13 COUNCIL PRESIDENT CLARKE:
14 Based on records, the City has realized 7
15 million in savings from lower than
16 budgeted interest costs for cash-load
17 borrowing and 9 million for lower
18 expenditures for the 4601 Market project?

19 MR. DUBOW: Right.

20 COUNCIL PRESIDENT CLARKE: Do
21 you concur?

22 MR. DUBOW: Yeah. And the 4601
23 Market is offset by a reduction in
24 revenues, so there's no net impact on the
25 budget. So we anticipated getting 9

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2 million from PICA and then using that for
3 the project, and that's not going to
4 happen.

5 COUNCIL PRESIDENT CLARKE: And
6 the 7 million?

7 MR. DUBOW: Seven million is
8 lower than anticipated borrowing costs
9 for our temporary loan balance.

10 COUNCIL PRESIDENT CLARKE: So
11 you just hold it at potential savings --
12 well, the savings into your projections?

13 MR. DUBOW: Yes.

14 COUNCIL PRESIDENT CLARKE:
15 Okay. So expenditures have been revised
16 to project a \$47 million increase over
17 targeted budget due to increases in
18 employee compensation and increased
19 overtime costs and higher than budgeted
20 fuel costs and other unanticipated costs.
21 What is the City's current plan to curb
22 these unanticipated costs? Do we have a
23 strategy for that?

24 MS. RHYNHART: I'm sorry. Can
25 you repeat the question?

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2 COUNCIL PRESIDENT CLARKE:

3 Expenditures have been revised to project
4 a \$47 million increase over targeted
5 budget due to increases in employee
6 compensation costs, increased overtime
7 costs, higher than budgeted fuel costs,
8 and other unanticipated costs. What is
9 the City's current plan to curb these
10 unanticipated costs?

11 MR. DUBOW: So some of it --
12 part of it is the FOP award. So I think
13 about 14 million. So, I mean, that's
14 going to be an increased cost that will
15 carry on through our Plan.

16 MS. RHYNHART: And there's 11.6
17 million related to the DC 33 offer, which
18 we've added into the projections as well.
19 So those are two.

20 MR. DUBOW: So 25 million of
21 the 47 are labor costs. I think about 11
22 million is Prisons, which is the census.
23 So we're obviously going to look at ways
24 to try to hold the census down. So that
25 takes us up to about 36 million of it.

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2 MS. RHYNHART: And then Fire is
3 about \$6 million over because of a delay
4 in their -- bringing their classes on
5 board, which they are coming on board,
6 but because they have to --

7 COUNCIL PRESIDENT CLARKE:
8 Delay in what?

9 MS. RHYNHART: The new fire
10 classes coming on. And there is a new
11 class that's in the Fire Academy now and
12 then another class being brought on
13 shortly, but it's taken a few months
14 longer than anticipated, which has meant
15 that the overtime costs have gone up. I
16 mean, that should -- a good portion of
17 that should not be -- should not continue
18 in the out years, or when we present the
19 new Plan to you, should not be in all of
20 the years of the Plan.

21 The Prisons number is, I think,
22 difficult because of the big increase in
23 the inmate census that we've seen over
24 the last year, and that cost is hard to
25 control.

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2 MR. DUBOW: And then to answer
3 the question about that, there was
4 another cost you mentioned we wanted to
5 talk about, which is the fuel cost.

6 COUNCIL PRESIDENT CLARKE: Let
7 me ask you about the prison. You say
8 over the last year. Has there been a
9 significant spike over the last couple of
10 months? And I'm trying to get a sense if
11 there's -- because fortunately there is a
12 significant -- and I almost don't want to
13 say it, because as soon as I say it,
14 something will happen this weekend. But
15 for the last couple of months, there's
16 been a significant decrease in homicide
17 rates, and I don't know where the other
18 crime-related activities or numbers are.

19 I guess -- and you may not be
20 the ones to answer this question. Does
21 that mean that there is a significant
22 amount of individuals being incarcerated,
23 so, therefore, the crime numbers are
24 going down?

25 MS. RHYNHART: I think it's

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2 hard to show that that's exactly the way
3 it is. So I'll tell you what I do know,
4 which is that the census has gone up from
5 about 7,600 to about 9,100 over the last
6 year or so, and that's due -- and you
7 probably know this -- it's due to a few
8 main causes, which aren't
9 necessarily linked to just an increase in
10 crime. It has to do with things -- and
11 I'm not the expert on this, but it has to
12 do with the policies of the courts in
13 terms of bench warrants --

14 COUNCIL PRESIDENT CLARKE: You
15 didn't mean that it's not due to an
16 increase in crime. Did you mean that?

17 MS. RHYNHART: I meant that
18 there are policies that have been put in
19 place, and I'm not the right person to
20 speak at length about this.

21 MR. DUBOW: I think you meant
22 there are a number of issues, including
23 increase in crime, but there are other
24 issues too that contribute to it, I think
25 is what you were saying.

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2 MS. RHYNHART: That's fine.

3 COUNCIL PRESIDENT CLARKE: And

4 I guess I suspect Councilman Jones might
5 want to ask a little more, because that
6 is a significant cost associated with our
7 budget process, and at one point a couple
8 of years ago, I know we were pretty happy
9 about the fact that the numbers were
10 going down and we experienced cost
11 savings. And I know that there are a
12 number of things in talking to both the
13 District Attorney and the police about
14 very aggressive policing in certain areas
15 that I suspect will start actually
16 continuing to drive those numbers up.

17 So in your return or in
18 writing, can you kind of give us a sense
19 of some of the things beyond the,
20 quote/unquote, increase in crime and the
21 aggressive policing, the things that you
22 say are contributing to the costs outside
23 of that. Because if there are some
24 bureaucratic issues or some court issues
25 that we can resolve, we'd like to find

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2 out what that is.

3 MS. RHYNHART: Okay.

4 COUNCIL PRESIDENT CLARKE: One
5 quick question, and I'll come back later.
6 I know my colleagues have a couple of
7 questions.

8 Recently, City Council
9 appropriated through a transfer ordinance
10 approximately \$7 million for recreation
11 and domestic violence issues and a couple
12 other smaller issues. Can you kind of
13 tell me what the status of those dollars
14 are?

15 MS. RHYNHART: Sure. Parks and
16 Rec received 2.6 million. They've worked
17 on a plan in terms of the number of
18 people that they're hiring and how to get
19 them on board as quickly as possible. So
20 there's a small portion of their budget
21 that will come on the transfer ordinance
22 to you to buy materials and supplies for
23 those people in order to do the
24 maintenance work and the work to
25 facilities that they'll be doing. And

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2 they'll also be buying some of the
3 vehicles that they need in this fiscal
4 year so that they're set going forward.

5 So they're moving full steam
6 ahead in terms of utilizing that 2.6
7 million and that they are planning on
8 that 2.6 million being in their budget
9 continuing going on.

10 COUNCIL PRESIDENT CLARKE: So
11 next year we won't have to worry about a
12 transfer ordinance; it will already be in
13 the budget for the Department of Recs?

14 MS. RHYNHART: That's our plan,
15 yes.

16 COUNCIL PRESIDENT CLARKE: All
17 right.

18 MS. RHYNHART: The 3 million
19 for Supportive Housing, an RFP was put
20 out. I spoke to Dainette a week or so
21 about this. They have to legally RFP for
22 that work, but they're, again, moving
23 full steam ahead on that, and that's
24 something as well that we're planning to
25 keep in the budget.

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2 COUNCIL PRESIDENT CLARKE:

3 Okay. Getting back quickly to the 2.6,
4 now how much of that -- or maybe you do
5 or do not know -- will be used for new
6 hires?

7 MS. RHYNHART: The vast
8 majority. I mean, out of the 2.6, I
9 think they're talking about 300,000 or
10 400,000 to move to the other classes to
11 be able to buy the -- not just the
12 equipment, but the parts in order to do
13 the maintenance. But the vast majority
14 is people.

15 MR. DUBOW: And part of the
16 moving that money over during this year
17 is because people won't be on board for
18 the full year. So there'll be more
19 people for the full year next year than
20 this year. So the personnel costs will
21 be higher next year. We're using the
22 reduced personnel costs this year to buy
23 equipment for people.

24 COUNCIL PRESIDENT CLARKE:

25 Okay.

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2 I'm going to recognize
3 Councilman Goode.

4 COUNCILMAN GOODE: Thank you,
5 Mr. President.

6 Good afternoon, Mr. Dubow.

7 MR. DUBOW: Good afternoon.

8 COUNCILMAN GOODE: You are the
9 perfect witness for my line of
10 questioning --

11 MR. DUBOW: That's scary.

12 COUNCILMAN GOODE: -- having
13 served as Budget Director under the
14 previous Administration, Finance Director
15 under this Administration, and head of
16 PICA in between.

17 I'm curious as a basic line of
18 questioning how standard is the
19 communication between PICA and the
20 Administration?

21 MR. DUBOW: How standard is it?

22 COUNCILMAN GOODE: Yeah. How
23 formalized is it? What is the approach
24 other than approving the Plan?

25 MR. DUBOW: We have weekly

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2 meetings with the Executive Director of
3 PICA. So we have pretty constant
4 communication with PICA staff.

5 COUNCILMAN GOODE: With staff?

6 MR. DUBOW: Yes.

7 COUNCILMAN GOODE: In terms of
8 the Board, how often is that
9 communication taking place and is there
10 any Board review during the fiscal year
11 of the Five-Year Plan?

12 MR. DUBOW: Typically the
13 interaction with the Board is through the
14 Executive Director or at Board meetings.
15 They have meetings most months and we
16 have interactions with Board members at
17 those meetings.

18 COUNCILMAN GOODE: So if there
19 were issues from PICA, it would be the
20 Director who would raise the flags?

21 MR. DUBOW: Usually. During
22 the Plan review process last year, we had
23 meetings with the Executive Director and
24 with members of the Board. So we got
25 direct feedback from members of the Board

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2 then.

3 COUNCILMAN GOODE: I'm really
4 thinking of after the Plan is approved.
5 In terms of reviews after the Plan is
6 approved, what Board involvement is there
7 in terms of review or is it just the
8 Director's involvement?

9 MR. DUBOW: I think our
10 discussions are with the Director. I
11 think she provides material to the Board
12 and they review that, but we don't have a
13 lot of direct interaction with the Board
14 other than during the Plan review process
15 and during Board meetings.

16 COUNCILMAN GOODE: Two final
17 related questions. Has the Director
18 raised any red flags recently?

19 MR. DUBOW: They have a
20 constant concern about where we are on
21 labor. So I don't know whether that's a
22 new red flag or just kind of a recurring
23 issue for them. Other than that, I'm not
24 thinking of anything that's come up.

25 COUNCILMAN GOODE: So that has

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2 not bubbled up to the Board; you've heard
3 nothing from the Board about that red
4 flag?

5 MR. DUBOW: Labor, you mean? I
6 mean, we hear --

7 COUNCILMAN GOODE: About any
8 red flags that were raised.

9 MR. DUBOW: Not -- I can't
10 think of anything other than that.

11 COUNCILMAN GOODE: Okay. And
12 so other than the labor issue, there are
13 no other red flags and the Board is not
14 raising any new concerns about that
15 issue?

16 MR. DUBOW: I haven't heard
17 anything. That doesn't mean that they
18 don't have concerns that I haven't heard
19 of.

20 COUNCILMAN GOODE: Okay. Thank
21 you.

22 Thank you, Mr. Chair.

23 COUNCIL PRESIDENT CLARKE:

24 Thank you, Councilman.

25 The Chair recognizes Councilman

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2 Jones.

3 COUNCILMAN JONES: Thank you,

4 Mr. Chair.

5 Good afternoon.

6 MR. DUBOW: Good afternoon.

7 COUNCILMAN JONES: Quite

8 honestly, maybe my senior colleagues are

9 used to it, but I find myself in

10 unfamiliar territory where we're

11 cautiously optimistic about our fiscal

12 situation here in Philadelphia. I'm not

13 used to that. We are usually ducking one

14 bullet, some crisis, kindergartens

15 getting cancelled or something. So

16 generally, thank you for your

17 stewardship, along with an economy that

18 seems like it's turning a corner on this,

19 and I want to talk about some of that.

20 Indeed, some of our revenues

21 are up, and can you cite them again for

22 me?

23 MR. DUBOW: Sure. Wage tax.

24 We're projecting that the property tax

25 and business tax will be higher, although

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2 we don't start to see them until a little
3 later, and real estate transfer tax.

4 COUNCILMAN JONES: But the
5 amusement tax for some reason is down?

6 MR. DUBOW: Well, I think it's
7 because our teams haven't been making the
8 playoffs and there was an NHL strike. So
9 I think all of that hurt the amusement
10 tax.

11 COUNCILMAN JONES: We got to
12 get better at that, obviously.

13 MR. DUBOW: Yeah.

14 COUNCILMAN JONES: But one of
15 the things is that we've made a move in
16 this Council to increase the percentage
17 to the hospitality industry. How do you
18 view that increase? Are we going to get
19 the revenues for that, and what is the
20 split exactly by way of the hospitality
21 industry?

22 MR. DUBOW: None of that comes
23 to the General Fund. It's split between
24 Convention Center, I think GPTMC and
25 PCVB. I have to get back to you on that

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2 split.

3 COUNCILMAN JONES: Okay.
4 Please provide that to the Chair.

5 MR. DUBOW: Will do.

6 COUNCILMAN JONES: Secondly, by
7 way of -- I've heard we are considering a
8 major investment in collection of
9 delinquent real estate taxes.

10 MR. DUBOW: Correct.

11 COUNCILMAN JONES: To the tune
12 of \$40 million, I think it was.

13 MR. DUBOW: Yes.

14 COUNCILMAN JONES: Is that
15 going to be reflected in the budget?

16 MR. DUBOW: That will be
17 reflected in our Five-Year Plan.

18 COUNCILMAN JONES: And what
19 will that investment consist of?

20 MR. DUBOW: I think the largest
21 pieces of the investment will be in
22 personnel and technology.

23 COUNCILMAN JONES: And what is
24 the anticipated rate of return on that?

25 MR. DUBOW: So the anticipated

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2 rate of return is really hard to
3 estimate, and part of the reason it's
4 hard to estimate is because our systems
5 now are bad, so it's hard to have a
6 baseline. We're hoping that in the
7 course of the Five-Year Plan, it can
8 generate really hundreds of millions of
9 dollars, but it's really hard to estimate
10 given the state of our systems.

11 COUNCILMAN JONES: And we won't
12 realize that the first fiscal year, but
13 within the Five-Year Plan, that will be
14 reflected somewhere?

15 MR. DUBOW: Well, we hope to
16 start receiving revenues during the
17 Five-Year Plan. I don't know that our
18 Five-Year Plan will actually include
19 those projections because of the trouble
20 we have in actually figuring out what
21 they'll be.

22 COUNCILMAN JONES: Okay. But
23 we can anticipate some increase with \$40
24 million invested that somehow somebody
25 somewhere is going to be a little more

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2 mindful to pay us, I would hope.

3 MR. DUBOW: Yes.

4 COUNCILMAN JONES: All right.

5 And even in the most conservative manner,

6 we should at least anticipate some

7 modest, modest increase, and that would

8 be helpful to us as we start to determine

9 our budgetary priorities.

10 I want to flip to follow some
11 of the line of questioning that my
12 colleague Councilman Goode talked about
13 with PICA.

14 We are anticipating no
15 increases for unions going forward in
16 that?

17 MR. DUBOW: Well, the Plan has
18 the FOP increases, and we will show in
19 the Plan the offer less -- offer we made
20 to DC 33. So those increases, plus the
21 increases that we put in place for 2186,
22 non-reps and exempts, those will all be
23 reflected in the budget and Plan.

24 COUNCILMAN JONES: And those
25 costs will be reflected as well?

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2 MR. DUBOW: Yes.

3 COUNCILMAN JONES: Of the
4 departments, along with Councilman
5 Goode's line of questioning, any
6 projected problems, issues, red flags, I
7 think was your quote? There are the
8 Sheriff's Department, Prisons and Fire,
9 you said, are mostly due to overtime?

10 MR. DUBOW: Correct.

11 COUNCILMAN JONES: And that
12 between those new hires, we should not
13 anticipate those deficits going forward?

14 MR. DUBOW: For Fire, when we
15 have new hires, that should help reduce
16 the overtime. For Prisons, a lot of it
17 is census related. So we'd really have
18 to, I think, bring the census down before
19 we saw those costs going down.

20 COUNCILMAN JONES: So a couple
21 of other quick questions. How much did
22 we put aside for snow removal?

23 MR. DUBOW: Four million.

24 COUNCILMAN JONES: And
25 obviously that's going to be a surplus?

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2 MR. DUBOW: We hope. We don't
3 want to jinx it.

4 COUNCILMAN JONES: You're
5 right.

6 MR. DUBOW: We got time left.

7 COUNCILMAN JONES: Good point.
8 And a couple of nor'easters. But that
9 will be \$4 million that we put aside that
10 we have not had to expend. I think we
11 might -- what is your estimate on what
12 we've expended by way of snow removal
13 thus far?

14 MS. RHYNHART: Actually, I
15 don't think -- I don't know the number
16 offhand, but it's minimal.

17 COUNCILMAN JONES: So that's
18 some more good news.

19 MR. DUBOW: It may be partially
20 offset by our Sandy costs.

21 COUNCILMAN JONES: Oh, really?

22 MR. DUBOW: Yeah.

23 COUNCILMAN JONES: What were
24 our costs for Sandy?

25 MR. DUBOW: About a million.

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2 COUNCILMAN JONES: About a
3 million dollars, okay. So give or take,
4 cross that the creek don't rise, we may
5 have a slight surplus there?

6 MR. DUBOW: Creek doesn't rise,
7 the snow doesn't fall.

8 COUNCILMAN JONES: We're
9 hoping.

10 And I guess one other question
11 would be that as we go forward with this
12 by way of collections of out-of-state
13 people, do we have a plan for that? That
14 was something that was brought up by us
15 in Council and sometimes --

16 MR. DUBOW: It was. It was a
17 good idea, and now I think there's
18 something in the collection strategy
19 about it, but I'd have to get back to
20 you, because I think there is something
21 on it.

22 COUNCILMAN JONES:
23 Particularly -- and I'll put again for
24 the record --

25 MR. DUBOW: And I think part of

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2 it may involve lienning, being able to --

3 COUNCILMAN JONES: Say it

4 again. Lienning?

5 MR. DUBOW: I think it may

6 involve lienning, but I'd want to check

7 before --

8 COUNCILMAN JONES: Let me

9 refresh your memory as to some of the

10 things we'll be looking for. One of the

11 disproportionate things that we found,

12 particularly when we had the burden of

13 raising taxes on responsible property

14 owners in the City of Philadelphia, was

15 that we saw a disproportionate amount of

16 out-of-state property owners who were

17 delinquent, and not only were they

18 delinquent, they had the nerve, audacity,

19 and gall to be current on their taxes in

20 their particular home states and

21 municipalities, and one of the things

22 that we wanted to be able to do was seek

23 relief.

24 And I believe, Mr. President,

25 you're looking for relief from the

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2 Commonwealth for us to do those kinds of
3 liens?

4 MR. DUBOW: There's a liening
5 issue, right.

6 COUNCIL PRESIDENT CLARKE: Yes.
7 Yes, sir.

8 COUNCILMAN JONES: You can
9 elaborate, Mr. President.

10 COUNCIL PRESIDENT CLARKE:
11 Actually, fortunately we've been in the
12 position, the Council, to have extensive
13 conversations with members of the General
14 Assembly, particularly the House, for
15 four measures that can help us on AVI.
16 One obviously is gentrification; the
17 other is a bill that will allow
18 installment plans for taxpayers; then the
19 constitutional amendment as it relates to
20 rates for commercial versus residential;
21 but the one that we're referencing now is
22 an enhanced tax delinquency process that
23 will allow us to attach liens beyond the
24 property that has a municipal lien. It
25 would allow us to attach liens to all the

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2 properties that's owned by that
3 particular property owner and the
4 personal property; i.e., the house that
5 that person actually lives in. So it
6 would increase the likelihood that if
7 they're getting affected in a very
8 personal way, then the likelihood of
9 their ability to pay that tax is much
10 higher.

11 It was comparable to, again, a
12 state authorized bill that allows us to
13 do the same thing on code violations.
14 And actually my followup after the
15 Councilman was finished on that was, that
16 \$40 million in investment for tax
17 collection, I was going to ask were you
18 looking at implementing a strategy, be it
19 hiring personnel, a legal team to go
20 after individuals based on that
21 hopefully, assuming we get enabling
22 legislation, that new-found opportunity?

23 MR. DUBOW: Yes. That will be
24 part of our strategy.

25 COUNCIL PRESIDENT CLARKE: That

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2 was a part of the strategy? Okay.

3 COUNCILMAN JONES: Well, I

4 mean, this is significant in light of

5 AVI, in light of a lot of folk that feel

6 that they are obligated to pay, whereas

7 non-residents kind of thumb their nose at

8 us. And it's an important signal to send

9 both to hard-working folk that are

10 obligated to those people, but also in

11 addition to people who tend to think that

12 they are safe beyond our borders. I

13 think that is a clear, concise message we

14 can send them, that you're welcome here,

15 we want you to invest, but we want you to

16 be good partners, good citizens, and do

17 what you're responsible for doing.

18 Thank you, Mr. President.

19 COUNCIL PRESIDENT CLARKE:

20 Thank you, Councilman.

21 Getting back to the --

22 following up Councilman Goode and now

23 subsequently Councilman Jones, with

24 respect to labor contracts, what's the

25 cost associated with the most recent

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2 offer to DC 33?

3 MR. DUBOW: Over the course of
4 the Five-Year Plan, I think it's about
5 \$52 million.

6 COUNCIL PRESIDENT CLARKE: So
7 less than -- approximately 10 per year, a
8 little over 10 a year?

9 MS. RHYNHART: It's
10 front-loaded because of the amounts
11 offered to the health -- their health
12 insurance fund, but there's more --

13 MR. DUBOW: So there's 25
14 million over the first two years, and
15 then the rest of it would be roughly 27
16 million over the rest of the Plan.

17 COUNCIL PRESIDENT CLARKE: So
18 is that because of a wage increase --

19 MR. DUBOW: Yes.

20 COUNCIL PRESIDENT CLARKE: --
21 over the first two?

22 MR. DUBOW: Two wage increases.

23 COUNCIL PRESIDENT CLARKE: As
24 opposed to the last three?

25 MR. DUBOW: Right. Well, the

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2 first two are higher because of the
3 contribution to the healthcare fund, the
4 25 million contribution to healthcare
5 fund over two years. And then the
6 increases in the out years are their
7 carry-through of the two wage increases.

8 COUNCIL PRESIDENT CLARKE:

9 Okay. So if, as you said, possibly the
10 increase in terms of projections for
11 revenue and basically things turning
12 around, assuming that the fiscal cliff
13 doesn't happen, that potentially the
14 revenue generated, unanticipated
15 revenue -- because we didn't anticipate
16 this bump up in revenues -- could
17 conceivably cover the costs associated
18 with those particular benefits associated
19 with the contract for 33 and 47?

20 MR. DUBOW: 33 and the FOP
21 award. We're still working through the
22 Plan to make sure that that's right, but
23 there is the possibility that that will
24 cover that.

25 MS. RHYNHART: I just want to

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2 add that it is very good that our tax
3 revenues are showing some solid growth,
4 but just for a sense of perspective,
5 we're estimating with the increase in
6 transfer tax to collect about 132 million
7 this year, and we collected 235 million a
8 year back in '06, '07. So just for a
9 sense of scale, it's very good that our
10 tax revenues are on their way back up,
11 but we still -- there's still issues from
12 several years ago.

13 COUNCIL PRESIDENT CLARKE: What
14 does transfer tax in '06 have to do with
15 now?

16 MS. RHYNHART: It has to do
17 with the amount of revenue that we have
18 overall in terms of balancing the budget.

19 COUNCIL PRESIDENT CLARKE: '06
20 was like a few years back. What does '06
21 have to do with the increases in revenue?

22 MR. DUBOW: I think it's just a
23 general statement that while --

24 COUNCIL PRESIDENT CLARKE:
25 We're talking apples and oranges.

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2 MR. DUBOW: While we're
3 starting to see some recovery, some of
4 our taxes are not even back to where we
5 were before the recession. So there's
6 still significant challenges. That's the
7 point.

8 COUNCIL PRESIDENT CLARKE:
9 Well, I understand that. No; the point
10 is that, I mean, if we're projecting --
11 and that's why I asked you the first part
12 of the question about did we see some
13 long-term likelihood that our revenues
14 would continue to grow or, at a minimum,
15 be consistent in terms of increases. So
16 as we move ahead and ultimately hopefully
17 have a contract for the municipal unions,
18 as I'm sure you all are very interested
19 and eager --

20 MR. DUBOW: We certainly are.

21 COUNCIL PRESIDENT CLARKE: --
22 and I don't look forward to March 14th,
23 to be honest with you, because I think
24 it's going to be a very, very raucous
25 Council session -- that we'd like to get

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2 this concluded. So I guess because we're
3 not involved in the process, I'm just
4 trying to make sure that if we do
5 generate additional revenues, that it can
6 come to some conclusion as it relates to
7 the contract for municipal workers.

8 MR. DUBOW: As I said, we're
9 certainly eager to get the contract done.

10 COUNCIL PRESIDENT CLARKE:
11 Because we're always asked not to, in
12 past -- I've been here, like I said,
13 Councilman Goode and myself and
14 Councilwoman Tasco, we have been here a
15 little longer than you, Councilman Jones,
16 but it always comes up to Councilmembers
17 when there are some issues with respect
18 to contracts, is that we're being asked
19 and I anticipate not to pass the budget
20 unless it includes municipal basically
21 revenue to address the municipal
22 contracts. And I suspect that that will
23 again be some of the requests coming from
24 the municipal unions.

25 I mean, so if there is in fact

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2 revenue on the table to get that done, we
3 really would like to see that be done in
4 a very aggressive way. And I'm sure you
5 all are talking to the Mayor.

6 MR. DUBOW: We understand.

7 COUNCIL PRESIDENT CLARKE: And
8 I'm sure the Mayor is kind of tired of
9 people showing up to his house and all
10 that, so I'm sure -- but just looking at
11 revenues and, you know, we check them on
12 an annual basis, along with PICA and
13 everybody else, that we are seeing a
14 trend, and assuming the fiscal cliff
15 doesn't happen -- because I got to
16 believe those folks who make a lot more
17 money than all of us in this room can
18 figure that one out, so we can actually
19 get a significant and substantive and
20 sustained recovery and the City of
21 Philadelphia will be in a much better
22 financial place.

23 All right. I want to recognize
24 Councilwoman Tasco has joined the
25 Committee.

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2 I had another real quick
3 question. Let me see. It may have
4 actually been answered. Let me go to
5 another subject matter, then. You know
6 what, let me let Councilman Goode. He
7 has a couple questions and then
8 Councilman Jones.

9 COUNCILMAN GOODE: Mr. Dubow,
10 you were Budget Director when the SRC was
11 formed?

12 MR. DUBOW: I think that's
13 right.

14 COUNCILMAN GOODE: How did the
15 relationship with PICA change with regard
16 to the School District after the SRC was
17 formed? Did PICA have any financial
18 discussions with the City that were
19 different after the SRC was formed than
20 before or did the PICA discussions
21 revolve simply around general operating
22 fund discussions?

23 MR. DUBOW: Around general
24 operating fund discussions, although one
25 of the things that PICA has asked about

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2 over the last year or so is what's going
3 on with the School District's Five-Year
4 Plan. So they have asked us questions
5 about that.

6 COUNCILMAN GOODE: And how do
7 they expect you to respond?

8 MR. DUBOW: I think their
9 questions have really been about whether
10 we think that it's actually balanced and
11 what kind of financial challenges the
12 District faces.

13 COUNCILMAN GOODE: And aside
14 from whether the School District
15 financing is including the Five-Year Plan
16 or not, does PICA make the staff or Board
17 level recommendations about how school
18 funding impacts City finances?

19 MR. DUBOW: Their only concern
20 there should be what effect it would have
21 on the City's budget. So if there's a
22 concern that the City would have to
23 contribute more to the School District,
24 that would be a PICA issue.

25 COUNCILMAN GOODE: And so how

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2 has that been or how would that be
3 communicated?

4 MR. DUBOW: So far it's been
5 communicated at Board meetings, mostly by
6 the Board Chair who has asked about it.
7 I guess he's not the Chair right now, but
8 he was Chair.

9 COUNCILMAN GOODE: So have they
10 ever made recommendations, give the
11 School District more money or don't give
12 the School District more money?

13 MR. DUBOW: No.

14 COUNCILMAN GOODE: Have they
15 ever placed limits in terms of how much
16 they think should be invested in the
17 School District?

18 MR. DUBOW: No.

19 COUNCILMAN GOODE: Have they
20 ever suggested where the fund balance is
21 or surpluses should go related to the
22 School District?

23 MR. DUBOW: Related to the
24 School District? No.

25 COUNCILMAN GOODE: So they

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2 really don't deal with School District
3 matters except for asking general
4 information?

5 MR. DUBOW: In terms of their
6 interactions with us, that's right.

7 COUNCILMAN GOODE: Thank you.

8 Thank you, Mr. President.

9 COUNCIL PRESIDENT CLARKE:

10 Thank you, Councilman.

11 The Chair recognizes Councilman
12 Jones.

13 COUNCILMAN JONES: One quick
14 question on a different side of the
15 budget. Capital projects. One of the
16 big issues and I believe raised by
17 Councilwoman Tasco was the long length of
18 time, delay of implementation on the
19 capital budget side, and in anticipation
20 of the budget, I'm sure that that
21 question will be raised again. And I
22 wanted to know if we've made progress
23 this year from last year on
24 implementation of construction, boots on
25 the ground, shovels in the ground

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2 projects within the capital side of the
3 budget.

4 MS. RHYNHART: This is
5 something that we definitely recognized
6 as a problem, recognized it last year as
7 a problem, and have been making good
8 progress in terms of figuring out what
9 the big problems -- we have to really
10 understand what the problems are in order
11 to figure out how to fix them. So we've
12 been looking at this in a few different
13 ways. We have the consultant -- we hired
14 a consultant to look at how to make the
15 government more efficient across the
16 board. Their report is going to be
17 coming out next week. They did a section
18 on capital projects, including change
19 orders and other aspects of our capital
20 process in terms of the cost and the
21 length of time it takes.

22 We also have a capital projects
23 working group that has Council
24 involvement in it from the Council
25 President's Office that is also working

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2 at how to make changes in terms of to

3 shorten the length of time to finish.

4 And then on top of that, I know that

5 Parks and Recreation is going to be

6 focusing with their 2.6 million in

7 additional money on speeding up some of

8 the smaller projects throughout the City

9 so that we can get them done faster as

10 well.

11 So I'll have more information

12 for you as we move towards the budget

13 process, but it's something we are

14 definitely working on.

15 COUNCILMAN JONES: Well, as we

16 approach the official budget process,

17 please know that we appreciate Parks and

18 Rec, but when it takes so long to do a

19 thing, it just -- you go out to a

20 community, you tell them about the

21 wonderful things you want to do, and then

22 they wait and then they wait and then

23 they begin to wait, and then they begin

24 to complain, because it just takes so

25 long. And it's just critical both from

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2 the infrastructure side but from the
3 citizen participation in a capital
4 investment side to come to fruition. And
5 it's something that I've watched
6 Councilwoman Tasco get frustrated about
7 right here in these Chambers about the
8 time it takes for the Rec Department to
9 do a thing. So I just --

10 COUNCILWOMAN TASCO: To do
11 what?

12 COUNCILMAN JONES: To complete
13 projects, capital projects.

14 COUNCILWOMAN TASCO: It depends
15 on who is moving the project.

16 COUNCILMAN JONES: Okay.

17 MS. RHYNHART: I would say,
18 though, that we 100 percent agree there's
19 a problem. We're working on it.

20 COUNCILMAN JONES: See, that's
21 that upper classman stuff. I'll learn.

22 All right. Thank you.

23 COUNCIL PRESIDENT CLARKE:

24 Thank you, Councilman.

25 The Chair recognizes

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2 Councilwoman Tasco.

3 And let the record reflect that
4 Councilman Kenney has joined the
5 Committee.

6 COUNCILWOMAN TASC0: I'd just
7 like to ask a question. I read where
8 you're putting, what, \$50 million into
9 the budget for Recreation?

10 MS. RHYNHART: I'm sorry; 2.6
11 million for Recreation. We're talking
12 about that from the mid-year transfer
13 ordinance the amount added. Did you mean
14 the amount for Revenue Department?

15 COUNCILWOMAN TASC0: Didn't I
16 read in the papers that they were putting
17 \$40 million?

18 (Off-the-record discussion.)

19 MS. RHYNHART: There was an
20 article in the paper about Parks and Rec
21 \$2.6 million.

22 COUNCILWOMAN TASC0: 2.6
23 million?

24 MS. RHYNHART: Yes.

25 COUNCILWOMAN TASC0: Are you

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2 looking at any way to -- does the
3 Recreation Department provide staff with
4 funding to run programs or is that left
5 up to the advisory boards?

6 MS. RHYNHART: I'm not sure
7 about --

8 MR. DUBOW: There is a staff
9 that runs programs. At rec centers?
10 Yes.

11 COUNCILWOMAN TASC0: Right.
12 Because I had one rec center board
13 member, advisory board member, say they
14 needed more money because they don't have
15 money to operate programs, and I thought
16 we provide them with the Activities Fund
17 money and I also thought that the rec
18 leader would have funding to operate
19 programs. Is that true?

20 MR. DUBOW: That's my
21 understanding, yes.

22 COUNCILWOMAN TASC0: Does each
23 rec center get a budget or it's just
24 arbitrary?

25 MR. DUBOW: I don't know how

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2 Parks and Rec divides up their money. I
3 don't know.

4 COUNCILWOMAN TASC0: Okay.

5 Thank you.

6 COUNCIL PRESIDENT CLARKE:

7 Thank you, Councilwoman.

8 If you can, can you just
9 provide that information to the
10 Committee --

11 MR. DUBOW: Yes.

12 COUNCIL PRESIDENT CLARKE: --
13 about the distribution of revenue to each
14 center, be it A, triple A, or whatever
15 the new classifications are?

16 MR. DUBOW: Yes.

17 COUNCIL PRESIDENT CLARKE:

18 Because the recreation activities dollars
19 are basically in place to supplement what
20 should be done out of the Rec's budget.

21 COUNCILWOMAN TASC0: And not to
22 be the --

23 COUNCIL PRESIDENT CLARKE: The
24 sole, exactly. Given the limitations on
25 the amount that the Activities Fund

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2 provides, it's really not in a position
3 to do a whole lot, unfortunately.

4 Let me ask you a question, get
5 into a little bit of AVI. We've been
6 here for like 45 minutes and we didn't
7 really get into the AVI stuff.

8 A reporter asked me yesterday
9 about the number of calls that I was
10 getting in my office, and at the time, I
11 hadn't had a chance to talk to my
12 district office, so I really couldn't
13 answer the question. Today I can answer
14 the question. I got like nine million
15 calls from people complaining about
16 increases, people complaining about not
17 understanding how one thing can happen.
18 We're seeing a lot of concerns raised
19 about inconsistencies, and one of the
20 things that was supposed to happen in
21 this process -- and it may ultimately
22 prove to be true. I actually saw on the
23 website where they had a sign where it
24 says "fair and accurate" or something
25 like that, trying to send a signal.

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2 So if what I'm seeing early
3 on -- like I say, people tend to complain
4 only when there's a problem. They don't
5 call when they're getting a tax decrease,
6 so you really can't gauge the amount of
7 people that are being affected in this
8 particular issue as it relates to
9 inconsistent numbers.

10 So kind of walk me through the
11 process, if you can briefly, and
12 particularly as it relates to budget,
13 because I'm a little concerned because,
14 again, the timing associated with AVI and
15 ultimately getting to a number how that
16 impacts our budget. We, again, this year
17 have a very condensed timeframe as it
18 relates to getting numbers and coming up
19 with a rate or whatever process we will
20 ultimately implement, in addition to
21 which we're still waiting action from
22 Harrisburg. So we have a real tight
23 timeline, again.

24 So can you walk me through the
25 process if it's proven that the early

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2 concerns that we're hearing on the phone
3 about inconsistencies in the numbers,
4 one, versus what it was last year and
5 what it is currently as it relates to the
6 same block and comparable properties,
7 because we're hearing a whole lot of
8 that. Can you just kind of walk us
9 through --

10 MR. DUBOW: Sure. There are a
11 couple of things.

12 COUNCIL PRESIDENT CLARKE: And
13 maybe May the 31st this year, maybe we'll
14 pass a budget. More likely in June.

15 MR. DUBOW: So I think it's
16 inevitable when you do a reassessment of
17 all 570,000 properties that there are
18 going to be some issues and there'll be
19 appeals that will be successful. The
20 process this year is a little different
21 in that OPA has introduced what's called
22 a first-level appeal, where property
23 owners can talk to the assessor who
24 assessed their property, send
25 information, We think you're wrong,

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2 here's why. The assessor can look at
3 that and say, Okay --

4 COUNCIL PRESIDENT CLARKE: Not
5 to cut you off, but I was going to ask
6 you this on that note, because I've been
7 hearing different things. So when you
8 say they can talk -- somebody told me
9 that people are being told they don't
10 want people calling OPA because of the
11 obvious inundation of calls. So how --

12 MR. DUBOW: Their first
13 preference is to submit something in
14 writing, and they would look at that and
15 they would either look at whatever they
16 get in writing and say, Okay, that makes
17 sense, we'll make a change, or we have
18 further questions, and then they would
19 talk to the property owner at that point,
20 after looking at what was submitted in
21 writing.

22 COUNCIL PRESIDENT CLARKE: So
23 if I send a letter and I don't agree with
24 this assessment, I do not have a
25 three-story property, I have a two-story

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2 property, they get a call from the OPA?

3 MR. DUBOW: Yeah. They'll get

4 a call or -- they'll get some kind of

5 correspondence from OPA, a call or

6 something in writing, that will say, You

7 said you only have two stories, we've

8 checked, you only have two stories, your

9 value is too high, we're adjusting it.

10 That process goes through March 31st,

11 that first-level appeal process. If

12 property owners still aren't satisfied,

13 they can appeal to the BRT. The deadline

14 for appeals there is October 1st. They

15 can again go through the same BRT process

16 that people have gone through for years

17 and years, and if they're still not

18 satisfied, they can go to Common Pleas

19 Court.

20 COUNCIL PRESIDENT CLARKE:

21 Okay. Not to belabor the point, because

22 this is like very important. You're

23 recommending that people write a letter

24 or e-mail; do not call a number?

25 MR. DUBOW: To start the

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2 process, right.

3 COUNCIL PRESIDENT CLARKE: Do
4 not call a number. And if they don't get
5 a call back from OPA, what are they to
6 do?

7 MR. DUBOW: Well, I think at
8 that point if they -- they should call
9 back. What we should get to you is how
10 long that interval should be between when
11 they submit something in writing and when
12 they hear back. And we'll get you that.
13 I don't have that, but we'll get you
14 that.

15 COUNCIL PRESIDENT CLARKE: I
16 mean, this is a tight timeframe, again.
17 This time it's for the taxpayer. So, I
18 mean, ultimately I know who is going to
19 get the call, these people sitting up
20 here and out here. I mean, if they don't
21 get a call back -- because that's what
22 happened with 3-1-1. People get the
23 3-1-1, didn't work, call the
24 Councilperson. And I'm okay with that,
25 because that's why we're here, but it

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2 doesn't seem like you have a well-defined
3 process. Maybe you have it in writing
4 somewhere.

5 MR. DUBOW: Yeah, we do. Part
6 of it is in -- is being sent out to every
7 taxpayer. There's a brochure that
8 explains the process and explains why
9 someone should appeal or not appeal and
10 gives the timelines. So it's all laid
11 out in there.

12 COUNCIL PRESIDENT CLARKE:
13 Okay.

14 MR. DUBOW: I think, as we said
15 yesterday, we'll make sure every
16 Councilmember has copies of that
17 brochure.

18 COUNCIL PRESIDENT CLARKE:
19 Okay. And then the second part of my
20 earlier question with respect to actually
21 realizing the significant change in
22 numbers because a whole lot of properties
23 that are assessed down because of so many
24 appeals or early review process, what
25 happens with our budget process?

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2 MR. DUBOW: So when we build
3 our budget, we're going to assume an
4 increase in the level of appeal losses.
5 We'll get some sense of that, although
6 not a lot, by March 14th. We'll have
7 some sense of kind of the early level of
8 appeals and their success. Part of it
9 will be an estimate. I think we'll have
10 a better sense as we get deeper into the
11 budget process, because by March 31st,
12 we'll be done with the first-level
13 appeal, and we'll see whether there needs
14 to be some change based on what we've
15 seen through the end of March. But if
16 there are more appeals than we anticipate
17 as we head into October, that would have
18 a negative impact on our budget.

19 COUNCIL PRESIDENT CLARKE:
20 Okay. My last question on this one for
21 now. Recently -- well, let me go back to
22 last year when the first homestead
23 applications were sent out and they had a
24 \$30,000 number on it and it was
25 understood internally that that's not a

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2 set-in-stone number, but we sent that
3 number out, \$30,000 --

4 MR. DUBOW: And the application
5 said it wasn't set in stone.

6 COUNCIL PRESIDENT CLARKE: But
7 people see 30,000...

8 All right. So when you
9 unveiled the numbers that we now discuss
10 with a rate of 1.25 that did not include
11 any homestead, any gentrification, any
12 protection measure whatsoever, you come
13 up with this 1.25 rate, and anything
14 that's done to protect residents, that
15 rate goes up, and, as you know -- unless
16 in your budget message you will be
17 suggesting a rate. If the rate goes up
18 based on Council enacting some protection
19 measures, it will appear that Council is
20 increasing the rate from 1.25 upwards.
21 So the inconsistencies of sending out
22 homestead applications with a \$30,000
23 exemption and unveiling this AVI process
24 with no exemptions, it kind of puts
25 Council in a difficult place as it

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2 relates to moving towards a process.

3 MR. DUBOW: Well, we will --

4 COUNCIL PRESIDENT CLARKE: So

5 can you explain to me why we went that

6 direction.

7 MR. DUBOW: We will submit a

8 budget, and to the extent that it

9 includes relief measures, which we

10 anticipate it will, there'll be a

11 different rate. But at the time we

12 released numbers, we don't know what

13 we'll propose in terms of relief measures

14 and we don't know where we'll wind up.

15 So we thought the simplest thing for

16 people to understand was a rate with no

17 relief measures.

18 COUNCIL PRESIDENT CLARKE:

19 Well, but if you put a homestead brochure

20 out that says 30, why wouldn't you just

21 use that as an example? Because the 1.25

22 in your unveiling was an example, right?

23 MR. DUBOW: Well, we also -- I

24 think the first numbers that we gave back

25 in December talked about how much higher

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2 the rate would be with the homestead.

3 COUNCIL PRESIDENT CLARKE:

4 Right.

5 MR. DUBOW: But, in general,
6 for most residential property owners,
7 unless their properties -- given where
8 assessments are now, unless their
9 properties are over 300,000, the
10 homestead exemption would actually result
11 in reduced level of taxes. So it would
12 be actually lower than what people are
13 seeing now if there's a homestead of
14 30,000 and their property is worth less
15 than 300.

16 COUNCIL PRESIDENT CLARKE:

17 Right, but it increases other properties.
18 I mean, you basically -- once you enact
19 whatever measure, it's going to add to
20 the cost. So you'll have to basically
21 have to spread that cost across the
22 spectrum and some to commercial
23 properties. So my issue is just -- and I
24 mentioned it to you, all full disclosure,
25 I did mention this to you earlier, but

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2 some things I got to do in public,
3 because I don't like the fact that
4 Council is put in the position that if we
5 enact some sort of relief measures, which
6 we probably will, Council all of the
7 sudden is moving the rate from 1.25 up,
8 and all the sudden Council is the bad
9 guy, and I really take issue with that --

10 MR. DUBOW: Well, like I
11 said --

12 COUNCIL PRESIDENT CLARKE:
13 -- given the fact that we talked about
14 homestead from day one.

15 MR. DUBOW: Like I said, I
16 assume that when we release the budget,
17 it will include relief measures so that
18 the rate we include in the budget will
19 likely be higher than the 1.25.

20 COUNCIL PRESIDENT CLARKE: You
21 think by March 14th we'll be in a
22 position to talk about relief measures?

23 MR. DUBOW: I think we'll have
24 some type of relief measures, yes.

25 COUNCIL PRESIDENT CLARKE: So

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2 are you thinking that the General
3 Assembly will have enacted the four bills
4 or at least one, the gentrification that
5 will have direct impact? You think that
6 will be in place by March 14th?

7 MR. DUBOW: I'm not sure, but
8 homestead, for example, is a relief
9 measure. So I think we'll at least have
10 some relief measure or measures in there,
11 and there's gentrification we can do even
12 without that authorization.

13 COUNCIL PRESIDENT CLARKE: No,
14 you can't. Rob, you know you can't do
15 that. You can't give everybody in the
16 City gentrification. You got to have --
17 I think we've all agreed you got to have
18 some means-based gentrification, because
19 there's a reason -- if we had been able
20 to do that, we'd have done it a long time
21 ago, because everybody in the City would
22 have had to get that number because of
23 the lack -- because of the uniformity
24 clause.

25 MR. DUBOW: I guess I'm just

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2 going to say I think you'll see in the
3 budget some relief measure, and that will
4 change the rate from 1.25.

5 COUNCIL PRESIDENT CLARKE:

6 Okay. All right.

7 COUNCILWOMAN TASC0: It would
8 seem to me that consistency is important.
9 On the avicalculator.com, the computer
10 savvy people can go in and you state that
11 it could be a 1.5 or if there's a
12 homestead and you give different values,
13 it would be this, could be this. That
14 kind of information should have been
15 sent -- I haven't gotten a notice yet, so
16 I don't know what it says, but to be
17 consistent to show that there could be a
18 change in what that might be in the
19 communication would have been helpful,
20 because now we're going to be blamed, as
21 the Council President said, that we're
22 raising the rate. But all of that is
23 right now online. People are calling my
24 office, I just checked, and people are
25 calling, so my staff is calculating for

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2 them.

3 MR. DUBOW: So what the
4 communication does say when people get
5 their assessment is that the rate will go
6 down substantially and that they
7 shouldn't take the existing rate and
8 multiply it by their assessment, because
9 that will be way too high. It doesn't
10 give a rate, but it says that that rate
11 is too high.

12 COUNCILWOMAN TASC0: Just
13 saying consistency is important. You can
14 do it online. You can do it in a letter
15 that they might be different rates.

16 MR. DUBOW: Well, it does
17 say --

18 COUNCILWOMAN TASC0: And that
19 those people calculate who may not have a
20 computer, they have an adding machine.

21 COUNCIL PRESIDENT CLARKE:
22 Thank you, Councilwoman.

23 I'm going to call on Councilman
24 Goode, but before I do, Councilman Kenney
25 just brought to my attention, it was

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2 misinterpreted that I was suggesting that
3 we could not do gentrification.

4 Currently, that's not the case. What I
5 was referencing, the General Assembly's
6 enabling legislation that would allow us
7 to do means-based so you can do targeted.
8 But we can do ten years in the City of
9 Philadelphia and set a cap for anybody
10 that lived in the City of Philadelphia in
11 a residential property and the ownership
12 for ten years. So I just want to clarify
13 that. What we're looking for from the
14 General Assembly is means-based.

15 MR. DUBOW: Means and
16 age-based, right?

17 COUNCIL PRESIDENT CLARKE:
18 Pardon me?

19 MR. DUBOW: Means and
20 age-based.

21 COUNCIL PRESIDENT CLARKE:
22 Means and age, correct.

23 The Chair recognizes Councilman
24 Goode.

25 COUNCILMAN GOODE: Thank you,

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2 Mr. President.

3 I'm going to follow the line of
4 questioning of the Council President and
5 ask, what would be the fiscal
6 ramifications of Council taking no more
7 action on AVI?

8 MR. DUBOW: You mean basing
9 what we did on the legislation that
10 passed last year?

11 COUNCILMAN GOODE: Yes.

12 MR. DUBOW: If I remember
13 correctly, there would be a calculation
14 to get to the rate. That calculation
15 would take the assessment level to come
16 up with a rate. It should wind up
17 producing the same amount of revenue in
18 '14 as in '13. There would be a \$30,000
19 homestead. So --

20 COUNCILMAN GOODE: So from a
21 fiscal stability standpoint, the
22 Administration does not need to amend the
23 ordinance?

24 MR. DUBOW: I believe that's
25 correct. I'd probably want to just take

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2 another look at the ordinance, but I
3 think that's correct.

4 COUNCILMAN GOODE: So if the
5 Administration chooses to amend the
6 ordinance or submit a new proposal along
7 with the budget process, it's still
8 asking for the same amount of revenue?

9 MR. DUBOW: Correct.

10 COUNCILMAN GOODE: So the
11 Administration, if it submits a new
12 proposal during the budget process, is
13 simply asking to shift the burden based
14 upon relief?

15 MR. DUBOW: If there's
16 relief -- that's right. Relief would
17 shift the burden, yes.

18 COUNCILMAN GOODE: If there's a
19 new proposal, then you're not asking for
20 more revenue; what you're asking is to
21 shift the burden in terms of who provides
22 that revenue?

23 MR. DUBOW: That's right.

24 COUNCILMAN GOODE: Thank you.

25 COUNCILMAN KENNEY:

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2 Mr. President?

3 COUNCIL PRESIDENT CLARKE:

4 Thank you, Councilman.

5 The Chair recognizes Councilman
6 Kenney.

7 COUNCILMAN KENNEY: Thank you,
8 Mr. President.

9 Do you know if you do not do
10 the first-level appeal, are you precluded
11 from the Board of Revision of Taxes?

12 MR. DUBOW: You are not.

13 COUNCILMAN KENNEY: So if
14 someone wants to go directly to the Board
15 as opposed to going back to the same
16 people who gave them what they believe is
17 the wrong assessment in the first place,
18 they can do that?

19 MR. DUBOW: They can do that.

20 COUNCILMAN KENNEY: Because
21 I've had calls from folks who had just
22 bought a house, just bought their house
23 within the last year for X amount of
24 dollars, and the assessment is X plus
25 60,000 or X plus 70,000. It's like I

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2 just bought this -- the actual value of
3 the house is what I just paid for it, and
4 within that year of the sale, they got an
5 inflated assessment based on more than
6 what they just bought it for, which to me
7 seems totally crazy.

8 MR. DUBOW: I mean, I think
9 while people can go right to the BRT, I
10 would encourage people to go through that
11 first-level assessment, because I think
12 they really do want to get them right.
13 So if there's some mistake they made, I
14 think they want to correct it.

15 COUNCILMAN KENNEY: All right.
16 I just have some issues relative to the
17 volume that they're going to get, and if
18 they get enough volume, they're going to
19 be, I guess, predisposed not to do as
20 many because the revenue impact of --

21 MR. DUBOW: We have been really
22 clear with them from the beginning that
23 they are not to be concerned about any
24 revenue impact, that their goal is to get
25 the assessments right.

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2 COUNCILMAN KENNEY: All right.

3 Why is it 1.2 billion? Why is it the
4 magic number?

5 MR. DUBOW: It's the amount
6 that we're collecting this year. So it's
7 just collecting the same amount.

8 COUNCILMAN KENNEY: So we
9 haven't looked at any other potential
10 less need than the 1.2 billion. So that
11 number is just a fixed number and we're
12 not going to diverge from that?

13 MR. DUBOW: That's going to be
14 our proposal, yes.

15 COUNCILMAN KENNEY: Are you
16 putting money in the budget for appeals?

17 MR. DUBOW: Yes.

18 COUNCILMAN KENNEY: Are you
19 putting any money in the budget for
20 revenue collection of back real estate
21 taxes? Even though you want to put 40
22 million into collecting it, but you're
23 not identifying what it is you
24 potentially could collect for the 40
25 million?

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2 MR. DUBOW: Right. We talked
3 about this a little before with
4 Councilman Jones. The issue is our
5 systems at this point are so bad --
6 that's part of the reason we're investing
7 in systems -- we really don't have a good
8 way of analyzing what it will bring in.
9 We're pretty sure that we have to change
10 the way we do things. We know we have to
11 change the way we do things in order to
12 be able to collect more. We're not sure
13 of the --

14 COUNCILMAN KENNEY: But every
15 tenth of a point is about a hundred
16 million, right?

17 MR. DUBOW: I'm sorry. I
18 didn't hear you.

19 COUNCILMAN KENNEY: Every tenth
20 of a point on the millage is about a
21 hundred million, right? Ninety-eight
22 million. What's the --

23 MR. DUBOW: Yes. I think
24 that -- yeah. That's right.

25 COUNCILMAN KENNEY: So if you

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2 collected \$200 million in back taxes or
3 you had a better revenue collection
4 method going forward, you might not need
5 the 1.2?

6 MR. DUBOW: We might have a
7 different way of getting to 1.2, but we
8 need the 1.2.

9 COUNCILMAN KENNEY: So you're
10 going to get to the 1.2 regardless is
11 what you're saying?

12 MR. DUBOW: Yeah. What you're
13 talking about with the delinquent taxes
14 is a different way to generate 1.2. It
15 doesn't change the need on the spending
16 side; it just --

17 COUNCILMAN KENNEY: And what
18 analysis have we done recently within the
19 budget process that would indicate the
20 1.2 billion is the absolute necessary
21 number?

22 MR. DUBOW: So one of the
23 things we've done, we've actually taken
24 kind of a fairly -- brought in outside
25 consultants to take a fairly serious look

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2 at all of our operations, and that's
3 something that when that study is done
4 will be reflected in the budget in terms
5 of what the level --

6 COUNCILMAN KENNEY: But it
7 won't be reflected in this budget or it
8 will?

9 MR. DUBOW: It will be.

10 COUNCILMAN KENNEY: Do you
11 expect the ability to save money?

12 MR. DUBOW: There'll be some
13 savings. I don't think it will be enough
14 to radically change the 1.2, but there'll
15 be some savings.

16 COUNCILMAN KENNEY: What would
17 happen if we were to institute protection
18 measures and still stuck to the 1.25
19 millage rate?

20 MR. DUBOW: We'd generate less
21 revenue.

22 COUNCILMAN KENNEY: Have you
23 estimated what that would be?

24 MR. DUBOW: It depends on what
25 the relief measure is. So, for example,

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2 the gentrification bill we talked about
3 last year with the \$30 million cap, if we
4 did that and didn't change the rate,
5 there would be a \$30 million problem.

6 COUNCILMAN KENNEY: And a \$30
7 million problem in a budget that size, is
8 that a difficult thing to --

9 MR. DUBOW: It is a difficult
10 thing, particularly after years of making
11 cuts, \$30 million is a substantial amount
12 for us.

13 COUNCILMAN KENNEY: All right.
14 Thank you, Mr. President.

15 COUNCIL PRESIDENT CLARKE:
16 Thank you, Councilman.

17 The Chair recognizes
18 Councilwoman Tasco.

19 COUNCILWOMAN TASCO: No.

20 COUNCIL PRESIDENT CLARKE:
21 Okay. Thank you so much for your
22 testimony.

23 MR. DUBOW: Thank you.

24 COUNCIL PRESIDENT CLARKE: Any
25 other witnesses for this particular

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2 resolution?

3 (No response.)

4 COUNCIL PRESIDENT CLARKE:

5 There being none, thank you very much.

6 I'm being handed a note.

7 MR. DUBOW: Another question

8 for us?

9 COUNCIL PRESIDENT CLARKE: No.

10 I already knew that.

11 Thank you. The Committee on

12 Fiscal Stability will stand in recess to

13 the call of the Chair.

14 Thank you very much.

15 (Committee on Fiscal Stability

16 and Intergovernmental Cooperation

17 concluded at 3:30 p.m.)

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stenographic notes taken by me upon the
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