COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, March 25, 2013
10:30 a.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
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BILLS 130178, 130179 and 130180
RESOLUTION 130190

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COUNCIL PRESIDENT CLARKE: Good morning, everyone. This is the public hearing of the Committee of the Whole regarding Bills No. 130178, 130179, 130180, and Resolution No. 130190.

I would ask Ms. Lewis to please read the titles of the bills and resolution.

MS. LEWIS: Bill No. 130178, an ordinance to adopt the Capital Program for the six Fiscal Years 2014 to 2019 inclusive.

Bill No. 130179, an ordinance to adopt a Fiscal 2014 Capital Budget.

Bill No. 130180, an ordinance adopting of the Operating Budget for Fiscal Year 2014.

And Resolution No. 130190, providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2014 through 2018, and incorporating proposed changes with respect to Fiscal Year 2013, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3rd, 1992 (Bill No. 1563-A), by and between the City and the Authority.

COUNCIL PRESIDENT CLARKE: Thank you.

Today we begin the public hearing of the Committee of the Whole to consider various bills read by the secretary that constitute proposed operating and capital spending measures for Fiscal 2014, a Capital Program, and a forward-looking Plan for 2014 through Fiscal Year 2019.

To begin the process, we will hear testimony from the Administration on the Five Year Plan.

(Witnesses approached witness table.)

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COUNCIL PRESIDENT CLARKE: Good morning.

MR. GILLISON: Good morning. Good morning, Council President Clarke and members of City Council. I am Everett Gillison, Chief of Staff in the Office of the Mayor, Michael A. Nutter. On behalf of the Mayor, I am pleased to provide testimony on Fiscal Year '14 Proposed Operating Budget and the Proposed Fiscal Year '14 through Fiscal Year '18 Five Year Financial Plan. With me today are Rob Dubow, the City's Finance Director, and Rebecca Rhynhart, the City's Budget Director. Also we have a number of City officials are in the audience.

In a time of continuing limited resources, the Administration is faced with important choices about how to invest taxpayer dollars. This Five Year Plan makes clear our priorities. Our goal is to ensure that every resident lives in a safe community and has opportunities to obtain a quality education and live a healthy life; that Philadelphia becomes a place of choice for businesses to start, stay, and grow; that Philadelphia becomes the greenest and most sustainable city in America; and that our government makes efficient and effective use of taxpayer dollars and responds to the needs of residents and businesses. This Plan makes investments to fulfill these goals. It includes modest funding increases for investments in our neighborhoods, reduces wage and business taxes to spur job growth, and continues to invest in public safety and higher education, which are essential to the growth of the City. We understand that our hard-working City employees are central to the attainment of these goals. This Plan sets aside funding for future labor agreements that are fair to both employees and taxpayers by pairing pay raises with essential reforms that will strengthen the City's pension system and give the City needed flexibility in personnel rules to weather future financial distress.

While the City continues to face severe economic challenges, after several difficult years coming out of the deep recession of 2007 through 2009, tax revenues are growing moderately again. In addition, the Administration has taken actions to improve efficiencies in the operations which are expected to yield budget savings. The City worked with a global business consulting firm over the last year, and the report issued by FTI Consulting estimated that the City can make changes in operations to increase revenues and avoid costs without impacting personnel or implementing tax increases. The proposed Fiscal Year '14 budget includes the majority of these savings. As tax revenues increase and savings from efficiencies are realized, the Administration is able to make some modest investments in the services that the City provides, but even with just these modest investments, fund balances of $80 million in Fiscal Year '14 and $45 million in Fiscal '15 and Fiscal '16 are very low compared to the GFOA minimum fund balance recommendation of no less than 5 percent of total obligations, or roughly $185 million.

These low fund balances remain throughout the Five Year Plan even though the Plan assumes that Philadelphia's economy will continue to recover from the recession. Tax revenue projections were made in conjunction with a revenue forecasting consultant and discussions with leading economists at a meeting at the Federal Reserve Bank of Philadelphia. In Fiscal Year '14, growth is projected for all major taxes, except the property tax, for which no growth is assumed. The proposed Five Year Plan projects wage tax revenues to grow at a relatively moderate pace of 3.6 percent in Fiscal '14 and taper off to 2.95 percent in Fiscal '18.

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Sales tax is projected to grow at 5.03 percent in Fiscal '14 and 5.26 percent in Fiscal '15 before tapering off to 2.97 percent by Fiscal '18. The stronger growth of 5.26 in sales tax in Fiscal '15 is based on the expectation that consumer spending has been restrained by a greater amount than wages by lack of consumer confidence, which will return after several years of economic recovery and lead to stronger sales growth. Business income and receipts tax is anticipated to increase 3 percent annually. Realty transfer tax is expected to have growth rates of 10 percent in Fiscal '14 and Fiscal '15 before ramping down to 3 percent in Fiscal '18, which results in a projection of transfer tax revenues of $186 million by Fiscal '18, still well below the 236 million in transfer tax revenue collected in Fiscal Year '06.

The City has reassessed every property in the City under the Actual Value Initiative to create a fair and accurate assessment system upon which to base property taxation. The Fiscal Year '14 budget assumes that under AVI, the same amount of current year property tax revenue will be collected in Fiscal '14 as projected for Fiscal '13. The Administration has also proposed homestead relief of $15,000 of assessed value per property for all property owners and $30 million of additional relief measures aimed at severely impacted property owners. Taking into consideration these relief measures, the new proposed tax rate for the City and School District combined is 1.32 percent, down from 9.77 percent.

The proposed Five Year Plan includes tax reform to make Philadelphia more business friendly and encourage businesses to locate and expand in Philadelphia, increasing jobs over time. The Fiscal '14 budget includes the resumption of wage tax cuts, which were halted during the recession. Cuts to the wage tax will begin in Fiscal '14 and bring the wage tax down from 3.2980 percent in Fiscal '13 to 3.2568 percent in Fiscal '18 for residents and from 3.4985 percent in Fiscal '13 to 3.3460 percent in Fiscal Year '18 for non-residents. Additionally, tax cuts will be made to the net income portion of the business income and receipts tax to bring the tax rate on net income down from 6.45 percent currently to 6.30 percent by Fiscal '18. Finally, the Five Year Plan also assumes that consistent with state law, the City portion of the sales tax rate will be reduced from 2 percent to 1 percent in Fiscal '15.

A series of structural tax reforms sponsored by City Council will also lessen the tax burden for particularly new and small businesses. These reforms include provisions to make qualifying new businesses exempt from the business income and receipts tax for the first two years of operation and the first 100,000 of gross receipts and 50,000 of net income exempt from tax. The reforms waive license and registration fees for new businesses, create credits for each qualifying new job and for certified sustainable businesses, and limit the net income tax to just Philadelphia-based sales rather than a business's sales, property, and payroll. Together, these tax cuts and reforms will help to make Philadelphia a place of choice for businesses to start, stay, and grow.

The Five Year Plan reflects roughly $63 million in estimated savings over five years from implementing the recommendations made by FTI Consulting. These recommendations include reducing charges on the City's phone bills, hedging fuel costs instead of solely buying on the spot market, and improving collections on non-tax revenues.

Total tax revenues in Fiscal '14 are estimated at 2.75 billion, an increase of $83 million, or only 3.1 percent, over Fiscal Year '13's projections. Total general revenues are estimated to increase $82 million, or 2.3 percent, largely due to the combination of the tax growth described above together with a $20 million decrease in revenue from other governments, a $10 million increase in local non-tax revenues, and a $9 million increase in revenues from other funds of the City. The main reason for the decline in revenue from other governments was the elimination of one-time General Fund reimbursement revenue for the Department of Human Services which was received in Fiscal Year '13. The $10 million projected increase in non-tax revenues is partially the result of FTI Consulting recommendations for billing and collection strategies for the Fire Department's emergency medical services fee and for the Streets Department's commercial property collection fee.

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The proposed Fiscal Year '14 expenditures total 3.755 billion, a $99 million, 2.7 percent, increase from Fiscal Year '13 estimates. Rising pension costs account for $49 million of this increase; debt service makes up $11 million; and an additional $20 million is due to a salary increase awarded to the Fraternal Order of Police. The remaining $19 million represents a 0.5 percent increase. In addition to the total expenditures of 3.755 billion, the Administration has set aside $26 million of reserved fund balance as a provision for future labor obligations related to District Council 33, District Council 47, and IAFF 22, Local 22. These funds are being set aside to fund future labor agreements. In addition to including raises, any collective bargaining agreements must include essential reforms to help the pension fund make commonsense changes to overtime rules and allow the City to furlough employees to provide options in addition to layoffs during times of fiscal distress.

The Administration is committed to having reasonable collective bargaining agreements that are fair to both workers and taxpayers. The largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In Fiscal '14, employee benefits, including pensions, will comprise 31 percent of the proposed budget expenditures.

In order to address the challenges these long-term structural costs present, the City has made cost saving changes in the City-administered benefit programs and sought changes to its labor contracts in the area of health and pension benefits to reduce costs and risks to the General Fund. These changes include introducing combination pension plans with defined benefit and defined contribution components, increasing employee contributions to pensions, moving to self-insurance for health benefits, and increasing co-pays. In order to reduce or eliminate the need for layoffs in future economic downturns, the City has also sought the right to furlough employees, when the economic circumstances warrant, and mitigate overtime costs through changes in overtime rules.

The Fiscal '14 budget assumes about $18 million of investments in addition to the provision for future labor obligations discussed above. It allocates $4.7 million for the Fire Department to fund new self-contained breathing apparatus equipment, which is about $4 million, air bottles, and 35 new jaws of life.

As the City is working tirelessly to ensure property taxes are fair and accurate, the Fiscal '14 budget also includes $1.7 million for the Office of Property Assessment to fully fund the department's complete overhaul of the

City's property assessment function and $1.2 million investments for the Revenue Department to improve collection of delinquent taxes. This is part of a robust tax collection strategy that will use new technology, greatly improve analytical capabilities, new expert staff, and new legislative authority to dramatically increase tax collections over the next five years. As part of this strategy, we are establishing a Chief Revenue Collections Officer who will oversee all City collection efforts and craft a more efficient method for collecting revenue.

The budget includes important investments in communities throughout the City, including $1 million for the Free Library largely to expand hours in its neighborhood branches, $624,000 in the KEYSPOTS program, which was previously funded by the federal American Reinvestment and Recovery Act, and to address Philadelphia's digital divide by providing computer access in underserved neighborhoods throughout the City, also $1 million to the Community College of Philadelphia to help keep higher education affordable.

Other key investments include 2.5 million for the Office of Information and Technology to fund several items, including increased maintenance and departmental application costs, new positions necessary to implement court mandates related to public safety, and to fund positions previously funded through grants. An additional 781,000 is proposed for License and Inspection to hire additional code enforcement inspectors and building inspectors. Finally, the Plan proposes $622,000 for Public Property to increase funding for the maintenance team to prevent deferring maintenance on City-owned facilities. This funding, in addition to the $734,000 added in Fiscal '13, will bring the department's funding for this purpose up to industry standards.

Before concluding, I just want to highlight a few changes in this year's Five Year Strategic and Financial Plan. Key among them were, first, discussing operating budget trends for 36 departments and performance trends for 24 departments compared to only 12 departments in last year's Five Year Plan and, second, focusing on total operating expenses for each department rather than just the General Fund appropriation to each department. These changes were made in anticipation of a move towards program-based budgeting, which will hold departments accountable for delivering against the total resources they receive and more closely tie budgeting decisions to performance. We look forward to working with Council as we implement program-based budgeting.

The proposed budget and Five Year Plan seeks to preserve the City's core services while making Philadelphia a safer, smarter, healthier, greener city where people want to live and do business while operating efficiently and effectively as a first-class city.

Thank you for the opportunity to testify on behalf of the Administration regarding the Fiscal Year '14 Proposed Operating Budget and Proposed Fiscal Year '14 through '18 Five Year Financial/Strategic Plan. I have with me the senior officials of the Administration, and with their assistance, as necessary, we will be happy to answer any questions you may have.

COUNCIL PRESIDENT CLARKE: Thank you, sir.

I'm going to start out with Page 2 of your testimony talks about the City expecting to realize cost savings through improved operations and improved revenue collections. Can you detail the amount of the savings the City is expecting to realize in FY14 and programs that will be specifically implemented to achieve these savings?

MS. RHYNHART: Rebecca Rhynhart, Budget Director.

COUNCIL PRESIDENT CLARKE: Good morning.

MS. RHYNHART: Page 2 refers to the FTI Consulting report, and there's about $13 million in Fiscal '14, which is a combination of cost avoidance as well as increased revenues from FTI Consulting's recommendations.

COUNCIL PRESIDENT CLARKE: Can you give a little more detail.

MS. RHYNHART: Sure. A few of the recommendations on the revenue side had to do with some changes to Fire's EMS collections, the ambulance transport collections and how to improve those collections. Some of the recommendations had to do with the Street's commercial trash fee and improving collections on that. Collections of some of our non-tax revenues are below 50 percent. So they had collections in that way that we took some -- we show increased revenues coming in as a result of implementing some of the changes that they recommended.

I mean, I can go into more detail. I mean, some of the recommendations --

COUNCIL PRESIDENT CLARKE: Well, either that or maybe give us a copy. You're talking about improving those collections. Is there specific ways? Because, as you know, that's kind of the conversation of the day about improving collections.

MS. RHYNHART: Sure.

COUNCIL PRESIDENT CLARKE: So is there some specific recommendations that you're prepared to discuss right now?

MS. RHYNHART: Yes. I'm happy to talk about the recommendations, and the report is online publicly available, and I'm also happy to give you a copy. I know a few have asked for one, but --

COUNCIL PRESIDENT CLARKE: Do you want to give us a couple right now?

MS. RHYNHART: Sure. I'm happy to give you a couple, and I also offered to meet with you -- and that offer still stands -- to go through those recommendations.

So on the Streets --

COUNCIL PRESIDENT CLARKE: Just give me a couple. I'm not asking you to talk about the entire report.

MS. RHYNHART: So on Fire, they made the recommendations that we don't collect all of the revenue that the insurance companies owe us, for example. So there are ways that we can train our paramedics to fill out the form more completely in order to get the reimbursement from the insurance companies. It's not just about going after the self-pay uninsured population. It's about getting the money that we deserve to be paid from the insurance companies. So they made recommendations on that front, on having more regular dialogue with the company that collects to make sure that they have the relationships with the hospitals, that -- because the hospitals can also give the information in terms of what the transport was for in order for the insurance company to bill, because -- I'm sorry; the insurance company to pay us. If the insurance company sees something missing from the form, they don't have to pay us. So it's an easy out in that way.

And then they also recommend using collection agencies and several other steps to doing outbound calling, meaning that actually calling people that are past due.

So overall our collection rate is 12 percent. The national average is 45 to 50 percent. So they had several recommendations in that regard in terms of getting more money.

COUNCIL PRESIDENT CLARKE: So the collection agencies, not specifically those particular agencies, but we use collection agencies for real estate tax collections, delinquencies. We would use similar types of methods in terms of hiring private entities or contracting with private companies that go specifically after those particular delinquencies relating to uncollected fees for --

MS. RHYNHART: Right. That's right. My understanding is that the companies that do the initial billing aren't the same companies that are the collection agencies, and that we should be using some collection agencies to more aggressively go after the accounts receivable, the past due amounts.

COUNCIL PRESIDENT CLARKE: Okay. And if you could just forward through the Chair a copy of the report.

MS. RHYNHART: The report? Be happy to.

COUNCIL PRESIDENT CLARKE: Thank you.

Again, on Page 2, the fund balance projected for FY14 and '15, 45 million, well below 5 percent reserve level. Can you tell me what the primary factors contributing to this dip in fund balance?

MS. RHYNHART: The primary factors contributing to the dip in fund balance from the Fiscal '13 level of 128 million down to 45 million are a combination of the sales tax increase, which it's the state -- the state 1 percent increase in the sales tax goes away in Fiscal '15. So we lose about $140 million in revenue, in annual revenues, starting in Fiscal '15, and that's coupled with that our costs, the pension and other employee benefit costs, continue to increase. So there is -- that low point in Fiscal '15 and '16 is due to that. Again, then it gets a little bit better by Fiscal '18 because of the continued economic recovery, but we're still at about 90 million, which is low.

COUNCIL PRESIDENT CLARKE: Okay. Page 7, in your reference to the Five Year Plan, you talk about the Chief Collection Officer, and we had that conversation with the Revenue Commissioner the other day. He didn't have any real knowledge about the details of that. Can you kind of talk to me about the Chief Collection Officer, what the role will be beyond hopefully collecting more delinquent taxes, but the hierarchy within the Administration, who do they report to, who reports to that particular person, if you can.

MR. DUBOW: So the Chief Collection Officer will have a dual report to the Finance Director and the Mayor. Every agency that's responsible for collections will report up through the Chief Collections Officer. And the rationale for establishing the position is you have a number of departments that have revenue-generating functions, but that don't have any particular expertise in collections. Rebecca talked a little bit about EMS. That's an area that we need to put a lot more focus on. So the Chief Collections Officer would focus on that, for example.

COUNCIL PRESIDENT CLARKE: Give me a little more detail. Can you expand? I mean, as an example, the Revenue Commissioner sat here the other day, and when asked, he essentially said, I'm not familiar with who the Chief Collections Officer -- where they will stand, whether or not that person reports to the Revenue Commissioner or the Revenue Commissioner reports to the Chief Collection Officer. It was real spotty in terms of the Revenue Commissioner, and I think that's a significant position. So if you can give me a little more detail.

MR. DUBOW: The Chief Collection Officer will have a dual report to the Mayor and the Finance Director.

COUNCIL PRESIDENT CLARKE: You said that.

MR. DUBOW: Yeah. So it would be fairly high up. The Revenue Commissioner then would still report to the Finance Director, but would also report to the Chief Collection Officer, because the Chief Collection Officer is going to have to coordinate everything across all of our collections and be the person who is really making sure that the Fire Department, that the commercial trash fee is being collected, that -- in our area we have the Office of Administrative Review. There are collections related to that. All of those agencies that have any collections responsibility will have a reporting relationship with the Collections Officer.

COUNCIL PRESIDENT CLARKE: Directly to the Chief Collection Officer?

MR. DUBOW: Yeah.

COUNCIL PRESIDENT CLARKE: Will

that officer have a staff or will it be staffed by existing personnel?

MR. DUBOW: Primarily staffed by existing personnel. We built a couple of positions in analytical support and administrative support, but that office itself would be really small. We don't want to create a new bureaucracy. So it mostly would be the people in the department, and the Chief Collections Officer would be working with them to enhance the way they do their collections.

COUNCIL PRESIDENT CLARKE: Okay. All right. Real quick, and I know we have a long list of my colleagues who are interested in asking you questions. Let me shift over to the Department of Public Property for the maintenance team that you recommend preventing deferring maintenance, and I want to thank the Administration for agreeing and working with Council to fund the particular Recreation Department.

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Will this be a similar component within the Public Property for all municipally owned buildings in terms of deferred maintenance strategies?

MR. GILLISON: Yes. Thank you. And, yes, we have tried to work with Council on a number of things. This is one of the things that came out as a result of our discussions, and we're making the investment. This will help with our Police, Fire, and City Hall primarily in order to get it up to industry standards. I mean, the investment is sorely needed, and it's worked with the smaller unit before. So by enhancing and putting this money in, we'll be able to bring those up to industry standards.

COUNCIL PRESIDENT CLARKE: And it will be a similar composition of individual skilled tradespeople and will be civil service employees?

MR. GILLISON: Yes.

COUNCIL PRESIDENT CLARKE: And

they will be taken from existing and possible new hires?

MS. RHYNHART: Sure. Public Property I know already hired about 14 people. There were about 16 positions added in the Fiscal '13 budget, and then they are hiring civil service off of lists, tradespeople, to be assisting, similar to the Parks and Rec. Definitely.

COUNCIL PRESIDENT CLARKE: Okay. One last question, and I promise I'll go to the next Councilmember.

Page 19 and 20 in the Five Year Plan, you state that the real property tax revenues is projected to be about 500 million in FY14, which you project to be the same amount that would be projected to be collected in FY13 for current collections.

Can you tell me what the target revenue for the property tax collections for FY14 and what is the projected revenue to be generated from delinquent taxes in '13 and '14? And, again, part of that is a followup of earlier conversations with the Revenue Commissioner and this issue with respect to the level of collections that we are achieving. There was several numbers thrown out there. The Revenue Commissioner, I think he said it was 91 percent.

MR. DUBOW: Right. So the budget assumes for the current portion 500 million. For delinquent, it shows a slight increase from 35 to 36 million. The 91 percent that the Revenue Commissioner was talking about is the percent that's collected within a year of the due date.

COUNCIL PRESIDENT CLARKE: The year of what?

MR. DUBOW: The year of the due date. So for taxes that were due by the end of March 2012, we've collected 91 percent by the end of March 2013.

COUNCIL PRESIDENT CLARKE: So

not necessarily taxes that were due 2010?

MR. DUBOW: No. But if you look -- each year when you look earlier, it goes up more. So if you looked five years back, I think it's more like 95 percent have been collected.

COUNCIL PRESIDENT CLARKE: Okay. Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President.

Good morning to the panel.

(Good morning.)

COUNCILMAN GOODE: On February 20th, we had a Fiscal Stability hearing and discussed the Five Year Plan, and, Mr. Dubow, at that time I asked whether PICA had any concerns about the current Plan, and you stated that PICA was concerned with labor contracts and whether labor costs were accounted for within the Plan.

Has PICA received the new Plan?

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MR. DUBOW: PICA has received a copy of the new Plan. There was a PICA Board meeting yesterday, at which we -- not yesterday; last week, at which we briefly discussed the Plan, but they haven't really had time to look through it yet.

COUNCILMAN GOODE: What was the response to the Plan?

MR. DUBOW: I think really they want to look through it. They haven't given us any real response yet.

COUNCILMAN GOODE: Are there continued concerns about labor costs?

MR. DUBOW: I haven't had that discussion with them yet, but I -- so --

COUNCILMAN GOODE: Well, has the Plan changed with regard to labor costs?

MR. DUBOW: It has. What we've added this year that we didn't have last year is a funding for potential future labor costs. We have -- if you include FY13, there's about $95 million in the

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Plan for labor costs.

COUNCILMAN GOODE: We had a budget briefing the week before that on March 13th and I asked for some specific information. What's the cost for DC 33 and 47 over five years by year?

MR. DUBOW: One second. We'll get you that.

MS. RHYNHART: We have it broken down as part of the provision for future obligations. It's in two places, because we also removed the savings that we were anticipating from those.

COUNCILMAN GOODE: What's the cost of DC 33 and 47 by year over the next five years?

MS. RHYNHART: It's 12.2 million -- for 47, 12.2 million in '14; 6.3 million in '15; 955,000; 758,00 in '17; and 758,000 in '18.

COUNCILMAN GOODE: Okay. 33?

MS. RHYNHART: It's front-loaded because of the contributions to the healthcare.

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COUNCILMAN GOODE: 33.

MS. RHYNHART: 33 is 9.1 million in Fiscal '14; 4.3 million in '15; 3.9 million in '16; 3.5 million in '17; and 3.5 million in '18.

COUNCILMAN GOODE: Police?

MS. RHYNHART: Police is about -- the wage re-opener is about $35 million a year.

COUNCILMAN GOODE: So it's 35 in each year?

MS. RHYNHART: Right.

COUNCILMAN GOODE: And Fire?

MS. RHYNHART: For Fire for the -- we're about to start --

COUNCILMAN GOODE: I'm asking what's in the Plan.

MS. RHYNHART: What's in the Plan? Fire is 4.2 million for '14; 8.5 million for '15; and actually 8.5 million each year through '18.

COUNCILMAN GOODE: On Page 6 of the written testimony, it says the largest and fastest growing expenditures include health and pension costs. On Page 5, it says any collective bargaining agreements must allow furloughs. Why does it say that?

MS. RHYNHART: I'm sorry?

COUNCILMAN GOODE: The question actually wasn't necessarily for you.

MS. RHYNHART: Wasn't for me? Okay.

MR. GILLISON: Furloughs is one of the matters that we are trying to make sure that we put in as a way of dealing with economic downturn. So that's --

COUNCILMAN GOODE: That's not one of the major financial concerns.

MR. GILLISON: It is not one of the major financial concerns. It is one of the major ways that we would like to make sure that we can keep people working as opposed to laying them off should we experience what we've experienced over the last number of years.

COUNCILMAN GOODE: What if the municipal unions prefer layoff to furloughs?

MR. GILLISON: Well, that's what we've been talking about for the last number of years, and I'm hoping that we will come to conclusion on that rather soon.

COUNCILMAN GOODE: The issue is, if health and pension costs are the major financial concerns, why must there be furloughs if that's a sticking point?

MR. GILLISON: Well, I don't know whether that's the sticking point. I think from where we have been able to look at things with the union, we look at it in total, and we have put forward that we thought that this was a better way to manage in economic matters the issue of how we dealt with it when we had the recession and I had to sign a lot of layoff notices. That put us in a really bad position, knowing that we needed to do something else.

The economics of this are that if we can get the things that we need in health and pension reform, we'll talk about the matter, but furloughs becomes one of the tools that we would like to see reflect our values, that people working is better than laying them off.

COUNCILMAN GOODE: But it's not a major financial concern.

MR. GILLISON: It's not in the -- we don't anticipate using furloughs. It's not in our Five Year Plan at all. So you're correct.

COUNCILMAN GOODE: Can you forward the breakdown of labor costs by union over the five years through the Chair?

MR. GILLISON: Yes, we can.

COUNCILMAN GOODE: Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Before I call on the next Councilmember, I just want to follow up on that line of questioning.

The conversation that we've had

is that the furloughs -- the ability to have furloughs have no reflection on the budget this year and the next several fiscal years. The issue with respect to the unions, their preference is layoffs versus furloughs, and apparently there's some trigger with respect to layoffs and you want to use the same trigger for furloughs.

MR. GILLISON: As we do with layoffs.

COUNCIL PRESIDENT CLARKE: As with layoffs.

MR. GILLISON: So there's nothing new. The only thing that would happen is that persons would, in essence -- whatever we would normally do in order to force a layoff, we would use the exact same conditions going forward and we'd use the exact same way, except that instead of laying someone off and having them lose their job, we would have the right to bring them back without an impact on service and everything else to the City.

COUNCIL PRESIDENT CLARKE: But the furloughs -- the difference between the furloughs -- and correct me if I'm wrong -- versus layoffs, if you get laid off in this particular state, you have the ability to get unemployment, but if you get furloughed, you do not.

MR. GILLISON: That's correct, I believe. Yes.

COUNCIL PRESIDENT CLARKE: So there is --

MR. GILLISON: But you'd have your job back. You'd still have your job. You wouldn't need to get unemployment.

COUNCIL PRESIDENT CLARKE: I understand that, but that's a difference.

MR. GILLISON: Yes. Oh, absolutely.

COUNCIL PRESIDENT CLARKE: The question, I mean, that I have -- and I've said this to you. In all due respect, I just don't understand given the improving fiscal conditions -- and, again, we never want to negotiate contracts in a public way -- if you're saying that it has no impact on the current fiscal situation or the foreseeable fiscal situation with respect to your Five Year Plan and the unions' preference is layoff versus furloughs, then I don't understand why that continues to be a sticking point in this conversation.

MR. GILLISON: Well, I --

COUNCIL PRESIDENT CLARKE: One, we don't need them. Two, the preference from the unions is if you want to lay me off, lay me off. And, three, we need to get some conclusion to this whole municipal contract.

MR. GILLISON: Well, I mean, we agree, as you know, because we've talked about this outside of this matter. We agree that we think that it's time and well past time for this to happen. I don't believe that this is the only sticking point, quite frankly.

COUNCIL PRESIDENT CLARKE: I didn't say the only one. I know there's --

MR. GILLISON: But like everything else, there has to be -- the give and take has to occur. At this point there's been no give, no take. It's just been pretty much nothing. That's why we are where we are.

We are continuing to insist on sitting down, talking. And basically where talk goes to be fruitless, that's why we're literally in court now.

But, no, I don't want to negotiate this thing in public. I just want to be able to state what our values are so that people are clear. We prefer that as a tool in an economic crisis, we don't want to lay people off. We want to have the ability to do what happened with the exempts. I mean, we all took furloughs, and the impact of furloughs, we took five days as a way of making sure we could bridge without bringing people back.

Whenever you lay somebody off, not only do you lose the ability of that person working and what they bring to the matter, but you actually lose quite a bit of knowledge of how to get things done. And we do value our employees, we believe, by saying if in a time that we've just had everybody takes a little less or a unit takes a little less but we bring them back, it's an easier way of handling it.

COUNCIL PRESIDENT CLARKE: So do you anticipate laying people off?

MR. GILLISON: Do we anticipate laying people off? If there is another economic crisis that we just went through, I mean, we just -- the only reason why we didn't --

COUNCIL PRESIDENT CLARKE: No. Do you anticipate laying people off? Do you anticipate --

MR. GILLISON: In this Five Year Plan?

COUNCIL PRESIDENT CLARKE: Yes.

MR. DUBOW: No.

MR. GILLISON: No.

MR. DUBOW: It doesn't assume layoffs.

MR. GILLISON: It doesn't assume layoffs.

COUNCIL PRESIDENT CLARKE: So it is unlikely that you'll need layoffs based on this Five Year Plan?

MR. DUBOW: Well, we would have said in 2008 before the downturn that it was unlikely that we would have needed layoffs or furloughs in that Five Year Plan. So what we really want them for is something that's unanticipated. So we wouldn't build them into the Plan.

COUNCIL PRESIDENT CLARKE: In the last downturn, you went through the process of establishing a significant layoff policy and we figured out a way around that, where you didn't have to lay off any significant, if any, number of members.

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MR. DUBOW: We did some layoffs.

COUNCIL PRESIDENT CLARKE: I said significant.

MR. DUBOW: But we didn't have to do 3,000 layoffs because the legislation passed in Harrisburg. But all the notices were actually written up. I mean, we were going to have to do that if that legislation didn't pass.

COUNCIL PRESIDENT CLARKE: One last question on this, and I apologize to the next Councilmember.

Acknowledging that furloughs are somewhat different than layoffs, because people don't get paid, and the issue with respect to the trigger on layoffs currently is essentially the Finance Director saying, We're at a certain financial condition that requires that we have to lay people off, and there would be similar -- there's a similar proposal with respect to furloughs, but there is a difference, as I've said and you've acknowledged. Should there possibly be a different trigger or a trigger -- because most people with respect to the union conversation don't believe that it's a fair process where the Finance Director who works for the Mayor can trigger the furlough process. If there were a third-party strategy that would acknowledge or concur that there was a financial condition that warranted a furlough policy, is that something that's been discussed?

MR. GILLISON: I can only say that --

COUNCIL PRESIDENT CLARKE: A neutral, so to speak.

MR. GILLISON: The only thing I can say is, there's been a variety of discussions and that we maintain the continued right to continue discussing it. We've come up with a lot of different scenarios, different triggers, but they really haven't gone anywhere. I mean, so literally we've actually talked about a lot. And, again, I don't want to put -- this is not the -- I'm not sitting across from my union counterparts.

COUNCIL PRESIDENT CLARKE: I have no ability to sign a contract. I fully acknowledge that.

MR. GILLISON: All I'm saying is that we have been open to a variety of different ways. I reminded -- I remind everyone who asks me, when we had our discussion, Council President, is that we're using the exact same language that has been agreed to, in essence, for the last number of years.

COUNCIL PRESIDENT CLARKE: It was agreed to for layoffs, not furloughs.

MR. GILLISON: Right. That's very true, but that's why we wanted to make sure it wasn't anything new.

COUNCIL PRESIDENT CLARKE: And it is a difference. There's a difference between a furlough and a layoff.

MR. GILLISON: Well --

COUNCIL PRESIDENT CLARKE: It's

more challenging for you administratively to lay people off versus furloughs.

MR. GILLISON: Absolutely. Much more challenging.

COUNCIL PRESIDENT CLARKE: But it is more challenging to that employee who doesn't get a paycheck.

MR. GILLISON: Well, it's not even that they would not get a paycheck. It was that they would get a diminished paycheck, if that should occur. I mean, again, I'm speaking from one that had experience. My paycheck was diminished when we had to go through this in order to help the bridge. It was a five-day matter. We're not talking about putting off people and permanently letting them go.

COUNCIL PRESIDENT CLARKE: But you're an exempt employee. You're not a bargaining unit employee.

MR. GILLISON: And that's why we --

COUNCIL PRESIDENT CLARKE: That

reference -- nor am I.

MR. GILLISON: That's right. And that's why we've had --

COUNCIL PRESIDENT CLARKE: That's apples and oranges.

MR. GILLISON: That's why we've continued having these discussions and we've continued to be there looking for different ways of handling the issue. Quite frankly, I hope that we'll have conclusions to this. I do not believe that this is the be-all and end-all, quite frankly. I think there's other issues that continue to kind of deal with this particular issue on contracts, but we are trying to be balanced in what we're doing, and this is our approach.

COUNCIL PRESIDENT CLARKE: Okay. Thank you.

Councilman Jones, I apologize. You're up.

COUNCILMAN JONES: Mr. President, as long as I get an extra minute, it's all right with me.

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COUNCIL PRESIDENT CLARKE: We probably need you at the bargaining table, sir.

COUNCILMAN JONES: Well, first of all, good morning. Let me get the good stuff out the way so it doesn't take too much of my time.

Thank you so much for the City's response to the AVI information session that we had Saturday. We had commissioners taking applications for appeal, particularly Commissioner Angela Dowd-Burton and yourself and others. Rob Dubow was out there. So we appreciate it, and the 400 people that came out also appreciate it. They were from every part of the City, by the way. So we're expecting one tonight at the library in Overbrook Park on 75th and Haverford. So Councilman Kenney said we hope they're taking appeals. And many of them did appeal.

So thank you for that amount of resource going out to the public who needs it. That's number one.

Now, first of all, I read the actual report by FTI.

I have a copy of it for you, Mr. President.

It goes by department on cost savings up to projected approximately $18 million in savings, and these are practical savings that many members of this body have recommended over the years, and it was good to see it reaffirmed in writing.

One that is not there by way of revenue creation is outdoor municipal advertising, which I would only say should be added to that calculation. Whether you agree with it or not, it should at least be a factor.

So it was a good document that I will share with my colleagues.

If you've noticed, there's been a theme and each one of us have asked about the municipal contract. I will follow that line of questioning and ask about pensions.

How many pensions are offered to municipal workers in District Council 33 and District Council 47? How many different variations of the pension plan are there?

MR. DUBOW: So there's --

COUNCILMAN JONES: There's a J, there's a Y.

MR. DUBOW: Yeah. Depending on when you were hired, there's a Plan '67, Plan '87. A new employee in either one of those unions is really offered one pension plan.

COUNCILMAN JONES: Okay. So how many are there we're funding? I'll rephrase the question.

So going back to the older J Plan, I would guess -- how many of them, renditions, are there?

MR. DUBOW: So for -- there are really two basic plans for non-uniformed workers and two basic plans for uniformed workers, and then there's an elected.

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Those are the primary.

COUNCILMAN JONES: Are any of them more solvent or less solvent than the other?

MR. DUBOW: Sure. The newer plan, Plan '87, has a higher funding percent than the old plan.

COUNCILMAN JONES: What is the funding percentage for the new plan?

MR. DUBOW: I believe it's roughly in the 80's. It's in the 80's.

COUNCILMAN JONES: And how many workers does that new plan represent within the municipal workforce of the City?

MR. DUBOW: I can get you that. It's in the valuation report, but let me see where I can find it.

COUNCILMAN JONES: So is it safe to say that that plan, the new plan, is 80 percent funded and is not in jeopardy?

MR. DUBOW: Well, not really, because you have to -- well, let me tell you, I don't think any of the plans are in jeopardy. But you really have to look at the system as a whole, because we have to fund the whole system.

COUNCILMAN JONES: I just want the specifics. In the new plan, it's 80 percent funded. How much of the municipal workforce is represented under that plan?

MR. DUBOW: Let me get back to you on that.

COUNCILMAN JONES: All right. You can get back to me, because my clock is ticking.

And I need to know then to what degree is -- segregate out the J Plan. Is that the one that is in most jeopardy?

MR. DUBOW: That's the one that has the lowest funding percent.

COUNCILMAN JONES: So if we were to segregate that out and fix that one, what would be the difficulty factor in fixing or bring it up to an acceptable amount of funding?

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COUNCIL PRESIDENT CLARKE: You got another minute.

COUNCILMAN JONES: Thank you.

You can get back to us on that. I want you to know that we are going to ask those kinds of questions, because at the end of the day, we're five years in, and we don't want to negotiate contracts, but we want this to end.

MR. DUBOW: We do too.

COUNCILMAN JONES: So we're going to ask specific questions as to what some of the sticklers are within that. And I don't want to get in the union business, but it falls in our court. It fell in our court, so we have to deal with it.

MR. DUBOW: Right. But so to your question, the old plan, there are no new members going into it.

COUNCILMAN JONES: Correct.

MR. DUBOW: People are already in it.

COUNCILMAN JONES: So how

insolvent is it? What would it take to fix it, is the question.

MR. DUBOW: So you can't make changes there to people's benefits, because they're already in, and I think everyone in that plan is already vested.

COUNCILMAN JONES: Okay.

MR. DUBOW: And really you only have a couple of ways to improve health of a plan. One is --

COUNCILMAN JONES: Let's speak to that. If we were to sell -- do advertising or dedicate the outdoor advertising to funding that plan, what would it take to fix it so that it is no longer the sort of Damocles hanging over the negotiations, is the question.

MR. DUBOW: So we have a gap that's probably over $4 billion between our assets and our liabilities.

COUNCILMAN JONES: Say that again.

MR. DUBOW: Our gap between our assets and our liabilities is about $4 billion. So municipal advertising --

COUNCILMAN JONES: I got that.

MR. DUBOW: -- won't generate anything close to that.

COUNCILMAN JONES: That's funny, but here's my point --

MR. DUBOW: No. I'm not trying to be funny.

COUNCILMAN JONES: We missed a lot of payments in that timeframe; is that correct?

MR. DUBOW: We haven't missed a payment in -- I don't know when we missed a payment. We haven't missed a payment in decades.

COUNCILMAN JONES: So we were given a pass on payments during the fiscal crisis, correct?

MR. DUBOW: We were given a deferral, which has been repaid with interest.

COUNCILMAN JONES: Okay. So --

MR. DUBOW: So that has no impact on the funding percent at this point, because it's been repaid.

COUNCILMAN JONES: So we're $4 billion down. So you're saying that it is an insurmountable fix?

MR. DUBOW: I'm not saying it's insurmountable. I'm saying it's a hard fix. It's not something that will be fixed overnight, but we do need to look, and we said, at things like if we sell PGW, putting those --

COUNCILMAN JONES: Hold on. Let me go on record with saying that, before someone misconstrues that.

MR. DUBOW: To the extent that we sell assets, that it makes sense to put them into the pension fund. We did a refunding where we put about 20 million in, but that alone is not going to fix the problem. We need something on the benefits side too. We've already gone from pension costs being about 6 percent of our budget to 16 percent. So it's eating --

COUNCILMAN JONES: And how does

that compare to other major cities?

MR. DUBOW: I think other cities have seen big increases too.

COUNCILMAN JONES: So we're not different from them.

MR. DUBOW: We are in that if you look at cities across the country, we have one of the lowest funding percents. So we're in worse shape. Other cities have seen increases in expenses, reduced funding percents, but we're at the low end of funding percent. Our challenge is bigger than other cities.

COUNCILMAN JONES: Okay. I guess at the end of the day, I'm going to need to know how we got in that shape, and it always comes out to it was the workers' fault, or at least that's the perception of it, and not how it was contributed to. And I just need to know if it was broken, how did it get broke and what are the processes by which we can fix it. And I think that's a fair question. I'll wait until the next round to ask about -- in your Five Year Plan I see one line about poverty. It might even be two lines. And if we're at 28 percent at a poverty rate, there needs to be a little more meat to an anti-poverty plan over the next five years, unless we're just saying that we're going to concede the poverty issue in the City. So I need --

MR. DUBOW: You want to do that next time?

COUNCILMAN JONES: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, sir.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President. I would like the new time standard applied to my questioning, please. We timed that. It was 11 minutes and 33 seconds.

I'm just teasing.

COUNCIL PRESIDENT CLARKE: No,

you're not.

COUNCILMAN GREEN: I didn't time it. Just whatever it was, that's what I want.

In 2012, I proposed $28 million in cuts to the City budget, which I shared with the Administration and others with this spreadsheet. The green outline is the cuts that I was proposing. Most of these cuts were not taken. In the Administration's testimony, they talk about -- or you all talk about $18 million from, quote/unquote, efficiencies and savings, but then you go on to talk about the savings.

And so what I'd like to know is, compared to last year's expenditures, what are the savings? The Budget Director testified with respect to collecting additional revenue, which I don't count as savings, but on Page 2 of your testimony, you emphasize savings. And so what are the savings dollar amounts that we have in this year's budget compared to previous years' expenditures?

MS. RHYNHART: In terms of the FTI recommendations on --

COUNCILMAN GREEN: No; just all savings. You can include those if you want.

MS. RHYNHART: Okay.

COUNCILMAN GREEN: Savings over previous years.

MS. RHYNHART: Okay. I'll go through just on the FTI cost side. We've taken 3 million a year in savings in Fleet's budget for -- we're going to be implementing a fuel hedging program.

COUNCILMAN GREEN: That's not savings.

MS. RHYNHART: Well, it is. It's cost avoidance. It's savings.

COUNCILMAN GREEN: I'll give you fuel hedging. All right.

MS. RHYNHART: Thank you.

There are savings, over a million dollars of savings, related to IT

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on the phone bill side from the FTI report. There's two and a half million dollars a year of savings in health costs in Prison's budget. Those are the main. In Fiscal '14 --

COUNCILMAN GREEN: I appreciate that. That sort of makes my point. What you're basically saying is that in a budget of $3.7 billion, the Administration could only find $3 million of savings in programs that it spent last year compared to what it's projecting to spend this year. In other words, in the entire budget, less than 0.001 percent is actual savings compared to what was spent last year. Isn't that a problem?

MS. RHYNHART: Well, just to back up a minute, the majority of the budget is fixed costs and out of our control in terms of pension, employee benefits, contributions, debt service payments. So only about a third of the budget is truly under our control to make cuts.

I'm going to answer your question. I hear your question.

So it's become increasingly difficult to find places to cut after the few years of cuts we've gone through. One of -- I mean, we've taken cuts of 10 percent, 5 percent, 5 certain, and 4 percent going through Fiscal '12. So it has made it increasingly difficult to find places to cut.

But to that end, in terms of efficiencies, one of the things that we've been working with you on actually is moving to performance and program-based budgeting, which hopefully will show which programs are most effective and which aren't.

COUNCILMAN GREEN: But, I mean, once we have -- well, the program-based budgeting bill we passed included a zero base for the first year, or the goal is just to approach that with a zero base in the first year in terms of the way the legislative language works. Is there a hope that shifting the budgeting system will result in the actual shutting down of programs that don't work or are you saying that there are no programs in the City of Philadelphia that don't work?

MS. RHYNHART: Right. If we find that programs really -- certain programs aren't working, then, yeah, we'd definitely be prepared to shut them down.

COUNCILMAN GREEN: But based on our current budgeting system, there's only $3 million of programs that don't work in the entire City of Philadelphia.

MS. RHYNHART: Well, actually, detailed 7 million, but to your point, I get your point, and I think that one of the hindrances to our current process is that we haven't had the technology in place to go towards program-based budgeting to see all of the costs associated with any specific program, because we have fleet costs and electricity costs separately from departmental budgets, and that by establishing performance measures for departments and then we'll drill down to the program level, we'll be able to link the full budgetary cost of a program with the outcomes.

So I fully agree that there is work to be done, and we're moving towards that. I mean, we have an RFP on the street right now and we're moving towards that.

COUNCILMAN GREEN: Does 7 million represent all of the efficiencies that the Administration believes exist within our budget?

MS. RHYNHART: I think that there are more efficiencies that we're working towards that are hard to quantify; for example, the Chief Revenue Collection Officer and others.

COUNCILMAN GREEN: But that's not savings. You're spending more money there. That's revenue enhancement.

MS. RHYNHART: I'm saying -- right. What we've taken in the budget for Fiscal '14 is the 7 million, yes.

COUNCILMAN GREEN: And does that represent your best effort, that is your belief as in the Administration that that is the only savings available to the taxpayers of the City of Philadelphia in terms of efficiencies, cost cutting?

MS. RHYNHART: I think at this point, after the few years of cuts we've had, yes.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you very much, Mr. President.

Good morning.

(Good morning.)

COUNCILMAN OH: Could you explain to me what your plan is concerning the funds that are contested right now with the firefighters? In particular, you've lost two binding

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arbitrations and a Common Pleas Court decision, and to my knowledge, no funds have been set aside even in this budget to address that issue.

MR. GILLISON: Good morning, Councilman.

COUNCILMAN OH: Good morning.

MR. GILLISON: As of right now, the appeal is still pending, and once the appeal is decided, we will end up acting accordingly. I mean, that's the easiest way to answer the question.

COUNCILMAN OH: Okay. So I do understand that's the answer, and the problem I have with it is that these appeals could continue, but at some point in time, they do end and then the City is going to have to come up with this money, whatever the amount is. At that time, we would be challenged to come up with this money to fulfill a court order if we have not set anything aside. And unlike other contract negotiations that may be ongoing, this matter has been decided in two arbitrations as well as a Common Pleas Court decision, and I'm not clear on the basis of the appeal moving forward. So it would seem wise to set aside some funds.

MR. GILLISON: Well, the basis of the appeal, as you know, Councilman, is the fact that the value of the award is something that we have indicated and I think is pretty -- you can see from the information before you, can't be afforded. There are ways that we have discussed and tried to meet that, and obviously we are trying to balance what our current obligations are, what our current expenses are.

The only thing that I would differ with you on is that having a judgment by the arbitration panel and that we take our rights to appeal doesn't mean that we've lost. It basically means that the issues get clarified to the next level.

Right now it's pending before

the Commonwealth Court. When they have their decision, we will always be able to deal with what we can deal with. We've told both PICA and I think we've had informal discussions with Council as we brief everyone to say that obviously whenever awards come down, that will necessitate us adjusting our budget. There are ways to adjust the budget. It's not going to really be on the tax side, quite frankly, so it will have to be on the cut side, and we've seen the various levels of cuts that we would have to do, which is why we've appealed the matter, because we don't think that the citizenry can actually afford that kind of level of cuts.

So we're waiting the decisions that will come from the Commonwealth Court. When it happens, we will be in the position to respond, and we're prepared to do so.

COUNCILMAN OH: So what you're saying is that, as I'm taking it, my

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interpretation, is that disputed amount of funds between 66 million or 200 million, that you're not going to set aside in this budget any money whatsoever to anticipate the payment of it and you will go ahead and spend that money in other ways, which means we will not be prepared to pay those funds. That's my concern.

MS. RHYNHART: We expect to win, first of all, and we don't have the money to pay that. I mean, that's the basis of the award, is it's over $200 million.

COUNCILMAN OH: I have to interrupt, because that's not a good answer. You cannot expect to win and at the same time not be able to afford. The issue is, in responsible budgeting, given the situation that you're in currently, having lost two mandatory arbitrations and in front of the Common Pleas Court judge, who stated that the binding arbitration did account for the City's ability to pay, that some monies should be set aside for the benefit of the City and the taxpayers to start paying that down rather than to spend it on other things.

MR. GILLISON: So, I mean, I hear you. I thank you for that observation. Obviously we are preparing for all contingencies, and as we have indicated, there's only -- there's not any additional monies anywhere. If it comes out that we have to deal with it, we'll take the appropriate steps to deal with it. But we're not spending any of that, quote/unquote, money. It's not segregated in some hidden spot. All of the money is in front of you. You see how we're spending it. And if it comes out that we have to take a $200 million hit, we've detailed at least in general, I believe, where we would go to look at making up some of those funds.

So it's not hidden what we're doing. We're just trying to stay the course, and we will prove our point to the appeals court. Appellate courts, as you know, Councilman, always sometimes see things differently, taking a step away from trial courts. We both have enjoyed that matter, whether positive or negative. But we always adjust and we continue. It's not going to be the end of the world, but it will significantly alter what we're getting done in this situation. So, I mean, that's all I can say.

COUNCILMAN OH: Thank you. I'll finish my questioning later. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President, and thank you guys for being here this morning.

My question is basically on the collection of real estate taxes. What is the percentage of the collection this year of the real estate taxes that is going to be inserted into the budget?

MR. DUBOW: We collect about 91 percent of the amount due within 12 months.

COUNCILMAN SQUILLA: So that 91 percent will be in the budget this year?

MR. DUBOW: That's right.

COUNCILMAN SQUILLA: What's that amount?

MR. DUBOW: It's the $500 million that's shown in the budget. It's 500 million.

COUNCILMAN SQUILLA: So 500 million --

MR. DUBOW: For the City side.

COUNCILMAN SQUILLA: For the City side.

MR. DUBOW: Yeah.

COUNCILMAN SQUILLA: Last year what did we include into the budget as far as collections?

MR. DUBOW: We use a five-year

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average, and the percentage collected has gone up each year. So it was probably a little lower.

COUNCILMAN SQUILLA: Was it like 87 percent?

MR. DUBOW: Well, you have to kind of get into the model. There are two components. One is the eight months portion, which is about that 87 percent, and then there's a four-month portion from, was it, the prior year?

MS. RHYNHART: Right.

MR. DUBOW: The prior year, the prior calendar year that's part of the fiscal year, and that's kind of -- you have to do that 87 percent plus that stub portion. That gets you close to the 91.

COUNCILMAN SQUILLA: So you're taking the 4 percent from last year, you're going to take -- whatever we collected in the last part of this year for last year's taxes will be added into this budget, plus --

MR. DUBOW: We show what's

collected during the fiscal year.

COUNCILMAN SQUILLA: During the fiscal year.

MR. DUBOW: Yeah.

COUNCILMAN SQUILLA: So it's not included in the next year's budget?

MR. DUBOW: You lost me.

COUNCILMAN SQUILLA: You're saying that it's two separate collections that you go by. You go through an eight-month collection that's around 87 percent.

MR. DUBOW: The tax rate is by calendar year and the budget is by a fiscal year.

COUNCILMAN SQUILLA: Right.

MR. DUBOW: So there's a portion of the collection that's for the prior calendar year, which is at a different rate. So it's the full fiscal year collection, and that's what's shown in the budget for that year.

COUNCILMAN SQUILLA: So that's what I'm trying to get at. This year, 2013, we collected how much?

MR. DUBOW: In 2013 -- so collections are due by the end of March. So it's still a projection. So for '13 we're projecting 500 million, and we project the same amount for '14.

COUNCILMAN SQUILLA: And so there won't be no increase in projections, even if the assessments go up? I mean, we know that there's major issues with how the assessments are being done. And so you're projecting the same amount every year moving forward?

MR. DUBOW: We built -- no, not every year going forward. In '14. In '14 we project -- we tried to set a rate with the relief that we're proposing and an assumption that there'll be an increase in the appeal loss in the first year of the new system. We tried to get to a rate that would give us the same amount of collections. What we actually get will probably depend on things like where appeal losses actually wind up.

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COUNCILMAN SQUILLA: And how much have you included into the budget for appeal losses?

MR. DUBOW: I think it's about 32 million, and in the typical year it's about 20, 21. So we've projected about a 50 percent increase.

MS. RHYNHART: And that's City and School District.

COUNCILMAN SQUILLA: So last year how much did we see in appeal losses?

MS. RHYNHART: It was about 20 million in '12. It's appeal losses and there's also some losses from TIFs, tax increment financing. But it's about 20 million, and then we had --

COUNCILMAN SQUILLA: You're counting TIFs as tax losses?

MS. RHYNHART: There's a little bit of that, yes. There is some amount that's included in Revenue's estimate, yes.

COUNCILMAN SQUILLA: Why would

that be in your real estate tax appeal?

MS. RHYNHART: It's the subtraction of the total assessments. So, I mean, I could detail this out.

COUNCILMAN SQUILLA: I understand what you're saying, but that's something that's already projected. We know what TIFs is already projecting. I'm talking about --

MS. RHYNHART: The appeals.

COUNCILMAN SQUILLA: -- the appeals.

MS. RHYNHART: So it's about 20 million, and then we have a 50 percent increase, as Rob said. So it goes up to about 30.

COUNCILMAN SQUILLA: What is the appeal losses for last year? No TIFs included, nothing added to it. What were the appeal losses?

MR. DUBOW: We'll get back to you with that number.

COUNCILMAN SQUILLA: Okay. If you could get that number to the Chair.

And then the 30 million that you're included -- or 32 million, is that including TIFs?

MR. DUBOW: Yeah. So we'll give you the breakout by each year of what's just appeal losses.

COUNCILMAN SQUILLA: That would make a lot more sense. And I'll ask more questions the next round.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

Do we know when we're getting the budget binders?

MS. RHYNHART: This Thursday.

COUNCILWOMAN SANCHEZ: This Thursday?

MS. RHYNHART: That's right. They're at the printer right now.

COUNCILWOMAN SANCHEZ: It kind of makes it hard to ask questions when you don't have the budget detail.

MS. RHYNHART: We delivered it to the printer on Friday. It just takes them a few days to do it.

COUNCILWOMAN SANCHEZ: In Mr. Gillison's testimony, he talks about the business tax reductions and he mentions a $50,000 net income as part of the Five Year Plan. That was a bill that we sponsored. It was 100,000. Is that a typo or is --

MR. DUBOW: No. It's getting phased in.

COUNCILWOMAN SANCHEZ: I know, but it should be phased in in the Five Year Plan.

MR. DUBOW: Yeah. I think it gets to 100 by '17. It gets to 100.

COUNCILWOMAN SANCHEZ: That's not what his testimony says. I just want to be clear.

MR. DUBOW: You're correct. It gets up to 100,000.

COUNCILWOMAN SANCHEZ: So

that's a typo, misstatement?

MS. RHYNHART: What page?

COUNCILWOMAN SANCHEZ: Page 4.

MS. RHYNHART: Okay. Oh, the dollar value of the net income exemption?

COUNCILWOMAN SANCHEZ: Yes.

MS. RHYNHART: I would have to double-check on that.

MR. DUBOW: We'll make a hundred percent sure, but I think it does go up to a hundred. We'll confirm that.

COUNCILWOMAN SANCHEZ: I just want to be sure. I wasn't sure you snuck a bill on me.

MR. DUBOW: We did not sneak another bill in on you.

COUNCILWOMAN SANCHEZ: All right. Thanks.

Question. And, again, we don't -- in terms of some of this pension fund, some of the questioning by my colleague Councilman Jones, can the Administration provide to us -- in their proposal to the union, is the

Administration proposing a different plan than J and Y?

MR. DUBOW: Yes.

COUNCILWOMAN SANCHEZ: As you submit what Councilman Jones is requesting, can you give us a comparison to what this Y Plan -- I mean the new plan would do, whatever you want to call it, give it another initial?

MR. DUBOW: Yes.

COUNCILWOMAN SANCHEZ: That would be helpful to all of us. And, again, none of us want to totally get into this, but I think it's important that we all understand when we're making these types of reforms what it means, because reform sounds pretty and sexy, but ultimately it is about the dollar amount that we should be concerned about. And so I've never seen yet from the Administration an articulation of what this new plan would be, and it would be helpful.

MR. DUBOW: We can give you

that in writing or we can do it right now.

COUNCILWOMAN SANCHEZ: No. We want that as part of that comparison so folks know it's in the context of the J Plan underfunding, the Y Plan's funding and how you would fund this new one. That would be helpful for us to understand.

I wanted to talk a little bit around some of the revenue enhancement pieces, and President Clarke was alluding to this. If there is an official plan for the $40 million phase-in, if there's something in writing preliminarily, it would be great if you could share it.

MR. DUBOW: We'll get you that.

COUNCILWOMAN SANCHEZ: I know that, again, it's a huge investment and includes us creating an internal infrastructure to long-term support this. We'd like to be able to see it.

Did we receive our state certification numbers so that we're planning our state budget? Do we foresee any state cuts coming in as it relates to some of our human services needs?

MR. DUBOW: I don't think we got the certified number yet. I mean, the state budget itself didn't have --

COUNCILWOMAN SANCHEZ: Any major cuts?

MR. DUBOW: -- reductions in child welfare.

So I can stop guessing and Anne Marie can actually give you the answer.

COUNCILWOMAN SANCHEZ: Again, I don't have the budget documents.

MR. DUBOW: We don't think there will be any real impact from the state budget on our services.

COUNCILWOMAN SANCHEZ: Okay. We had hearings on Friday about the healthcare, Medicaid, and Corbett not opting in, and at that point, Dr. Schwarz listed some residual costs to the City. Have we factored in in this Plan if in fact we don't get Medicaid some additional cost? We talked a little bit about that, about what it does to our health centers.

MS. RHYNHART: No, we haven't factored in additional costs related if Corbett makes that decision.

COUNCILWOMAN SANCHEZ: Are we projecting some federal cuts and do we have an idea what that is?

MS. RHYNHART: In terms of in the General Fund, we get limited federal funding. It's mostly for the Philadelphia Nursing Home, but we haven't built cuts to the federal budget. I mean, there will be -- one of the risks to City funding on some of the grant-funded side is that cuts that we've seen over the past few years in CDBG and CSBG funding, and that's something that it has not been finalized yet at the federal level but we'll have to react to, if necessary.

COUNCILWOMAN SANCHEZ: Okay. Mr. President, I don't know if you want to move forward. I know we're supposed to be brief.

COUNCIL PRESIDENT CLARKE: Thank you.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Mr. President.

Good morning.

(Good morning.)

COUNCILWOMAN BROWN: I want to seize the moment to put on the record at the top of these budget hearings that we do expect the custom to continue, and, that is, to make sure that all department heads come with written testimony around MBE/WBE participation broken down over the last five years so that we can see what the progress has been.

MS. RHYNHART: Okay. Sure.

COUNCILWOMAN BROWN: I want to follow up on Councilman Goode's questioning regarding PIDC.

What's the standard practice

with regards to seeking comment or input from PIDC as it relates to the Five Year Plan?

MS. RHYNHART: Do you mean PIDC or PICA?

COUNCILWOMAN BROWN: I mean PICA. Forgive me.

MS. RHYNHART: Oh, okay.

MR. DUBOW: So the way that the process works, we talk to PICA as we're developing the Plan. So, for example, in Mr. Gillison's testimony, he talked about a meeting at the Federal Reserve Bank. PICA actually hosts that meeting. So we go through our assumptions with them beforehand with the staff and then they communicate that to the Board. We also have a process where they have a series of meetings. They'll meet with departments to kind of talk about their budgets. So they'll do a thorough review. Their review is often not simultaneous with Council, but kind of after Council has a department in, that's usually when they'll meet with them.

COUNCILWOMAN BROWN: So give me a sense of timeframe. Does that kick-start in November in preparation for where we are now? Give me a framework.

MR. DUBOW: I think probably the first discussions are probably kind of early in the calendar year, probably January-ish. They get real intense, though, once the budget is passed, because that's when PICA's real review of the Plan goes into effect, because after the budget is passed, we officially submit the Plan to them. Then they go through their review period and either approve it or reject it. So that really starts once this process is done.

COUNCILWOMAN BROWN: Okay. Followup to Councilman Jones' question around employees --

MR. DUBOW: Around what? I'm sorry.

COUNCILWOMAN BROWN: A followup with regards to Councilman Jones' question around employees. And you said new employees. So "new" means what? New as of when?

MR. DUBOW: For new employees, you mean going into -- what pension fund they go into?

COUNCILWOMAN BROWN: Yes.

MR. DUBOW: So for Plan '87 was the plan he talked about, you know, the name is '87. I think new employees started going in around 1990. So I think employees after that went into Plan '87.

For our proposed new plan, it would be employees hired after the plan went into effect. So whatever timing that was.

COUNCILWOMAN BROWN: Okay.

Thank you, Mr. Chairman.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilman Henon.

COUNCILMAN HENON: Thank you, Mr. Chairman.

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Good morning.

(Good morning.)

COUNCILMAN HENON: Thank you for coming in here. There's been a lot of conversation. I just want to -- regarding the lack of contracts and where we stand with binding arbitration with the firefighters moving forward, and I think that although I'm not quite sure where this body stands or what kind of standing we have with contract negotiations, but as you could tell, we're going to be involved using this process and asking some poignant questions as we move forward in hopes that, as you stated, Mr. Everett, we can quickly or soon come to a resolve in the contract.

So I have a couple questions just to sort of reiterate or echo some of my colleagues.

Property tax collections. So this year it would be revenue neutral, is that correct, for collections of property tax?

MR. DUBOW: You're talking about the rate for FY14?

COUNCILMAN HENON: Correct.

MR. DUBOW: It's designed to collect the same amount in '14 as in '13.

COUNCILMAN HENON: And moving forward, '15, '16, '17, and '18, you do not anticipate any rise in the collections of property values moving forward?

MR. DUBOW: No. The Plan assumes that there will be increases in values going forward and that we capture those values in increased revenue.

COUNCILMAN HENON: We would capture those values. So there will be an increase of collections?

MR. DUBOW: That's the projection in the Plan.

COUNCILMAN HENON: It is in the Plan?

MR. DUBOW: It would be in '15, '16, '17, and '18.

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COUNCILMAN HENON: Maybe I misread Mr. Everett's testimony where it says there will be no increase in property --

MR. DUBOW: It gives the projection for '14.

COUNCILMAN HENON: For '14? But '15, '16, and '17 you do see increases?

MR. DUBOW: Yes.

COUNCILMAN HENON: Okay. So I'll take a look at that.

And you also stated that there will be increases in collections of wages, sales tax, business tax, and transfer taxes?

MR. DUBOW: Right. For each of the taxes, we assume that the economy will get slightly stronger over the next couple of years, and that will result in increased revenues.

COUNCILMAN HENON: Without a doubt, and I guess everybody would like to see a robust economy so our collections can keep coming in, which leads me to some of the municipal contracts. And with the increase of revenues that we have projected and anticipate, my one question, Mr. Everett, is the DC 33, had they indicated that they would like a similar fair contract as the police? Has that --

MR. GILLISON: I want --

COUNCILMAN HENON: Which -- I just want to add to that. Which I believe was, I think, touted as a very good, fair, and cost-saving contract.

MR. GILLISON: One of the things that I will unfortunately have to do is mind what I've been told about characterizing what negotiations are in public. I've been told by my counsel to be wary of any specific matters. I will tell you, Councilman, however, that we have tried to talk about a variety of different means and a variety of different offers, and we're just -- we're still in that process of trying to put something together that everybody can live with.

COUNCILMAN HENON: And I understand collective bargaining.

MR. GILLISON: I'm sure you do. That's why I smiled when I heard it come from you.

COUNCILMAN HENON: Well, I'm trying to see where -- we have seen some reports in this body to healthcare pension reforms that the municipal unions have taken steps moving forward and cost savings, $25 million. And I think that's actually on the record somewhere moving forward, and it's part of your testimony where 31 percent is a large cost, but I think that's typical when you have this amount of employees for a large city like that. So I think steps have been made moving forward saving money.

So I'm hoping with the increases of revenue being collected and some offers on the table and some suggestions and some history of healthcare savings, we could come to a resolve. And we'll get into that, I guess, as this budget moves forward.

My last question -- and I'll heed, if I may, Mr. President -- is furloughs, and that seems to be a sticking point with a lot of people. One, people not understanding. I mean, I understand it. It can kind of get a little complicated with furloughs, and it not being a major financial impact moving forward, they are more discretionary, I think, in how selective furloughs can be used or implemented. So policy is extremely important as opposed to layoffs where there's a layoff policy with the Civil Service and Human Resources.

My concern regarding furloughs and the distinction between layoffs and selective discretionary use of furloughs is, why are we taking the sanctity of collective bargaining into the courts and incurring more costs legally, at the same time changing work rules for collective bargaining without a real honest conversation and discussion with the labor management team?

MR. GILLISON: I would only -- and I hear your question, I believe, and I just -- my response would be that the reason why we're in the courts is because we don't have any other options. That's the only reason why we're there.

We are always, and have been over four years, trying to resolve this matter, but when you get to a certain point, and as everyone I think will agree, we need to get this resolved, and we have tried to say that over and over and over again. And, quite frankly, sometimes you need to be pushed in order to get that thing done and get -- when you get to the end.

Hopefully, you know, there'll be some opportunity to do that. It's not over until it's over, I always say, and I'm an eternal optimist. I keep telling people what we just have to do is finally wrestle with the issues that are truly before us. Our pensions need to have a different matter. Our health and welfare need to have a different way of dealing with it. Everybody has got to have something in this game, because just on the pension piece, going from 6 percent to 16 percent over the last ten years is squeezing out the ability of this city to do anything going forward. We have to be able to have some ability to control that, and that's going to take give and take on both sides. We've said that from the beginning. The Mayor has made that clear from the beginning to his labor team, get in there and make sure that everybody understands the risk that's going on. And if we can control that, then a lot of the things that this body wants us to invest in, we would have the ability to do.

COUNCILMAN HENON: I understand that. The question was more to furloughs. If it's not having a

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significant financial impact to the budget, why are we taking it into court and changing work rules if it doesn't have that kind of impact? I'm just trying to understand the philosophy and the mentality on why are we taking furloughs and making furloughs a major focus --

MR. GILLISON: It is one focus --

COUNCILMAN HENON: -- in this moving forward when it doesn't have a significant or major impact.

MR. GILLISON: It is one aspect and it's not the only aspect. Quite frankly, it is just -- you always have to look at things in totality. We are trying to make sure that we can manage going forward. And I still would just remind you -- and I don't know whether or not I misheard you, but it seemed from your question that you indicated that you felt that this was a discretionary tool that we could use in helping to discipline people or almost on a "I don't like you and we're going to end up furloughing you" and using that as a way of holding things against someone.

COUNCILMAN HENON: No.

MR. GILLISON: We don't do that at all. That's not what the proposal is.

COUNCILMAN HENON: No. I wasn't inferring that sort of --

COUNCIL PRESIDENT CLARKE: Councilman.

COUNCILMAN HENON: But it leaves the door open for a discretionary use of furloughs.

MR. GILLISON: Only, only -- and I want to make sure it's clear. The only time it can actually be used is if we end up experiencing the type of matters that the union has agreed to in the past that where we have an economic downturn that allows for people to be laid off, instead of laying them off, we would be able to furlough them. And that's the triggering mechanism, and that's a pretty high standard. That's not a willy-nilly kind of response that the Finance Director just says, We're going to have a deficit, let's furlough people. That's not what we're talking about. We're talking about what we've just gone through. And, quite frankly, even given what we've heard at the Federal Reserve and everything else, the economy is coming around. We're all trying to push it and going forward, but if it doesn't and we have to get back to this again and we end up back here talking about Plan C, Plan D, and Plan E, we need to have something other than just lay people off, and that's why we have that as part of our values.

COUNCIL PRESIDENT CLARKE: Councilman, I'm sure you have a response to that, but we got two more colleagues that need to speak and then we have an appointment outside of City Hall.

So I would recognize Councilman Kenney and then Tasco, and then we'll go to recess.

COUNCILMAN KENNEY: Thank you, Mr. President.

I'm curious as to the Administration's assessment of the management of PGW. How do you think they're doing?

MR. DUBOW: I think they're doing a good job.

COUNCILMAN KENNEY: They're about -- I think Mr. White testified last week and said 96, 97 percent collection rate.

MR. DUBOW: Yeah.

COUNCILMAN KENNEY: And we own the company, right?

MR. DUBOW: We do.

COUNCILMAN KENNEY: The City owns the company.

We get paid $18 million a year from PGW, correct?

MR. DUBOW: That's correct.

COUNCILMAN KENNEY: How long has that payment been made and at that

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level?

MR. DUBOW: I think three or four years. There was a break.

COUNCILMAN KENNEY: No, no. I know there was a break when we forgave them the time payment, but how long back have we been getting, I guess you call it -- I would refer to it as a dividend.

MR. DUBOW: It's been decades, I think.

MS. RHYNHART: Right. But there was a big -- there was a significant number of years where we didn't get it before two years ago.

COUNCILMAN KENNEY: But it's been at the $18 million level for decades.

MR. DUBOW: It has.

COUNCILMAN KENNEY: What's their fund balance?

MR. DUBOW: I'm not sure. They have a positive fund balance.

COUNCILMAN KENNEY: They're not cash poor.

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MR. DUBOW: They are not cash poor.

COUNCILMAN KENNEY: Why would we not then as the owners of the company get more of a dividend from a company that's being managed well, that has a significant fund balance, and hasn't had an increased dividend payment in 30 years? Wouldn't that be a way to get another stream of revenue or at least increase a stream of revenue that has not been tapped or increased for three decades?

MR. DUBOW: I'm not sure -- I can't give you a good answer to that because I'm not sure how the 18 million was devised, kind of what's behind it. So I'd like to look at that before answering your question.

COUNCILMAN KENNEY: Even adjust it for inflation over 30 years, $18 million would be significantly more.

MR. DUBOW: Like I said, I'd have to kind of understand how that number was derived, what the basis of it is.

COUNCILMAN KENNEY: I guess what I'm asking is that we look at a company that we own that's doing well and try to at least reasonably maximize the revenue stream that's coming from it as opposed to simply accepting $18 million. I mean, I think they've done a really terrific job in turning that company around, and I give them all the credit and the Gas Commission and everyone has worked together to get this where it needs to be. And while I won't get into the discussion relative to sale or not sale, that's another discussion we'll have at some point or we won't, but just as an additional revenue source in a very strapped revenue situation, I would suggest we look at that.

MR. DUBOW: I understand the question. We'll look at it.

COUNCILMAN KENNEY: And see what we can do. Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

When we were in the briefing, there was some discussion about hiring employees for the Managing Director for a section called Center for Excellence. I don't see it in your testimony.

MS. RHYNHART: It's not in the testimony. Not every investment is included in the testimony, but you are correct. The budget does include 500,000 for that Center of Excellence.

COUNCILWOMAN TASCO: So could you tell me again what that is for? What will they do? How many employees?

MS. RHYNHART: Well, it's a $250,000 -- oh, okay. Jackie can talk about it.

(Witness approached witness table.)

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MS. LINTON: Good morning.

COUNCIL PRESIDENT CLARKE: Good morning.

MS. LINTON: I'm Jackie Linton and I'm the Director of the Center of Excellence. And this is a new function that was derived to bring more efficient operations to City employees. There's really three areas. It's around organizational development, performance management, and project management. And the reason why this is needed now is because we have a number of employees who will be leaving the organization over the next three to four years, retiring, and there's going to be left a great knowledge deficit as these employees are retiring. So there's a real burning platform to develop some processes and systems to help maintain that knowledge and to make sure that the City can operate once these long-term employees have left.

We also have a very high need

to be more efficient in managing projects, small projects, process improvements that go on in the City all the time, and we have very inconsistent results with those, to build processes and systems to help make that more effective.

And then, thirdly, around the performance management system, which gives us a way to measure how well we're doing and so that we can have some real qualitative and quantitative results so we'll know if we're getting better or not. So those are the three major areas for the Center of Excellence.

COUNCILWOMAN TASCO: Well, let me ask you a question. Are these positions civil service positions?

MS. LINTON: We have a very small team.

COUNCILWOMAN TASCO: No, no, not your department. The jobs that you're training --

MS. LINTON: Yes. They're

across the board, both civil service and non-civil service.

COUNCILWOMAN TASCO: So if folk are leaving and you have to train people to take their place, who are you training if you have to give a test and let them --

MS. LINTON: Well, a lot of it is about transferring the knowledge. So when people leave, we need to make sure we have documented processes to make sure that we can transfer the knowledge, and there are different ways to approach that. Some of them is like reorganizing the department to spread the work out a little differently. Sometimes it's training employees who are already there to do more of the work. But the real issue is is that we need to have a way to consistently look at it so that we don't wait until someone gets ready to leave before we start to act.

COUNCILWOMAN TASCO: Is this every department?

MS. LINTON: No, it's not. We're a small group, so there's no way that we could address all of them. So what we're really doing is working with the deputy mayors to identify those critical areas where we need the help the most.

COUNCILWOMAN TASCO: Okey-dokey. We'll talk about that later.

Thank you. Thank you.

Mr. Gillison, tell me, where is the problem with the pension plan? Is the problem that the employees are not paying their fair share, which I believe they do every two weeks. You know, they have their pension taken out of their paycheck and contributed. Or does it come from your side where you don't put enough money away to match the pension fund?

MR. DUBOW: So we actually put in the amount that's required by state law. So this is a problem that we inherited that was made worse by the fiscal downturn, because when the market collapsed, that also affected the pension fund's investments. But this is a longstanding issue.

COUNCILWOMAN TASCO: That goes back to?

MR. DUBOW: It goes back decades. I mean, really basically we have a pension plan that we can't really afford without sacrificing other services. It's not really anybody's fault. It's just where we are.

COUNCILWOMAN TASCO: So you're saying you can't meet your match --

MR. DUBOW: I'm sorry. We can meet our match, and we meet our match. It just takes up more and more of our budget. That's why it was 6 percent of the budget ten years ago and now it's 16 percent.

COUNCILWOMAN TASCO: Okay. So why is it 16 percent? Aren't you losing employees? You haven't filled a lot of positions. So how do you cost it all out

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that you are increasing? I'm kind of slow at this stuff.

MR. DUBOW: I don't think you're slow at all.

COUNCILWOMAN TASCO: I am kind of slow at this.

MR. DUBOW: So the problem is, we have to fund a certain level of guaranteed benefits. So that's, in essence, the pension fund's liability. And we have assets that are supposed to pay that off. The assets are much smaller than liabilities. There are only a couple of ways that can be made up. One is through investment earnings. One is through contributions from the City. Another is through contributions from the employees.

So what's happened over time is, the amount that we've had to put in -- we've had to pay to help close that gap -- has gotten larger and larger.

COUNCILWOMAN TASCO: So employees who worked for the City for a number of years have paid their fair share into the pension plan, and because maybe market conditions or maybe the mayors just decided they would put the money some place else and not really fund the plan that year and leave it to the next mayor, which I think has happened, so the employees have to end up making the sacrifice to make the fund whole.

MR. DUBOW: We actually -- our proposal doesn't affect benefits of any current employees or retirees. We're only talking about changing benefits for new employees. So current employees would get the same benefits as they get now. That would not change under our proposal.

COUNCILWOMAN TASCO: So what's the struggle with the union?

MR. DUBOW: There are two. One part -- there were two proposals. One is to increase contributions from current employees and the other is that all new employees go into this new combination plan that the Chief of Staff described. And those are the areas -- they don't -- so far, they haven't wanted to do either of those.

COUNCILWOMAN TASCO: So an employee who is contributing to the pension plan may be at one rate; you're asking them to increase the amount that's --

MR. DUBOW: Right. So for non-uniformed employees, basically from going at around 2 percent of pay to about 3 percent of pay.

COUNCILWOMAN TASCO: So what do they get for that?

MR. DUBOW: They get their pension. They get a healthier pension fund that is a pension fund from what they'll be getting their pension.

COUNCILWOMAN TASCO: But they're paying for it.

Thank you.

MR. DUBOW: Sure.

COUNCIL PRESIDENT CLARKE:

Thank you, Councilwoman.

We're going to stand in recess. The Committee of the Whole will be in recess until 2:00 p.m. today.

Thank you.

(Recess.)

COUNCIL PRESIDENT CLARKE: Good afternoon. Thank you. This is a continuation of the Committee of the Whole and the FY14 budget.

At this time, I'd like to recognize Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President.

Good afternoon. Going back to the conversation we had this morning, can you refresh my memory for the record how much were you intending to spend on new labor costs during the Five Year Plan.

MR. DUBOW: On the supplemental line, from '14 through '18, it's 84 million.

COUNCILMAN GOODE: It's 84 million. And we had this conversation on the 13th. What do we intend to spend on tax cuts over the Five Year Plan?

MR. DUBOW: I think it's about $320 million, but a lot of that is back-loaded, so a lot is in the last couple of years.

COUNCILMAN GOODE: Can you break that out by year?

MR. DUBOW: I think Ms. Rhynhart is about to do that.

MS. RHYNHART: I have it. Just bear with me for a minute.

The annual value of the tax reductions in -- this is the wage tax reduction and the BIRT?

COUNCILMAN GOODE: I want everything.

MS. RHYNHART: Right, all together. Okay. 3.9 million Fiscal '14; 24 million '15; 70.6 million in '16; 100 million in '17; and 129 million in '18.

COUNCILMAN GOODE: Now can we break it out first by wage?

MS. RHYNHART: 1.7 million in

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'14; 3.5 million in '15; 26 million in '16, 53 million in '17; and 82 million in '18.

COUNCILMAN GOODE: And business tax cuts?

MS. RHYNHART: 2.2 million in '14; 20.5 million in '15; 44.5 million in '16; 47.5 million in '17; and 47.5 million in '18.

COUNCILMAN GOODE: And sales tax?

MS. RHYNHART: The sales tax is the reduction in state -- it's about 135 to 140 million we lose in Fiscal '15 annually.

COUNCILMAN GOODE: Okay. What I've asked for is a chart that shows all three, hopefully on one page, so we can show over five years labor costs, then show tax cuts and then show fund balance. So can you run through the fund balances over the next five years?

MS. RHYNHART: Sure. In Fiscal '14, the projection is 80 million; '15 is

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44.8; '16 is 45 million; Fiscal '17 is 62 million; and Fiscal '18 is 89.7 million.

COUNCILMAN GOODE: So we end up with an $89 million fund balance after labor costs of 84 million and tax cuts of 320 million?

MS. RHYNHART: Right.

COUNCILMAN GOODE: And you're going to send that through the Chair?

MS. RHYNHART: Sure.

COUNCILMAN GOODE: Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

Given that, as you've testified previously, the budget is done on 2,000 different spreadsheets, I'm very impressed that you know which spreadsheet to go to when you are asked a question.

So who is your revenue

forecaster?

MS. RHYNHART: IHS Global Insight is the company we have under contract.

COUNCILMAN GREEN: Can you provide us with a copy of their report?

MS. RHYNHART: Sure. They do a memo, and we will provide that.

COUNCILMAN GREEN: Thank you.

You've testified or the Finance Director has testified that there's no growth in the property tax. Can you tell me how much property tax we're going to collect on the City side in 2013 and how much property tax we're going to collect on the City side in 2014?

MR. DUBOW: Just to be clear, there would be no growth in '14. In the out years in the Plan, there is growth.

COUNCILMAN GREEN: Can you just -- the question is not how much is available to us after relief measures that haven't passed yet, just the gross number that we are going to collect in property tax in 2013 and the gross number that we collect in 2014.

MR. DUBOW: Our projection for each year is 500 million for current.

COUNCILMAN GREEN: There are no -- there's no $30 million in relief measures this year. So how can the 1.324 rate which has 30 million in relief measures in 2014 --

MR. DUBOW: Oh, you're asking what the 1.324 would generate without any relief measures?

COUNCILMAN GREEN: I'm asking what the gross amount of property tax collected by the City is in 2013 and 2014 collected. Oh, I'm sorry. You're assuming relief measures means they're not collected.

MS. RHYNHART: Right.

MR. DUBOW: Right. Because if we didn't have relief measures, we would have a different rate.

COUNCILMAN GREEN: Okay. So --

MS. RHYNHART: We're not going

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to collect --

COUNCILMAN GREEN: -- at a 1.324 rate, what would we collect in 2014?

MR. DUBOW: I'd actually have to go back and look at what the gross is. I mean, it won't take long, but I have to go back and look at that. But I just want to be clear, we would propose a different rate then. We wouldn't -- it's not like if we didn't have relief measures, we would think we would generate more. We would propose a lower rate.

COUNCILMAN GREEN: Well, let's just talk about those 30 million in relief measures. Does that assume gentrification is means tested?

MR. DUBOW: What we have put into the budget is an assumption that will give that much in relief and that we will work with Council to figure out the best way to do that. We would favor means-based gentrification. If that doesn't pass in the state, we still think we should do gentrification relief.

COUNCILMAN GREEN: Well, I'm fairly confident we're going to get means-tested gentrification relief. What I'm trying to express here is that if in fact we have a 1.324 rate and pass less than, because we have means-tested gentrification relief, for example, $30 million in relief measures, which I think is a very high number, it's very unlikely on top of homestead that we get the 30 million, that in fact the City would have that additional revenue. So another way to say that is, for each 12 million we don't have in that 30 million undefined relief bucket, it's 0.01 percent --

MR. DUBOW: Got it. So I think -- can I try to phrase it a different way? Because I think I know what you're getting at. If we provide a 1.32 percent rate but don't wind up giving 30 million in relief, what would we collect.

COUNCILMAN GREEN: Is it the Administration's --

MR. DUBOW: Is that what you're trying to get at?

COUNCILMAN GREEN: Yes. Well, the question is what we collect, but the real question is, is it the Administration's position that the rate should reflect the relief actually granted such that it is revenue neutral to 2013 or do you want to build in 30 million and hopefully have less relief measures passed?

MR. DUBOW: No. We want to have $30 million in relief granted.

COUNCILMAN GREEN: We don't know that there's $30 million in relief necessary.

MR. DUBOW: And I guess we're jumping ahead a little bit to tomorrow, but when we look at kind of the significant impacts on the residential side and particularly on the stores with dwellings, do we think that there is a significant amount of relief that we should give. If as we go through this process we come to a consensus that 30 million is the wrong number and that it should be 20 million or 15 million, we would want to adjust the rate.

COUNCILMAN GREEN: You would lower the rate?

MR. DUBOW: Yes.

COUNCILMAN GREEN: Okay. I have a similar question with respect to the -- what is the baseline before we had all the STEB lawsuits of the tax appeal losses?

MR. DUBOW: I think Councilman Squilla asked that this morning. We said we'd get back to him, because the number we have, which is about 20 million, includes some TIF losses. So we want to break that out and get you just the appeal number.

COUNCILMAN GREEN: I'm asking specifically what's the baseline before we had STEB lawsuits.

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MR. DUBOW: So you want to go back to, I guess, 2010 and see what the appeal --

COUNCILMAN GREEN: Because we won't have STEB lawsuits when we go to AVI.

MR. DUBOW: Okay. We can get you that.

COUNCILMAN GREEN: You understand the point of what I'm saying?

MR. DUBOW: I completely understand.

COUNCILMAN GREEN: If we have 30 million here and 30 million here, we're really collecting $60 million more that makes the rate higher than it otherwise has to be, unless it is the Administration's intention to lower the rate to reflect reality, to reflect what we've actually passed here in City Council.

MR. DUBOW: Yeah.

COUNCILMAN GREEN: In other words, you're artificially setting a higher rate which --

MR. DUBOW: We don't want to do that. So if through this conversation we come to that conclusion, then we would want to change the rate.

COUNCILMAN GREEN: So there was talk about spending an additional $15, $40 million on revenue collection. I've talked to the Revenue Commissioner about it and experience he's had in various places where he worked where they were able to significantly increase collection by having call centers and people calling, and where I was very opposed to the idea, after speaking with the Revenue Commissioner, I think there may be some merit to that.

In an annualized year basis, you saw the recent report in the Inquirer that had most major cities our size have a 95 to 99 percent collection rate. The purpose of this is to have a 95 to 99 percent collection rate. So the question once again is, what is the Administration assuming in the out years of the Plan in terms of increased revenue as a result of the collection efforts that are going to be undertaken by the Revenue Department with respect to this new call center and other activities that you're planning to put in place?

MR. DUBOW: And because these are new for us and we don't know what they might net, we've looked at other jurisdictions, mostly states, to see what happened there. We've really put in the Plan basically enough to cover our cost in terms of revenue. We haven't built in more than that.

COUNCILMAN GREEN: So really what you're saying is -- let's just say we went from 87 percent collected in the 12-month period of a fiscal year to 95 percent. How much of a difference is that in terms of dollars to the City?

MR. DUBOW: Well, we're at 91 percent.

COUNCILMAN GREEN: We're at 91

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percent, including previous year collections.

MR. DUBOW: No. For a 12-month period we're at 91 percent.

COUNCILMAN GREEN: For this year and previous year collections.

MR. DUBOW: For a 12-month period, we're at 91 percent. When you look at other places and you look at 95 percent, they're looking at 12 months also. So if you want to do kind of apples to apples, it's 91 versus whatever we get.

COUNCILMAN GREEN: But I thought 4 percent of that amount was actually from tax years prior to --

MR. DUBOW: It's for the four months from the year before. So you get eight months of the current year, four months of the year before. It's 12 months total.

COUNCILMAN GREEN: It's no old taxes?

MR. DUBOW: It's not the old

taxes. That's in the "prior year" line.

COUNCILMAN GREEN: Okay. I'm sorry. So 91 percent to 95 percent.

MR. DUBOW: So if we collected -- it would be 4 percent of the 500 million. So that would be, what, 20 million, 20, 25 million.

COUNCILMAN GREEN: Okay.

That's all for now, Mr. President. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you very much, Mr. President.

On Page 6 in the second paragraph you note that there's going to be also included in the FY14 budget 1.7 million for the Office of Property Assessment to fully fund the department's complete overhaul of the City's property assessment function.

Could you explain what the 1.7

million will be used for? How do you see that as being used at this point in time?

MS. RHYNHART: It's for a variety of costs, including funding for the first-level appeals, for mailings, a million dollars for a consultant to come in to fine-tune the assessments in the future year. So there's a variety of different expenses, and Richie could give more information if you want more information.

COUNCILMAN OH: Okay. So a million dollars to fine-tune. What do you anticipate fine-tuning?

MS. RHYNHART: That would be Richie.

(Witness approached witness table.)

MR. McKEITHEN: I'm Richie McKeithen, the Chief Assessment Officer.

The funds described would be to get a vendor to help measure and sketch some of our most difficult properties. We have some properties that are extremely hard to measure, and I'd like to get a measurement and a sketch for each of those types of properties to sort of better help serve in the assessment process.

COUNCILMAN OH: Assessments have already gone out; is that correct?

MR. McKEITHEN: Yes, sir.

COUNCILMAN OH: So are you anticipating in addition to the appeals that there will be necessary some revisiting of wholesale assessments done in certain neighborhoods?

MR. McKEITHEN: Well, I'd anticipate that we'll learn a lot from some of the things that were mentioned earlier, such as appeals, but the actual measure and the sketching will help not just us but the taxpayer as well, because these are some of the things that I would like to share with the public, what each property -- each of these more difficult properties look like in a sketch format. Eventually the entire City, it's my vision that the entire City would be measured and sketched for the public to view, but initially I wanted to start off with more difficult properties.

COUNCILMAN OH: So in addition to the more difficult properties, there are other properties?

MR. McKEITHEN: Sure. My goal eventually is to have every real parcel, with the exception of vacant land, have a measurement and a sketch regardless of how difficult it is or not.

COUNCILMAN OH: When will this process be completed, do you estimate?

MR. McKEITHEN: Well, I can get the more difficult ones done within, I'd estimate, a 12-month period. And as we spread out across the City and continue, I would anticipate within the next three years or so.

COUNCILMAN OH: In your mind, then, since there is an effort to implement AVI now based on the assessments that were done, if it takes a year to three years, for example, to complete this sketch and assessment process for more difficult neighborhoods, does that mean that it would take that period of time to come to a comfort level that all the assessments are accurate?

MR. McKEITHEN: Well, we have dimensions for these properties, let me be clear on that. So we have as accurate as possible of measurements. I just wanted to have them sketched so -- in any well-thought-out assessment program, you have things that the public can see like sketches for each parcel.

So we have information on these parcels. I'm quite confident -- now, there needs to be some tweaking here and there, sure, and that's one of the things that would help to cure this process, the measurements and sketch. The tweaking would be done more readily than years out.

COUNCILMAN OH: So I'm curious about this, if you could give me the information. It seems like a lot of money, the tweaking, which it seems like the money should have been in hand prior to next year's budget.

MR. McKEITHEN: Well, no. We didn't -- this is an enhancement. This is clearly an enhancement, but it's something that will go a long way instilling confidence with the public about the assessments, I believe.

COUNCILMAN OH: Okay. Thank you very much. I certainly don't have the depth of knowledge that I need to further this conversation, but I would like to do that.

MR. McKEITHEN: I welcome it. Thank you, sir.

COUNCILMAN OH: Okay.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Mr. McKeithen, before you go, one quick question. You may not know the answer to this, and I'll understand. With respect to the early appeals, where do you think your office stands in being able to adequately deal with the number of early appeal requests -- and I anticipate it's probably a lot based on the meetings that I've gone to -- and being able to come to some reasonable conclusion within a reasonable timeline?

MR. McKEITHEN: Our goal is to have as many of them as possible answered and responded to by mid August, because we want to give the taxpayer ample enough time to file with the Board of Revision of Taxes if they feel as though they want to. So our plan is to, once the deadline date has elapsed and we know what we have in, to take appeals that have occurred in some of our more vocal areas and work them all at one time, and then that way, we can alleviate some of the issues that we may have come across during the reassessment.

COUNCIL PRESIDENT CLARKE: Have you received what you believe to be more than the anticipated number of early appeals?

MR. McKEITHEN: Well, I don't want to say so far, sir, but so far, we have approximately 16,500. I'll have another number tomorrow when I testify. But that's well within industry standard, yes. But you never want to say until you've gotten everything in, because a lot --

COUNCIL PRESIDENT CLARKE: Well, the reason why I asked you that question, because I'm a little concerned about the potential overlap with the BRT process. Some people, if they don't get a response by August and, worst case, maybe beyond that, that they won't go to the BRT process for appeals and then -- and I'm not sure where they are with respect to being able to respond, the BRT's ability to respond, to a significant number of appeals at a later timeframe, because people -- they're still waiting for you to conclude your analysis, then they are going to wait.

MR. McKEITHEN: Right. Well, we recommend our recommendation by mid August to the taxpayers, if you have not received anything from us by then, to file with the Board of Revision of Taxes, which their date is, I believe, October the 7th. So part of what we will normally do is to reconcile what has been settled with the taxpayers with the BRT. And so a lot of those individuals may not want to go any further than our first-level process. But our official recommendation would be if you have not heard anything from us by mid August, that we encourage you to file with the Board of Revision of Taxes, and we will continue to work through our caseload clear up until their deadline date.

COUNCIL PRESIDENT CLARKE: Okay. I just wanted a little followup, because I know you have a whole day tomorrow, more than ample time to ask you a lot of questions.

So in terms of that timeline, I

guess my concern is that our ability to have a BRT process. And we haven't had conversation with them about their resources. If we intimate to those people that they can also start that process prior to your August deadline, is that something that --

MR. McKEITHEN: Yes. I believe --

COUNCIL PRESIDENT CLARKE: -- you're suggesting or are we telling them to wait until August?

MR. McKEITHEN: I think that the -- and you'll be talking to the BRT, I'm sure, but I think it was their plan to make their appeal applications available after our deadline date.

COUNCIL PRESIDENT CLARKE: Deadline for submission?

MR. McKEITHEN: Right, for first level. So I believe that theirs will be available sometime in April. So individuals can file. Because you don't have to file with OPA. You can go right to -- so I think that theirs will be available to the public sometime in early April.

COUNCIL PRESIDENT CLARKE: I'm just a little concerned it might create a small level of confusion if you're telling people, Well, if you don't hear from us until August -- and that's potentially the outside date, and a lot of people are going to pay attention to what you say. They could, frankly speaking, appeal much earlier than August. So it's just a somewhat confusing message coming from the government, because the average person, BRT, OPA, whatever, it's an alphabet government. We don't really care. But we want to, I guess, simultaneously encourage people if they don't want to wait or if they're extremely concerned --

MR. McKEITHEN: File both.

COUNCIL PRESIDENT CLARKE: -- possibly dual filings.

MR. McKEITHEN: Exactly.

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COUNCIL PRESIDENT CLARKE: Okay.

COUNCILMAN GREEN: Point of information, Mr. President.

COUNCIL PRESIDENT CLARKE: Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

Are you aware that the Philadelphia Water Department, with respect to these difficult properties you discussed, has complete surveys of pervious versus impervious surfaces so that they have completely accurate records throughout the City of every single commercial and industrial property that exists in terms of the footage that it has, et cetera?

MR. McKEITHEN: Right. Before we started this process, we talked to several departments to see exactly what they had. We just needed to make sure that the way they measured things are according to our industry standard. For example, they may have different rules and regulations on how they can measure something versus how we measure something. For example, commercial property, large office buildings, net leasable area is very important to us versus gross building area might be important to them. So we just had to sort of reconcile and pump out what they use and how they got to it versus what we can use and how we use it in our industry.

COUNCILMAN GREEN: You have used that resource?

MR. McKEITHEN: Yes. We used --

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, sir.

MR. McKEITHEN: Thank you.

COUNCIL PRESIDENT CLARKE: The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

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Good afternoon. A couple of quick questions, and I'm going to ask this question of each individual department, but I wanted to get a bird's eye view from the top.

What is the impact of attrition through DROP on the workforce and how are we dealing with succession planning, not just in the management end but in rank and file?

MS. RHYNHART: I believe the figure to be that the next five years, we're close to losing about 35 percent of the City's workforce.

COUNCILMAN JONES: I see that in your testimony.

MS. RHYNHART: Okay. And we have added to the budget this year 500,000 in MDO's budget for what is called the Center of Excellence, which 250,000 is going to be used for succession planning, which is being, I believe, developed now, and 250,000 is going to be used to hire civil service workers to speed up the tests -- the making of lists in HR so that the hiring can be done quicker. Because one of the things that we don't want to happen is for people to retire and then the departments to be slowed down in terms of making new hires because the lists aren't available.

COUNCILMAN JONES: So when you say 36, it actually says 36 percent of the eligible workforce. What bottom-line impact is that going to be on our personnel line item by way of replacing a new person with a step five series? Have we done any analysis of what that will do to our bottom line?

MS. RHYNHART: That's an interesting question. What you're asking is replacing a step five person with a step one and that there's savings associated with that. In certain departments we've looked at that. Police we've done some analysis over the next five years and built that in to the cost estimates in terms of ramping up the police force to 6,525 officers, but at the same time, the more junior officers are paid at the lower step than the retiring officers. So certain departments we've looked at that. I'm not sure if every department has looked at that, but I think that's a good point and something we should look at.

COUNCILMAN JONES: So we'll be asking each department that question, impact. And particularly for Water, Streets, L&I, there's a general consensus within management that there are fewer skilled personnel to take the place of experienced personnel. So your drain of skill sets is very important, and one of the aspects I'd like you to consider is a build-in to our public school system. If there is an opportunity in the Gas Works to do pipe fitting and welding, then there should be a feeder line that goes to a Dobbins Tech or one of our technical institutions to be able to fill that from within the City's graduates. I mean, I don't want a chemist being filled with a first-year chemistry student from some high school, but there's a feeder group, an entry-level position within departments that the standard skills for that particular employee can be traced back and retro engineer a curriculum for a junior or senior, so upon graduation, making them eligible.

I think now is a perfect opportunity to test that theory. We're going through contraction. We're going through some -- I always talk about a trip out to the Lehigh trade school where we came back and kids were being trained in that kind of way.

So I'd like to see that incorporated into that brain drain planning on how we can plug into our kids that are graduating from school and --

MS. RHYNHART: I think actually the Fleet Department has a good program in place with high school interns feeding into the department, but that's a good point for other departments to look at that as well.

COUNCILMAN JONES: We would love to replicate that.

MS. RHYNHART: Okay.

COUNCILMAN JONES: The other component is that we actually, within this process, need to look at how these savings and where they're going to be applied to. So if we're actually saving money through this attrition, where is that going to be applied in the budget in the Five Year Plan. So if we're saving some money -- and I see there's some -- there's a bump here from 20,931 employees up to 22,279. So what's the net impact of the hiring of new people versus senior people and moving forward. And also training costs associated with it, because there's probably an offsetting training cost to bring someone up to a skill set, and I don't know what it is by department or by position. So that might be something that we need to plan for.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

Two questions. One is on the collection of delinquent taxes, not this year's taxes, but taxes that were delinquent before this year. How much did we collect of that this year?

MR. DUBOW: We include it in the FY13 budget for -- let me give you by tax. For the property tax, we have 35 million; for wage it's about 4.2 million; net profits, about two and a half. We'll have to actually -- we have to get you the -- we don't have it broken out. We have to get you the business tax number.

COUNCILMAN SQUILLA: Is that the 2.5?

MR. DUBOW: No. That 2.5 was

net profits. There's also the business income and receipts portion. We'll have to get you that.

COUNCILMAN SQUILLA: Now, this was the amount of taxes that were included in -- this was the projection in last year's budget that you were going to collect?

MR. DUBOW: The projection in the current budget, the fiscal year we're in now.

COUNCILMAN SQUILLA: What was the previous projection?

MR. DUBOW: What was the year before, you mean, '12?

COUNCILMAN SQUILLA: Yes.

MR. DUBOW: For property taxes, it was 36; wage and earnings, 4.1; net profits, 2.9.

COUNCILMAN SQUILLA: And they were projections in the previous budget?

MR. DUBOW: Those are actuals.

COUNCILMAN SQUILLA: Oh, they're actuals.

MR. DUBOW: For '12.

COUNCILMAN SQUILLA: For '12, okay. So '13 this was the projection for --

MR. DUBOW: That's the current estimate included in our Five Year Plan.

COUNCILMAN SQUILLA: And next year does that estimate stay the same?

MR. DUBOW: The prior year for property tax goes up to 36 million and then the wage and earning and net profits stay the same.

COUNCILMAN SQUILLA: And that's even with the additional revenue being spent on collections?

MR. DUBOW: Right. As I said to Councilman Green, we're not -- we're really just showing -- kind of covering our costs, because we don't know what's going to come out of that. We think it will be successful based on what we've seen in other jurisdictions.

COUNCILMAN SQUILLA: But you're keeping it actually the same from, it looks like, 36 down to 35 and then up to 36.

MR. DUBOW: 36 in '15; 37 and a half in '16; 38 in '17 and '18.

COUNCILMAN SQUILLA: I mean, we're raising a million dollars but investing 10 million every year.

MR. DUBOW: I think what we did is put in an amount to kind of cover our costs, and we're obviously hoping that it comes in higher than that.

COUNCILMAN SQUILLA: I would hope so. I mean, if we don't have a return on our investment of the delinquent tax issues, it sort of goes along the way -- obviously with AVI going in, people are -- and you know people are out there complaining that there's so much delinquent taxes out there that aren't being collected, why should they be asked to pay more. So now we're making an initial investment in the delinquency, which sounds good, but there's still not a major return. That sounds like a problem.

MR. DUBOW: We're hoping that there will be a return. We're just not at the point where we're comfortable putting it in the Plan. But I agree with you, there should be a return.

COUNCILMAN SQUILLA: Okay. Back to the collection of taxes, and Councilman Green was also stating. Last year when you put in the budget of how much tax you collected, you said it was $500 million.

MR. DUBOW: For -- let me make sure we're talking about the same thing. For the fiscal year we're in, $500 million.

COUNCILMAN SQUILLA: Right. And we approved the budget last year with that number in there. But last year you came up with that number based on a percentage rate of collection that was 87 percent.

MR. DUBOW: That 87 percent is for the eight months and then there's that four-month period. We can get you -- what we'll get you is --

COUNCILMAN SQUILLA: What I'm trying to get at is, that $500 million, so that includes money from the previous year's collections that you throw into the future budget?

MR. DUBOW: Two different things.

COUNCILMAN SQUILLA: I know. I'm just trying to figure it out.

MR. DUBOW: So there's a prior year collections, which is everything from earlier years. That's not in the 500 million.

COUNCILMAN SQUILLA: That's not in there?

MR. DUBOW: That's not. That's a separate line. That's the 35, 36 million we were talking about.

COUNCILMAN SQUILLA: Oh, so that's not delinquent taxes?

MR. DUBOW: It is. The 35 and 36 is amounts that hadn't been collected in prior years that are now being collected.

COUNCILMAN SQUILLA: All right. That doesn't then -- that even makes it a little more confusing. But if you're throwing that into there --

MR. DUBOW: Let me say, so the total amount of property tax for the year, current and prior, current and delinquent, would be 535 million.

COUNCILMAN SQUILLA: Okay.

MR. DUBOW: So in the prior year portion, which are delinquent --

COUNCILMAN SQUILLA: So that extra 4 percent, that's where that 35 million comes in?

MR. DUBOW: No. So hold that to the side. That's 35 million from earlier years. The current year number -- we're showing a fiscal year number. The tax is levied on a calendar year basis. So not all of that calendar year in which -- the tax that we're imposing, not all of that calendar year is in this fiscal year.

COUNCILMAN SQUILLA: Right. So that gets carried over to the next year, and that 35 million then for next year would get pushed into the following year's budget.

MR. DUBOW: Here's what I want to do. I want to do a little chart for you and show all of this.

COUNCILMAN SQUILLA: That would be great.

MR. DUBOW: Why don't we do that, because we're going to talk for a while and not understand each other. So we'll put it in a little chart.

COUNCILMAN SQUILLA: Okay. Because it just seems to say that we're putting this 35 million in the budget. You're saying that was for delinquent tax collections?

MR. DUBOW: For property tax.

COUNCILMAN SQUILLA: For property taxes. But really you're saying from what -- maybe I'm wrong -- that

that's from the previous year?

MR. DUBOW: Let me do the little chart.

COUNCILMAN SQUILLA: Okay. You do the chart. All right. Thank you. I'll ask more questions next.

COUNCIL PRESIDENT CLARKE: Thank you.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Mr. President.

Mr. Dubow, I guess last year we had a meeting in my office with the Revenue Commissioner, and basically what the Revenue Commissioner said to me in front of you was that there are no problems collecting what's owed to us in taxes, and I'm talking about non-property taxes. I had -- do you recall that differently? You're making a quizzical face.

MR. DUBOW: I don't know whether he said there were no problems.

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COUNCILMAN KENNEY: He said everything that they had to do they were doing.

MR. DUBOW: I don't --

COUNCILMAN KENNEY: The meeting didn't last long, if you recall.

MR. DUBOW: I do remember it was a short meeting.

COUNCILMAN KENNEY: It was a very short meeting. But, I mean, do you understand that differently than what --

MR. DUBOW: I don't --

COUNCILMAN KENNEY: Let me put it this way: It didn't seem there was an urgency.

MR. DUBOW: I'd say it was a short meeting. I do think that we all, if the Revenue Commissioner agrees, that there's more we can do and should do on the business tax side, and that's part of why we have the plan that we have.

COUNCILMAN KENNEY: In that regard, what are we planning to do? Because I've thrown out a number of

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different areas of sectors of business activity that seemingly just slide by. I mean, we've talked about large construction projects where we had this unlicensed issue, and I will say publicly that our L&I Commissioner has been doing a terrific job in putting together that strike force of people to go out there and address these complaints. But, I mean -- and I've said this is -- this is my 23rd budget. I can't believe it's actually true -- where I've brought this up before where we've had past L&I Commissioners that would go down to Home Depot at 6 o'clock in the morning with people checking licenses, people from New Jersey and from the suburbs, from Philadelphia that are setting up small home improvement businesses, aren't licensed, don't pull permits, and are taking water heaters and stuff out of Home Depot and Lowe's to go work in the neighborhoods in Philadelphia, and we don't get a piece of any of that stuff.

It doesn't seem people are very fearful of us. I'm scared to death of the IRS. Not personally, but, I mean, I make sure I pay everything I got to pay. I make sure I pay everything I got to pay. My accountant is on the ball, and I don't want to hear from them.

So why don't we have the same kind of reputation?

MR. DUBOW: So part of what we're looking for -- and actually the Revenue Commissioner is going to come up. Part of what we're looking for legislatively to help make people more scared of us is the right to attach bank accounts so that we can do some things that the IRS does.

COUNCILMAN KENNEY: Like share tax information?

MR. DUBOW: We share tax information with them. We don't have the ability to attach a bank account.

COUNCILMAN KENNEY: The Controller testified last week that he has a hard time accessing tax information of any kind through the Revenue Department.

(Witness approached witness table.)

COMMISSIONER RICHARDSON: Good afternoon, everyone. Keith J. Richardson, the Revenue Commissioner.

With regard to the Controller getting tax information, tax information is very confidential. We do not provide it to anybody within the Administration or to the Controller's Office.

COUNCILMAN KENNEY: Is that by policy or by law?

COMMISSIONER RICHARDSON: We follow the IRS and their code and also the state. If we give information to people who are not presiders over the tax information, we don't know what they're going to use it for. Case in point, in the State of South Carolina, there was about 22,000 taxpayers' information that was unfortunately given up.

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COUNCILMAN KENNEY: To whom?

COMMISSIONER RICHARDSON: To nefarious individuals who shouldn't have had it. They actually hacked into the system. Now they're using it for any purpose as possible. So --

COUNCILMAN KENNEY: The various individuals are not the government, correct?

COMMISSIONER RICHARDSON: Again, in the government, you don't give it to other agencies because they're not the responsible party for taxpayer information. For example, if we give taxpayer information out, we will never get anything again from the IRS or from the state. No one else is responsible for collecting the taxes but the Revenue Department. So we can't give it to the Controller to use or anybody else. So we go to the Controller, however, if we wanted to go against an employee who owes City taxes. So that's a relationship that he has by the State Constitution that he can levy on any governmental employee that works for the City for taxes.

COUNCILMAN KENNEY: So an individual who owes City taxes is open game, but a business that owes taxes to the City is not?

COMMISSIONER RICHARDSON: They are open game. The Controller cannot go after him. He is not accountable for being the administrator of taxation.

COUNCILMAN KENNEY: How about the people who don't file -- the industries that don't file taxes at all, this perpetual use of the 1099 form that people give away as -- every nail salon technician in a nail salon is a subcontractor, which is insane. How do we track down each individual subcontractor to make sure that they pay their wage tax and any other taxes or things that they owe?

COMMISSIONER RICHARDSON: Well, the industries that I know you've always been interested in, the nail salons, the hair businesses, they've always been a 1099 kind of business. So the person there is not employing them. They are contractors. They rent their seats out to the owner of the business, so they get a 1099.

COUNCILMAN KENNEY: Do we audit individual position people who run those positions?

COMMISSIONER RICHARDSON: We audit the company. We can go out to the company, ask for their 1099 information, then we go after the individuals.

COUNCILMAN KENNEY: Who have we done that with? Have we done that lately?

COMMISSIONER RICHARDSON: We have done that. Again, sir, everything you have recommended to us over the last three years, we have followed up on. We've been out at Home Depot in the Northeast, Delaware Avenue. Again, we follow those trucks to the people's homes.

COUNCILMAN KENNEY: I will tell you this is the first time anyone has told me you've been doing it and you haven't shown me any results of it. So if I send something to you or to Mr. Dubow or to whoever and I don't hear back that you did it, how do I know you did it? How do I know what the results were?

COMMISSIONER RICHARDSON: I haven't gotten anything from you requesting me of that information, sir. Again, I can tell you we've done XYZ, but I can't provide to you who are the entities that we've gone out on.

COUNCILMAN KENNEY: I don't want to know individual names. I just want to know what we're uncovering industry by industry in industries that we think are trying to beat us out of taxes, because that's part and parcel of this whole AVI discussion, is the fact that people think we're leaving money on the table, both on the real estate side and on the business tax side. And so when Mr. McKeithen goes in and gets a hard time in South Philly or somewhere else, it's that anger that people are feeling that, Wow, you're going to hit me with 1.32, but I know the woman running that operation in the mall, I know she's not paying the taxes, I know the people that work for her aren't paying them.

So how do we get to a point where people feel comfortable that every quarter is being shaken out of the sofa?

COMMISSIONER RICHARDSON: Well, I think, again, it comes down to stimulating compliance. We go out with L&I on various projects already. Again, we don't report back to everybody what we do. I think as Mr. Dubow was saying, if we had the legislative authority from Harrisburg to do banking attachments that they got last year, if we can have the wage attachments that I started back in 2006 at the state, we would have more opportunities to go get money that we are owed. So once we have those opportunities and legislative approval from Harrisburg, we will be doing more.

COUNCILMAN KENNEY: Well, I know the bell has rung and I will get back in line, but I think that in the interest of transparency, communication makes these sessions a lot easier.

COMMISSIONER RICHARDSON: We have no problem communicating with you, sir.

COUNCILMAN KENNEY: Okay. If you say so.

COUNCIL PRESIDENT CLARKE: The Chair recognizes Councilman Henon.

COUNCILMAN HENON: Thank you, Council President.

To just follow up on some of the questioning from this morning. So we are -- we're going to receive an increase of revenues coming in from wage taxes, from sales tax, from business taxes, and property tax. Mr. Dubow, you had --

MR. DUBOW: Property tax, not in '14, though.

COUNCILMAN HENON: Not in '14. It's revenue neutral, correct?

MR. DUBOW: Collecting the same amount in '14 as in '13.

COUNCILMAN HENON: So moving forward on property taxes for the next four years, can you tell me what we're looking to capture in assumptions per year?

MR. DUBOW: What the assumed growth is or the dollar?

COUNCILMAN HENON: You can just give me an overall dollar.

MR. DUBOW: So in '15, we're projecting 512.7 million; in '16, 526.5 million; in '17, 540.6; and in '18, 556.2.

COUNCILMAN HENON: Okay. I didn't have my calculator. So overall what are we going to capture over the next four years?

MR. DUBOW: Two and a half, 3

percent a year.

MS. RHYNHART: It's 3 percent a year.

COUNCILMAN HENON: Three percent a year?

MS. RHYNHART: Yes. If you did 3 percent a year and compounded it, it wouldn't equal because of the appeal loss every year, but the assumption is 3 percent growth each year in assessed value, starting in Fiscal '15.

COUNCILMAN HENON: So Fiscal '15 you assume that we're just going to be a 3 percent growth in property values?

MS. RHYNHART: That's right.

COUNCILMAN HENON: For full assessment?

MS. RHYNHART: Mm-hmm.

COUNCILMAN HENON: We'll get into all that tomorrow when OPA is up here.

So we are going to see a lot of revenue that's going to be coming in to the City increasing over the years as the economy is better?

MR. DUBOW: That's our projection, yes.

COUNCILMAN HENON: And the other day in the tax delinquency hearing, I believe somebody had mentioned that I guess the new program in tax delinquency proposal, $40 million, that's going to be -- that's in the budget, is that correct, $40 million?

MR. DUBOW: The operating budget shows 15 million. So in the Five Year Plan, you see those costs.

COUNCILMAN HENON: And the rate of return on that is, over five years, 250 million?

MR. DUBOW: So what we did in looking at potential returns was look at what's happened in other places, and based on that, we had kind of a general estimate we'd get about $260 million, but we're not confident enough in that number to have included it in the Plan.

COUNCILMAN HENON: I

understand. But it would be a result on top in addition to -- it would be a result of the capital investment enhancing our collections --

MR. DUBOW: That's right.

COUNCILMAN HENON: -- on our taxes?

So over the course of the Five Year Plan, we're going to see quite the increase in revenues and tax delinquencies.

MR. DUBOW: We'll see an increase. Each year it's kind of modest. I mean, we have things like our pension costs on the other side that also grow that eat into that revenue growth.

COUNCILMAN HENON: So back on labor.

MR. DUBOW: I thought that might be where you were going.

COUNCILMAN HENON: Back on labor, why we would with these significant increases over the -- and I'm going to say significant, relatively speaking, to ending the -- getting back to the table and having a contract negotiated, the furlough issue, and why we are taking collective bargaining to the courts I just find a little bizarre from a financial standpoint, where we have -- when we're talking about no layoffs and furloughs. So we didn't need it when we just went through this recession that lasted far too many years or much longer than anybody would like. So we didn't hire, and we're spending money on overtime. And that's more of a management type of problem or issue at hand, and I would imagine it's kind of challenging when we're not hiring more. We're having projected 35 percent attrition over the next five years, is going to be a serious problem, and arguing over furloughs just doesn't seem to be prudent on our part as a city, especially I think when it comes to management. Layoffs versus hires, spending $500,000 on Centers of

Excellence to try to speed up the hiring, it just shows -- I think it's an indication of what needs to happen here, and furloughs is not one of them, and taking collective bargaining issues to court just doesn't make sense to me. It just doesn't make sense. In changing the work rules arbitrarily -- or not arbitrarily, through HR and the Civil Service when it comes to salaried employees versus hourly employees is certainly a cost savings, but the fact of the matter is, we need to hire. We need to beef up and prioritize our workforce here in the City so we can get a rate on our return like the Revenue Department.

I'm happy to see the Public Property and L&I, and I know L&I is, as Councilman Kenney had stated, Commissioner Williams has done, in my opinion, a pretty damn good job under some circumstances that was left to him. So beefing up our enforcement for these 1099's. And I don't think we have a 1099 issue here. Councilman Kenney is right. I mean, it's either misclassification of worker issue. You're either an employee of a licensed contractor or you are a licensed contractor. The 1099 issue is not on the table. I think it's just people -- and this is where -- all these funds and money that we're going to be generating over the next five years should be prioritizing on the underground market that's out there. We just -- it's there. It's there for us if we want to do it.

So I think prioritizing our rate of return on our collections, getting this contract done, and going after people who are circumventing the law here in the City of Philadelphia I think we can generate much, much more money and not on the backs of the taxpayers.

So I hope that we would seriously readdress and take a little more look at what is really the issue here with our contracts and our priorities moving forward, because I think some of the programs that we're putting in and that we're talking about really is just an indicator of not having a contract and prioritizing our workforces.

MR. DUBOW: I want to say one thing about that. I mean, one of the biggest changes in terms of dollars in the Plan is what we've done on labor. So last year we had some savings from labor. This year we're assuming a cost, $84 million over the Plan. Between the two, it's probably close to $200 million from what we had in last year's Plan to this year's Plan.

So I think we're making a statement with that, that it is a high priority for us getting this done.

COUNCILMAN HENON: It's a last and best offer that's just thrown in there without an acceptance. So I just -- I just think we -- and I know that if you're putting in $99 million in additional to the budget, this year's budget, that certainly helps, but I don't believe it gets to where we need to go.

So I'm hoping that through this process here and the questions that members of this body have may be able to push people back to the table and re-prioritize what's important and -- I mean, we're the City of Philadelphia. We're supposed to be getting things done, and I think it goes to the competence that the citizens deserve in how we legislate and how we govern and the services we provide.

MR. DUBOW: We agree, and we share your desire to get it done.

COUNCILMAN HENON: I have no further questions.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Before I call the next Councilmember, getting back to this morning's testimony. Councilman Jones, I believe it was, referenced during the conversation centered around pensions the possibility of having municipal marketing as an additional revenue source which we are currently not getting under any program. So that would be above the current revenue stream and possibly having that money available to put towards pension costs. And you weren't joking when you responded. I know the Councilman kind of thought that you were, but you suggested that that would be a relatively small piece of the pie, so to speak, in terms of getting to any measurable solution.

During the course of the conversation about municipal marketing, which has been going on for about a year and a half, and I think the longer we delay, the ability to collect revenues continually diminish, because everybody else in the City of Philadelphia is taking advantage of that opportunity but us, including other government agencies such as SEPTA. So we looked at the possibilities of conservatively, we said, when we first started talking about that, $10 million, and that would clearly be a revenue stream. Since talking to individuals in the industry, they thought it would probably be closer to $20 million if given the full opportunity with respect to all the City's assets and locations.

So say it's $15 million, and that $15 million was, again, above the current revenue stream. That would be a reasonable approach to having some level of stability, particularly if it was targeted either towards pension costs or to replace the dollars that we were spending on currently contributing to pensions. So that would be a decent amount of money in that respect, and understanding it's a very small piece of the overall problem.

So the current proposal, Plan '10, how much is that over the period of five years? How much is that going to save?

MR. DUBOW: It doesn't -- it's not a lot of savings over five years. It's really kind of over the long term reducing the growth in liabilities. So it helps with the long-term funding percent, but it's not going to give us a great deal of savings over five years.

COUNCIL PRESIDENT CLARKE: How much?

MR. DUBOW: I have to get back to you, but it's --

COUNCIL PRESIDENT CLARKE: I think you know the number, Mr. Dubow.

MR. DUBOW: I'm not sure I do. I mean, I have to -- there was a letter from the actuary, but I don't have it.

COUNCIL PRESIDENT CLARKE: Is it more than $20 million?

MR. DUBOW: No, it's not.

COUNCIL PRESIDENT CLARKE: Is it more than $10 million?

MR. DUBOW: I don't know. I

don't remember whether it's in like the 10 to 15, but it's not a lot of money.

COUNCIL PRESIDENT CLARKE: Okay. So the reference to the possibility of having this additional revenue stream by Councilman Jones, conservatively, 10, 15 a year over a five-year period would be a lot more than the possibility of enacting Plan '10.

MR. DUBOW: In the short term, yes. In the long term, Plan '10 -- well, because in the short term, you don't have that many people in Plan '10.

COUNCIL PRESIDENT CLARKE: Pardon me?

MR. DUBOW: In the short term, you don't have that many people in Plan '10, so it's not going to have a big impact. It has an impact 10, 20 years.

COUNCIL PRESIDENT CLARKE: But in the short term, municipal marketing can generate some money.

MR. DUBOW: Yeah. And I wasn't in any way trying to say we shouldn't do that. I was just saying that's not -- you do municipal marketing, you haven't solved the pension problem, right?

COUNCIL PRESIDENT CLARKE: Nor will Plan '10.

MR. DUBOW: That's right. You need to do multiple things. It's a problem that's developed over decades and it's a multi-billion-dollar problem. It's not going to be solved in a year.

COUNCIL PRESIDENT CLARKE: Not even close. All right. Okay.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

One quick question. If you don't know the answer now, just get back to me with it. And, that is, what would be the tax rate if you simply took what is required to be the tax rate based on the formula in the budget we passed last year for 2014 and applied that formula, but made the homestead exemption 15,000 as the Mayor has recommended for this year? What would be the tax rate? Don't answer it now, unless you know.

MR. DUBOW: I might be able to actually find out, but I may not.

COUNCILMAN GREEN: While you're looking for that, I heard -- I guess I heard three different things that I just wanted to make sure of with respect to revenue that has not shown up in the budget.

And for those in the audience who may not be aware of this, the Administration is entirely responsible for the revenue projections, and City Council cannot adjust the revenue projections. So we have no choice but to pass a budget with appropriations that matches revenue projections. Therefore, if the Administration lowballs revenue projections in order to have a consistent budget, we have to set the tax rate otherwise than we'd have to set it, causing taxes of our citizens to be, over a course of a five-year plan that we pass today, unnecessarily high.

But I heard three things. One is that you're not confident enough in how much you're going to collect in the Revenue Department's efforts, 20 to 25 million a year, and based on Councilman Henon's question, 260 million a year over five years. Do you not think it appropriate to put some conservative number in the Five Year Plan to reflect your honest belief that this is going to bear some fruit?

And while you're thinking about that question, the second part of that question is, you are hiring, I think, 40 people in L&I or 40 additional inspectors or a lot of additional inspectors.

MS. RHYNHART: Many additional inspectors.

COUNCILMAN GREEN: And maybe 10 or 20 in Revenue, I can't recall, additional auditors.

MS. RHYNHART: Right.

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COUNCILMAN GREEN: How much revenue are you projecting additional in the budget from the L&I people? Are any of them going to be applied to, say, Councilman Kenney's efforts with respect to the millions of dollars in illegal parking lots?

MS. RHYNHART: They are actually -- I'm looking for the piece of paper, but the L&I inspectors are actually expected to be revenue generating. So I'm just looking for the number, but they are expecting to be -- we did put that into the Plan.

COUNCILMAN GREEN: It's in the Plan?

MS. RHYNHART: Mm-hmm.

COUNCILMAN GREEN: If you could answer all those questions. If you find it within the time allotted, great.

Mr. Dubow, did you have the answer to that other question?

MR. DUBOW: Yeah; 1.29 percent.

COUNCILMAN GREEN: 1.29

percent. And that's with a 15,000 or 30,000 homestead.

MR. DUBOW: You asked 15.

COUNCILMAN GREEN: Fifteen, yes.

So the law we passed last year with a $15,000 homestead exemption the Mayor would like would produce a 1.29 percent rate.

MR. DUBOW: The law passed last year had a $30,000 homestead.

COUNCILMAN GREEN: I understand.

MR. DUBOW: Okay. Yes.

COUNCILMAN GREEN: With that one change, yes. Okay. That's interesting.

With respect to the ambulance issue and the issue of collecting additional revenue, I would suggest to the revenue czar or each department head that the collections -- there was great resistance in the Administration to moving to RFID tags and using automated systems to do dumpster fines, et cetera. The collections went from 24 percent of what we were owed a year to some significantly above 60, 70, 80 percent number in terms of our ability to collect what we are owed.

With respect to whether it's ambulance workers filling out reports, L&I inspectors in the street, streets inspections, all of that stuff, if we were to go paperless and have all of that data have to be recorded in the first instance properly or the systems would not accept the report, it's rejected until they submit it properly, I think we would see similar increases in our ability to collect that, very simply by the elimination of paper in our processes. And I truly believe that's the case. It also increases manpower on the street by 20 to 30 percent a year in the cities that have done this. I've mentioned these cities before, Oklahoma City, et cetera. I would really ask that

that be something that is a focus in terms of that.

With respect to the Five Year Plan -- or six-year capital budget, I note that some of the expenditure for the revenue enhancement things that we've discussed is coming out of the $120 million, which I think is sorely needed for paper reduction efforts and other stuff, and I was hoping to have a discussion with the Administration about increasing the amount required for IT expenditure in the six-year plan so we can backfill for the other important workflow process studies, IT expenditures, et cetera, which will get us to a paperless, more efficient City government. Is that something that the Administration is willing to discuss?

MR. DUBOW: Yes, definitely.

COUNCILMAN GREEN: Thank you very much.

MS. RHYNHART: And I do have the answer to your question on L&I. We have about a million dollars a year in revenue built into the Plan.

COUNCILMAN GREEN: Half a million?

MS. RHYNHART: One million.

COUNCILMAN GREEN: For how many people?

MS. RHYNHART: It's 20 people.

COUNCILMAN GREEN: How much does 20 people cost us?

MS. RHYNHART: It costs 780,000 in L&I. Then they have plus fringe, but we can conservatively estimated a million dollars. So at least they're going to be paying for themselves. We expect them to be revenue generating.

COUNCILMAN GREEN: And how much does each inspector generate now?

MS. RHYNHART: I don't know the answer to that.

COUNCILMAN GREEN: Okay. I think it's -- thank you very much.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE:

Thank you, Councilman.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: I just want to agree with Councilman Kenney on L&I doing a wonderful job. All of your Commissioners are solid professionals. I was sitting here thinking of which one if there was a weakest link. And I'm not disingenuous. When I have an issue, I say it. I don't have a problem with one of them. So that's a credit to the management team and a credit to them as professionals.

A couple quick questions. By way of energy and energy savings, I wanted to know -- I mean, I just happen to, off the top of my head, know that we spend about $85 million in electric bills. The number one cost center for producing water is electric.

Is there a goal within the Five Year Plan to reduce energy, and, if so, how are we doing over the last couple of years in achieving that goal?

While you search for that answer, the second part of that question is, when we do -- do we incentivize cost savings by department so that a portion of a cost savings goes back to the department to help make them even more efficient?

MS. RHYNHART: That's a great point, and the General Fund -- you probably were speaking about utility bills across the City in terms of Water, General Fund, Aviation.

COUNCILMAN JONES: Correct.

MS. RHYNHART: The General Fund's electricity purchase is about $30 million a year, but it's the --

COUNCILMAN JONES: But including Streets for street lights, I kind of remember it as 85 million.

MS. RHYNHART: That is additional for that. But it is interesting what we've been able to accomplish through the way we've been purchasing electricity and also some conservation efforts. We have been able to hold the cost -- the projection steady, so that our target for Fiscal '13 electricity is 32 million and we actually have that going down to 28, 29 million in some of the out years because of some of the forward -- we've locked in some forward purchasing. So that's positive.

In terms of incentivizing departments, that was actually one of FTI's recommendations, that we needed to do some sharing from the General Fund perspective, that we should be setting goals for departments in terms of energy usage and then when they beat that goal, they should share in those savings. And then if they do things that make their electricity costs go up, then they should actually get charged. So right now we have --

COUNCILMAN JONES: I didn't put that part in, fellas.

MS. RHYNHART: But right now

the electricity bill is paid out of Public Property, and the departments, there's not an incentive built in to different departments to turn off the lights and to be efficient. So that is something we're actually going to start working on over the next few months, is developing that type of program where a certain portion of the savings go back to the departments.

COUNCILMAN JONES: I think if you're a recreation center director and you go around turning out lights or making sure that the timers are on, that somehow the thought should be that it trickled back down to buy more basketballs or do whatever else it takes to create a benefit to the taxpayers. That's number one.

The other thing is, PECO had a relationship where peak use savings, that there was a plan that you could enter. I believe it was Please Touch in my district participated in it, and at peak usage times, if they were able to reduce their energy consumption by a percent, that they were able to realize that saving in a meaningful way.

So if we could incentivize some of our bigger users to, during peak times, be conscious of that and work it out with PECO, I don't see how that wouldn't trickle down as well.

MS. RHYNHART: That's something we actually are doing right now and during -- especially during hot summer days, MSB and a few other buildings, we get messages that the lights should get turned off at 3:00 or work in the dark and all types of -- and then we've gotten a few checks --

MR. DUBOW: And the air conditioning.

MS. RHYNHART: And the air conditioning. So it gets very hot in the building. But we've gotten checks, a few $500,000 checks from PECO for doing that on those days. So it has been positive,

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and we are doing that.

COUNCILMAN JONES: All right. I'd be interested --

MS. RHYNHART: Maybe we should add City Hall.

COUNCILMAN JONES: No. No. We're okay.

We would like to see how that's working out over a period of time, and if indeed if we incentivize it, how that might pique interest in the various departments in that regard.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you very much, Mr. President.

The documents indicate that we're going to have a fund balance of $114 million. Is that accurate?

MS. RHYNHART: The last quarterly had 114. In the Five Year Plan we presented and we published has 128 million, and there were a few adjustments in the months between the quarterly and the Five Year Plan that led to the increase in fund balance.

COUNCILMAN OH: Okay. Is there any particular plan for that fund balance in terms of what portion of it is available funds and what you plan to do with that?

MS. RHYNHART: Well, fund balance levels are very low. I mean, in terms of what the GFOA, the Government Finance Officers Association, recommends, they recommend at least having 5 percent of expenditures as a financial cushion, which would be about 185 million. So our fund balance level is low, and that is -- that fund balance of 128 million, with the sales tax going away in Fiscal '15 and the other costs in our budget, our fund balance goes down to 45 million. So we actually in the Five Year Plan we presented, the Mayor presented, is using a good portion of that fund balance right now.

COUNCILMAN OH: For what purpose?

MS. RHYNHART: For all of the different expenses in the budget. I mean, the provision for labor agreements, the pension costs we were talking about, all the services, everything in the City's budget.

COUNCILMAN OH: Okay. So for a variety of things. And, in fact, there are the liabilities that the City has currently in addition to some of the services that the Administration would like to provide.

So in terms of, for example, the priority of spending, the bike lanes I understand was about $6 million, give or take; is that accurate?

MS. RHYNHART: I'm actually not sure. I think that was grant-funded. It wasn't General funded, but we could get back to you.

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COUNCILMAN OH: From the capital budget, I thought. No?

MR. GILLISON: We'll have to get back to you, Councilman, but my memory is that a lot of that was grant funding. But just to be sure, I'll get back and give it to the Chair.

COUNCILMAN OH: Can you also let me know about the bike sharing program that I understand is $3 million? Is that grant or is that -- where is that money coming from?

MS. RHYNHART: There's $3 million in the proposed capital budget for a bike sharing program throughout the City.

COUNCILMAN OH: Okay. So --

MS. RHYNHART: And that will be matched -- that's expected to be matched with other money. I think the total cost of the bike share program is between 8 and 10 million, 3 million of which the City will contribute.

COUNCILMAN OH: So we have had,

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I recall, in the last budget discussion and process issues about brown-outs at 3.4 million, police vehicles, public safety issues. Just kind of in a priority of things, what is the issue about bike sharing that you believe or the Administration is going to place that above public safety?

MS. RHYNHART: Well, I just want to be clear. The 3 million for the bike share is in the capital budget. And so the brown-outs you're speaking of from the Fire Department is in the operating budget. So we do -- and we do prioritize Fire. I mean, our biggest investment in this year's budget was 4.7 million to the Fire Department for their request, which was by far the biggest investment we've made. So we do definitely prioritize public safety.

If you wanted to add anything to that.

MR. GILLISON: I would agree. I think that the question is not whether or not we deal with our investment strategy. We use the dollars that are available to the best of our abilities to make sure that we can get a return going forward. The investment that you're talking about with bike sharing, we want to be a green city. We want to be a forward-thinking city and a progressive city, and those are capital dollars that are going to be used to leverage other investments. So to put in one dollar and get a return of three and get three more put in is an efficient way of getting to where we need to go. That's capital. That's not operating.

COUNCILMAN OH: I understand, but then police cars and vehicles and other things, that's capital as well, police locker rooms --

MR. GILLISON: Actually, no.

COUNCILMAN OH: It's not operating?

MS. RHYNHART: Police cars are operating.

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MR. GILLISON: Operating funds.

COUNCILMAN OH: Police stations, operating; police facilities, operating, not capital?

MS. RHYNHART: Okay. So there's rules for the use of capital funds, that there's a threshold for the cost and then it has to have a useful life beyond five years to be capital eligible. So improvements, renovations to a police station would be a capital cost. Police cars are not bought with capital. I don't know if they would last five years.

COUNCILMAN OH: Police communication center. So somewhere in this thing about policing and police facilities and fire facilities is a distinction between capital and operating, but for whatever it is capital, however it is defined, there's a decision that the bike sharing program would be more fruitful for the City or beneficial compared to public safety issues?

MS. RHYNHART: No.

MR. GILLISON: No. I would disagree, respectfully, Councilman, especially given the fact that over the last five years, we're going to be having in the next between year to year and a half, especially with police matters, we worked out an investment strategy to make sure that we're opening up three or four new facilities to move police officers in. There's a strategy working with trying to see what -- now that we have put in three or four brand new facilities, moving police out of certain areas that have, quite frankly, gone and given all that they've had. The useful life of the buildings they're in is well passed. So we're putting them in new facilities. We've worked with District Councilpeople to identify these areas and putting them in those buildings. We're now working on trying to look at our oldest facilities, both from prisons

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replacement to police and fire station replacement and co-location, which is a big thing for this Administration.

We've done those investments. We've done those investments as long as we've been here, and I don't think we've short -- we haven't shorted the public safety. As a matter of fact, as Deputy Mayor for Public Safety, I can tell you we've been not only at the table, we've invested quite a lot of money in making sure that these facilities are not only available but also will increase what we do as we go forward in the 21st century and bringing our police and our firefighters and our prison facilities into compliance with where we need to go in the future.

So, respectfully, I would just disagree with the characterization that a bike sharing lane at one means that we're shorting public safety. I would disagree.

COUNCILMAN OH: Okay. Well, we

do disagree, respectfully. In other words, the fact that you've done something doesn't mean you've done enough, and I think that's where we're going in the budget process. What shall we fund, what shall we not. But I still will go back at another point in time to the issue of the funds that have already been awarded to the firefighters and the fact that we have to set aside a certain amount of money for the municipal contracts that I don't see adequately funded in the budget. At least that's my impression, and to the extent you can explain it or somebody can explain this issue more, or more clearly, that would perhaps help me understand the position that you have, but right now I don't see the idea that you might win an appeal down the road alleviates the responsibility of ensuring that those funds are somehow accounted for in the budget.

MR. GILLISON: Councilman, I'd

be glad to sit down and I'll be glad to meet with you. Obviously my door is always open, and I'd be glad to go over it. I mean, it's not a problem. You know that -- we've known each other for quite some time.

COUNCILMAN OH: Yes. We shall do that.

MR. GILLISON: Okay.

COUNCILMAN OH: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Just for the record, there is a relationship between capital and General Fund/operating dollars. Not getting into the prioritization of what we should do relating to bike sharing or some other capital expenses, because the reality is is that the debt service on the capital funds are paid for out of the General Fund. So there is a relationship.

MS. RHYNHART: That's right.

COUNCIL PRESIDENT CLARKE: With respect to Councilman's concern, that you do have to pay that money back, and it comes directly out of the General Fund, the same General Fund that could conceivably go towards some operational expense. So there is a relationship.

MR. GILLISON: That's correct.

COUNCIL PRESIDENT CLARKE: Thank you.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Mr. President.

Just one other issue relative to 1099's. I agree with Councilman Henon. I think that use of 1099's in many industries is a scam. It's used just to beat the taxman -- tax person. I'm sorry.

Do people who are paid with 1099's, are they required to have business activity licenses?

MR. GILLISON: I don't know.

MR. DUBOW: Yeah.

COUNCILMAN KENNEY: How many

business activity licenses exist for individual contractors who work in various industries?

MR. GILLISON: Councilman, I'll be glad to get back to you. I've been told that we just have to --

COUNCILMAN KENNEY: I need to know the number and I need to know whether or not that's secret information too.

MR. GILLISON: Not a problem. I'll have to get back to you.

COUNCILMAN KENNEY: Thank you very much.

COUNCILMAN JONES: Thank you, Councilman.

Just very quickly, before I go to Councilman Henon and Councilwoman Brown, not to be a pessimist, fear monger or anything like that, but one of the stats that I would like the Administration to keep very close tabs to, we created a very successful mortgage diversion program. That was a perfect cooperation between advocates out there and the courts and the Administration to take a look at Sheriff Sales.

With this AVI piece coming in, I want us to take a look at if there are any anomalies or spikes in foreclosures based on municipal tax sales, and if we get an early indication that anything is wrong with this, that we immediately move in with whatever resources we can to reset and keep people off of the Sheriff Sale list. And I just want to make sure that we monitor that. So maybe if there's something we didn't think of or didn't anticipate, that we can make sure that nobody goes to the guillotine because of us. And so I want to on the record put that on, that we monitor that, if that's something we can do.

MR. GILLISON: Thank you.

COUNCILMAN JONES: All right.

The Chair recognizes Councilman Henon.

COUNCILMAN HENON: Thank you,

Mr. Chair.

And just a followup to Councilman Kenney's 1099 issue. I won't belabor that for this panel here, but it's my understanding since -- we're talking about revenue and thereof or lack of revenue opportunities and millions and millions of dollars that we're not collecting or prioritizing. The 1099 issue, my understanding is that they are not licensed for any kind of specific craft or work being performed, professional services here. So we're squandering many, many millions of dollars of collections just on that issue alone. And we're going to have hearings on that. Councilman Kenney and myself introduced a bill and we're going to have hearings on that shortly. It's hopeful that the, I guess, ramping up of L&I inspectors and enforcement agencies such as the Revenue Department hopefully can prioritize that being something that we can capture some of the millions again.

I'm going to say it again, millions and millions of dollars that are out there that the City is owed because of lack of taxes. And that's from housing inspection licenses, illegal renters, investments, investment properties that don't have housing inspection licenses and just -- and I call it public safety issues of work being performed all across the City illegally.

So that priority needs to be an actual priority. And 1099's do not have licenses here in the City of Philadelphia. They do not have a business privilege license or commercial license. They don't carry workmen's compensation insurance or liability insurance, putting the citizens and the people and infrastructure at risk on a daily basis.

So I look forward to continuing these conversations in the near future.

MR. GILLISON: Thank you.

COUNCILMAN JONES: Thank you,

Councilman Henon.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you.

Good afternoon, everybody. Given that AVI is a very unprecedented initiative that's being done by our government, is the Administration maintaining data as you conduct the community meetings? Because they've been informed hopefully how we will fix the number of the concerns being raised by folks in the neighborhoods.

Are you keeping any data, number of people attend, type of questions asked, whether or not there are appeals, and then separating that data out into various categories?

MR. DUBOW: So we're not doing that kind of formal analysis. We are all kind of sharing what happens, and we see common themes. I think one of the things that's become clear to us, for example, is we probably need to do a better job of communicating some of our relief programs, because I think when we sit down, people don't know enough about them. So we are learning, I think, a fair amount from these sessions.

We don't have it in the way you're talking about, but we are learning from them and we're going to take the lessons we've learned to implement programs.

COUNCILWOMAN BROWN: The reason why I would ask is, not being a District Councilmember, I would imagine that District Councilmembers would look for that information, because that then guides them on how they can better serve their constituents that live in their districts around this enormous issue called AVI.

So on the acknowledgment that the relief programs are not as well either understood or public as you might want them to be, what are the lessons learned there since we're still really at the beginning of this journey?

MR. DUBOW: Right. So that's a lesson. We have to then figure out how to communicate them better, which we need to do. I mean, we also get a sense -- I don't think we're surprised based on other analysis we've done going into districts of kind of what's happening with assessments in those areas. We were in the 4th District over the weekend and I think the kind of questions we got there were what we expected really.

MR. GILLISON: Exactly right.

COUNCILWOMAN BROWN: So then it's fair to say that that information is not being catalogued in such a way?

MR. DUBOW: It's not being catalogued.

COUNCILWOMAN BROWN: Okay. On the energy conservation measures, you said that we are beginning to look at energy conservation measures in the way that Councilman Jones described. We like to know on this side of the table who is the "we."

MS. RHYNHART: I would say that I'm the point person working with the various departments. So for the energy incentive program, I'll be working with Rina Cutler's team, and Mike D has also been involved, Mike DiBerardinis in terms of Parks and Rec. But if you want to ask where it is or hold someone responsible, that could be me.

COUNCILWOMAN BROWN: And the Office of Sustainability --

MS. RHYNHART: That's Rina. That's who I'll be working with, yes.

COUNCILWOMAN BROWN: Oh, okay then. So as we prepare for the budget hearings where we can in a more in-depth way talk with department heads, share with us where we are with regards to sustainability, where we started five, six years ago and the progress, if you will, just as an updated part of that testimony.

MS. RHYNHART: Okay. We'll

prepare that.

COUNCILWOMAN BROWN: Thank you.

Thank you, Mr. Chairman.

COUNCILMAN JONES: Thank you, Councilwoman Brown.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you very much.

I only ask this because Councilwoman Reynolds Brown raised the issue of AVI hearings and whether or not they were cataloguing info. And I found it very disheartening and unconscionable that the Administration would pick two places per district that they wanted to go to and not include the Councilperson and their choice. Then as in my instance, I said, Oh, they're going around. Well, let me pick some sites. And then, They don't want to come to your sites. Then after I fought for two sites, they told me at one of my sites in University City where I have the wealthiest University City folks, Cedar Park, Clark Park, Spruce Hill, Garden Court, Walnut Hill, they said someone was threatening; therefore, they were not coming back into West Philadelphia. So every time I go to a meeting -- I have another one tomorrow -- I go and say the Mayor's people refuse to come in the 3rd District to hearings. And I go to them all the time. We all have to, because even if the Mayor -- if the Administration started this way, they're dealing with it. We have to deal with it because our people call us. I got churches, community groups, rec centers. We have to go to this all the time. And for the Administration then to say they're not going some place when they created this whole forum, this whole process, is absolutely ridiculous.

But I tell my people what I've been told, which is the Mayor doesn't want to send people in my district. That's okay, but they know that that's the situation and that it's not a process I chose. It's one that the Administration chose.

I find it unconscionable the way this whole thing is handled. But I'm going to represent my area and I'm going to go everywhere I can in the 3rd District. I'm doing that. I will continue to do that. We have a meeting tomorrow at Kingsessing Rec, and I will say what I said, which is the Mayor has decided he doesn't want to send anybody from his office into West Philly in the 3rd District. And that's okay. I just say that for the record.

COUNCILMAN JONES: Would the Administration like to respond?

MR. GILLISON: Well, I'll just be brief.

Thank you very much, Councilwoman, but as you know, we have reached out to your Council staff. We reached out to you. We tried to do what we did with everybody else on Council to make sure that we would be in areas that would be responsive. We have not been able to have an agreement between you and us on this issue, and we are continuing --

COUNCILWOMAN BLACKWELL: None of that is true.

MR. GILLISON: We have continued to try to work this out, and quite frankly --

COUNCILWOMAN BLACKWELL: No, you haven't.

MR. GILLISON: -- as you know, I'm in the 3rd quite a bit, every Sunday, and we've been trying to work this out, and I would hope that we will be able to work it out.

I am sorry that it has not worked out to your satisfaction at this point, but you know my door is always open, and we'll feel free to continue to talk about this. But, quite frankly, we now know how to do this. We know where to do it. We know -- we have suggestions. We've worked with all Councilpeople. We've been in just about every district where we are able to in a very short period of time, and we hold out the hope that we will be able to find an area that we will go forward.

But to say that the Mayor refuses to come to West Philly is also not a full statement, Councilwoman.

COUNCILWOMAN BLACKWELL: Tell me what places are you scheduled in my district then. Tell me when and where.

I'm not asking you to respond. I made my statement. Because if you want to respond, I will argue with you until 4 o'clock on this issue or until we recess.

It is not true that anybody has reached out to me to try to work anything out in my district. It was not true at the beginning. I started scheduling when I heard they were going around the City. I have no reason not to want to be involved in a process, and if I hear that something is going on anywhere in another district, I immediately want to make sure that my district is included. So I have no reason to not want to have the district where the Mayor grew up included in any of this. But that's not the way my district was treated. I resent it.

I'm not asking you to respond. Councilwoman Blondell Reynolds Brown brought up the issue about assessing what comes out of the hearings. And maybe there's not an assessment because there's not a real system about where you go, why, and for whom. And I think it is unconscionable that you expect me to go and sell a program where my people are not included and I wasn't included. That's just the way I feel about it, and I'll argue with it until we -- if you want to go that way, I'm prepared.

COUNCILMAN JONES: We won't do that.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN JONES: What we will

choose to do is, wherever there is a schedule that is in the 3rd Councilmanic District, try to work it out --

COUNCILWOMAN BLACKWELL: They don't have any more.

COUNCILMAN JONES: Do you have any more in the 3rd?

MR. GILLISON: No. There has not been any additional reach-out at this point with the Councilwoman, so --

COUNCILMAN JONES: I hope we could resolve that. Particularly parts of her district are pretty hard hit in University area and some of the areas --

COUNCILWOMAN BLACKWELL: I'm dealing with it.

COUNCILMAN JONES: All right.

COUNCILWOMAN BLACKWELL: Thank you. Thank you, Mr. Majority.

COUNCILMAN JONES: The Chair now recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Chair.

On the review date for the

first-level review, it's March 31st. I know I received a letter from the Administration saying that it's 30 days from the time you get your letter. Some people still haven't received the letter yet, so they will be getting it shortly, I hope. And then March 31st. But there's no -- I guess there's no really idea that you may want to extend that at all?

MR. DUBOW: We don't want to extend it because, as you heard Mr. McKeithen say, under the current schedule, I think we'll probably be finishing up in mid August. We don't want to get in the way of the BRT process. So we want to make sure that we're done in time for that.

COUNCILMAN SQUILLA: All right. So at this time, the only way they could do it after March 31st is if they receive their letter 30 days --

MR. DUBOW: That's right.

COUNCILMAN SQUILLA: -- from

that date?

MR. DUBOW: And they can still appeal to the BRT.

COUNCILMAN SQUILLA: Right. And the BRT appeals -- we'll find that out too, but they'll be beginning of April they will put them online --

MR. DUBOW: That's right.

COUNCILMAN SQUILLA: -- when people can appeal to the BRT.

And I noticed the one last question I asked you before was the percentage of appeals. Last year I think you said it was 28 million that you set aside?

MR. DUBOW: I think it was about 20 million, but that included the TIF losses and we were going to break that out for you.

COUNCILMAN SQUILLA: Right. But this one is 32 now, correct?

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: All right. Now, moving forward, do we project that same number?

MS. RHYNHART: We project it to go back down to historical level.

COUNCILMAN SQUILLA: Twenty-eight?

MR. RHYNHART: It's about 20.

COUNCILMAN SQUILLA: Twenty?

MS. RHYNHART: Right.

COUNCILMAN SQUILLA: So then this year will be 32. Next year will be?

MS. RHYNHART: It's about 30. So we anticipated about a 50 percent increase in appeals for the year Fiscal '14, the year of going to AVI, and then it going back down to about 20 million, the historical norm.

COUNCILMAN SQUILLA: So you raised it from 20 million to 28 million because of the -- was it because of the --

MR. DUBOW: It's about 21 to about 32.

COUNCILMAN SQUILLA: But last year you said it was 28?

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MS. RHYNHART: No. There was no 28.

COUNCILMAN SQUILLA: Twenty-one?

MR. DUBOW: About.

COUNCILMAN SQUILLA: So 21 to 32. I'm sorry. I misunderstood that.

Thank you very much.

COUNCILMAN JONES: Thank you, Councilman.

Very quickly. Dealing with federal and state projected revenue, shortfalls or cuts, are there any anticipated from the federal government, this fiscal cliff issue or any other revenue shortfalls? I think you talk about it a little bit in the Five Year -- can you give us some specifics on how it might impact Philadelphia's budget.

MS. RHYNHART: Well, at this point, we're actually not sure how it will specifically impact Philadelphia's budget. I mean, the federal sequestration has some significant cuts to the state level, and then it would depend how certain programs are cut and what decisions are made in terms of programs at the city and county level. So we're not sure yet how that will flow down.

I think the impact to the General Fund is expected to be relatively minimal on the fiscal cliff issues, but there are some substantial funding in terms of grant programs and other funds that could be impacted.

COUNCILMAN JONES: So, for example, Aviation, I know they were in some smaller airports closing towers and things like that. That's not something we see in the foreseeable future for Philadelphia?

MS. RHYNHART: Mark Gale might be able to address that.

(Witness approached witness table.)

COUNCILMAN JONES: And any other -- I know PHA might be another agency that is impacted by it.

MR. GALE: Good afternoon, Councilman. Mark Gale, Philadelphia International Airport.

At this time, with respect to federal funding that we get primarily from the Federal Aviation Administration under their airport improvement program, that is not subject to sequestration. So the grant monies that we get in for projects and whatnot is still safe.

We are watching what is going on with sequestration, not only with the FAA but with U.S. Customs and Border Protection as well as with the Transportation Security Administration, watching to see if cuts to their staffing levels or furloughs on those sides will have impacts on the operation of the Airport. But our funding coming from the federal government is secure for right now.

COUNCILMAN JONES: So, for example, the security personnel, at this point no cuts?

MR. GALE: At this point, they've advised us that they will be operating okay. The FAA will be looking into, I believe, furloughs of some of their air traffic controllers, but there will be no anticipated impact on operations either at Philadelphia International Airport or Northeast Philadelphia Airport, but you are correct, there are a number of smaller airport tower closures around the country, the closest of which is probably Trenton-Mercer County Airport.

COUNCILMAN JONES: Okay. What about OHCD funding or MOCS funding that receives federal anti-poverty money, is that impacted at all?

MS. RHYNHART: There is significant risk on the CDBG side for the funding levels there. If you wanted more information, Deb McColloch can probably talk about it.

COUNCILMAN JONES: So I

understand somewhere in the neighborhood of 14 percent cut.

MS. RHYNHART: I'm not sure the exact. I mean, it has been double digits the last two years. But if you wanted Deb to come up.

COUNCILMAN JONES: And MOCS as well, any anticipated cuts to MOCS, Mayor's Office of --

MR. GILLISON: That's under the same CDBG money.

COUNCILMAN JONES: Okay.

(Witness approached witness table much.)

MS. McCOLLOCH: Good afternoon. My name is Deborah McColloch. I'm the Director of Housing.

We don't know yet what our CDBG and HOME funding amount is going to be because, of course, since the federal government hasn't passed a budget, those numbers haven't come down to us. We're now in the midst of preparing our preliminary Consolidated Plan and we're using the figure of an 8 percent cut just because that's -- we have to use some number, and that's the number of the sequestration. So we're using that number, which we're preparing now. I actually think I have a meeting scheduled with you and some other Councilpeople to talk about the preliminary plan. And should the federal government budget be passed that the number is higher, great. By the time the proposed plan comes before this body, we'll have adjusted the numbers. And if it's greater, then we'll have to adjust the numbers downward. But we're just moving -- we don't have any figures from HUD at this time.

COUNCILMAN JONES: All right. We'll keep our fingers crossed that those cuts don't come this way, but I guess you have to plan in anticipation of any shortfalls.

MS. McCOLLOCH: Yes.

COUNCILMAN JONES: So that's the responsible thing to do.

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The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Yes. I failed this morning to offer the friendly reminder as well that in addition to wanting to see in writing in the written testimony the MBE/WBE activity to also include the demographics of the executive level staff.

MR. DUBOW: Okay.

MR. GILLISON: Thank you.

COUNCILWOMAN BROWN: So did I hear that you will revisit and add additional AVI sessions for District Councilmembers who have that desire or that interest?

MR. GILLISON: We're at the end of the month and we are -- we tried to do this in anticipation of getting people ready for that first-line review. We will be obviously listening to -- if there is a request, we will work with that particular Councilperson.

COUNCILWOMAN BROWN: Very well.

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MR. GILLISON: So thank you.

COUNCILWOMAN BROWN: Thank you.

Thank you, Mr. Chairman.

COUNCILMAN JONES: The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

I just wanted to add a point of information related to the future AVI sessions. I know that the Administration feels very strongly will not extend the March 31st deadline, but I must remind folks that people have 30 days from the point of receipt. And so sections like the ones I represent and President Clarke, the 18th Ward where they had to go back and revisit, folks really get until April something, depending on the date of receipt. So as we schedule these, we should really try to focus in on those areas that because of how the numbers shifted, they were the last ones to receive it. So I know actually Squilla and I and President Clarke share those areas. So can we talk about it kind of refocused, because those folks are just getting them?

MR. GILLISON: We'll be glad to entertain those discussions and take part in them.

COUNCILWOMAN SANCHEZ: Is there any other section other than the Fishtown area that had --

MR. DUBOW: No.

COUNCILWOMAN SANCHEZ: That was the only part of the City?

MR. DUBOW: That was the last part. I think everyone else should have gotten them.

COUNCILMAN JONES: We had some comments from Overbrook Farms section that did not receive --

MR. DUBOW: I think Mr. McKeithen is going to come up.

COUNCILMAN JONES: Okay. And in the meantime, you have some outstanding reports that we've requested, and I don't know if we need to --

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COUNCILWOMAN SANCHEZ: I'm not finished my point of information.

COUNCILMAN JONES: Oh, go ahead. I'm sorry, Councilwoman Sanchez.

(Witness approached witness table.)

MR. McKEITHEN: Richie McKeithen, Chief Assessment Officer.

We had some areas sprinkled around the City that may have received their notices recently, but the lion's share of the notices have gone out the early part of March at the latest. We still have approximately 428 that are being sent out this week, which are small parcels. Most of them I believe are exempt, small parcels, and so they'll still have 30 days.

COUNCILWOMAN SANCHEZ: Did we adjust the forms to say that they had 30 days?

MR. McKEITHEN: Yes, we did.

COUNCILWOMAN SANCHEZ: Mine was not. I received mine on Tuesday.

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MR. McKEITHEN: The most recent forms that we sent out or we're sending out will say that they have 30 days, and they'll have the current date on them as well. So people will know that 30 days from that date on the actual -- from the point in time they receive them, they'll have the ability to appeal with us. But as Mr. Dubow said earlier, you always have the ability to appeal with the BRT clear up until October the 7th.

COUNCILWOMAN SANCHEZ: I just wanted to add another point of information to what Councilwoman Blondell Reynolds. As departments report out and we've met with some of the Commissioners, in addition to reporting out on the MBE numbers, as I've requested in the past, I'd like to see the higher numbers and the diversity within our new hires. We've done extensive hiring in the labor workforce and other departments, and I think it's important that the departments report out the diversity of their new hires. I specifically have requested for some of the departments that I've met with around which ones have created bilingual opportunities for language access, especially our front-line staff. So it would be good if folks can report out on that.

MS. RHYNHART: Okay.

COUNCILWOMAN SANCHEZ: Thank you.

COUNCILMAN JONES: Thank you, Councilwoman.

Are there any other questions from members of the Committee?

(No response.)

COUNCILMAN JONES: Comments?

(No response.)

COUNCILMAN JONES: Seeing none, we have some outstanding reports. One, a copy of all consultant analysis with the federal economist in regards to tax revenues, the vacancy variance analyst reports for all departments FY12 and FY13.

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MR. DUBOW: Could you go back to the first one. I just want to go back to the first one. You mean our outside consultant?

COUNCILMAN JONES: Yes.

MR. DUBOW: Not federal economist? Okay.

COUNCILMAN JONES: Yes.

MS. RHYNHART: And these are additional requests that are being made right now?

COUNCILMAN JONES: Yes. And any projected worst-case scenario impacts of state and federal budget cuts, sequester, things like that.

MS. RHYNHART: Okay.

COUNCILMAN JONES: With that, are there any other questions?

(No response.)

COUNCILMAN JONES: Seeing none, we will recess until Tuesday, March 26th at 10:00 a.m. in Room 400.

Thank you.

(Committee of the Whole

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recessed at 4:10 p.m.)

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CERTIFICATE

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

MICHELE L. MURPHY

RPR-Notary Public

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