

COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, March 26, 2012
11:15 a.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN BILL GREEN
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES KENNEY
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA
COUNCILWOMAN MARIAN B. TASCO

BILLS 120164, 120165 and 120166
RESOLUTION 120167

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COUNCIL PRESIDENT CLARKE: Good morning. It appears we have a quorum, so we're going to start now.

This is a continuation of the hearing of the Committee of the Whole regarding Bills No. 120164, 120165, 120166 and Resolution No. 120167.

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

MS. LEWIS: Bill No. 120164, an ordinance to adopt a Capital Program for the six Fiscal Years 2013 to 2018 inclusive.

Bill No. 120165, an ordinance to adopt a Fiscal 2013 Capital Budget.

Bill No. 120166, an ordinance adopting the Operating Budget for Fiscal Year 2013.

Resolution No. 120167, a resolution providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 Years 2013 through 2017, and
3 incorporating proposed changes with
4 respect to Fiscal Year 2012, which is to
5 be submitted by the Mayor to the
6 Pennsylvania Intergovernmental
7 Cooperation Authority (the "Authority")
8 pursuant to the Intergovernmental
9 Cooperation Agreement, authorized by an
10 ordinance of this Council approved by the
11 Mayor on January 3, 1992 (Bill No.
12 1563-A), by and between the City and the
13 Authority.

14 COUNCIL PRESIDENT CLARKE:

15 Thank you.

16 We will continue the public
17 hearing of the Committee of the Whole to
18 consider various bills read by the
19 Secretary. They constitute the proposed
20 operating and capital spending measures
21 for Fiscal 2013, a Capital Program and a
22 forward-looking plan for Fiscal 2014
23 through Fiscal 2017.

24 Will the Administration please
25 come up.

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2 (Witnesses approached witness
3 table.)

4 COUNCIL PRESIDENT CLARKE: Good
5 morning.

6 MR. GILLISON: Good morning.

7 Good morning, Council President Clarke,
8 members of City Council. I am Everett
9 Gillison, Chief of Staff in the Office of
10 the Mayor Michael Nutter, and on behalf
11 of the Mayor, I am pleased to testimony
12 on the Fiscal '13 proposed Operating
13 Budget and the proposed Fiscal '13
14 through '17 Five Year Financial Plan.
15 With me today are Rob Dubow, the City's
16 Finance Director, and Rebecca Rhynhart,
17 the City's Budget Director. Also a
18 number of City officials are in the
19 audience.

20 As the economy continues to
21 struggle to recover from the worst
22 downturn in decades, the Administration
23 continues to stabilize the City's budget
24 while making modest investments in our
25 City's future. Although economic growth

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2 has been slower than originally
3 anticipated across the country, the
4 City's tax receipts have begun to show a
5 modest increase over last year.
6 Nevertheless, some of the taxes are
7 growing at lower levels than projected in
8 the Fiscal '12 through '16 Five Year
9 Plan.

10 Fiscal '13 total tax revenues
11 are projected to see slight growth with
12 an increase of about \$70 million, or
13 about 2.8 percent over Fiscal Year '12's
14 projections. However, total revenues in
15 the proposed Fiscal '13 budget will only
16 see a 0.5 percent growth, largely due to
17 the combination of the tax growth
18 previously mentioned with the elimination
19 of several one-time revenue sources
20 received during Fiscal Year '12. The
21 largest of these one-time revenues were
22 \$34 million of state pension aid, \$12.5
23 million from the Parametric Garage for
24 amounts owed to the City and \$11 million
25 in amounts due related to Love Park

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2 Garage. I'm also pleased to say that
3 after several years of painful cuts, the
4 Fiscal '13 budget includes only \$2.2
5 million of cuts to departmental spending.

6 While the economy is slowly
7 recovering, significant risks remain that
8 could impact the City's financial
9 stability. The City receives federal and
10 state grants to support various programs
11 and services across the City. This year,
12 the City again has seen cuts in grant
13 dollars it receives from the federal
14 government, and the Governor has proposed
15 significant cuts in the state budget
16 which could greatly impact our
17 departments and the non-profits that, in
18 turn, use these funds to serve some of
19 the City's most vulnerable residents.

20 The Governor's proposed Fiscal
21 '13 budget would decrease funding by over
22 \$40 million for health and human
23 services, supportive housing, behavioral
24 health, and parks and recreation
25 services. Reductions in funding for

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2 education and public library services are
3 also proposed. The Governor's proposed
4 budget would have severe consequences to
5 City services, likely leading to an
6 increase in the number of people with
7 mental illnesses living on the streets
8 and an increase in the prison census.
9 Additionally, the cuts would jeopardize
10 over \$24 million of federal funds for
11 HIV/AIDS programs due to the inability to
12 meet requirements.

13 On the federal level, the
14 Community Development Block Grant will be
15 cut \$7.8 million, or almost 17 percent,
16 and HOME funds for Philadelphia will be
17 cut by \$6.1 million, or almost 42
18 percent.

19 In the proposed Fiscal '13
20 budget, total expenses increased by 99
21 million, or 2.8 percent. However, 75
22 million of this increase is due to rising
23 pension costs, and 11 million is due to
24 an increase in the health medical costs.
25 In other words, nearly 90 percent of the

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2 increased expenses are mandatory
3 obligations. The remaining 13 million
4 represents a small 0.4 percent increase
5 from Fiscal Year '12.

6 As with prior years, the
7 largest costs in the City's budget are
8 associated with City employees who
9 design, manage and implement the programs
10 and services that residents depend upon.
11 The combined personal services and
12 employee benefits categories account for
13 \$2.455 billion, or 68 percent of the
14 total General Fund budget. Over 31
15 percent of the City's budget goes to pay
16 for fringe benefits for our employees.
17 Portions of these employee costs -- and
18 in particular, pensions and healthcare --
19 have grown much more quickly than the
20 City's revenues and other expenditures,
21 which has meant that more and more of the
22 City's budget has to be diverted to pay
23 for employee benefits instead of to pay
24 for services. Over the last five years,
25 the employee benefits portion of the

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2 budget has grown by 9 percent while the
3 remainder of the budget has decreased by
4 1 percent.

5 The rapidly escalating costs of
6 pensions, combined with the fund's
7 declining health -- it is now
8 approximately 50 percent funded -- makes
9 pensions perhaps the most significant
10 financial challenge facing the City.

11 Even with these several changes
12 to the pension system over the past few
13 years, the City's pension costs have
14 increased significantly. The deferrals
15 that were made in Fiscal Year '10 and
16 Fiscal Year '11, which provided budget
17 relief during the severe economic
18 downturn, are now due. The projected
19 Fiscal Year '13 pension cost is \$629
20 million, with a Five Year Plan high of
21 \$662 million projected in Fiscal Year
22 '14. Although these costs decline in the
23 following fiscal years, costs are still
24 considerable, with projections in the 560
25 million to the 600 million dollar range.

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2 As a means of comparison, pension costs
3 were approximately 206 million in Fiscal
4 Year '03. That's a \$423 million growth
5 just in ten years.

6 The Administration is committed
7 to having reasonable collective
8 bargaining agreements. However, those
9 agreements must have structural changes
10 that provide long-term aid to the City.
11 Among those necessary changes are
12 modifications to the structure of health
13 and welfare benefit funding as well as
14 pension reform. The interest arbitration
15 awards with the FOP, the IAFF and the
16 recent Local 159 of the AFSCME District
17 Council 33, which are the corrections
18 officers, make the significant long-term
19 reforms to the pensions. The
20 correctional officer award includes a new
21 hybrid pension plan, which combines a
22 defined benefit component along with a
23 defined contribution benefit with the
24 City matching a portion of the employee's
25 contributions to a 401(k)-like plan. In

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2 addition, the current Local 159 employees
3 will contribute more to their pensions,
4 an increase equivalent to about 1 percent
5 of pay.

6 The proposed Five Year Plan
7 also focuses on public safety for our
8 citizens, resuming wage and business tax
9 reductions, making it easier and less
10 expensive for businesses in the City and
11 making critical investments in our
12 neighborhoods. As planned, in Fiscal
13 Year '14 of the Five Year Plan, the wage
14 tax cuts will resume, giving some
15 financial relief to our citizens and
16 helping Philadelphia businesses. Working
17 with City Council, we have made several
18 changes to the Business Income and
19 Receipts Tax. These tax changes are
20 intended to help small and medium-sized
21 businesses and lower costs associated
22 with starting a new business in order to
23 stimulate new business formation and
24 increase employment in Philadelphia.
25 These measures, when combined with the

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2 wage tax reduction, equal a \$160 million
3 reduction in taxes for workers and
4 businesses in Philadelphia over the
5 lifetime of the Five Year Plan.

6 The Fiscal '13 proposed
7 Operating Budget includes \$18.6 million
8 of new investments. The largest
9 investment is \$9 million for design work
10 for a new police headquarters, City
11 morgue and health offices co-located at
12 4601 Market Street. This is a
13 consolidation which could provide needed
14 facility upgrades while allowing the sale
15 of existing City assets and revitalizing
16 part of West Philadelphia in need of
17 investment. The City will request \$9
18 million from PICA for this one-time cost.

19 The Administration also
20 proposes to invest \$4.1 million in the
21 Police Department. These additional
22 funds will be used to hire nearly 400 new
23 police officers by the end of Fiscal Year
24 '13 to increase the uniform officer level
25 to 6,500 and maintain it at that level,

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2 with expected levels of employee
3 retirement.

4 A third proposed investment is
5 \$1.2 million for the Office of Supportive
6 Housing for housing contracts to replace
7 beds available at the Ridge Avenue Center
8 which is closing.

9 The fourth proposed investment
10 is \$1.1 million in additional funding for
11 the Office of Property Assessment. The
12 additional funds will be used towards the
13 complete overhaul of the property
14 assessment system which is scheduled to
15 be completed in the fall of 2012.

16 The City is in the process of
17 completing the Actual Value Initiative,
18 AVI, which involves reassessing every
19 property in the City and setting assessed
20 values at market rates to create a fair
21 assessment system upon which to base
22 property taxation. This will be the
23 City's first full reassessment in decades
24 and will ensure that every property owner
25 has a fair, accurate and understandable

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2 assessment. As properties are now
3 assessed at only a fraction, about 32
4 percent, of their actual value, the
5 assessments have often not kept up with
6 changes in value. This process will
7 result in substantial increases in
8 properties' assessed values. The
9 Administration proposes several changes
10 to ensure that property owners' tax
11 burdens will not be significantly
12 impacted. The Administration proposes
13 several measures to temper the impact of
14 the changes in assessment. Most
15 importantly, the Administration proposes
16 to dramatically reduce the tax millage
17 rates when AVI is complete. The new rate
18 will generate at least the amount of
19 revenues needed to meet the property tax
20 revenue projections in the Five Year Plan
21 and will capture the net increase in
22 property values that occurred during the
23 years when the City was not doing
24 comprehensive reassessments. The amount
25 of revenue for the City anticipated to be

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2 generated from the property tax in Fiscal
3 Year '13 is \$491.5 million, which is the
4 same amount as in Fiscal '12. The
5 Administration has also proposed
6 homestead relief for owner-occupied
7 properties in the amount of \$15,000 of
8 assessed value per property, and
9 smoothing the impact of the changes in
10 assessment over the course of three
11 years.

12 Other proposed key investments
13 are \$1 million for the Managing
14 Director's Office to fund anti-violence
15 initiatives across the City and \$734,000
16 to fund a maintenance team in the
17 Department of Public Property to prevent
18 deferred maintenance -- to actually deal
19 with the deferred maintenance issues that
20 we have in our City buildings.

21 The proposed Five Year Plan
22 projects wage tax revenues to grow at a
23 relatively constant pace of 3.4 percent
24 over the next few years before tapering
25 off to 3.3 and 3.1 in the Fiscal Year '16

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2 and Fiscal Year '17, respectively. Sales
3 tax is projected to grow to 5.5 percent
4 in Fiscal Year '15 before tapering off to
5 5 percent in Fiscal Year '16 and 3.5
6 percent in Fiscal Year '17. The stronger
7 growth of 5.5 percent sales tax in Fiscal
8 Year '15 is based on the expectation that
9 consumer spending has been restrained by
10 a greater amount than wages by lack of
11 consumer confidence, which will return
12 after several years of economic recovery
13 and lead to stronger sales growth.
14 Business income and receipts tax is
15 anticipated to increase 2.5 percent
16 annually. Realty transfer tax is
17 expected to have growth rates of 7.5 in
18 Fiscal Year '13, ramping up to 9 percent
19 from Fiscal Year '14 through Fiscal Year
20 '16 before moderating to 3 percent growth
21 in Fiscal Year '17. This level of
22 transfer tax growth is significantly
23 below the forecast by the City's revenue
24 forecasting consultant and results in a
25 projection of transfer tax revenues of

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2 \$166 million by Fiscal Year '17. The
3 forecast for transfer tax was lowered
4 after discussions with key economists of
5 the Philadelphia Federal Reserve. Even
6 with projected strong growth for transfer
7 tax revenues, the \$166 million the Plan
8 includes for Fiscal Year '17 is almost 70
9 million below the 234 million in transfer
10 tax revenues collected in Fiscal Year
11 '06.

12 The proposed Fiscal Year '13
13 expenditures total \$3.589 billion,
14 increasing to 3.664 billion in Fiscal
15 Year '17. While pensions and other
16 employee benefits and debt service are
17 projected to grow by over 6 percent over
18 the life of the Plan, the rest of the
19 budget remains flat.

20 The proposed Five Year Plan
21 shows adequate fund balances for the life
22 of the Plan, ending Fiscal Year '13 with
23 a projected fund balance of 53 million,
24 or 1.5 percent of revenues. In Fiscal
25 Years 2014, '15, '16 and 2017, the Plan

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2 projects respective fund balances of
3 33.6, 22.7, 36.6 and 51.3 million
4 dollars.

5 The Fiscal Year '13 Capital
6 Budget and Fiscal Year '13 through Fiscal
7 Year '18 Capital Program proposes various
8 investments to our City-owned facilities.
9 Twenty million dollars invested over two
10 years for the design and redevelopment of
11 JFK Plaza, also known as Love Park. This
12 project will create accessible green
13 space connecting the new Dilworth Plaza
14 with a revitalized Benjamin Franklin
15 Parkway. The City proposes over \$6
16 million to upgrade several police
17 stations and firehouses across the City
18 in Fiscal Year '13. Capital funds will
19 be leveraged with private sources and
20 invested in library branch improvements.
21 Two million dollars of proposed capital
22 funding will be used for a fit-out of the
23 new Health Center 2 in South
24 Philadelphia, with \$1 million budgeted in
25 both Fiscal Year '13 and Fiscal Year '14.

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2 The new Health Center 2 will be built on
3 the site of the current Health Center 2
4 and be paid for by the Children's
5 Hospital of Philadelphia through a
6 partnership between the City and CHOP.

7 I am proud of the
8 accomplishments made by my fellow City
9 employees over the past years. They have
10 worked hard through a difficult time and
11 have achieved a great deal. A few
12 examples of such accomplishments: The
13 Police Department has been effective in
14 reducing crime throughout the City since
15 Fiscal Year '08, and with the help of the
16 new initiatives announced in January
17 2012, continues to keep our citizens
18 safe.

19 The Fire Department continues
20 to educate citizens on fire safety,
21 providing residents with the tools they
22 need to stay safe. The Department
23 administered 1,184 fire safety programs
24 at 162 schools and successfully installed
25 17,952 smoke alarms in Fiscal Year '11.

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2 The Department of Human
3 Services continues to provide safety,
4 permanency and well-being for children at
5 risk of abuse, neglect and delinquency.

6 The dependent out-of-state population
7 significantly decreased by 69 percent
8 from June 30th, 2008 to June 30th, 2011.

9 The delinquent out-of-state population
10 has also decreased by 83 percent. During
11 the same period, Greenworks Philadelphia
12 made great strides in making Philadelphia
13 greener and more sustainable. Out of 151
14 initiatives set out for this Plan, 136
15 initiatives are either completed or are
16 underway. And through a variety of
17 anti-obesity and anti-smoking initiatives
18 under the Health Department,
19 Philadelphians are becoming healthier.

20 The Office of Economic
21 Opportunity has expanded the OEO registry
22 by 50 percent to 2,000 minority, women
23 and disabled business enterprises, and
24 continues to work with departments on
25 participation goals.

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2 The Vacant Property, Windows
3 and Door Court program launched by L&I
4 has been very, very successful. This
5 enforcement program targets blocks that
6 are mostly occupied and aggressively
7 seeks to ensure that owners ensure their
8 properties have all windows and doors, to
9 remove the blighting influences of
10 properties that are not compliant.

11 Our Parks and Recreation
12 Department, in conjunction with other
13 partners, launched TreePhiladelphia, a
14 yard tree giveaway of 4,000 free yard
15 trees during the spring and fall tree
16 planting seasons to Philadelphia property
17 owners.

18 The City's recycling program
19 has been successful, increasing from a
20 recycling rate of only 8 percent in
21 Fiscal Year '08 to 19 percent in Fiscal
22 Year '11.

23 Finally, the Managing
24 Director's Office has seen great success
25 in Philly Rising. After the successes of

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2 the pilot neighborhood site at Hartranft,
3 additional sites were launched in
4 Haddington, Market East, Frankford, Point
5 Breeze, Swampoodle/Allegheny West,
6 Strawberry Mansion, Kensington and
7 Elmwood. Vacant property demolitions,
8 community cleanups, new after-school
9 activities and several other examples of
10 positive change, led by the community,
11 contributed to promising results in the
12 neighborhoods.

13 The proposed budget seeks to
14 preserve the City's core services while
15 making Philadelphia a safer, smarter,
16 healthier, greener city where people want
17 to live and do business while operating
18 efficiently and effectively as a first
19 class city.

20 Thank you for the opportunity
21 to testify on behalf of the
22 Administration regarding the Fiscal Year
23 '13 proposed Operating Budget and
24 proposed Fiscal Year '13 through '17 Five
25 Year Financial and Strategic Plan. I

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2 have with me the senior officials of the
3 Administration, and with their assistance
4 as necessary, we will be happy to answer
5 any questions you may have.

6 Thank you.

7 COUNCIL PRESIDENT CLARKE:

8 Thank you, Mr. Gillison.

9 I see the board is heating up,
10 so I'll fire off a few questions before
11 we get to the members of the Committee of
12 the Whole.

13 Just a couple of quick
14 questions. In your testimony you talk
15 about \$11 million in amounts due to the
16 Love Garage. Can you be a little more
17 specific about that, please?

18 MS. RHYNHART: The 11 million
19 is amounts held -- Rebecca Rhynhart,
20 Budget Director. Apologies.

21 The 11 million were amounts
22 held by the Parking Authority, and it
23 came to our attention that according to
24 the legal documents surrounding the way
25 that the revenue is supposed to flow to

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 the City's General Fund, that that money
3 should have come over to the City. So
4 the Parking Authority sent that money
5 over.

6 So basically it was excess
7 revenues from past years that were
8 supposed to flow to the City's General
9 Fund, and we researched it and then asked
10 the Parking Authority to send it over,
11 and they did.

12 COUNCIL PRESIDENT CLARKE: How
13 did we discover that additional revenue?
14 Was an analysis done or did we trip on
15 it? How exactly did we find out about
16 this \$11 million?

17 MS. RHYNHART: I think that --
18 how did we find out about it? I had
19 looked through some of the documents and
20 then spoke to the Deputy Mayor for
21 Transportation and we talked through it
22 and then asked the Parking Authority to
23 send it over.

24 COUNCIL PRESIDENT CLARKE: It
25 was just that easy?

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2 MS. RHYNHART: It took a few
3 months, but we got it done.

4 COUNCIL PRESIDENT CLARKE: Is
5 there a possibility with a full analysis
6 that we may identify or discover or trip
7 over additional revenues that are owed
8 the City of Philadelphia?

9 MS. RHYNHART: No. We got the
10 bank statement, so the full amount was --

11 COUNCIL PRESIDENT CLARKE: I'm
12 sorry?

13 MS. RHYNHART: I mean, that is
14 the full amount that was being held, so
15 that was transferred over --

16 COUNCIL PRESIDENT CLARKE: But
17 my question is, it appears that there was
18 not a full analysis of all of the
19 revenues associated with the Parking
20 Authority and the agreement. It sounds
21 like we kind of just stumbled over this.
22 Was this based on a full analysis of the
23 entire agreement between the Parking
24 Authority and the City?

25 MS. RHYNHART: Yes. We did

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2 look -- I definitely did look through it
3 in some detail, so I think that is the
4 money that was there.

5 COUNCIL PRESIDENT CLARKE:

6 Okay.

7 In your testimony,
8 Mr. Gillison, you also reference
9 substantial spikes in pension costs and
10 from the low 2.2 -- I'm sorry; 206
11 million in FY03. You talk about more
12 than a \$400 million growth over the last
13 ten years.

14 Is that pretty much attributed
15 to the investment strategy, the downturn
16 in the market or had anything to do with
17 employees, production? I mean, what
18 exactly -- that's a significant increase.

19 I guess what I'm trying to find
20 out, is this something that the national
21 economy as it relates to pensions was
22 responsible for or was it something that
23 we were doing in the City of
24 Philadelphia?

25 MR. DUBOW: Rob Dubow, Finance

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2 Director.

3 There are a number of things
4 that led to that spike. Part of it is
5 what happened with the economy in 2008.
6 You've seen pension funds across the
7 country take substantial hits because of
8 what happened that year, and that
9 resulted in increased payments to make up
10 for losses in the market.

11 We also have some underlying
12 issues with our fund. We have more
13 retirees than active members. So that
14 makes it hard to meet our requirements.

15 And, I mean, I think -- so the
16 answer to your question is yes, but it's
17 one of a handful of factors.

18 COUNCIL PRESIDENT CLARKE: I'm
19 going to ask you to forward to the
20 Chair -- I guess which I am now the
21 Chair.

22 MR. DUBOW: Yes, you are.

23 COUNCIL PRESIDENT CLARKE: --
24 in very specific terms, because that's a
25 significant number, and obviously

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2 pensions and the whole pension reform is
3 a significant issue, and we just want to
4 get a clear understanding of where the
5 problem lies, if there's some things that
6 we've done as it relates to some of our
7 investment strategy that we can be doing
8 differently. Understandably, the
9 national economy is what it is. So that
10 obviously has an impact. Can you just
11 kind of talk about --

12 MR. DUBOW: Sure. And I don't
13 think it was our investment strategy,
14 because if you look at how we did
15 compared to other funds across the
16 nation, we did pretty well, and we can
17 show you what percentiles we ranked in.
18 I mean, I'd say we're always looking at
19 our investment strategy to make sure that
20 we're doing as well as we can. We just
21 brought in a new investment general
22 consultant for the pension fund, who will
23 be looking at our asset allocation to see
24 whether there's a better way to do it,
25 and we will get you more information on

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2 that.

3 COUNCIL PRESIDENT CLARKE:

4 Okay. Thank you.

5 Sticking with pensions for a
6 minute, as a layperson, which I am as it
7 relates to pensions, you hear about
8 individuals who have had investments in
9 their 401(k)'s and all you hear about in
10 this whole economic morass is, I lost my
11 401(k), I lost my 401(k). And in the
12 proposed strategy as it relates to some
13 of the municipal workers' pensions, we're
14 asking them to go into a 401(k)-like
15 plan, as you reference it in your
16 testimony.

17 Is that proposal or could it
18 conceivably put in the future, in the
19 event that we have some more challenges
20 as it relates to the national economy,
21 put at risk some of the pensioners'
22 funds? Because it appeared that during
23 the course of this national challenge
24 that we've had, those individuals who had
25 the traditional municipal pension plans

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2 were a little more stable than some of
3 the 401(k)'s that are prevalent in the
4 private sector.

5 MR. DUBOW: What we're
6 proposing is actually a combination of a
7 defined benefit and 401(k)-like plan. So
8 employees wouldn't have just the 401(k).
9 They'd have standard defined benefit
10 portion too.

11 But adding the 401(k) portion
12 would definitely mean that we were
13 sharing some of the risk of the market
14 with employees. I mean, one of the ways
15 we would try to mitigate that is to have
16 advisors to help them, the same way we do
17 with our deferred compensation plan.

18 COUNCIL PRESIDENT CLARKE:
19 Advisors to help the municipal workers?

20 MR. DUBOW: Yes.

21 COUNCIL PRESIDENT CLARKE: And
22 that will be paid out of what?

23 MR. DUBOW: The pension fund
24 has a contract with a firm that does that
25 now, and I think the way we've talked

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2 about doing it is having them also help
3 with the 401(k).

4 COUNCIL PRESIDENT CLARKE: So
5 with that response, are you suggesting
6 that some of the investments on 401(k)
7 plans on the private sector weren't done
8 adequately? I mean, what will be
9 different?

10 MR. DUBOW: No, I'm not
11 suggesting that. I don't know enough
12 about the details of how they advised
13 their employees in those plans, but what
14 I am saying is that for our plan, we
15 would want to make sure that we were
16 giving employees advice so that they had
17 the best knowledge of investment options.
18 But there's definitely more risk for
19 employees.

20 COUNCIL PRESIDENT CLARKE:
21 That's my point. So I'm saying --

22 MR. DUBOW: Yes.

23 COUNCIL PRESIDENT CLARKE: We
24 understand. We acknowledge that we're
25 asking the employees to enter into a more

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 risky plan.

3 MR. DUBOW: No, I'm not saying
4 a risky plan. There's more risk than
5 there is now. Right now City taxpayers
6 are assuming all of the risk of what
7 happens in the market. When you go to a
8 hybrid plan, some of that risk is shifted
9 to the beneficiaries.

10 COUNCIL PRESIDENT CLARKE: So
11 it's more risk to the employee?

12 MR. DUBOW: Yeah. We're
13 shifting some of the risk from the City,
14 from the taxpayers, to the employees.

15 COUNCIL PRESIDENT CLARKE: I
16 just want to get an acknowledgement that
17 there is a difference.

18 MR. DUBOW: Yes.

19 COUNCIL PRESIDENT CLARKE: It's
20 significant.

21 MR. DUBOW: It's a conscious
22 decision.

23 COUNCIL PRESIDENT CLARKE:
24 Okay. A couple more and I'm going to
25 turn it over to members of Council.

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2 Just quick, on the Page 11-12
3 of the Plan, when you talked about the
4 growth in transfer tax, you talked about
5 the conservative nature forecasting in
6 prior years and then you talk about a
7 relatively significant bump up in, I
8 guess, '13 and '14 of 7.5 and 9 percent
9 growth rate. Why are we projecting those
10 growths? Something on the horizon as
11 relates to housing starts or sales?

12 MS. RHYNHART: Our consultant,
13 IHS Global Insight, gave us a forecast
14 that actually had stronger growth than
15 this 7 and a half and 9 percent. They
16 forecast that there is going to be a
17 rebound in the housing market, that the
18 pent-up demand that has existed in this
19 area and in the nation -- but their
20 forecasts are specific to Philadelphia --
21 that there's been pent-up sales for so
22 long, that that's going to start to
23 happen, that properties are going to
24 start to sell and then values are going
25 to start to rise, and there's what I

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 would consider significant increases
3 built in there.

4 So we took those projections --
5 and they were double digit growth
6 projections from IHS Global Insight -- to
7 the economists over at the Federal
8 Reserve Bank of Philadelphia, because I
9 had the same question that you probably
10 have, which is, wow, this looks
11 aggressive. The economists at the Fed
12 thought that close to 10 percent or a
13 little under 10 percent, what we have in
14 this plan, was reasonable. And if you
15 think about it, we're at such a lower
16 base now -- I mean, back in '06, we had
17 almost 235 million of transfer tax
18 collected and now we have about 116
19 million. So even that growth of 7 and a
20 half and in ramping up to 9 percent for
21 several years only gets us to about 165,
22 166 million. So we're still not close to
23 where we were, but there is an
24 expectation from economists that there's
25 going to be a rebound in the local

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 market.

3 COUNCIL PRESIDENT CLARKE: Is
4 that nationally or is it specific to
5 Philadelphia?

6 MS. RHYNHART: This is specific
7 to the City of Philadelphia, but I think
8 nationally there are some similar
9 forecasts, but it really depends on
10 region.

11 COUNCIL PRESIDENT CLARKE: Can
12 you tell us here who those economists are
13 that are projecting?

14 MS. RHYNHART: Well, the
15 economists that we met with, you mean?

16 COUNCIL PRESIDENT CLARKE:
17 Yeah. I just need to know who has
18 this --

19 MS. RHYNHART: The
20 economists --

21 COUNCIL PRESIDENT CLARKE:
22 There are a lot of people out there that
23 would like to know from an investment
24 perspective why we think that we're going
25 to get a bump up in real estate starts

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 and sales and things of that nature.

3 MS. RHYNHART: Right. I mean,
4 I think it's from our consultant, IHS
5 Global Insight, and then the meetings
6 that we had with the economists at the
7 Federal Reserve Bank of Philadelphia.
8 And there was a consistent viewpoint that
9 we would see that type of growth. So
10 that's why we felt comfortable putting it
11 into the Plan.

12 COUNCIL PRESIDENT CLARKE:
13 Okay. One last question, kind of relates
14 to something in my district. I guess you
15 call it district prerogative.

16 Real quick. On the Ridge
17 Shelter, an additional 1.2 million,
18 Office of Supportive Housing to replace
19 beds that are no longer available at the
20 Ridge Shelter. Is there a timeline on
21 the possibility or do we have specific --

22 MS. RHYNHART: My understanding
23 is that it's June 30th.

24 COUNCIL PRESIDENT CLARKE:
25 Pardon me?

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 MS. RHYNHART: My understanding
3 is that the Ridge Center is closing on
4 June 30th.

5 COUNCIL PRESIDENT CLARKE: And
6 we have adequate providers to contract
7 with to replace the beds that we lose at
8 that facility?

9 MS. RHYNHART: The Office of
10 Supportive Housing is working on that.
11 They could probably comment more
12 specifically on that if you'd like a more
13 specific answer, but that is what the
14 funding is for.

15 COUNCIL PRESIDENT CLARKE: It's
16 a sensitive issue.

17 MS. RHYNHART: I understand.

18 COUNCIL PRESIDENT CLARKE: And
19 I want to make sure that -- we had a
20 number of extensions at the facility and
21 what I want to make sure personally is
22 that individuals are located in a way
23 that it is clearly the standards that we
24 establish in the City of Philadelphia,
25 not simply warehousing people so we can

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 close the facility.

3 MS. RHYNHART: Right.

4 COUNCIL PRESIDENT CLARKE: I'd
5 like to get a sense if in fact we're
6 going to be able to meet that timeframe
7 or will I be asked to extend it an
8 additional year at the particular
9 facility.

10 MS. RHYNHART: My understanding
11 is that we're on track for June 30th.

12 COUNCIL PRESIDENT CLARKE:
13 Okay. All right. Thank you.

14 I'm going to let my
15 colleagues -- the board is heating up
16 again.

17 First round, Councilmembers, we
18 want to do five minutes first round, and
19 then hopefully we'll shift to three
20 minutes. Is that okay? And I understand
21 we have a new timer. We no longer have
22 the eggbeater timer. More electronic
23 model. Thank you.

24 Councilman Greenlee.

25 COUNCILMAN GREENLEE: Thank

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 you, Mr. President.

3 Good morning, everyone.

4 (Good morning.)

5 COUNCILMAN GREENLEE: First,
6 Mr. Gillison, near the beginning of your
7 testimony, you talk about some of the
8 taxes are growing at lower levels than
9 projected in last year's Five Year Plan.
10 Could someone be a little bit more
11 specific? I assume from the testimony
12 and the conversation that transfer tax is
13 one of those, but could you get a little
14 more specific on that.

15 MS. RHYNHART: In Fiscal '12
16 actually in terms of the taxes that --
17 I'm sorry. Was your question what taxes
18 are going --

19 COUNCILMAN GREENLEE: Well, it
20 says some of the taxes are growing at
21 lower levels than projected in last
22 year's Five Year Plan. When you say
23 "some," can you be a little bit more --

24 MS. RHYNHART: Oh, sure. Right
25 now the wage tax is coming in below

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 projections. We had projected in Fiscal
3 '12 that it would be at 3.4 percent
4 growth rate. We had to lower that to 2.2
5 percent, and we still need some strong
6 growth to hit that number in Fiscal '12.
7 The sales tax we had to take down the
8 growth projection as well. The transfer
9 tax, we had to take that down.

10 So the one tax that came in
11 better than projected was the business
12 privilege tax, and that's based -- the
13 majority of that tax is from corporate
14 profits, and there was a good year.

15 MR. DUBOW: That was in FY12.

16 MS. RHYNHART: In FY12, right.

17 MR. DUBOW: I mean FY11 and
18 we're assuming it continues.

19 MS. RHYNHART: That's right.
20 That's right.

21 MR. DUBOW: So we haven't seen
22 those collections yet for '12.

23 MS. RHYNHART: That's a good
24 point that Rob makes, good clarification.

25 COUNCILMAN GREENLEE: So the

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 business privilege has been the most
3 successful?

4 MS. RHYNHART: In '11 we had a
5 good year, yes.

6 MR. DUBOW: But in '12 we get
7 those collections at the end of April, so
8 we haven't seen them for '12, but we're
9 assuming based on what happened in '11
10 that '12 will be good.

11 COUNCILMAN GREENLEE: I just
12 wanted a little bit more specifics as far
13 as what "some" were.

14 I have a feeling a whole lot of
15 people might have questions about AVI, so
16 I'll start out. Obviously one of the big
17 concerns is the timing of all this
18 obviously. Could you just comment on
19 that a little bit as far as when you
20 think figures will be in vis-a-vis when
21 we have to do what we have to do, that
22 kind of thing.

23 MR. DUBOW: Right. So based on
24 the schedule that we're on now, we think
25 that we will have new assessments in the

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2 fall, probably in September. And that
3 obviously creates an issue for the tax
4 setting since that has to happen during
5 this budget process. So that's why we've
6 made the suggestion of setting the target
7 revenue amount that would then lead us to
8 a millage rate after we got the
9 assessments.

10 COUNCILMAN GREENLEE: After?
11 Will there be -- when will you have some
12 numbers in that we can at least use, I
13 guess, as examples around the City so we
14 can kind of get a feel for where this is
15 going?

16 MR. DUBOW: I think what we can
17 put together for you, which is probably
18 the best proxy we can do now, is look at
19 average sales in neighborhoods and how
20 that compares to assessed values in those
21 neighborhoods. They won't be -- it won't
22 be completely consistent because there
23 are other factors that go into
24 assessments, but that might give a good
25 sense, and we can probably do that over

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 the course of the next couple of weeks.

3 COUNCILMAN GREENLEE: And will
4 they be pretty widespread around the
5 City?

6 MR. DUBOW: Yes.

7 COUNCILMAN GREENLEE: Because I
8 that's a concern too.

9 MR. DUBOW: I think they'll be
10 widespread around the City and widespread
11 even within blocks, because I think
12 there's just been a variety of how
13 assessments have been done.

14 COUNCILMAN GREENLEE: And,
15 lastly, the programs to try to help
16 people, the smoothing, the homestead, I
17 know that has to be approved. We have to
18 get approval from Harrisburg, correct?

19 MR. DUBOW: For the homestead
20 exemption.

21 COUNCILMAN GREENLEE: For the
22 homestead anyway. Where does that stand?
23 Because we keep hearing different things,
24 that it looks like it's going to happen,
25 then we hear a more negative response.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 What would be your opinion now?

3 MR. DUBOW: The homestead
4 exemption was passed in the Senate and is
5 now over in the House.

6 COUNCILMAN GREENLEE: Does it
7 look promising over there, would you say?

8 MR. DUBOW: I don't --

9 COUNCILMAN GREENLEE: You don't
10 want to speculate?

11 MR. DUBOW: Right.

12 COUNCILMAN GREENLEE: All
13 right.

14 MR. DUBOW: Yes. We don't want
15 to speculate.

16 COUNCILMAN GREENLEE: All
17 right.

18 He's been around long enough
19 not to speculate. I understand.

20 Thank you, Mr. President.

21 COUNCIL PRESIDENT CLARKE:
22 Councilman Green.

23 COUNCILMAN GREEN: Thank you,
24 Mr. President.

25 Good -- I guess we're still

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 morning. Good morning, for four more
3 minutes.

4 MR. DUBOW: Good morning.

5 COUNCILMAN GREEN: I noticed
6 during the testimony, Mr. Gillison, you
7 changed from the text where you said the
8 property tax for the City portion in FY13
9 is 491.5 million to what you said, which
10 is the property tax in FY13 is at least
11 491.5 million.

12 What is the upper limit above
13 that number that we could collect by
14 accident or through negligence?

15 MR. DUBOW: I may characterize
16 it differently from negligence, but the
17 current portion that we have in the
18 budget is 458 and then there's 33 million
19 in prior year. The two variables that
20 could change that are collection rate and
21 the number of appeals. We assume I think
22 it's about 960 million in assessed value
23 lost through appeals and an 87 and a half
24 percent collection rate. To the extent
25 that appeals are different from that or

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 the collection rate is different, the
3 number will shift.

4 COUNCILMAN GREEN: And it could
5 shift up or down?

6 MR. DUBOW: That's correct.

7 COUNCILMAN GREEN: Could it
8 shift up or down -- when you take the
9 bill that you sent as a whole, could it
10 shift up or down more than \$25 million?

11 MR. DUBOW: I haven't --

12 COUNCILMAN GREEN: Have you
13 stress-tested the formula that you sent
14 to City Council?

15 MR. DUBOW: I haven't said,
16 Okay, what if appeal losses are 200
17 million. It would be easy enough to do
18 that. We can put that in.

19 COUNCILMAN GREEN: Don't you
20 think we ought to know what the upper and
21 lower bounds are of the tax that we could
22 collect from that formulaic approach for
23 planning purposes?

24 MR. DUBOW: Yeah. We can do
25 those stress tests for you.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILMAN GREEN: But the
3 stress tests were not done. So you don't
4 within the Administration know what
5 happens if collections are 80 percent
6 because more people appeal or collections
7 are 90 percent because people pay even
8 though they're appealing, as required?

9 MR. DUBOW: Well, we have --

10 COUNCILMAN GREEN: You've got
11 no internal analysis on that?

12 MR. DUBOW: The appeals and the
13 collection factors are actually -- you
14 kind of conflated them there. We are
15 assuming that there'll be a big uptick in
16 appeals. That's what we built in.
17 Obviously that number will change if
18 we're not right about that. We can do
19 that analysis for you. I don't have that
20 with me.

21 COUNCILMAN GREEN: But today
22 the number is not stress-tested, so it's
23 not even necessarily at least. It could
24 be higher or lower, and there's no
25 determination in the Administration of

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 what the upper and lower limits or bounds
3 are of the potential change from 491.5
4 million; is that correct?

5 MR. DUBOW: That's correct.
6 The number, as I said, could change.

7 COUNCILMAN GREEN: Thank you.

8 So it seems to me sort of an
9 irresponsible place to start. Would you
10 be surprised if I told you that the
11 actual upper limit in the bill the way
12 the Administration has sent this bill to
13 us of collections for just City side, not
14 including School District, is \$1.4
15 billion we could collect accidentally or
16 negligently?

17 MR. DUBOW: You're assuming --

18 COUNCILMAN GREEN: Instead of
19 491 million.

20 MR. DUBOW: You're assuming 100
21 percent collection?

22 COUNCILMAN GREEN: I'm saying
23 that's assuming 100 percent collection,
24 but --

25 MR. DUBOW: I don't think

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 that's a reasonable assumption.

3 COUNCILMAN GREEN: Okay. So if
4 you look at the second savings clause, it
5 collects, assuming that the -- we have
6 two savings clauses in this bill for
7 background. There's one savings clause
8 that provides a different matter if the
9 state won't accept -- the courts won't
10 accept a certified appraisal, market
11 appraisal. There's another savings
12 clause if the concept of the formulaic
13 approach proposed by the Administration
14 is invalid. What it says is that the tax
15 rate will be 1 percent of the fair market
16 value of the actual value.

17 If that savings clause goes
18 into effect and the value is as the
19 Administration testified before PICA the
20 other day \$100 to \$140 billion or three
21 to four times the current aggregate
22 market value of property in the City is
23 the overall aggregate market value, 1
24 percent of that number three to four
25 times is 1 billion to 1.4 billion dollars

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 that we could accidentally or negligently
3 collect from the citizens.

4 When you apply that to the
5 School District side, under state law, we
6 would never be able to take that money
7 back, and that would be about \$2 billion
8 that would go to the School District from
9 the current 690-some million, close to
10 \$700 million.

11 MR. DUBOW: So the quadrupling
12 of values, which is what we talked about
13 last week, is just an estimate. We don't
14 know. That's one of the reasons that we
15 can't set a millage rate. It could be
16 more than that; it could be less than
17 that. That's the way -- that's why we
18 structured it the way that we have. And,
19 again, you need to build in things like
20 appeal losses and the collection factor
21 to get to your number.

22 COUNCILMAN GREEN: The savings
23 clause specifically says that it's 1
24 percent of the value. You said to PICA
25 that the value was three to four times.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 The value is not two times and you don't
3 think the value is seven times. You
4 chose a number and you put it in a bill
5 and you sent it to us, and, that is, that
6 we will collect 1 percent of the market
7 value for the City. Based on your own
8 words to PICA, that is a billion to a
9 billion four compared to \$491 million.

10 MR. DUBOW: Again, we don't
11 know where it's going to come out.
12 That's why we've actually designed a bill
13 that has a target revenues number.

14 COUNCILMAN GREEN: I'm talking
15 about the savings clause. Mr. Dubow, the
16 savings clause, how much would we collect
17 if the savings clause goes into effect
18 based on your own analysis?

19 MR. DUBOW: Well, again, we
20 don't know where it's going to come out.
21 That's the issue and that's the reason
22 we're proposing to do it the way we're
23 proposing to do it.

24 COUNCILMAN GREEN: What is the
25 math on the savings clause? How much

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 will we collect under the savings clause
3 under Section 3 if we collect 1 percent
4 of the assessed value? How much will we
5 collect?

6 MR. DUBOW: Depends --

7 COUNCILMAN GREEN: Simple
8 question.

9 MR. DUBOW: Right.

10 COUNCILMAN GREEN: Call it an
11 87 percent collection rate. Make the
12 same assumptions you're making for
13 everything else. One percent of the
14 aggregate value is a billion to a billion
15 four. Eighty-seven percent of that is
16 something less.

17 MR. DUBOW: That's --

18 COUNCILMAN GREEN: It's at
19 least double the \$491 million, taking
20 every other assumption that you used in
21 the formulaic approach as constant.

22 COUNCIL PRESIDENT CLARKE:
23 Councilman, why don't we give Mr. Dubow
24 time to think about that one.

25 MR. DUBOW: It's the same

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 answer. We don't know where it's going
3 to come out.

4 COUNCILMAN GREEN: It's a
5 simple -- Mr. --

6 COUNCIL PRESIDENT CLARKE: That
7 was actually a nice way of saying that
8 the five minutes are up.

9 COUNCILMAN GREEN:
10 Mr. President, I appreciate that. The
11 question is simple. I'll restate it and
12 we'll see what the Administration gets
13 back.

14 How much, assuming all your
15 other assumptions are true with respect
16 to the formulaic approach, will we
17 collect if the formulaic approach is
18 illegal and Clause 3 of the savings
19 clause goes into effect?

20 Thank you, Mr. President.

21 COUNCIL PRESIDENT CLARKE:

22 Thank you, Councilman.

23 The Chair recognizes Councilman
24 Goode.

25 COUNCILMAN GOODE: Thank you,

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 Mr. President.

3 Good morning, Mr. Gillison,
4 Mr. Dubow, Ms. Rhyhart.

5 The first question is real
6 simple. Should we take the Five Year
7 Financial Plan at face value? Are the
8 numbers real?

9 MR. DUBOW: That's not a simple
10 question. But I guess the simple answer
11 would be yes, although I sense that's
12 leading to something else.

13 COUNCILMAN GOODE: Absolutely.
14 Class 200 allocations have dropped from
15 actual expenditures of over 1.1 billion
16 in Fiscal Year '11 to roughly 760 million
17 over the course of the Five Year Plan,
18 including a drop this year. That's about
19 a 32 percent drop, about \$350 million,
20 but the budget has not decreased.
21 Expenditures over the Five Year Plan in
22 terms of general operating, general fund
23 budget has not decreased. Therefore, if
24 you've cut contracts and leases by \$350
25 million, where did the money go? How do

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 you explain that?

3 MR. DUBOW: So the biggest
4 reason for that decrease is shifting
5 Department of Human Services from the
6 General Fund to the Grants Fund. So it's
7 not a real cut. It's a shift, in large
8 part, from General to Grants.

9 COUNCILMAN GOODE: Can you be
10 specific in terms of dollar amounts?
11 Because some of it is a shift.

12 MR. DUBOW: Some of it is a
13 shift, right.

14 MS. RHYNHART: Yeah. The vast
15 majority is the transfer of the DHS over
16 to the Grants Fund. We can provide -- we
17 have a spreadsheet if you want --

18 COUNCILMAN GOODE: I'm actually
19 asking of the \$350 million what was
20 shifted, how was it shifted and what was
21 shifted, more specifically, within the
22 General Fund budget.

23 MR. DUBOW: The biggest
24 increase in the General Fund budget is
25 going to be pension costs. I mean,

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 that's where you see the run-up, and a
3 lot of that -- part of that --

4 COUNCILMAN GOODE: I get that,
5 and I'm getting there, but I just want
6 you to actually quantify it before I get
7 there.

8 MS. RHYNHART: Are you asking
9 for a quantification of the amount of the
10 DHS transfer, the move from the General
11 Fund to the Grants?

12 COUNCILMAN GOODE: The question
13 I'm asking is, you cut from Fiscal Year
14 '11 actual expenditures to this fiscal
15 year and throughout the Five Year Plan,
16 you've cut Class 200 by about 350
17 million. It's about a 32 percent cut.
18 Some of that may be DHS; other is not.
19 I'm asking you to just quantify and
20 itemize where the money went.

21 MR. DUBOW: Right. So in total
22 from the '11 actual to the '13 budget,
23 there's about a \$200 million decrease in
24 spending, right, from 3.78 billion to
25 3.58 billion. Most of the reduction is

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 in contracts and most of that is the DHS
3 shift. But there's about a \$200 million
4 increase in the benefits line, and most
5 of that is in pensions. And if you hold
6 on one second, let me find the exact
7 number on the pensions increase.

8 COUNCILMAN GOODE: I'll just
9 skip to the second question, because I've
10 done all that.

11 So you're budgeting more money
12 for benefits but not wages?

13 MR. DUBOW: Yeah. Pensions is
14 a \$140 million increase.

15 COUNCILMAN GOODE: And it's
16 safe to say that around \$190 million in
17 benefit costs increased by the end of the
18 Plan. Is that the Administration's
19 preferred way to budget it? In other
20 words, are you trying to fund wage
21 increases through savings and benefits?

22 MR. DUBOW: Yes. That's our
23 proposal in our collective bargaining
24 agreements.

25 COUNCILMAN GOODE: But that's

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 not what's reflected in the Plan. In the
3 Five Year Plan, the wage numbers are flat
4 and the benefits numbers go up by about
5 190 million.

6 MR. DUBOW: That's right. And
7 what we're trying to get to but what's
8 not in place now is collective bargaining
9 agreements that we're --

10 COUNCILMAN GOODE: So these
11 numbers are not real?

12 MR. DUBOW: They're real based
13 on the agreements we have in place now.

14 COUNCILMAN GOODE: So let me
15 ask you a different question, then. So
16 you can pay for a \$190 million increase
17 in benefits over the Five Year Plan?

18 MR. DUBOW: Well, the Plan --
19 yes. The Plan assumes those increases.

20 COUNCILMAN GOODE: So it's paid
21 for?

22 MR. DUBOW: Most of it is
23 pension costs and most of that comes
24 from --

25 COUNCILMAN GOODE: So a \$350

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 million cut in Class 200, that allows for
3 a \$190 million increase in wages and/or
4 benefits, but right now it's a \$190
5 million increase in benefits; is that
6 correct?

7 MR. DUBOW: No, because the
8 shift of obligations to the Grants Fund
9 also took revenues over to the Grants
10 Fund. It didn't give us the ability to
11 spend more money.

12 COUNCILMAN GOODE: I'm looking
13 at the Five Year Plan, looking at the
14 numbers. I see that the wage numbers are
15 flat. The benefit numbers increase by
16 \$190 million.

17 MR. DUBOW: Right.

18 COUNCILMAN GOODE: The Class
19 200 is cut, and the bottom line in terms
20 of overall General Fund budget doesn't
21 move dramatically, so how am I reading
22 that wrong?

23 MR. DUBOW: So what's happening
24 is that pension costs and benefit costs
25 are going up, which eats up pretty much

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 any increase in revenue that we're
3 getting.

4 COUNCILMAN GOODE: The question
5 I'm asking is --

6 MR. DUBOW: But the total -- I
7 think I might get you the answer. But
8 the total doesn't go up because of -- the
9 total in the General Fund doesn't go up
10 because of the shift to the Grants Fund.
11 If you saw both of them together, you
12 would see an increase of the combination.

13 COUNCILMAN GOODE: The question
14 is, at the end of the day, you can afford
15 to spend \$190 million on benefits by the
16 end of the Plan and your Plan says that
17 it's paid for; is that correct?

18 MR. DUBOW: This Plan pays for
19 that, but that's where all the increases
20 go to, so --

21 COUNCILMAN GOODE: Okay.

22 MR. DUBOW: -- the ability to
23 do other investments --

24 COUNCILMAN GOODE: I just
25 wanted to put it on the record that

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 there's a \$190 million increase in
3 benefits over the five years and that you
4 say it's paid for in this Plan, but that
5 money can be spent for wages and/or
6 benefits.

7 MR. DUBOW: Yeah, but to use it
8 to pay for wages, we have to figure out a
9 way to reduce our pension costs.

10 COUNCILMAN GOODE: I get that
11 because \$190 million is paid for in terms
12 of increases.

13 MR. DUBOW: Right. If we could
14 reduce our pension costs by \$190 million
15 in the next five years, we could use that
16 to pay for other things.

17 COUNCILMAN GOODE: But there's
18 \$190 million that's already paid for
19 under the Plan?

20 MR. DUBOW: Yes.

21 COUNCILMAN GOODE: Thank you.

22 Thank you, Mr. President.

23 COUNCIL PRESIDENT CLARKE:

24 Thank you, Councilman.

25 The Chair recognizes Councilman

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 Jones.

3 COUNCILMAN JONES: Thank you,
4 Mr. President. It is really good to see
5 you up front in control of things this
6 year.

7 Good morning.

8 (Good morning.)

9 COUNCILMAN JONES: We realize
10 in this body and throughout this building
11 that there have been draconian budget
12 cuts at the federal level. There will
13 continue to be those cuts in the next
14 fiscal year. There have been draconian,
15 horrible projected budget cuts at the
16 state level, which will have rippling
17 impacts throughout every department in
18 the City of Philadelphia, and your office
19 has been very good at briefing us as to
20 the potential impacts of those cuts.

21 One of the things as my
22 colleague talked about the possibility of
23 the real estate equalization, I call it,
24 and others call it revenues for the
25 School Board, whatever you choose to call

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 it, before we go look at that, I think it
3 is imperative that we look at revenues
4 that are still on the table to be
5 collected. And one of the things that
6 our staff looked at was that there are
7 somewhere in the neighborhood of
8 28,445,000 delinquent taxes owed the City
9 of Philadelphia by property owners. And
10 in particular, what struck me as
11 interesting as we looked at that was the
12 fact that many of those owners of
13 properties that are delinquent aren't
14 your usual suspects in the sense that
15 they are held in low- and moderate-income
16 neighborhoods. Some of these property
17 owners are in some of the upwardly mobile
18 up and coming neighborhoods.

19 Another interesting fact was
20 that many of these individuals -- and we
21 did the research on them -- came from out
22 of state, meaning that they own the
23 property, they were absentee landlords
24 delinquent on their properties here in
25 the City of Philadelphia, but in a

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 sampling that we did, looked at some of
3 the properties that they held elsewhere
4 and are current on their taxes.

5 I don't understand that kind of
6 logic, that they would be disrespectful
7 to the City of Philadelphia, but I want
8 to know how we can make sure that we are
9 not just looking at Philly-based assets,
10 but we're also looking at assets that
11 they may hold other places to get what is
12 due the City of Philadelphia.

13 When we juxtapose that with the
14 cuts that we are facing, when we
15 juxtapose that with the budget deficit
16 that the School Board is facing, it seems
17 to me that we should be a bit more
18 aggressive in going after not the
19 delinquent deadbeats that are
20 uncollectible, but in some of these
21 cases, these individuals actually have
22 means and have proven they've had means
23 because they treat their hometowns so
24 very, very good.

25 MR. DUBOW: So one of the

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 things that we're doing on the property
3 tax in particular to try to increase
4 delinquent collections is, we've gotten
5 much more aggressive on taking properties
6 to Sheriff's sale. We've gone from an
7 average of 200. We're working our way up
8 to 600 a month. But your question I
9 think was what do we do about assets that
10 aren't in Philadelphia.

11 COUNCILMAN JONES: There are
12 2,956 Philadelphia properties held by
13 2,320 non-Philadelphia residents that owe
14 us \$28 million.

15 MR. DUBOW: Okay. And you want
16 to know how we get that they're
17 non-Philadelphia assets?

18 COUNCILMAN JONES: And are we
19 looking at that as a collectible
20 considering we run after some of the
21 deadbeats that are just not collectible.
22 There are some that we've looked at that
23 do have means and do have assets in other
24 places, and I wanted to know if we're
25 asking Philadelphians, who have made a

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 commitment to own properties here and
3 live here, are we looking at some of the
4 folk that have kind of thumbed their nose
5 at us?

6 MR. DUBOW: Yeah. That's a
7 good question, and we'll look into that
8 and see what our options are in terms of
9 their properties outside of Philadelphia.

10 COUNCILMAN JONES: My second
11 point is that we are looking at revenues,
12 and one of the things that we use to look
13 at are the PICA report. You projected on
14 wage and net profit that you were going
15 to have 3.40 percent increase, right? We
16 actually wound up down 2.2 percent in
17 actual.

18 MS. RHYNHART: No. That's the
19 current projection.

20 COUNCILMAN JONES: Right. So
21 between the deficit and the projection,
22 we're talking about how many percent to
23 make up just to catch up to where we said
24 we were?

25 MS. RHYNHART: In terms of how

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 to catch up for '12?

3 COUNCILMAN JONES: Yes.

4 MS. RHYNHART: We need to see
5 strong growth for the remainder of the
6 year. So we've had like 0.6 percent
7 growth the first quarter and 2.1 percent
8 the second quarter. So we need to see
9 upwards of 3 percent growth to hit that.

10 COUNCILMAN JONES: So as we
11 look at sales taxes, we're at 2.5. When
12 we look at real estate transactions, 4.4.
13 So all of these are down, aren't they?

14 MS. RHYNHART: Where are you
15 looking, real estate, 4.4?

16 COUNCILMAN JONES: Under the
17 PICA report, according to PICA. We're a
18 bit down.

19 So I don't know -- someone
20 asked who our economists are and that
21 somehow regionally we were going to do
22 better than the national average. I want
23 to know where you get that optimism from.

24 MS. RHYNHART: I think that for
25 '12, projections are similar to what we

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 have in terms of that the transfer tax is
3 expected to be down slightly for the year
4 and the wage and sales tax are also
5 supposed to be dampened, but then as the
6 rebound occurs over the next few years,
7 it is supposed to grow to more moderate
8 levels. So there is a consensus on that.

9 COUNCILMAN JONES: I make those
10 two points, who we're not collecting on
11 and who we're expecting to get monies
12 from, and say there is a disparity there
13 between some people who -- in one
14 instance I met with a small business
15 association and they said to me that they
16 run the risk of getting audited, that
17 they have a better shot of getting a hit
18 on the lottery and that it pays off to
19 them to let the roulette -- what is that,
20 roulette wheel go around. I don't
21 gamble. So to go around and for them to
22 get lucky or unlucky and then pay the
23 fine and principal. It is better on
24 average just to not do it.

25 We have to -- and I want to say

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 that the Revenue Commissioner does a
3 great job with what he has. I'm going to
4 say it again. We need to give him more
5 resources so he can collect the monies
6 that are on the street. This same
7 individual said, Councilman, if you're
8 going to pass another tax that you're not
9 going to collect, what's the point?

10 Thank you, Mr. President.

11 COUNCIL PRESIDENT CLARKE:

12 Thank you. Thank you, Councilman.

13 The Chair now recognizes
14 Councilwoman Tasco.

15 COUNCILWOMAN TASCO: Thank you.

16 On Page 7, along the line of
17 Councilman Jones, you in the proposed
18 Five Year Plan, wage tax, what's with
19 2017? Everything seems to decline 2017.
20 Do you suppose that if we're going to
21 move the economy forward, that it might
22 be higher at that point?

23 MS. RHYNHART: No. That's a
24 good question.

25 COUNCILWOMAN TASCO: Because

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 all of the issues, all of the wage tax,
3 sales tax, real estate transfer tax, seem
4 to be going backwards in 2017.

5 MS. RHYNHART: There's an
6 expectation that there will be a rebound,
7 and then that after the rebound occurs,
8 which is really sort of catch-up years,
9 for the economy to pick up some of the
10 growth that has not been occurring and
11 then it will moderate. So the 3 and a
12 half percent sales tax in '17 and 3.1
13 percent growth in wage tax in '17, that's
14 getting to more moderate growth levels in
15 a stable economy. So there's several
16 years that ramp up where the economic
17 recovery occurs, and then the theory is
18 that it will taper off into a stable
19 economy with growth that is close to
20 inflation.

21 COUNCILWOMAN TASC0: And if it
22 doesn't and it goes up, it's better for
23 you, right?

24 MS. RHYNHART: If it goes up?
25 Yeah, sure.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILWOMAN TASC0: Let me
3 just ask you another question. I notice
4 in all of your testimony, Mr. Gillison,
5 with the advent of the proposed budget
6 cuts of the state, where in our budget
7 are we able to adjust for those cuts?

8 MR. GILLISON: We're not.

9 COUNCILWOMAN TASC0: So what
10 happens to those individuals, the
11 homeless? What happens to all of the
12 programs that the state funds? I mean,
13 they still impact on the people who live
14 in the City of Philadelphia. What do we
15 do about that?

16 MR. GILLISON: It's very true.
17 We will not be able to absorb those
18 dollars once cut by the state. Those
19 programs would go away, because they're
20 completely funded by the state. That's
21 why we're spending a lot of time being as
22 aggressive as we can, partnering with our
23 surrounding counties, partnering with as
24 many people that will listen in
25 Harrisburg in order to say that these

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 kinds of cuts, especially to our most
3 vulnerable, really need to be taken a
4 second look at.

5 But there's nowhere that we
6 would be able to come to the rescue. We
7 don't have the dollars, and those
8 programs would go away.

9 COUNCILWOMAN TASC0: Well, they
10 go away, but we still have the folk here
11 in Philadelphia who have the problems.

12 MR. GILLISON: That's correct.

13 COUNCILWOMAN TASC0:
14 Particularly those who are dealing with
15 mental problems that go through the --
16 and substance abuse problems from the
17 Department of Behavioral Health.

18 So don't you think we ought to
19 look at how we might -- because those
20 people will not get the services. They
21 will probably increase our folk on the
22 street, which you're trying to deal with
23 at this point.

24 MR. GILLISON: Absolutely.

25 COUNCILWOMAN TASC0: So I think

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 there ought to be some contingency to
3 deal with -- and maybe you don't want to
4 talk about it because then you won't have
5 your lobbying in your Harrisburg to be as
6 effective, but there's got to be some way
7 that we look at what we do with our
8 citizens who will be severely harmed by
9 those budget cuts.

10 MR. GILLISON: I agree totally
11 with you. I know that we are bracing,
12 but I think that we're trying to be as
13 aggressive as we can in our strategy to
14 make sure that everyone understands that
15 these kinds of cuts would have an impact
16 and that we would come together on the
17 local level where rubber always hits the
18 road. We will try and do what we can to
19 mitigate, but there's no dollars for us
20 to mitigate in our budget. We just have
21 to try and work with our partners as best
22 we can to mitigate the extent of the
23 devastation that those kind of proposed
24 cuts would have.

25 I agree with you. I don't want

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 to see where they would normally end up,
3 which is back in the prisons, where I
4 don't want them to be. We don't need
5 more people who are mentally ill in
6 prison. We don't need more people out on
7 the streets. We've been trying to deal
8 with this homeless matter for a long
9 time, and it pains us, it pains me
10 specifically. I've been in this area for
11 over 30 years trying to help people get
12 out. I can't imagine what's going on in
13 Harrisburg where they would actually put
14 together that kind of matter, that kind
15 of budget. But it is literally -- we
16 don't have the ability to respond
17 financially, but we will have to respond
18 and work together to find a different way
19 should it come to pass. I'm just praying
20 that it won't.

21 COUNCILWOMAN TASC0: Well, on
22 Page 6, you have the \$1.2 million for the
23 Office of Supportive Housing to relocate
24 those beds at the Ridge Avenue Center.

25 MR. GILLISON: That's correct.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILWOMAN TASC0: Is there a
3 time limit on when you have to move those
4 residents, and why are you moving from
5 that center?

6 MR. GILLISON: The center is
7 closing down, and we are trying to put
8 together the contracts that we would need
9 in order to make sure that the people who
10 are serviced at that center would be able
11 to go elsewhere, and as we said to the
12 Council President, we are trying to --
13 we're on target. We understand we're on
14 target so that the center would close on
15 June 30th and we'll have the ability with
16 these dollars to put those folks in
17 different areas.

18 COUNCILWOMAN TASC0: Is the
19 closing generated by the City or is the
20 closing generated by the possibility of
21 that site being sold to a developer?

22 MR. GILLISON: I don't know the
23 answer to that specific question. I
24 would have to get back to you,
25 Councilwoman.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILWOMAN TASC0: Well, the
3 question --

4 MR. GILLISON: I just know that
5 that center is going away, so we have to
6 have the ability to make sure that we're
7 providing for those people in different
8 places.

9 COUNCILWOMAN TASC0: Same folk,
10 CBH.

11 MR. GILLISON: Right.

12 COUNCILWOMAN TASC0: One point
13 five million to move these folks from one
14 center. Don't know how many people will
15 be impacted as a result of the budget
16 cuts, but we have no provision in the
17 budget to deal with relocating them.

18 Thank you.

19 COUNCIL PRESIDENT CLARKE:

20 Thank you, Councilwoman.

21 The Chair now recognizes
22 Councilmember Kenney.

23 COUNCILMAN KENNEY: Thank you,
24 Mr. President.

25 I think AVI is going to be --

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 and I've said it. I was quoted in the
3 paper saying that AVI is going to be the
4 most difficult issue that we deal with
5 this year. And let me bring it to the
6 street level for a moment.

7 I ran into a young man the
8 other day who I happen to know, who is a
9 professional, married, has a small child,
10 lives in Queen Village. His taxes right
11 now are \$4,000 a year. Based on the
12 purchase price of his house and the
13 comparable sales in recent months, he
14 estimates between \$8,000 and \$10,000 his
15 real estate taxes are going to be.

16 What do I tell him? What's the
17 answer that I give that person, who is
18 committed to urban life, who wants to
19 live in the City, who can pay \$10,000
20 living in Bryn Mawr and is going to face
21 a doubling or more than double their real
22 estate taxes next year? What do I tell
23 him and how do I keep him in the City?

24 MR. DUBOW: There's not --
25 obviously that's going to be a real issue

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 for him. It's one of the reasons that we
3 want to put smoothing and a homestead
4 exemption in place to hopefully help with
5 that sticker shock, but there will be
6 people whose assessments relative to
7 other people have been too low for years
8 and --

9 COUNCILMAN KENNEY: While I
10 recognize that, his tax bill now is
11 \$4,000. It's not that his tax bill is
12 \$850 and he's been -- I mean, he's
13 clearly not been underpaying based on at
14 least the \$4,000 that he pays every year
15 in real estate taxes. His child is not
16 school age. So these are folks that
17 don't really -- aren't needy when it
18 comes to City services and are paying
19 \$4,000 now and could potentially be
20 paying \$8,000 next year. How do I keep
21 them living here? Why would they want to
22 live here?

23 MR. DUBOW: Right. I'm not
24 sure that they really would go up to
25 8,000 in the year --

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILMAN KENNEY: Based on
3 what he bought the property for and what
4 the comparables are in the community in
5 the last six months. He's an accountant.
6 He did the calculations. He thinks it
7 could at least double.

8 MR. DUBOW: Right. And I don't
9 know what he's assuming about where the
10 rate will go or -- so I'm not sure that
11 that's accurate, but --

12 COUNCILMAN KENNEY: Are you
13 telling me that scenario is just totally
14 out of the question?

15 MR. DUBOW: No, I'm not saying
16 that at all. But I am saying I think
17 that's why we do need some kind of
18 buffering in here to kind of --

19 COUNCILMAN KENNEY: While I
20 understand folks in other neighborhoods
21 have been overpaying for years, that
22 overpayment is not as high as the payment
23 the folks are making in other
24 neighborhoods where they're paying 3 and
25 4 and \$5,000 a year. I mean, there's got

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 to be a cap. There's got to be some
3 limit to what we're going to whack people
4 with, because they can move. I want them
5 in the community. I want them
6 contributing to the playground and to the
7 home and school and to the civic
8 association and everything else, but you
9 can't expect somebody to have their real
10 estate taxes doubled when they're paying
11 3 or 4 now and expect them to want to
12 still be Philadelphia residents. I would
13 just move to the suburb, send my kids to
14 a public school there and that's part of
15 my tuition payments I pay in my real
16 estate taxes. They send their kids to
17 private school, which it's their choice,
18 but I just think that that's the issue.
19 I mean, that's --

20 MR. DUBOW: Right, and that's
21 why we have to look at ways -- I mean, I
22 know you're not satisfied with that
23 answer, but --

24 COUNCILMAN KENNEY: I mean, my
25 problem is, I didn't know what to tell

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 him. I'm standing there going, I don't
3 know. I mean, I don't know. I mean,
4 that's the issue and that's the --

5 MR. GILLISON: I think that one
6 of the things that we all have to kind of
7 remember is that, first off, I understand
8 his projections. I would say, I
9 understand your projections, but we're at
10 the point now where we can't really say
11 that those projections -- we're going to
12 find out what the projects are and we'll
13 deal with it in reality.

14 But, second, that's why we're
15 so insistent on getting kind of like the
16 smoothing aspect of the bill as well as
17 the homestead exemption, because we
18 recognize we don't want that sticker
19 shock to send you away. We need good
20 people to be here in order to do what we
21 need to do.

22 And the last piece is fairness,
23 that just that's always got to be brought
24 back. We've got to understand this from
25 a fairness point of view of what really

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 should be the true rate. And I think
3 that taking and asking them to just stay
4 with us as we straighten this out, this
5 has been a long time coming. It didn't
6 happen over night, but we can actually
7 try and fix it this year.

8 COUNCILMAN KENNEY: Okay. I
9 mean -- all right. Just so long as you
10 know what we're getting on the street out
11 there.

12 MR. GILLISON: We understand.

13 COUNCILMAN KENNEY: Okay.

14 COUNCIL PRESIDENT CLARKE:
15 Thank you, Councilman.

16 The Chair now recognizes
17 Councilwoman Brown.

18 (No response.)

19 COUNCIL PRESIDENT CLARKE:
20 Councilwoman Brown has officially lost
21 her spot.

22 The Chair now recognizes
23 Councilwoman Sanchez.

24 COUNCILWOMAN SANCHEZ: Thank
25 you.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 I have a few questions, and I
3 know they were noted somewhat in your
4 testimony. Can you tell us how much
5 federal cuts the City of Philadelphia is
6 receiving in both CDBG and HOME funds
7 this year?

8 MS. RHYNHART: You asked for
9 the cut in CDBG and HOME funds,
10 Councilwoman?

11 COUNCILWOMAN SANCHEZ: Yes.
12 Actually, in your testimony you note \$7.8
13 million.

14 MS. RHYNHART: That's right.

15 COUNCILWOMAN SANCHEZ: Can you
16 tell us what are some of the things that
17 are going to be cut as a result of that
18 \$7.8 million in reductions?

19 MS. RHYNHART: I think that is
20 being worked on right now and will come
21 before you in the Consolidated Plan, but
22 that is still being worked on.

23 COUNCILWOMAN SANCHEZ: In the
24 state funds we've received -- and we had
25 hearings the other day -- about \$44

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 million in cuts. Can you tell me if any
3 of those cuts are going to be added on
4 through the City's General Fund?

5 MR. GILLISON: They will not.

6 COUNCILWOMAN SANCHEZ: Do we
7 know the total impact of what those cuts
8 will be to services as the one our
9 President mentioned earlier, Office of
10 Special Needs?

11 MR. GILLISON: I know that
12 there was a -- we have actually passed
13 around an impact statement where those --
14 I think it was about \$41 million, where
15 those cuts were given out. I can
16 actually provide that to you again if you
17 just give me an opportunity.

18 COUNCILWOMAN SANCHEZ: I have
19 that. I want to make sure we said it for
20 the record --

21 MR. GILLISON: Okay.

22 COUNCILWOMAN SANCHEZ: -- the
23 amount of cuts that we're receiving from
24 the state.

25 In your Five Year Plan, there's

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 \$160 million in business cuts, and we
3 appreciate the Administration's work with
4 us in getting these cuts. If we are not
5 successful passing this AVI, are these
6 cuts in jeopardy, \$160 million in
7 business cuts in the Five Year Plan?

8 MR. DUBOW: If we --

9 COUNCILWOMAN SANCHEZ: If we
10 are not successful passing AVI, are these
11 cuts in jeopardy?

12 MR. DUBOW: And we went back to
13 the amount of collections years go? They
14 would be in jeopardy, but we'd also have
15 to look at everything in the budget to
16 figure out what we would do to bring it
17 back into balance.

18 COUNCILWOMAN SANCHEZ: We had a
19 briefing the other day with members of
20 the Real Estate Association where one of
21 their members reminded me that they have
22 lawyers on standby. Can you give us an
23 update of where our lawsuits are
24 currently?

25 MR. DUBOW: Are you talking

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 about the STEB issue?

3 COUNCILWOMAN SANCHEZ: Yes.

4 MR. DUBOW: So the State Tax

5 Equalization Board has to basically

6 validate the common level ratio we use.

7 That common level ratio is a part of how

8 our tax is calculated. We take the

9 market value, multiply by that common

10 level ratio and then multiply it by the

11 millage rate.

12 What STEB found was that the

13 ratio we're using at 32 percent was too

14 high and that we should be using 18

15 percent. We got about 2,000 appeals from

16 people saying that they want that 18

17 percent used against their taxes. If all

18 those appeals are successful, it will

19 cost the School District \$45 million and

20 the City 35 million.

21 We have appealed to STEB,

22 saying that we don't think that 18

23 percent is right. They had a hearing

24 last week, at which we presented our

25 case, and we're waiting to hear back from

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 them.

3 So we think that it won't wind
4 up 18 percent. We think that we've made
5 progress with them, but there's a big
6 risk there, and that risk would continue
7 in the year in which we hadn't gone to
8 actual value.

9 COUNCILWOMAN SANCHEZ: So we
10 lost this the first time around. Why are
11 you guys so positive we're going to win
12 this on the appeal?

13 MR. DUBOW: We think that we've
14 provided them additional information on
15 sales, sales that they may have thought
16 weren't at arm's length that we think
17 were that should have been included in
18 their calculation.

19 COUNCILWOMAN SANCHEZ: And so
20 this budget reflects us being successful
21 in our appeals of \$35 million for us, for
22 the City of Philadelphia, and 45 million
23 for the School District?

24 MR. DUBOW: Yes, it assumes
25 we'll be successful.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILWOMAN SANCHEZ: And if
3 we are not, what is our Plan B?

4 MR. DUBOW: Plan B is then we
5 have to reopen the budget and look for
6 ways to balance. We would assume that
7 it's a one-time impact, because we assume
8 that we're going to actual value. If we
9 don't get to actual value, then it's a
10 multi-year impact.

11 COUNCILWOMAN SANCHEZ: Thank
12 you, Mr. Chair. I'll come back on the
13 next round.

14 COUNCIL PRESIDENT CLARKE:
15 Thank you, Councilwoman.

16 The Chair recognizes
17 Councilmember Squilla.

18 COUNCILMAN SQUILLA: Good
19 afternoon, guys. Thank you for coming
20 here today.

21 MR. DUBOW: Good afternoon.

22 COUNCILMAN SQUILLA: My
23 question is with the Actual Value
24 Initiative, when do we think that the
25 public is going to be receiving their

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 assessments in the mail?

3 MR. DUBOW: We think that
4 they'll be receiving their assessments in
5 September.

6 COUNCILMAN SQUILLA: In
7 September?

8 MR. DUBOW: Yes.

9 COUNCILMAN SQUILLA: And is
10 there any possibility that they would be
11 getting it before then or after that
12 time?

13 MR. DUBOW: The one risk to the
14 timing is if there are more appeals and
15 the BRT has --

16 COUNCILMAN SQUILLA: They can't
17 get appeals until they get the --

18 MR. DUBOW: From the current --
19 from the existing assessments,
20 particularly if we wind up -- I guess
21 whatever happens with STEB may actually
22 wind up to an increase in appeal
23 activity. Because one of the things the
24 BRT has said is that if the STEB ruling
25 goes our way, they will allow people who

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 appealed on the basis of STEB to come
3 back and appeal on other issues. So if
4 that happens, then assessors who could
5 get out in the field may have to go back
6 to hear other appeals. That could affect
7 the timing. If we don't have that
8 effect, the September date looks really
9 good.

10 COUNCILMAN SQUILLA: And what
11 is the timeline for when people can
12 appeal the new assessments?

13 MR. DUBOW: Typically appeals
14 have to come in by beginning of October.
15 We would probably want to work with BRT
16 to push that back to give people more
17 time to let them appeal. If it comes in
18 late, we want to give them a chance to
19 look at their bills and figure out
20 whether they want to appeal. So I'm not
21 sure how far we'd push it back, but we'd
22 want to push that back.

23 COUNCILMAN GREEN: Point of
24 information.

25 COUNCIL PRESIDENT CLARKE: The

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 Chair recognizes Councilmember Green.

3 COUNCILMAN GREEN: Thank you.

4 COUNCIL PRESIDENT CLARKE: That
5 is a point information, right?

6 COUNCILMAN GREEN: Yes, sir.

7 COUNCIL PRESIDENT CLARKE:

8 Thank you, sir.

9 COUNCILMAN GREEN: The property
10 tax assessments under state law must go
11 out ten days before October 1st. So they
12 can't be pushed back to a date after
13 that. So that is the outer limit of when
14 they must go out.

15 Also, they have to be returned
16 within a certain amount of time under
17 state law, and there is no authority of
18 the BRT or anybody else to have them not
19 be returned within the amount of time
20 required by state law.

21 MR. DUBOW: The question was
22 about appeals, and BRT does have the
23 right to let appeals after October 1st.
24 They've done that before.

25 COUNCIL PRESIDENT CLARKE:

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 Thank you.

3 Councilman Squilla.

4 COUNCILMAN SQUILLA: Okay.

5 That's just the one part that may be
6 unfair to the public from getting the
7 assessments at a very late time, if it
8 goes out on that time.

9 The other issue is, in Fiscal
10 Year 2012 we had a \$1.1 billion, I guess,
11 real estate tax revenue stream, and then
12 Fiscal Year '13 we are now increasing
13 that to 1.2 billion?

14 MR. DUBOW: We're increasing it
15 by about \$90 million, that's right.

16 COUNCILMAN SQUILLA: Ninety
17 million dollars. What is Fiscal Year
18 '14?

19 MR. DUBOW: Fiscal Year '14 in
20 the bill shows about another 3 percent
21 increase, assuming that that's what
22 happens with market values. That's built
23 into the bill. But we're actually hoping
24 that we have this process done and we
25 actually wind up just setting a millage

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 rate next year based on assessments.

3 COUNCILMAN SQUILLA: So --

4 MR. DUBOW: But the plan is
5 about a 3 percent increase a year in
6 assessments.

7 COUNCILMAN SQUILLA: You're
8 going to increase it 3 percent every
9 year?

10 MR. DUBOW: It projects that
11 assessed values will increase by about 3
12 percent.

13 COUNCILMAN SQUILLA: And that's
14 part of the bill?

15 MR. DUBOW: Only in '14.

16 COUNCILMAN SQUILLA: Oh, only
17 in '14. So not only do we raise \$90
18 million in this year for this, the
19 following year it's closer to 4 percent
20 increase in real estate taxes built into
21 the bill; is that correct?

22 MR. DUBOW: That's right, but,
23 again, I think we're -- our hope is that
24 by next year, we'll have a new bill that
25 will set a millage rate.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILMAN SQUILLA: All right.

3 Because it seems like right now we don't
4 have any information to tell anybody
5 anything and we're hoping we can do this
6 in the future. It just seems really
7 irresponsible to go forward coming up
8 with, well, it may happen and we don't
9 know how it's going to affect this
10 person. We don't even know what our
11 safeguards are. You're proposing a
12 \$15,000 safeguard that's going to be put
13 in place for all residents across the
14 board.

15 MR. DUBOW: Two safeguards.

16 COUNCILMAN SQUILLA: The
17 three-year smoothing.

18 MR. DUBOW: The three-year
19 smoothing and \$15,000 homestead
20 exemption.

21 COUNCILMAN SQUILLA: And that
22 doesn't protect -- we have senior
23 citizens and people on low income that
24 are living in neighborhoods that may have
25 increased in value. The \$15,000

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 homestead that you're proposing would --
3 people may have bought their house for
4 \$50,000 and now it's worth \$200,000 --
5 really doesn't help them.

6 MR. DUBOW: There's a
7 low-income senior citizen freeze. So if
8 you're a senior citizen, low income, your
9 property tax can't go up. So that
10 protection already exists. One of the
11 things that we need to do is publicize
12 that so people know that it's out there
13 and so that they apply for it.

14 There are also kind of hardship
15 payment terms that let people stretch out
16 their payments. Those are already
17 existing, and we need to do a better job
18 of letting people know about them.

19 COUNCILMAN SQUILLA: Or
20 low-income people who are now in their
21 phase of their life where they can't
22 afford the increase.

23 MR. DUBOW: Right.

24 COUNCILMAN SQUILLA: All right.
25 I'll ask more questions the next session.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCIL PRESIDENT CLARKE:

3 Thank you, Councilman.

4 The Chair recognizes
5 Councilwoman Brown, who stepped out of
6 the room earlier.

7 COUNCILWOMAN BROWN: Thank you,
8 Mr. President.

9 Good morning, everyone.

10 (Good morning.)

11 COUNCILWOMAN BROWN: Two
12 questions. The last page of your
13 testimony you mention that the Office of
14 Equal Opportunity has had a 50 percent
15 increase in the registration of DBEs; is
16 that accurate?

17 MR. GILLISON: Yes.

18 COUNCILWOMAN BROWN: My
19 question is, given that great progress,
20 how does that impact and what does that
21 translate into with regards to more DBEs
22 doing business with the City of
23 Philadelphia?

24 MR. GILLISON: I believe that
25 the opportunities obviously have been

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 expanded and the opportunity -- I know
3 that we've actually done some great work
4 this past year in explaining how to do
5 business with the City of Philadelphia.
6 So I think that with an expanded
7 opportunity and with an expanded base, we
8 are hoping that more people will be able
9 to do business.

10 I know that we have set our own
11 internal goals that you're very well
12 aware of. We have met those goals, and
13 we will be setting again internal goals
14 again to see if we can stretch and make
15 even more.

16 So progress is being made, and
17 that's what we are dedicated to do or
18 seeing. And having more people eligible
19 is really where we will be able to have
20 more people take part and take part in
21 this particular effort.

22 COUNCILWOMAN BROWN: So the
23 second question -- and I guess it is an
24 FYI to all department heads. I've
25 introduced a resolution saying that we

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 Councilmembers will look at women on
3 corporate boards or lack thereof. The
4 Mayor has expressed an interest in this
5 area. I'm of the view that government
6 has a responsibility to lead by example.
7 So I am asking that all City department
8 heads include in their testimony a
9 breakdown of top-level management or top
10 deputies, whatever that equals, by
11 ethnicity and by gender, so we don't have
12 to ask for it and we don't have to hear,
13 I'll get back to you. The ask is that
14 that be a standard operating -- a
15 standard paragraph in everybody's
16 testimony.

17 And further, unlike past years,
18 I would like to see the last four years
19 under the Mayor's Administration what
20 that looks like so that we can see if
21 there have been progress or not.

22 I should, in the interest of
23 being forthcoming, let you know that I've
24 actually sent letters to a couple of
25 departments, because there's a big

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 concern about their department top-level
3 staff not looking like Philadelphia, and
4 in 2012, that's unacceptable.

5 MR. GILLISON: Very well.

6 Thank you.

7 COUNCILWOMAN BROWN: Thank you.

8 COUNCIL PRESIDENT CLARKE:

9 Thank you, Councilwoman.

10 The Chair now recognizes
11 Councilmember Oh.

12 COUNCILMAN OH: Thank you very
13 much, Mr. Chairman.

14 Good afternoon.

15 (Good afternoon.)

16 COUNCILMAN OH: Thank you.

17 Going back to Page 7 and to the issue of
18 the property tax that are anticipated to
19 be collected in Fiscal Year '13, I am
20 curious just for your comments and
21 perhaps a little more explanation. We
22 have a new assessment, new assessments.
23 We have a new AVI system. We have
24 increased collections, possible homestead
25 exemption and a possible smoothing

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 process, and I'm curious how it is that
3 you've come to the point where you
4 believe that the revenues collected in
5 2013 will be the same as 2012.

6 MR. DUBOW: So what we did to
7 try to determine where revenues should be
8 in '13 was go back to the last time there
9 was a full assessment and then try to
10 figure out what's actually happened to
11 values since then. That last assessment
12 was in 2004, the last real full
13 assessment.

14 We went to IHS Global Insight,
15 our outside consultant, asked them what's
16 happened since 2004 in terms of market
17 values in Philadelphia. They said that
18 the market value on average has increased
19 25 percent since 2004.

20 We've captured some of that,
21 but not all of it. So looking at that
22 growth and what we think we've captured,
23 looking at the difference got us to
24 calculate about a 9 percent increase,
25 which is the 94 million that you see in

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 increase in total revenues.

3 COUNCILMAN OH: Okay. Thank

4 you very much for that explanation.

5 Thank you.

6 MR. DUBOW: You're okay with

7 it? You look like --

8 COUNCILMAN OH: It seems a

9 little fantastic, but I'm going to

10 contemplate the answer, and I appreciate

11 it. Thank you very much.

12 MR. DUBOW: Okay.

13 COUNCIL PRESIDENT CLARKE:

14 Thank you.

15 The Chair now recognizes

16 Councilmember Johnson.

17 COUNCILMAN JOHNSON: Thank you,

18 Mr. President.

19 I just had a couple of

20 questions. I guess in preparation for

21 the departmental hearings that will be

22 coming up, the first one is the

23 investment of a million dollars to the

24 Managing Director's Office to fund

25 anti-violence initiatives throughout the

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 City, and obviously that's a key issue
3 that we're facing at this particular time
4 in the City. And so I expect -- what I
5 would like when the Managing Director's
6 Office does their presentation, an actual
7 overview of how that million dollars is
8 going to be laid out and what type of
9 program, during the hearing part. So we
10 won't be asking the questions and you
11 don't have the information, so I'm not
12 going to try to set y'all up that way,
13 but hopefully by the time the hearing
14 does come, get an overview of how those
15 initiatives are going to be laid out as
16 it relates to violence prevention.

17 The other one was under the
18 Office of Economic Opportunity. And I
19 think it's great the work that Ms. Angela
20 Dowd-Burton was doing in terms of
21 increasing minority, women and
22 disabled-owned business participation,
23 but I also want to see the enforcement
24 component. A lot of times I've met small
25 businesses who say they may have

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 partnered with a prime on an actual
3 project, but they don't receive the
4 actual funding from the prime in terms of
5 the rollout of their actual partnership
6 on the actual project.

7 And so if there can be
8 information on how you actually -- I
9 don't want to ask you to go into what
10 company names specific, but you actually
11 caught one of the companies some time ago
12 that actually had a woman standing in
13 saying that they were -- I don't want to
14 put the company name on the record, but
15 y'all actually shut down one actual major
16 individual for actually having someone on
17 their rolls that they're supposed to be
18 sharing business with and everything
19 wasn't forthcoming. So I wanted to see
20 the enforcement component under this
21 particular department.

22 And under L&I, the Vacant
23 Property, Windows and Door Court program,
24 which is deemed very successful, the
25 actual numbers, what actually has been

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 done across the City, how many houses
3 sealed, how many property owners, private
4 property owners, you're going after to
5 make sure they're outer -- I mean the
6 facade of their buildings are actually
7 sealed.

8 That's pretty much it.

9 MR. GILLISON: Thank you. I
10 would say, Councilman, if you -- I'm sure
11 the Inspector General, Amy Kurland, would
12 be happy if you have additional persons
13 that would need to be investigated. We
14 would be very happy to partner on
15 something like that, believe me. So if
16 you have anything, I'd be glad to just
17 take the call.

18 COUNCILMAN JOHNSON: Thank you.

19 COUNCIL PRESIDENT CLARKE:

20 Thank you, Councilman.

21 The Chair now recognizes
22 Councilman Henon.

23 COUNCILMAN HENON: Thank you,
24 Mr. President.

25 I have a question regarding the

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 pension fund. Council President Clarke
3 started talking about in reference to the
4 new hybrid type of pension options that
5 the City is offering, and he had asked a
6 few questions about individual accounts.

7 Is there an excess
8 administrative cost to managing
9 individual self-directed accounts in our
10 pension fund or is this going to be a
11 class opportunity for educating the
12 members of the City on what their options
13 are?

14 MR. DUBOW: I think -- one
15 second. I just want to make sure I'm
16 getting it straight.

17 So there are group seminars,
18 but they also provide individual
19 counseling if people -- when people seek
20 that out. So you have both options.

21 COUNCILMAN HENON: And this
22 type of hybrid option is a cost savings?

23 MR. DUBOW: Yes, it is. It
24 reduces the unfunded liability in the
25 long term. That then reduces the size of

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 the MMO, the amount that we have to pay
3 each year to pay off our unfunded
4 liability.

5 COUNCILMAN HENON: It seems a
6 little costly administratively, I think,
7 to manage individual accounts for folks,
8 as I think the Council President raised
9 some valid questions. As being a
10 layperson on self-directing funds, most
11 people just get up and go to work every
12 day and try to feed their family and
13 raise their children right here in the
14 City of Philadelphia.

15 Another question on the --

16 MR. DUBOW: Can I just -- I
17 think that there'll be some increased
18 administrative cost. I think that will
19 be more than offset by the savings to the
20 fund in general, savings to the fund in
21 terms of the liability.

22 COUNCILMAN HENON: Well, I look
23 forward towards the budget hearing to get
24 into that in a little more detail.

25 The pension fund now as I read

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 in the Five Year Plan is 50 percent
3 funded?

4 MR. DUBOW: That's correct.

5 COUNCILMAN HENON: And we have
6 started making as a result of the MMO the
7 partial and full payments towards the
8 pension fund?

9 MR. DUBOW: Yeah. Each year
10 our actuary tells us what amount we need
11 to pay into the fund to pay off our
12 unfunded liability, and that's the amount
13 that we pay.

14 COUNCILMAN HENON: But you've
15 already set that? You've already set
16 that through the MMOs; is that correct?

17 MR. DUBOW: That's correct. I
18 mean, the number will change each year
19 depending on a variety of factors, like
20 what we earn or changes when people
21 retire. So there's a whole bunch of
22 assumptions that go into it, so it does
23 change each year.

24 COUNCILMAN HENON: I'm sure of
25 that. So we're 50 percent funded now,

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 and towards the -- at the end of this
3 Five Year Plan, what do you anticipate
4 the fund being with making the partial
5 and full payments moving forward?

6 MR. DUBOW: In the last report
7 we got from the actuary, I think they had
8 us in the high -- still in the high 40's
9 at the end of the Plan.

10 COUNCILMAN HENON: At the end
11 of the Plan?

12 MR. DUBOW: The end of the five
13 years, yeah.

14 COUNCILMAN HENON: And we're
15 starting off at 50 now?

16 MR. DUBOW: We're at 49.7, and
17 it kind of moves up and down a little
18 each year, not a whole lot of variation,
19 but it's up in the high 40's each year,
20 like 48, 49, somewhere around there.

21 COUNCILMAN HENON: So you don't
22 see it moving significantly now that the
23 City is starting to make payments?

24 MR. DUBOW: No. We've been
25 making payments consistent with the MM0

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 for years. So that's not new. But the
3 unfunded liability is so large that it
4 doesn't move quickly. And what we did --
5 because we earned 20 percent last year,
6 it moved from 47 to almost 50. When the
7 actuary makes his projections, he doesn't
8 assume a year like that. He assumes that
9 we hit our earnings assumption, which is
10 8.1 percent. If we had other years where
11 we earned that much, then you'd see it
12 move up, but that was one of the highest
13 years in the fund's history in terms of
14 returns.

15 COUNCILMAN HENON: Okay. In
16 year FY15, the state sales tax is
17 dropping off and you see a decrease in
18 the revenue coming in. Is that because
19 of that sunseting at that time?

20 MR. DUBOW: Yes. That's
21 correct.

22 COUNCILMAN HENON: Has the
23 Administration thought about speaking
24 with the state or having any
25 conversations with the state moving

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 forward?

3 MR. GILLISON: No. That was
4 one of those things that we promised that
5 we would let go, and we are going to
6 stick with our promise.

7 COUNCILMAN HENON: Okay.

8 I'll defer to another time.

9 Thank you, Mr. President.

10 COUNCIL PRESIDENT CLARKE:

11 Thank you, Councilman.

12 We're going to go on the second
13 round. The second round is three
14 minutes, and we want to make sure that
15 everybody has an opportunity. So we will
16 now start with Councilman Green.

17 COUNCILMAN GREEN: Thank you,
18 Mr. President.

19 Mr. Dubow, do you have an
20 answer to my question?

21 MR. DUBOW: It's the same
22 answer as before, which is we don't have
23 a projection for the total amount of
24 assessments.

25 COUNCILMAN GREEN: You've said

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 publicly and you've said to PICA 70
3 percent of the assessments are done.

4 MR. DUBOW: So the fieldwork
5 scheduled is about 70 percent done,
6 scheduled to be done the end of May or --

7 COUNCILMAN GREEN: So that's
8 correct, that's a yes, 70 percent is
9 done?

10 MR. DUBOW: Yeah, 70 percent is
11 done.

12 COUNCILMAN GREEN: Thank you.
13 What is the value of taxable
14 real property for that 70 percent?

15 MR. DUBOW: I don't know, and
16 when I've talked to the Chief Assessment
17 Officer about the values that they
18 have so far and values that they'll have
19 when they're done in May, he has stressed
20 that those aren't reliable numbers yet,
21 that they need to be validated, he needs
22 to go and analyze them. So that number
23 at this point wouldn't have a whole lot
24 of meaning.

25 COUNCILMAN GREEN: Well, I

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 frankly will be the judge of that. I
3 would like to know today, before we leave
4 this room, what the value of taxable real
5 property is of that 70 percent. If you'd
6 ask Mr. McKeithen to please get that
7 information over here, I'd appreciate it.

8 MR. DUBOW: I can ask. I'm not
9 sure that it's been collected in that
10 way, but if it is, we'll supply it to
11 you.

12 COUNCILMAN GREEN: The things
13 that you've told the public and that
14 you've told the PICA Board, are they
15 reasonable assumptions, that it will be
16 three to four times the current value of
17 assessed taxable property?

18 MR. DUBOW: I think it's too
19 early for us to know what that multiple
20 will be.

21 COUNCILMAN GREEN: So what
22 you've told PICA is not a reasonable
23 assumption?

24 MR. DUBOW: I don't know
25 whether that's where we'll wind up.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILMAN GREEN: So it is not
3 reasonable for us to assume that it's
4 three to four times the current value of
5 assessed property?

6 MR. DUBOW: I guess what I'm
7 saying is --

8 COUNCILMAN GREEN: Is that a
9 reasonable assumption for us to make or
10 not?

11 MR. DUBOW: Let me answer. We
12 don't know where it will wind up. It
13 could wind up three to four times. It
14 could wind up two times. We don't know
15 where we'll wind up.

16 COUNCILMAN GREEN: Okay. So if
17 it wound up two times, how much would we
18 collect under the savings clause in No.
19 3?

20 MR. DUBOW: Assuming and
21 depending on what happens with
22 collections and --

23 COUNCILMAN GREEN: I'm
24 assuming everything else is true.

25 MR. DUBOW: -- appeals, then

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 you'd be around 500 million.

3 COUNCILMAN GREEN: If it's two
4 times, it would be 500 million?

5 MR. DUBOW: If it's exactly two
6 times. But, again, I don't know where
7 we'll wind up.

8 COUNCILMAN GREEN: But you've
9 publicly said and said to PICA it's three
10 to four times?

11 MR. DUBOW: I think what we've
12 said is we have some estimates. We don't
13 know where it's going to wind up. We've
14 been consistent with we don't know where
15 it's going to wind up.

16 COUNCILMAN GREEN: So why are
17 we then presented with a savings clause
18 that could collect somewhere between 500
19 million and a billion dollars?

20 MR. DUBOW: We had a fail-safe
21 that we put in the bill to ensure that we
22 would collect at least the amount that we
23 collected this year for both the City and
24 the School District.

25 COUNCILMAN GREEN: What are the

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 consequences --

3 MR. DUBOW: But we don't
4 know -- can I finish my answer, please?

5 But we don't know where we'll
6 wind up.

7 COUNCILMAN GREEN: I
8 understand, but we're creating a bill in
9 advance of that that could, in theory,
10 collect two and a half billion dollars
11 for the School District if the upper
12 limit of your estimate is correct and
13 it's four times, which we would never
14 under state law be able to take back,
15 which would be a permanent tax increase
16 on the citizens of Philadelphia, which
17 would be multiplying essentially what
18 they pay by four times. That's not how
19 this was presented to the public. It was
20 presented as, We know what we're doing,
21 it's a thoughtful formula and it's going
22 to be roughly X, \$491 million.

23 MR. DUBOW: That is what's in
24 the formula.

25 COUNCILMAN GREEN: That's not

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 what's in the bill.

3 MR. DUBOW: No. It is what's
4 in the bill. The formula in the bill
5 gets you to \$458 million for the City.
6 What you're talking about is if
7 everything that were done is thrown out
8 by a judge. That's what you're talking
9 about, not what the bill is proposing,
10 but if everything goes wrong through the
11 court system.

12 COUNCILMAN GREEN: The question
13 is what the bill proposes if the savings
14 clause comes into effect because a judge
15 throws it out. That's the question.

16 MR. DUBOW: Right, but then --

17 COUNCILMAN GREEN: The upper
18 limit of that, a billion dollars for the
19 City. Let's --

20 MR. DUBOW: I don't know what
21 the upper limit is because I don't know
22 where we'll wind up. We can have the
23 same conversation over and over again,
24 but that's what I'm telling you.

25 COUNCILMAN GREEN: If your

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 estimate to PICA is correct, which was
3 three to four times, then it's between
4 750 and a billion dollars we'll collect.
5 Is that a true statement?

6 MR. DUBOW: That's a true
7 statement, but, again --

8 COUNCILMAN GREEN: Thank you.
9 Thank you, Mr. President.

10 MR. DUBOW: -- I don't know
11 that that's where we'll wind up. And if
12 we wind up at something below 2 percent,
13 then we could get less. But, again, our
14 proposal is the formula that's in the
15 bill, not the fail-safe.

16 COUNCIL PRESIDENT CLARKE: All
17 right, Mr. Dubow. Thank you. I assure
18 you that you will be asked that question
19 again in another forum.

20 The Chair now -- before I go to
21 the next one, I just want to ask you a
22 couple of quick questions.

23 Relating to the proposed new
24 police administration building, two
25 questions related. One, the PICA

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 dollars, could you real quickly define
3 the 9 million in PICA and what further
4 obligation we have with respect to the 9
5 million in PICA and then on the sale of
6 the existing assets, assuming that we
7 build a new facility. And I know in an
8 earlier briefing, there were some
9 conversations about the revenue generated
10 from the sale of those existing assets
11 going to pay off either the debt or the
12 costs associated with the new facility.
13 I believe it was the police
14 administration building, the morgue and I
15 don't know if there are any other --

16 MS. RHYNHART: 500 South Broad
17 Street. I think the first part of your
18 question was is there any sort of strings
19 attached to the \$9 million. I'm not
20 framing it as eloquently as you did.

21 COUNCIL PRESIDENT CLARKE:
22 That's okay.

23 MS. RHYNHART: No. We plan to
24 request \$9 million from PICA our funds
25 that they have for one-time purposes. So

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 there would be no obligation. I mean, as
3 long as we're using it for a one-time
4 expense, the idea would be that there
5 would be no obligation to return that
6 money.

7 COUNCIL PRESIDENT CLARKE:
8 Okay. And the second point, in terms of
9 if in fact we build a new facility, which
10 will be, I guess, the capital -- I guess
11 we'll bond it or whatever -- what in
12 terms of the sale of the then assets be,
13 police administration building, South
14 Broad and the morgue?

15 MS. RHYNHART: The morgue.

16 COUNCIL PRESIDENT CLARKE: I'm
17 assuming we don't have an estimate of the
18 cost or the proposed sale. Would the
19 proposal be to sell those assets and then
20 retire the debt on the new facility or
21 would that money just simply go into the
22 General Fund?

23 MS. RHYNHART: A lot of the
24 details would still need to be worked
25 out. The plan is that we get the \$9

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 million from PICA and spend the next year
3 doing all the design work and schematic
4 and programmatic work that needs to get
5 done in order to understand the full cost
6 of the project and how to best move
7 forward with construction. At that
8 point, we'll be able to figure out how
9 best -- what the cost is and then how
10 best to pay for it, so if we would need
11 to issue bonds. And then it seems like a
12 likely place to go that the cost of -- I
13 mean, I'm sorry, that the money that we
14 get from the sale of the buildings, it
15 would be good to offset the total cost of
16 the project.

17 But a lot of the details would
18 need to be worked out in terms of the
19 timing, because obviously we need to be
20 moved out -- well, not obviously, but
21 you'd have to figure out a way to
22 structure it so that you could get sale
23 proceeds before the debt, if that's what
24 you're saying. There's a lot of details
25 to be worked out.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCIL PRESIDENT CLARKE:

3 Well, obviously that's something we're
4 interested in in terms of asset sales,
5 and we have some ideas about how those
6 asset sales should be applied.

7 MS. RHYNHART: Okay.

8 COUNCIL PRESIDENT CLARKE: But
9 the question is -- and you actually made
10 me a little more concerned based on your
11 response -- is that we would actually be
12 requesting \$9 million from PICA and we
13 could possibly conceivably spend the \$9
14 million without having an understanding
15 of how to retire the debt or how the
16 asset sales could be applied to the debt
17 or very specific terms. I mean --

18 MS. RHYNHART: We have ideas.

19 COUNCIL PRESIDENT CLARKE: It's
20 \$9 million.

21 MS. RHYNHART: Yes. We have --

22 COUNCIL PRESIDENT CLARKE: So
23 do you have a game plan on --

24 MS. RHYNHART: We have ideas
25 about how to do it. There are multiple

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 ways in which it could be done, but I
3 think that my point was that the \$9
4 million is being spent first and then we
5 would know the full cost of the project,
6 because we've gotten varying, really wide
7 estimates in terms of how much it would
8 cost.

9 COUNCIL PRESIDENT CLARKE: All
10 right. I mean, can you share -- I'm
11 assuming PICA will ask similar questions
12 if they're going to give you 9, but we're
13 kind of in the game also. So I'd like to
14 see a more fully flushed out game plan in
15 terms of how we're going to pay for a new
16 facility, which is obviously needed. But
17 my concern is, I talked to you
18 particularly as it relates to this Love
19 Park Garage -- and I'll spare you with
20 that one today -- about us continuing to
21 incur debt and without a game plan of
22 retiring the debt. So we're adding debt
23 on top of debt, and as you said in your
24 earlier conversations, some of the
25 obligations that we have, not only to

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 some of our earlier debt, be it NTI or
3 capital debt, but also pension
4 obligations, at some point we have to
5 come up with a strategy on relieving
6 ourselves of that.

7 So I'd like to get a better
8 sense of how we're going -- if we're
9 going to incur additional debt, what's
10 the game plan on having short-term
11 elimination of that debt.

12 MS. RHYNHART: Okay.

13 MR. GILLISON: We'll get that
14 to you.

15 COUNCIL PRESIDENT CLARKE: Can
16 you, please.

17 MR. GILLISON: Yes.

18 COUNCIL PRESIDENT CLARKE:
19 Thank you.

20 The Chair recognizes Councilman
21 Jones.

22 Oh, wait a minute. Hold on.
23 Hold on.

24 Okay. Councilman Jones.

25 COUNCILMAN JONES: Thank you,

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 Mr. President.

3 COUNCIL PRESIDENT CLARKE:

4 You're welcome, sir.

5 COUNCILMAN JONES: I first
6 talked about where we would get revenues
7 by way of outstanding tax delinquents. I
8 want to talk about expenditures and
9 particularly from my vantage point of
10 being Chair of Public Safety.

11 I'm looking at your PICA
12 reports, your testimony and the Quarterly
13 City Managers Report, which indicates
14 that we have spent \$14.4 million in the
15 first two quarters in overtime, that
16 representing Fire, Prisons and Police,
17 respectively, 13.9 million for the Fire
18 Department, \$7 million for Prisons and
19 1.7 million in overtime for police
20 officers. And I guess what I'm trying to
21 understand is, in some of those
22 categories, we actually increased and
23 hired new employees, but yet overtime
24 still went up, and I don't understand.

25 I want to know, how does the

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 formula work by which a manager says, All
3 right, rather than fill new positions,
4 we're going to go with the overtime
5 expenses and fiscally it makes sense for
6 us to do that versus a tipping point
7 where we say, Okay, we need to make these
8 new hires such as what we're doing in
9 Police, in the Police Department with the
10 new graduating class.

11 Who is making those decisions
12 and is it -- let's start with that part
13 of the question and then I'll ask my
14 followup.

15 MR. GILLISON: Well,
16 Councilman, I can tell you that the --
17 and I want to take a step back. Overtime
18 in Fire, which was a large driver of what
19 you just noted, came as a result of us
20 not being able to hire, even though we
21 perhaps wanted to, but we had an issue
22 with the Supreme Court and how it
23 affected our testing that was done. We
24 also had some labor issues we had to get
25 resolved in the courts before we could

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 actually put in a class. So even though
3 we would have wanted -- I think we were
4 down something like at the time 60
5 firefighters -- we could not put a class
6 in without having those issues resolved.
7 So sometimes you may want to do something
8 and you can't, and you just have to then
9 deal with where you are and use the
10 overtime in order to address the problem,
11 because you have to staff up to a certain
12 level and controlling it as best you can,
13 either with the union assisting or
14 without the union assisting, through
15 other means. So that's one.

16 Second, we do try to manage
17 overtime. I know that one of the things
18 we started many years ago in the Police
19 Department, Commissioner Ramsey put in an
20 overtime unit trying to deal with court
21 overtime and working with people on CJAB
22 and working collectively with the
23 District Attorney, the courts and
24 everyone else to try to control overtime
25 as best we can, and we've seen dramatic

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 savings in that as well.

3 And last --

4 COUNCILMAN JONES: He's very
5 serious about the timer. I just want to
6 ask two quick questions followup.

7 So that means we won't double
8 that in the next six months --

9 MR. GILLISON: That's correct.

10 COUNCILMAN JONES: -- by way of
11 overtime?

12 And then my other question is,
13 the second largest department is the
14 Prisons.

15 MR. GILLISON: Yeah, not
16 necessarily. I just want to say the Fire
17 is still going to be there because we
18 still haven't had a chance, so the
19 overtime is still going to be used. We
20 are trying to manage it as best we can,
21 but that overtime is still going to be
22 there because we haven't been able to get
23 a class in yet. I think that's the
24 safe --

25 MS. RHYNHART: That's right.

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 In the Fiscal '13 proposed budget, you'll
3 see the Fire Department's overtime
4 projected to go down as they bring on up
5 to 160 new firefighters over the year.
6 But in '12, the problem will persist,
7 unfortunately.

8 COUNCILMAN JONES: So we should
9 anticipate doubling that overtime from 14
10 to 28?

11 MR. GILLISON: I'm hoping not,
12 but we have to just deal with it -- I
13 mean, obviously we respond to things that
14 need to be done and we have a staffing
15 component that has to be maintained. So
16 whatever needs to happen has to happen.

17 COUNCILMAN JONES: So in the
18 case of the Prisons, what is the --
19 that's \$7 million there. What's going on
20 there in the overtime?

21 MR. GILLISON: The Prisons were
22 at a point where -- we're actually
23 putting a prisons classes in. We're
24 continuing to do that in order to help
25 Commissioner Giorla with his staffing

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 vacancies as well.

3 MS. RHYNHART: The problem with
4 the Prisons is that the census has gone
5 up recently, and that's put pressure on
6 overtime.

7 MR. GILLISON: That's correct.
8 We had to open up a different place. We
9 had to reopen some places that we've
10 gotten out of. We had to reopen, and
11 that means a new staffing plan had to be
12 put in place, which is basically done by
13 overtime.

14 COUNCILMAN JONES: By way of
15 these critical departments, Police,
16 Fire --

17 COUNCIL PRESIDENT CLARKE:
18 Councilman.

19 COUNCILMAN JONES: -- Prisons,
20 Public Safety, I'm concerned that --

21 COUNCIL PRESIDENT CLARKE:
22 Councilman.

23 COUNCILMAN JONES: I'm
24 concerned that we --

25 COUNCIL PRESIDENT CLARKE: You

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 said that I am serious about the timer.

3 COUNCILMAN JONES: I'm going to
4 stop talking at this point. Thank you,
5 Mr. President.

6 COUNCIL PRESIDENT CLARKE:
7 Thank you.

8 The Chair recognizes
9 Councilmember Kenney.

10 COUNCILMAN KENNEY: Thank you,
11 Mr. President.

12 One of the good things and bad
13 things about being around here for a long
14 time is you get to ask the same questions
15 over and over again every year.

16 If I were to ask you what's the
17 outstanding delinquent real estate tax
18 that's out there, what would be the
19 number?

20 MR. DUBOW: I think the
21 principal amount of what's outstanding is
22 about 230 million.

23 COUNCILMAN KENNEY: How much?

24 MR. DUBOW: I think 230 is the
25 principal amount that's outstanding.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILMAN KENNEY: What's the
3 number that everybody keeps talking
4 about? Every time we have a discussion,
5 I get e-mails from people and calls from
6 people saying, Collect the \$480 million
7 in delinquent real estate taxes before
8 you raise my real estate taxes.

9 MR. DUBOW: Yeah. I think that
10 probably includes interest and penalties.

11 COUNCILMAN KENNEY: How old is
12 the oldest? Is it 20 years old, 30 years
13 old, the oldest property that's still
14 being counted in this?

15 MR. DUBOW: I think it's ten
16 years is the oldest.

17 COUNCILMAN KENNEY: What's the
18 average time that a bank, lending
19 institution would carry a bad debt, a bad
20 mortgage? They got to write them off at
21 some point, right?

22 MR. DUBOW: Right. It's
23 probably maybe half of that, but I'm just
24 kind of guessing.

25 COUNCILMAN KENNEY: So why are

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 we still adding interest and penalty and
3 having that number rise every year and
4 having it used as a baseball bat to beat
5 us with when we want to do something
6 else? Why don't we just have a policy or
7 pass a law or change the Charter or
8 whatever needs to be done to wipe out
9 ten-year-old debt that we're never going
10 to collect that gives people the
11 misimpression that somehow there's stuff
12 out there that we're not going after.

13 MR. DUBOW: Well, we've
14 actually significantly changed our
15 policy. It used to be a few years ago
16 that we were still showing 30 years,
17 which obviously got an even bigger
18 number. So we've pulled it down I think
19 based on -- I mean, at ten years there's
20 less of a chance, but still some chance
21 that --

22 COUNCILMAN KENNEY: When does
23 it roll off?

24 MR. DUBOW: When does it roll
25 off?

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILMAN KENNEY: How old
3 does it get before we stop counting it?

4 MR. DUBOW: In our collectable,
5 I think it's after ten years.

6 COUNCILMAN KENNEY: So that's a
7 standard policy now?

8 MR. DUBOW: Yeah.

9 COUNCILMAN KENNEY: Do we keep
10 adding interest and penalty to it?

11 MR. DUBOW: Yes.

12 COUNCILMAN KENNEY: Why?

13 MR. DUBOW: We keep adding
14 interest and penalty because --

15 COUNCILMAN KENNEY: It's not
16 reality. It's simply not in the real
17 world. After a certain period of time,
18 you're not going to get that money. You
19 can add all the interest and penalty you
20 want to it; it's just going to make it
21 look bigger.

22 MR. DUBOW: Well, that's a good
23 point. We can look at kind of when it's
24 appropriate to stop doing that.

25 COUNCILMAN KENNEY: Could we

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 get something back and say a certain
3 length of time, a certain age, it's dead
4 and buried.

5 MR. DUBOW: Right. And we'll
6 look at what kind of constraints we may
7 have and whether that requires a change
8 in law here or whether there's something
9 at the state.

10 COUNCILMAN KENNEY: Great.
11 Thank you.

12 Thank you, Mr. President.

13 COUNCIL PRESIDENT CLARKE:
14 Thank you, Councilman.

15 The Chair recognizes
16 Councilmember Goode.

17 COUNCILMAN GOODE: Thank you,
18 Mr. President.

19 Good afternoon. I'm not going
20 to deal with this as just a financial
21 document anymore. We are not necessarily
22 legally required to approve the Five Year
23 Plan. We will have to approve a budget.
24 Next year when we approve a budget, there
25 will be another Five Year Plan. The

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 purpose for the Plan is a requirement
3 from PICA, but I asked the question last
4 year whether it's also considered to be a
5 strategic plan for the Administration,
6 and I'll amend that question a bit.

7 Is it also a legacy document?
8 At the end of the day, if we look at this
9 Five Year Plan, can we look at what the
10 Nutter Administration will have
11 accomplished over his time in office?

12 MR. GILLISON: Thank you,
13 Councilman. I think that most documents
14 within the City tell you, especially from
15 a strategic point of view or even an
16 investment point of view, where you're
17 going, and that is a legacy that every
18 Administration I think has.

19 COUNCILMAN GOODE: That was a
20 leading question --

21 MR. GILLISON: I'm sure.

22 COUNCILMAN GOODE: -- that
23 didn't require a long answer.

24 At the end of the Five Year
25 Plan, what will the unemployment rate be?

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 MR. GILLISON: I can't
3 speculate on what the unemployment rate
4 would be.

5 COUNCILMAN GOODE: What
6 investments are being made to change the
7 unemployment rate under the Five Year
8 Plan?

9 MR. GILLISON: I think that our
10 Administration has consistently made
11 similar investments. Our emphasis on
12 literacy, our emphasis on workforce
13 development, our emphasis on reentry are
14 the kinds of investments that we believe
15 will help transition people into fully
16 engaged citizens that allow them to be
17 part and parcel of the society.

18 COUNCILMAN GOODE: So can you
19 quantify that in terms of investment over
20 the Five Year Plan?

21 MR. GILLISON: I would have to
22 just go back and add it up, but I know
23 that we -- whatever those investments --

24 COUNCILMAN GOODE: You can send
25 that through the Chair.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 MR. GILLISON: Yes, I can.

3 COUNCILMAN GOODE: All right.

4 At the end of the Five Year Plan, what
5 will the City's poverty rate be?

6 MR. GILLISON: Again, I
7 wouldn't hazard to guess. I would state
8 that no matter how you look at whatever
9 the poverty level is, it would be too
10 high.

11 COUNCILMAN GOODE: Can you tell
12 me what those investments will be and can
13 you quantify that and just forward that
14 through the Chair?

15 MR. GILLISON: I will.

16 COUNCILMAN GOODE: What will
17 the City's graduation rate be at the end
18 of the Five Year Plan?

19 MR. GILLISON: The Mayor has
20 put that out as a policy statement that
21 he would like to have the graduations at
22 80 percent, and that's also part and
23 parcel of how we are seen and one of the
24 important parts of our Administration.
25 So I would think that that would be what

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 we would hope would be accomplished.

3 COUNCILMAN GOODE: Can you tell
4 me what you envision in terms of those
5 investments and quantify how much will be
6 invested and just submit that through the
7 Chair as well?

8 MR. GILLISON: I believe we
9 can. I think that our Office of
10 Education is pretty much where our
11 investment has been in order to help
12 collaborate and then move things forward.
13 Obviously the School District itself is
14 not something necessarily with us, but we
15 work very diligently to help them out.

16 COUNCILMAN GOODE: Okay. What
17 will the City's prison population be at
18 the end of the Five Year Plan?

19 MR. GILLISON: Again, I
20 wouldn't hazard to guess. I know where I
21 would love it to be, because I'd love to
22 close a prison.

23 COUNCILMAN GOODE: Last year
24 you said 6,500.

25 MR. GILLISON: That's where I

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 would love it to be.

3 COUNCILMAN GOODE: Can you tell
4 me what investments you will make over
5 the next five years and quantify that and
6 send it through the Chair?

7 MR. GILLISON: Yes.

8 COUNCILMAN GOODE: Just very
9 last thing.

10 I will stay within the rules,
11 Mr. President.

12 What percentage of City
13 contract dollars are projected to be
14 awarded to businesses owned by women and
15 people of color by the end of the Five
16 Year Plan?

17 MR. GILLISON: I will -- I know
18 what our policy is and I know where our
19 investments have been at this point. I
20 know they were a little bit north of 25
21 percent, but we will deal with making
22 that answer at the end of five years.
23 I'll have to take a look at it and
24 provide that as well.

25 COUNCILMAN GOODE: Okay. If

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 the registry is already increasing by 50
3 percent and we're already above the 25
4 percent mark at 26 percent, I'm assuming
5 there's a higher goal at the end of five
6 years, but you can forward that
7 information through the Chair.

8 Thank you, Mr. President.

9 COUNCIL PRESIDENT CLARKE:

10 Thank you, Councilman.

11 The Chair recognizes
12 Councilmember Squilla.

13 COUNCILMAN SQUILLA: Yes.

14 Thank you again. Thank you,
15 Mr. President.

16 The 4 percent increase in
17 Fiscal Year 2014 that's penciled into the
18 budget, end of the Five Year Plan, would
19 that even happen if the assessments did
20 not increase?

21 MR. DUBOW: If we didn't put a
22 new millage rate in place next year, our
23 anticipation is that after we get to
24 actual value, that we will put a millage
25 rate in place next year.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILMAN SQUILLA: So we
3 would change the millage rate again in
4 2014?

5 MR. DUBOW: I think after -- I
6 mean, this bill only is a formula, and I
7 think going forward, we want to be able
8 to put specific millage rates in the
9 legislation.

10 COUNCILMAN SQUILLA: So what
11 we're saying is, you want to be able to
12 increase it that following year from 2013
13 to 2014 to have a 4 percent increase?

14 MR. DUBOW: No. Really what
15 we're saying is that we're projecting
16 that assessments will increase again.

17 COUNCILMAN SQUILLA: And if
18 they do not?

19 MR. DUBOW: If they do not and
20 we put the same millage rate as we
21 have -- as we wind up with in '13, they
22 would not increase if assessments didn't
23 go up.

24 COUNCILMAN SQUILLA: But what
25 does this state here?

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 MR. DUBOW: I'm saying that in
3 the legislation it goes up, but we would
4 hope to have actual -- to be done with
5 AVI and have a millage rate by next year.

6 COUNCILMAN SQUILLA: Okay.
7 Question on the Police. I know they said
8 they want to hire 400 new police officers
9 in 2013.

10 MR. GILLISON: Yes.

11 COUNCILMAN SQUILLA: How many
12 actual police officers are retiring?

13 MR. GILLISON: I think it's on
14 average it's about 116, but it's -- go
15 ahead.

16 MS. RHYNHART: We know how many
17 officers are in DROP, and then we have a
18 projection of how many are leaving that
19 are non-DROP. So overall it could be up
20 to like around 265 or so that are
21 leaving.

22 COUNCILMAN SQUILLA: And this
23 is just for 2013?

24 MS. RHYNHART: That's right.

25 COUNCILMAN SQUILLA: So then we

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 have a projection for 2014?

3 MS. RHYNHART: That's right.

4 Basically we have it projected up for the
5 five years that the police are expected
6 to leave in rather sizable numbers for
7 the next five years. The 260 or so in
8 '13 will continue in that range for the
9 next four years. So we have to hire
10 large numbers of classes in order to keep
11 up with that and keep the count up at
12 6,500.

13 COUNCILMAN SQUILLA: And our
14 intention is to keep it at 6,500 for the
15 five years?

16 MR. GILLISON: That's correct.

17 MS. RHYNHART: Right.

18 COUNCILMAN SQUILLA: And the
19 Fire Department, the number that is
20 projected to increase in 2013?

21 MS. RHYNHART: We have an
22 increase of about 160 firefighters, and
23 the numbers are also supposed to be
24 sizable that are anticipated to leave, so
25 that we'll have to hire perhaps even

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 double that to keep up with the level of
3 attrition.

4 COUNCILMAN SQUILLA: And are
5 classes going to be scheduled along the
6 way to be able to do this? Because, as
7 you know, the less people that we have,
8 the more overtime and the more cost it
9 ends up becoming.

10 MS. RHYNHART: Right. The
11 departments are working closely with our
12 HR department in order to stagger the
13 classes and have enough -- have the
14 classes be large enough and the list be
15 large enough so that we don't run into a
16 problem.

17 COUNCILMAN SQUILLA: Okay.
18 Thank you.

19 COUNCIL PRESIDENT CLARKE:
20 Thank you, Councilman.

21 The Chair recognizes
22 Councilmember Green.

23 COUNCILMAN GREEN: Thank you,
24 Mr. President.

25 Mr. Dubow, to Councilmember

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 Squilla's point, doesn't the formula
3 result in a millage that will be applied
4 to the assessed value?

5 MR. DUBOW: Yes.

6 COUNCILMAN GREEN: Okay. So
7 the fact that you have two different
8 formulas, one for 2013 and one for 2014,
9 doesn't that mean that you've, as a
10 result of the formula, put in place two
11 millage rates that you're not,
12 quote/unquote, getting an increase in
13 value, that by its very nature this bill
14 puts in place two millage rates, one that
15 is 4 percent higher than the other? So
16 that if we had an actual increase in
17 property values of 3 percent, the
18 increased millage rate of 4 percent in
19 2014 would actually result in overall
20 property taxes coming in at 7 percent
21 higher by application of the two millage
22 rates that are in this bill?

23 MR. DUBOW: No, it does not
24 mean that. I'll take this in two parts.
25 It has an actual dollar amount that we

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 would receive under the formula. So that
3 dollar amount is not 7 percent higher
4 than the dollar amount from the year
5 before. So you would get to that dollar
6 amount.

7 COUNCILMAN GREEN: It has a
8 millage rate that is automatically
9 calculated based on the formula. That is
10 how you responded to my question to begin
11 with.

12 MR. DUBOW: Right, but the one
13 part of the formula is the dollar amount
14 you would collect. So you wouldn't get a
15 millage rate -- you wouldn't have a
16 formula based on an amount you collect --

17 COUNCILMAN GREEN: Does the --

18 MR. DUBOW: -- and have the --
19 let me just finish, please -- and you
20 wouldn't get to a millage rate that then
21 would produce more than the other part of
22 the constraint on your equation, which is
23 how much you collect.

24 COUNCILMAN GREEN: Okay. So
25 aren't we going to have a millage rate in

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 2013 as an automatic result of the
3 adjustment? The answer to that was yes.
4 We're going to have a millage rate in
5 2014 as a result of the formula, and
6 we've set two different millage rates,
7 one for 2013 and one for 2014, which are
8 formulaic and one is 4 percent higher
9 than the other. So essentially what
10 you've locked in is a 4 percent tax
11 increase -- a 4 percent increase in the
12 millage rate between '13 and '14. Is
13 that a fair characterization?

14 MR. DUBOW: No, it is not.

15 COUNCILMAN GREEN: All right.
16 That's fine.

17 MR. DUBOW: But I want to
18 answer your question, because what it
19 shows is an increase in dollar value,
20 right? So the millage rate in each year
21 will depend on where assessments wind up.
22 So the millage rate the first year will
23 go up or down depending on where
24 assessments are, and that would happen
25 the second year too. So if assessments

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 went up 10 percent in that second year
3 over what it was the first year, you
4 actually see the millage rate go down.

5 COUNCILMAN GREEN: That's
6 correct. But it wouldn't go down by --
7 it would be -- we'd still collect 4
8 percent more than we did in 2013.

9 MR. DUBOW: We would, and like
10 I said to Councilman Squilla, if we get
11 AVI done this year, then next year's we
12 could have new legislation that would
13 have a millage rate.

14 COUNCILMAN GREEN: So why have
15 a millage rate set for 2014 since we have
16 to do a budget next year anyway?

17 MR. DUBOW: We put that in the
18 legislation in case we didn't get AVI
19 done this year, but I think we can have a
20 discussion about whether we should take
21 out the '14. I think we could do that.

22 COUNCILMAN GREEN: So what is
23 the Administration's assessment -- I
24 think this raises a very important point.
25 What are the odds that we -- if you need

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 to build into the legislation a safety
3 valve in case we don't get AVI done this
4 year, should we be rushing to get it
5 done?

6 MR. DUBOW: Like I said, I
7 think you've raised -- you and Councilman
8 Squilla have raised some good issues
9 about having FY14 in there, and I think
10 we'd be open to talking about removing
11 that from the legislation.

12 COUNCILMAN GREEN: Thank you.
13 I think that was my time,
14 Mr. President.

15 COUNCIL PRESIDENT CLARKE:
16 Thank you, Councilman.

17 The Chair recognizes
18 Councilwoman Bass.

19 COUNCILWOMAN BASS: Good
20 afternoon.

21 (Good afternoon.)

22 COUNCILWOMAN BASS: Just a
23 couple of quick questions. The first
24 question is, if you prevail and have a
25 win at the STEB Board, do you think the

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 rates will go back to 32 percent or do
3 you think it will be somewhere between 18
4 and 32? Do you have an estimation on
5 that?

6 MR. DUBOW: So to add another
7 level of complication to this STEB issue,
8 because it's not complicated enough, you
9 have a 15 percent window around the 32
10 percent. So you have to be at at least
11 27.2 percent, and that's where we think
12 we'll be, above the 27.2 percent.

13 COUNCILWOMAN BASS: Okay. And
14 how will that 27.2 percent affect
15 revenues?

16 MR. DUBOW: If you get within
17 the 15 percent variance, you're allowed
18 to keep using the 32 percent in terms of
19 your common level ratio. So if we get
20 there, then we'll be okay. But I should
21 emphasize again that this is a big risk
22 for every year we haven't gone to AVI
23 that the state will tell us that we have
24 to calculate our taxes differently and
25 that we'll have substantial losses.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILWOMAN BASS: Okay. And

3 the other question was on -- just in the

4 presentation that was made in terms of

5 investments in people, particularly folks

6 here in Philadelphia who are at risk. So

7 we're going to increase the money we

8 spend on crime prevention by \$1 million,

9 we're going to increase beds at the

10 shelter that's going to be closing on

11 Ridge Avenue by 1.2 million and another 4

12 million in terms of investments in

13 police. And I guess when you look at

14 this investment at 6.3 million over the

15 investment that we're making between

16 Dilworth and Love Park, which is about 70

17 million, if I'm correct in that, and so

18 my thought is, how do we justify spending

19 about \$70 million on these two areas?

20 Dilworth is already obviously under

21 construction and the proposal is to do

22 Love Park as well, but at a time like

23 this when there's an increased need for

24 human services, it just seems that it

25 might not be so wise to contemplate Love

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 Park at this time.

3 MR. GILLISON: Let me say a
4 couple of different things. First, there
5 are two different aspects of the budget.
6 One is Capital; one is General Fund. So
7 when -- and I've heard this thing about
8 Dilworth is 50, whatever the million
9 dollars is for Dilworth Plaza and the
10 City's investment. We are actually
11 getting grants for most of that, and a
12 lot of that is federal funding. So
13 that's really not an apples-to-apples
14 comparison.

15 When we're talking about trying
16 to invest in people, we're using the
17 dollars that we have available to us to
18 invest in those people, to invest in
19 making the City safer, to invest in
20 people's services, and we're trying to
21 hold the line as best we can, but we need
22 those investments in order to make sure
23 that those people don't get hurt.

24 COUNCILMAN JONES: Excuse me.
25 Councilwoman Sanchez has a point of

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 information.

3 COUNCILWOMAN SANCHEZ: I just
4 want to -- I think where Councilwoman
5 Bass is going is, I outlined earlier how
6 we're getting cuts both at the federal
7 and City level and we're not covering
8 those costs, but we're making additional
9 investments in other areas. So I guess
10 her concern is the decision to add 4 and
11 a half million dollars to the Mayor's
12 budget versus covering the \$44 million in
13 state cuts or the \$10, \$15 million in
14 federal cuts. Who makes that decision?

15 MR. GILLISON: Well, again, it
16 comes down to capital versus operating
17 dollars, which is what I think --

18 COUNCILWOMAN SANCHEZ: That's
19 not case with services.

20 MR. GILLISON: With services,
21 it's us and our operating money that we
22 are actually putting forward. And the
23 idea that we would actually -- there's no
24 money and there's no ability for us to
25 cover the state cuts directly, and that's

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 what we're trying to help minimize, and
3 we have to always deal with that as best
4 we can. But to say that the capital
5 dollars could somehow be used to cover
6 that --

7 COUNCILWOMAN SANCHEZ: I'm not
8 mixing the capital dollars. You're
9 saying that -- and I understand your
10 point around capital, but we're making
11 decisions around general operating. One
12 of the discussions we've had continuously
13 is the fact that most of our CDBG money,
14 all of it is grants and that in fact none
15 of that expense is on our general
16 operating fund side, but here you've made
17 a decision to add \$4 million in General
18 Fund, but not cover any of the cuts that
19 we're receiving from the feds or the
20 state.

21 MR. GILLISON: Correct. And
22 the idea is that -- that that is a policy
23 decision. That is a policy decision,
24 especially the 4 million that's going to
25 be used to try to get the police to the

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 levels of providing the services and the
3 safety needs of the City, and we've
4 always had a policy decision that says
5 that safety has to come first. It's the
6 first responsibility of government, and
7 that's what we have to deal with. So,
8 yes, that is a policy decision. It's one
9 that we make and have to make so
10 everything else can flow from there.

11 COUNCILMAN JONES: The Chair
12 recognizes Councilwoman Bass still,
13 although her time has expired.

14 COUNCILWOMAN SANCHEZ: I
15 borrowed some. You can give it back to
16 her.

17 COUNCILMAN JONES: Y'all treat
18 me like a substitute teacher here.
19 That's all right.

20 COUNCILWOMAN BASS: Thank you,
21 Councilman.

22 Just going back to -- okay. So
23 I understand. Thank you very much.

24 So just going to if we take out
25 Dilworth, which you said we got grants

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2 and other funds to cover those costs. Is
3 that the same for Love Park as well?

4 MR. GILLISON: Love Park is
5 going to be again capital funded, not
6 operating. So, again, it's two different
7 sources.

8 COUNCILWOMAN BASS: I
9 understand.

10 MR. GILLISON: So that's why
11 they can't really be -- you're spending
12 on one and not the other.

13 COUNCILWOMAN BASS: So we're
14 not going to be spending -- well, we are
15 going to be spending about \$20 million on
16 Love Park.

17 MR. GILLISON: That's correct.

18 COUNCILWOMAN BASS: That's not
19 through grants --

20 MR. GILLISON: That's correct.

21 COUNCILWOMAN BASS: -- and
22 other funds that won't come out of the
23 City's budget, as Dilworth is. So
24 there's a difference between the two.

25 MR. GILLISON: That's capital

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 dollars, not operating dollars. That's
3 correct.

4 COUNCILWOMAN BASS: Thank you.

5 MR. GILLISON: Thank you.

6 COUNCILMAN JONES: Thank you.

7 A couple of questions on that
8 line. And I was next. This is not the
9 prerogative of the Chair, honestly. I
10 got a witness.

11 The Administration has done a
12 very good job of articulating and even
13 implementing its green strategy. You
14 know it. Most green city in America, and
15 we have taken great strides to really
16 actualize that.

17 More recently, the Mayor has
18 dug his heels in and said we're going to
19 have a crime strategy, and it's clearly
20 articulated in ten points, dealing with
21 everything from bounties on guns and
22 dealing with the bail question, which we
23 played a part of, but you understand his
24 crime strategy with cameras and the like.
25 Kind of sort of you understand his

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2 education strategy, which is do over,
3 start over, let's kick everybody out.
4 But what I have not heard -- and I think
5 this speaks to the spirit of my
6 colleague's question -- is his
7 anti-poverty strategy.

8 When we start looking at the
9 fact that we're spending 18 million on
10 Love Park, 40 million on the Plaza,
11 that's respectively closing in on \$60
12 million. We have agencies like MOCS,
13 Mayor's Office of Community Services.

14 What is the anti-poverty
15 strategy? And we're talking about 28
16 percent of the City's population living
17 under poverty guidelines. You're talking
18 about many young people waking up in the
19 morning and they are afraid -- or what is
20 that term used, food insecurities. That
21 is really real. And I don't need to have
22 Councilwoman Blackwell talk about the
23 homelessness strategy as of late.

24 Can you articulate our
25 anti-poverty strategy as it relates to

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 your submission of a Five Year Plan?

3 MR. GILLISON: Well,

4 Councilman, I would suggest to you that

5 one of the things that we have been able

6 to deal with, especially since I was able

7 to sit in this particular chair, is a

8 real reevaluation of what that strategy

9 really should be. There has been for a

10 number of years -- I'm going back 30

11 years -- where we, as a result of

12 receiving various grants that came either

13 out of Great Society, we have gone

14 forward under various alliterations from

15 the federal government, state government,

16 whatever, that everyone has an

17 understanding of what anti-poverty should

18 look like, and I think that the Mayor's

19 statement -- I'm always struck by it --

20 is that the best anti-poverty strategy

21 you can have is to give a person the

22 education and a job to get them -- so

23 that they'll be able to provide for their

24 family and their loved ones. That's

25 really the best strategy there is out

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2 there, and we have to look at all of our
3 programs with that as our lens and that
4 as our filter.

5 With the decline of the federal
6 government in taking away dollars from
7 the anti-poverty area, we have an entire
8 department that will obviously come up
9 with its -- I guess it's the 38th year or
10 39th year trying to struggle with what
11 we're doing with housing, what we're
12 doing with work-wise, what we're doing
13 with all of these various things, and the
14 CDBG money that's around that's left is
15 now down to about a paltry \$4 million, I
16 think it is, that's coming from the
17 federal government. Our strategy has
18 always been one that comes out of
19 community. Our strategy has been one
20 that says that the places that we are
21 going to get people from poverty and out
22 of poverty is to connect them with the
23 basis of getting jobs and keeping good
24 jobs, and that's the kind of work
25 strategy, that's the economic strategy,

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 all of that is to get people out of
3 poverty.

4 COUNCILMAN JONES: Where is it
5 articulated in the Five Year Plan?

6 MR. GILLISON: I think that the
7 basis of -- I think the investments are
8 there when you add them up in total, but
9 I will agree with you that there's no
10 Greenworks that says this is what it is.
11 There's no communications tag to this is
12 what it is, and that's something that I
13 think that I will take away and I'll go
14 back and I'll deal with.

15 COUNCILMAN JONES: The good
16 thing about the way we do our budget here
17 is that it gives you a heads-up as to
18 what is coming down the pike by a
19 particular department.

20 I applaud the Mayor on his
21 green strategy. I'm down, as they say in
22 the streets, with his crime strategy.
23 I'll be on the corner any time. I
24 understand what he has to do with
25 education. I need to understand what the

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 anti-poverty program is in the five-year
3 strategy, whether it's a part education,
4 whether it's part jobs creation. The
5 Mayor's Office of Community Service is
6 the point person of that, and that plan
7 needs to be articulated by them so that
8 this body, who has -- if I look around
9 each of these District Councilpeople,
10 they have poor people within their -- oh,
11 my three minutes, you can do mine too --
12 is clear and present and it filters into
13 every other department. The person that
14 doesn't have a job is more likely to not
15 have the education, not have the housing,
16 be involved in other activities.

17 So we really need to kind of
18 hone in on what that strategy is as we
19 approach these other worthwhile goals.

20 MR. GILLISON: Thank you.

21 COUNCILMAN JONES: The Chair
22 recognizes Councilman Kenney.

23 (No response.)

24 COUNCILMAN JONES: Councilman
25 Kenney.

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2 (No response.)

3 COUNCILMAN JONES: The Chair
4 recognizes Councilman Green.

5 COUNCILMAN GREEN: Thank you,
6 Mr. Chair.

7 If I occasionally sound upset,
8 it's because the people I represent are
9 upset and confused about what's happening
10 here, and although not confused, I'm
11 trying to get clear, direct answers that
12 will allow us to explain to our
13 constituents exactly what is proposed and
14 do feel frustrated in that effort.

15 That being said, I will
16 continue the effort.

17 The AVI bill has several
18 savings clauses that specify what would
19 happen if a court struck down various
20 aspects of the proposal. Do we have a
21 written opinion from the City Solicitor
22 on the legality of the bill, and
23 specifically using an algebraic equation
24 rather than specifying a millage rate?

25 MR. DUBOW: We do not. We've

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 talked to them about it. We do not have
3 a legal opinion.

4 COUNCILMAN GREEN: Is there a
5 memo explaining why this is legal under
6 the law that is not a legal opinion?

7 MR. DUBOW: Again, we've had
8 discussions about it. There's nothing
9 that we have in writing on it.

10 COUNCILMAN GREEN: Has there
11 been research done with respect to
12 whether or not this is legal by the Law
13 Department?

14 MR. DUBOW: I believe the Law
15 Department has done research into it,
16 yes.

17 COUNCILMAN GREEN: And they've
18 put none of that in writing?

19 MR. DUBOW: No. We had a
20 series of meetings with them about it.
21 We didn't ask for anything in writing.

22 COUNCILMAN GREEN: Okay. So if
23 there is no written opinion, I think I
24 would like to request that a written
25 opinion be delivered to the Chair from

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 the City Solicitor that specifically
3 covers the aspects of the bill for which
4 there are savings clauses, the authority
5 to levy taxes based on certified market
6 value and the use of an algebraic
7 equation to set a tax rate rather than
8 specifying the millage rate in the bill
9 itself.

10 I think we've covered in some
11 detail one of the savings clauses, and
12 it's clear that if that savings clause,
13 the 1 percent for the City and the 1 and
14 a half percent for the School District,
15 go into effect, that we'll collect
16 somewhere between a billion and 3 and a
17 half billion dollars in property taxes
18 next year, and I think we're raising all
19 sorts of -- there are a lot of
20 uncertainties built into what is being
21 proposed, the fact that there are savings
22 clauses, et cetera, but the biggest
23 uncertainty I think that -- or the
24 biggest concern I now have about the bill
25 is the concept that there will not be

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 potentially AVI done next year. And I
3 recognize you said you might be willing
4 to take out the 2014 automatic
5 adjustment.

6 MR. DUBOW: I didn't say
7 "might." I said we're willing to take
8 that out.

9 COUNCILMAN GREEN: Okay. But
10 what in the bill, specifically since the
11 bill was written with a potential non-AVI
12 move next year, what in the bill
13 specifically would happen as our tax rate
14 next year if AVI was not completed for
15 some reason, either court action or
16 something else? If we don't get AVI
17 because we're not ready for some reason,
18 things slow down, the assessments come
19 back way different than expected and we
20 can't get the bills out by October 1st,
21 what exactly happens as a consequence of
22 not getting to AVI, not being able to get
23 out real property value assessments by
24 October 1st or the court striking it
25 down? What happens? Explain to us what

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 the tax we will collect will be.

3 MR. DUBOW: Well, there are a
4 few answers of what will happen if we
5 don't have AVI. And, again, I should
6 emphasize that we're confident we're
7 getting it done in September. I don't
8 want you to come away thinking that we
9 think that's -- that there's a
10 substantial risk that won't happen.
11 We're confident that that's going to
12 happen.

13 If we don't have AVI, then the
14 big risk to our collections is what
15 happens with the common level ratio. If
16 the State Board still says we're outside
17 of the acceptable range, we would see a
18 dramatic hit to our budget, probably tens
19 of millions of dollars. So that's one
20 impact of what would happen if we didn't
21 go to AVI.

22 In terms of what the actual
23 millage rate would be, it would probably
24 depend on what the court ordered.

25 COUNCILMAN GREEN: The question

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 is, what specifically does the bill call
3 for if we don't get to AVI next year?
4 What happens in the bill? Not from a
5 court order. We don't get the bills out
6 by October 1st or a court says that
7 formula doesn't work, what do we collect
8 in taxes next year? That's a simple
9 question. We can't collect it under the
10 formula. What do we collect in taxes
11 next year?

12 MR. DUBOW: If there's --

13 COUNCILMAN GREEN: In your bill
14 that you presented to Council.

15 MR. DUBOW: The bill
16 contemplates our going to AVI. The
17 fail-safe is if the tax mechanism is
18 kicked out.

19 COUNCILMAN GREEN: The bill
20 contemplates our going to AVI in 2013
21 and, if not, in 2014. I'm talking about
22 the bill as written, not as you're
23 willing to amend it, what you sent to
24 Council. What happens if we don't get to
25 go to AVI this year?

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2 MR. DUBOW: Are you saying if a
3 judge says we can't use the formula?

4 COUNCILMAN GREEN: Or the
5 assessments come back --

6 MR. DUBOW: Then we go to the 1
7 percent? Is that the part you're talking
8 about?

9 COUNCILMAN GREEN: No. I'm
10 just saying it doesn't go to the 1
11 percent if we can't get the bills out by
12 October 1st.

13 MR. DUBOW: But, as I said, I
14 mean, we're confident that we're getting
15 them out.

16 COUNCILMAN GREEN: Why then in
17 the structuring of the bill did you build
18 in a 2014 maybe we won't?

19 MR. DUBOW: As I said, you've
20 raised a good point about that, and we're
21 willing to take that out.

22 COUNCILMAN GREEN: I understand
23 you're willing to take it out now that
24 it's been brought to your attention. The
25 fact of the matter is, you put that in

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 there for a reason, because at the time
3 the bill was written, you were not
4 certain. And my question is, what
5 happens if the formulaic approach can't
6 be used because the assessments come back
7 or are very wrong by October 1st? What
8 is our tax next year?

9 MR. DUBOW: Again, what I'm
10 saying to you is, we're confident that
11 they'll get out and we'll take the '14
12 out.

13 COUNCILMAN GREEN: I
14 understand, but that's not the question.
15 What happens if we can't get the
16 assessments out by October 1st? What's
17 our tax rate? How much money will we
18 collect next year?

19 MR. DUBOW: If we don't get the
20 assessments out, then we would still have
21 our current assessments.

22 COUNCILMAN GREEN: We would
23 not. We would have passed this bill.
24 What would be the tax rate -- how much
25 would we collect if we can't actually get

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 all this done, knowing that we can't come
3 back after June 30th and set millage
4 under the old system?

5 MR. DUBOW: Right. If we
6 didn't -- well, we'd have --

7 COUNCILMAN GREEN: If the
8 Administration misses its target, which I
9 know is unthinkable that's going to
10 happen --

11 MR. DUBOW: So we have the old
12 assessments, right, and then we'd have a
13 millage rate calculated under those
14 assessments.

15 COUNCILMAN GREEN: No, we
16 wouldn't. If we pass this bill, that
17 won't be the case.

18 MR. DUBOW: Why won't that be
19 the case?

20 COUNCILMAN GREEN: Because we
21 wouldn't have gotten the bills out -- so
22 the new millage rate will be calculated
23 based on current assessed value, which
24 is --

25 MR. DUBOW: Right.

1 3/26/12 - WHOLE - BILL 120164, ETC.

2 COUNCILMAN GREEN: -- which is
3 at least half, based on your testimony,
4 of the actual value.

5 MR. DUBOW: I said we don't
6 know and that we won't know that until
7 the assessments are done. That's what I
8 said about where values would wind up.

9 COUNCILMAN GREEN: Okay.

10 Thank you, Mr. President. I
11 know my time has expired.

12 COUNCIL PRESIDENT CLARKE:

13 Thank you, Councilman.

14 The Chair recognizes Councilman
15 Jones.

16 COUNCILMAN JONES: Thank you,
17 Mr. President. I will be very brief
18 because we're overdue. You ran an
19 efficient hearing. You ran right through
20 the break. So I'm going to be real
21 brief.

22 COUNCIL PRESIDENT CLARKE:

23 Thank you, sir.

24 COUNCILMAN JONES: Last year in
25 the last Administration we brought a bill

1 3/26/12 - WHOLE - BILL 120164, ETC.
2 forth that talked about evaluating
3 outsourcing, evaluating in-house work
4 being done, and we were in negotiations
5 with the Administration about a formula
6 that would look at that in some key
7 procurement areas to see if we were
8 getting value by contracting out or
9 whether greater value could be sought by
10 internal workforces. Thank you for
11 alluding to the fact that Public Property
12 was going to pick up some people to look
13 at doing maintenance in-house as opposed
14 to contracting out.

15 I believe Councilman Green also
16 introduced some legislation to that
17 effect, but I want you to have full alert
18 that we're going to be looking at this.
19 The first part of my comments today was
20 on revenue sources that were being left
21 on the table, meaning not collecting
22 taxes. The second part of my questioning
23 today dealt with expenses, meaning
24 overtime and whether or not we were being
25 prudent by way of hiring and when we

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2 decided to hire.

3 The final shoe to fall, if you
4 would, is contracting out and getting as
5 much as we can out of internal workforces
6 versus making the decision to hire
7 outside labor. That's in construction
8 and in professional services.

9 So that's just a heads-up to
10 the department heads that this will be a
11 theme in our questioning this year.

12 Thank you, Mr. President.

13 COUNCIL PRESIDENT CLARKE:

14 Thank you, Councilman.

15 Real quick. Not a specific
16 question relating to this proposed
17 budget. There have been a number of
18 conversations centering around other
19 revenue generation methods, and I had
20 actually hoped in this particular
21 proposed budget one of them would be
22 listed as a revenue stream as it related
23 to FY13 budget, municipal advertising.
24 And what I need to know is, what's the
25 threshold -- and I understand that this

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2 is the Mayor's budget. He submits it to
3 Council. We have to approve or we have
4 to make adjustments, but there are what I
5 believe to be good ideas had by members
6 of Council, and it's always been
7 relatively difficult to get our issues in
8 the Mayor's proposed budget. And that's
9 just historical, not relating to this
10 particular Administration.

11 I remember last time we had a
12 challenge that -- actually we passed a
13 tobacco tax, which was somewhat
14 challenging because we realized a whole
15 lot of people actually liked to chew
16 tobacco. They came down here and they
17 were all upset, and cut some deals. We
18 got a reasonable number as it relates to
19 the impact, and we took a little hit from
20 it, but we thought we were trying to help
21 the City of Philadelphia. I don't know
22 how much we raised, but we had certain
23 projections. The Administration says,
24 No, we're not getting any money. But
25 anyway, it was what it was.

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2 So in this particular issue and
3 the conversations earlier, we talked
4 about this municipal advertising and we
5 talked about the fact that even if there
6 was a swift conclusion as it relates to
7 the actual proposal, we probably couldn't
8 implement it in its entirety for the
9 fiscal year. There were some
10 conversations about the fact that we did
11 the same thing on the sugar proposal,
12 where we couldn't implement that, but
13 with some projections.

14 So as we get the budget, I
15 don't see municipal advertisement in
16 there, and I'm actually not surprised.

17 What's the threshold that we as
18 a Council have to meet to get something
19 in this document?

20 MR. GILLISON: I guess that's
21 on me to try to answer. I think, Council
22 President, that the way that we have
23 tried to go about both sharing ideas and
24 to validating the ideas, I think it's all
25 a function of just timing. I think

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2 that's the easiest way to answer that
3 question.

4 I know that we are still
5 validating, because we're going back and
6 forth meeting and working with your
7 staff. All of us are really trying to
8 see exactly what it would mean so that
9 whenever something does get placed in the
10 proposed budget, that we are all -- we're
11 in agreement, that this is what we can
12 expect. And I think that we got the
13 information, we got the ideas, and we've
14 been working together. I think it shows
15 a great way for us to work together to
16 say that if once those ideas have been
17 validated and both of us -- both you and
18 the Mayor can sit down and say, Okay,
19 this is where we're going to go, I think
20 you'll find that they'll make it into the
21 budget.

22 I just think it's a timing
23 thing, and I think that we have to just
24 trust and work with each other so that we
25 can end up making it into the next one,

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2 or even if some parts of it will make it
3 into this one, I think that will happen
4 in the next and over the next few weeks.

5 COUNCIL PRESIDENT CLARKE:

6 Well, that sounds nice. I don't
7 interpret what's been happening the way
8 you just indicated in your response.
9 This is something that we've been talking
10 about since last year. There has been
11 one meeting. From my perspective, to
12 push to get this at a minimum in, as you
13 call it, the validation stage has been
14 one-sided. I'm concerned that it's not
15 being taken seriously.

16 The reality is is that this is
17 not something that's not happening all
18 over the country. We've had a number of
19 proposals. A member of the
20 Administration indicated that there was
21 going to be some level of process
22 relating to them, and maybe I
23 misunderstood, so we had a follow-up
24 meeting. We basically put information on
25 the table. That's as far as it's gone.

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2 We've actually gotten a couple of
3 informal quotes about some advertisement
4 opportunities down here with some
5 prominent municipal buildings that are in
6 the millions of dollars.

7 So I just need to understand
8 what do we have to do to get this on the
9 serious track as it relates to being in a
10 budget proposal that we can concur on and
11 move ahead as it relates to providing
12 some much-needed revenue to the City,
13 outside of taxing people, be it AVI or
14 any other potential tax that we may put
15 on the table?

16 MR. GILLISON: Well, again, I
17 will actually go back. I know that I get
18 briefed on most of these, where ideas are
19 and especially when the meetings occur
20 and what are the deliverables that come
21 out of those meetings. If I've missed
22 something, I will actually go back and
23 I'll deal with it, and I will sit down
24 and I'll talk with you.

25 COUNCIL PRESIDENT CLARKE:

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2 Okay. Can you put the Love Park Garage
3 on that list also, which was another
4 conversation that we've been having?

5 MR. GILLISON: Be glad to.

6 COUNCIL PRESIDENT CLARKE: In
7 terms of asset sales.

8 All right. Thank you.

9 The Chair recognizes
10 Councilmember Green.

11 COUNCILMAN GREEN: Thank you,
12 Mr. President.

13 I've got some questions related
14 to the assumptions behind the algebraic
15 formula.

16 So the target revenue number is
17 512.6 million for 2013. You plan to
18 collect 445 million of current year real
19 estate taxes for the year 2013.

20 MR. DUBOW: 458.

21 COUNCILMAN GREEN: 458?

22 MR. DUBOW: Yes.

23 COUNCILMAN GREEN: Okay. And
24 that's based on a current payment rate of
25 87 percent?

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2 MR. DUBOW: Eighty-seven and a
3 half.

4 COUNCILMAN GREEN: Eighty-seven
5 and a half. So it is your assumption
6 that the payment rate under AVI is going
7 to be, if we were to go to AVI, is going
8 to be about the same as it has been
9 historically?

10 MR. DUBOW: Yes.

11 COUNCILMAN GREEN: Has that
12 been the case in other jurisdictions that
13 have made a tax shift like this?

14 MR. DUBOW: Yeah. I think what
15 they've seen is a change in the level of
16 appeals, and that's what we've put into
17 the plan, is a change in the level of
18 appeals.

19 COUNCILMAN GREEN: My question
20 is, has that been the case in other
21 cities that have made a tax shift like
22 this?

23 MR. DUBOW: That's my
24 understanding from conversations we've
25 had, that that's kind of similar.

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2 COUNCILMAN GREEN:

3 Conversations with whom?

4 MR. DUBOW: With our Chief
5 Assessor.

6 COUNCILMAN GREEN: With your
7 Chief Assessor?

8 MR. DUBOW: Yeah. He's done
9 this in a couple other places.

10 COUNCILMAN GREEN: And so you
11 have a written memo or research or some
12 analysis that demonstrates how
13 collections have changed in other cities
14 that have gone through this in your file
15 somewhere?

16 MR. DUBOW: We don't have a
17 written memo, but we can get you one.

18 COUNCILMAN GREEN: Well, I
19 mean, there's no point in -- you know
20 what conclusion you want now, so I'm sure
21 the research or the memo will match that.
22 My question was, did you bother to do a
23 written analysis prior to making the
24 assumption that the collections would
25 stay the same as they have historically?

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2 MR. DUBOW: As I said, we don't
3 have it in writing, but we can give you a
4 memo if you want one.

5 COUNCILMAN GREEN: And it's
6 based entirely on conversations with our
7 Revenue Commissioner?

8 MR. DUBOW: No; with our Chief
9 Assessor.

10 COUNCILMAN GREEN: With our
11 Chief Assessor, okay. So it is -- what
12 kind of evidence would you call that?

13 MR. DUBOW: Well, I would call
14 him someone who really understands the
15 field. So I would call that good
16 evidence.

17 COUNCILMAN GREEN: Good
18 evidence. I would call it circumstantial
19 or circumspect in that it's one data
20 point from one individual that is not
21 backed up by any research.

22 Does the Administration have
23 any estimates regarding going forward how
24 many appeals there will be and the
25 potential revenue impact of the appeals?

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2 MR. DUBOW: We have an appeal
3 amount that goes up from 200 million to
4 about 960, I think.

5 COUNCILMAN GREEN: And what
6 assumptions are made with respect to the
7 granting of appeals versus historical
8 trends?

9 MR. DUBOW: That they're much
10 higher, that the 960 is -- it's a much
11 higher level of appeals being granted.

12 COUNCILMAN GREEN: Not appeals
13 being granted. How much revenue are we
14 likely to lose -- what is the assumption
15 about the loss of revenue as a result of
16 appeals?

17 MR. DUBOW: We're losing
18 about -- it assumes we lose about \$960
19 million worth of assessments through the
20 appeals process. So then you would
21 multiply that by the tax rate to get to
22 the amount.

23 COUNCILMAN GREEN: So the
24 formula builds in \$960 million of
25 mistakes?

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2 MR. DUBOW: Of appeals granted,
3 which is different from mistakes.

4 COUNCILMAN GREEN: Okay,
5 appeals granted. So that's basically an
6 assumption of how many appeals, how many
7 people are you assuming appeal?

8 MR. DUBOW: We actually did it
9 by dollar amount rather than by people
10 who appeal.

11 COUNCILMAN GREEN: In other
12 cities, what has been the dollar amount
13 of appeals compared to the overall
14 assessed value?

15 MR. DUBOW: We can get you
16 that.

17 COUNCILMAN GREEN: Is there any
18 written analysis of that prior to you
19 presenting us with this budget?

20 MR. DUBOW: There's no written
21 analysis of that, no, but we can get you
22 that.

23 COUNCILMAN GREEN: And what is
24 that data based on? The experience of
25 your assessor?

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2 MR. DUBOW: Yes, it is. But
3 one of the other things is, what will
4 happen here will be different from what
5 happened in other places. The change in
6 values will be different. What's
7 happened here historically is very
8 different. So, I mean, we had to make an
9 estimate there and I'm not sure that what
10 happened in other places would
11 necessarily tell us what will happen
12 here.

13 COUNCILMAN GREEN: So how is
14 this a reasonable assumption? How --

15 MR. DUBOW: Our assumption was
16 that you would see a substantial increase
17 because you would see changes in
18 assessments. But it is an estimate. The
19 number could be different.

20 COUNCILMAN GREEN: What is the
21 consequence on collections from the 491
22 million we're expecting if actually 2
23 billion of the appeals are granted?

24 MR. DUBOW: From the 458
25 million? If 2 billion are granted, then

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2 the number would be much lower. If --

3 COUNCILMAN GREEN: How much
4 lower would it be?

5 MR. DUBOW: Well, we can get
6 you that for 2 billion. I don't have
7 that off the top of my head. If it was
8 500 million, then the number would be
9 higher. It would change with the number
10 that was appealed, the number of appeals
11 that were granted.

12 COUNCILMAN GREEN: Isn't the
13 answer dependent upon what the actual
14 aggregate valuable taxable property is in
15 the City, which you've already said you
16 don't know whether that's two or four
17 times?

18 MR. DUBOW: That is clearly one
19 of the factors, yes.

20 COUNCILMAN GREEN: Isn't this
21 assumption --

22 MR. DUBOW: The appeal -- the
23 level of appeals granted as a percent of
24 the total assessment is what will
25 determine the impact.

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2 COUNCILMAN GREEN: Right. So
3 isn't this \$960 million assumption way
4 off if it's two times current value? In
5 other words, on what aggregate taxable
6 value assessment was the \$960 million
7 assumption made?

8 MR. DUBOW: For the 960, I
9 think all we did was take out the -- we
10 just took out the common level ratio and
11 used the 960 against the number without a
12 common level ratio.

13 COUNCILMAN JONES: Councilman,
14 you're the last question, so we're
15 indulging you a little longer. The clock
16 is not broke, though.

17 COUNCILMAN GREEN: Councilman,
18 I have four pages of questions I haven't
19 gotten to, so...

20 Okay. So basically there's no
21 relationship between the \$960 million
22 potential part of this algebraic formula
23 and what the overall aggregate property
24 tax value is; is that what you're saying?

25 MR. DUBOW: No, that's not what

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2 I said. I said it was based on a number
3 that adjusted out the common level ratio.

4 COUNCILMAN GREEN: But you
5 haven't stress-tested this individual
6 portion of the overall formula?

7 MR. DUBOW: We do know -- well,
8 we can show you we have had -- the
9 changes in this number obviously have an
10 impact on what you collect, and we can
11 show you that.

12 COUNCILMAN GREEN: So the City
13 Code already has a deferral provision
14 allowing the Revenue Department to grant
15 applications for homeowners to defer
16 until time of sale increase in real
17 estate taxes due to an increase in
18 assessments of over 15 percent. This is
19 currently the law. The applicant has to
20 demonstrate that it would be a hardship
21 to pay, which will obviously be the case
22 in many cases.

23 What in the formula takes into
24 account this existing Philadelphia law
25 and the likelihood that people in areas

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2 that are likely to see a lot of
3 assessments will be able to defer most of
4 their increase in assessments until their
5 sale under this existing provision of the
6 City Code?

7 MR. DUBOW: Yeah. That's
8 something that's kind of built into that
9 appeal loss number. We've treated them
10 as kind of the same.

11 COUNCILMAN GREEN: Well,
12 describe what portion of the appeal loss
13 is related to this law and what portion
14 of the appeal loss is related to just a
15 granting of appeals?

16 MR. DUBOW: We can break that
17 out for you.

18 COUNCILMAN GREEN: Is the work
19 done in writing today?

20 MR. DUBOW: It's not done in
21 writing today, but we can get that to
22 you.

23 COUNCILMAN GREEN: Okay.

24 COUNCILMAN JONES: Councilman.
25 Will you please provide that to

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2 the Chair?

3 MR. DUBOW: Yes. Yes.

4 COUNCILMAN JONES: This will be
5 your last question?

6 COUNCILMAN GREEN: Councilman,
7 I have four pages of questions here, and
8 I intend to try to get through them
9 today. Fortunately, we're on Page 4 at
10 the moment -- or let's see here.

11 So the homestead exemption
12 itself, the bill targets a \$15,000
13 homestead exemption. What's the average
14 assessed value of residential property in
15 Philadelphia today?

16 MR. DUBOW: The average market
17 value of a property in Philadelphia today
18 is about \$50,000.

19 COUNCILMAN GREEN: Fifty
20 thousand dollars. And so how did the
21 Administration settle on the 15,000
22 exclusion amount?

23 MR. DUBOW: Well, we actually
24 looked more at where -- we looked at a
25 number that we thought would provide some

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2 relief, but particularly for lower valued
3 houses. Again, it is a number that was
4 more art than science.

5 COUNCILMAN GREEN: Okay.
6 What's the average market value under the
7 new system?

8 MR. DUBOW: We don't know that
9 yet.

10 COUNCILMAN GREEN: But it's
11 likely two to four times higher than the
12 50,000?

13 MR. DUBOW: Could be, yes.

14 COUNCILMAN GREEN: Okay. So
15 let's call it \$200,000. Let's just say
16 it's at the upper limit of your -- is
17 there an analysis of how much the \$15,000
18 exclusion means to people, whether it's
19 \$100,000 or \$200,000?

20 MR. DUBOW: Sure. If you have
21 a house, for example, that's at the lower
22 end of values and --

23 COUNCILMAN GREEN: I'm sorry,
24 Mr. Dubow. I apologize. My question was
25 not about a particular house, because

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2 obviously if the house is worth 15,000,
3 they'll pay no taxes. The question is in
4 general how this relates to the
5 distribution of taxes we collect from
6 residential collections versus
7 commercial/industrial collections. In
8 other words, the higher we set that
9 homestead exemption, the more tax relief
10 is going to be given to residents and --

11 MR. DUBOW: Correct.

12 COUNCILMAN GREEN: -- the more
13 taxes, as a consequence, will be paid on
14 the commercial and industrial side.

15 MR. DUBOW: That's correct.

16 COUNCILMAN GREEN: So how much
17 of the total percentage of taxes that we
18 are going to collect under the new system
19 are residential and how much as a
20 percentage are current collections
21 residential?

22 MR. DUBOW: I think now the
23 current residential is in the 60 to 65
24 percent. We did an analysis of what the
25 homestead might cost depending on where

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2 the tax rate wound up. I don't have the
3 numbers in my head, so we can get you
4 that. And obviously we didn't then go to
5 what's the percent residential and
6 commercial, but we can provide you that.

7 COUNCILMAN GREEN: So 60 to 65
8 percent is residential today?

9 MR. DUBOW: I think so.

10 COUNCILMAN GREEN: Do you know
11 what it is under the new system?

12 MR. DUBOW: I just said we'd
13 have to -- that's something we'd have to
14 go back and check.

15 COUNCILMAN GREEN: Is it less
16 than 60 to 65 percent?

17 MR. DUBOW: It will be less
18 because of the homestead exemption, if
19 that's enacted.

20 COUNCILMAN GREEN: Even without
21 the homestead exemption, wouldn't it be
22 less?

23 MR. DUBOW: It depends on the
24 changes in assessments for commercial and
25 residential.

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2 COUNCILMAN GREEN: What's the
3 average assessed value of commercial and
4 industrial properties today in terms of
5 its comparison to actual market value?

6 MR. DUBOW: I don't know that.

7 COUNCILMAN GREEN: Okay.
8 Particularly in light of the Five Year
9 Plan rehousing cost as a percentage of
10 household income in Philadelphia, the
11 Plan notes that over 41 percent of
12 homeowners with mortgages and almost 59
13 percent of renters pay 30 percent or more
14 of their household income on housing
15 costs. Paying 30 percent or less of
16 household income for housing costs is the
17 commonly accepted definition of housing
18 affordability.

19 Does the Administration have
20 estimates about how AVI will impact this
21 metric of housing affordability and, in
22 particular, if 15,000 is the proper
23 number to allow us to meet this metric of
24 housing affordable for our most
25 vulnerable homeowners?

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2 MR. DUBOW: Because we don't
3 know where AVI will wind up with
4 properties, we don't have that analysis,
5 but a homestead exemption would obviously
6 be a help, and to the extent that
7 relatively overvalued houses were on the
8 lower end of the value scale, then AVI
9 would help with that too.

10 COUNCILMAN GREEN: So there is
11 no way for us to know how AVI will affect
12 housing affordability and what the
13 appropriate place to set the homestead
14 exemption at to effect housing
15 affordability for our most vulnerable
16 citizens unless we have the actual
17 numbers to apply to the homestead
18 exemption and the total aggregate amount
19 of assessed real property in the City of
20 Philadelphia; isn't that correct?

21 MR. DUBOW: I think even when
22 you have all that information, figuring
23 out the right level for the homestead
24 exemption won't immediately answer your
25 question. I think there's always going

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2 to be some level of art in where you want
3 the homestead exemption to be.

4 COUNCILMAN GREEN: That is
5 true, but without those missing pieces of
6 the formula, it's hard for us to know
7 what impact 15,000 versus, say, 35,000 is
8 going to have on the ground with respect
9 to housing affordability?

10 MR. DUBOW: That's --

11 COUNCILMAN GREEN: Is that a
12 fair statement?

13 MR. DUBOW: Until you have all
14 the assessments, that's true.

15 COUNCILMAN GREEN: Thank you.

16 There's another sort of issue.
17 The legislation sets a July 31st deadline
18 for homeowners to apply to the Office of
19 Property Assessment for the homestead
20 exclusion, but we don't have
21 state-enabling legislation authorizing a
22 homestead exclusion and people will not
23 receive their new assessments until
24 September. So how will people know by
25 July 31st, especially if there has not

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2 yet been state action, that they should
3 be applying for their homestead
4 exemption?

5 MR. DUBOW: Right. Well, if
6 there hasn't been state action by then,
7 that obviously would be a real issue for
8 us, and we're pushing to get state action
9 by then. But if they don't have it by
10 then, we'd have to go back and look at
11 that and figure out what an appropriate
12 date would be.

13 COUNCILMAN GREEN: But the bill
14 as presented currently contemplates it
15 must be presented by July 31st.

16 MR. DUBOW: Right.

17 COUNCILMAN GREEN: And people
18 will not have received notices of their
19 taxes for next year until September.

20 MR. DUBOW: Right. We're
21 assuming that people will want -- we'll
22 make sure people know that they're
23 eligible, because every homeowner is
24 eligible, and that people will want to
25 apply for it.

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2 COUNCILMAN GREEN: So what's
3 our plan prior to people receiving their
4 tax notice to let them know prior to July
5 31st that they're eligible for a
6 homestead exemption, which has not yet
7 been passed by the State Legislature?

8 MR. DUBOW: Well, we would have
9 a plan to have a whole communication
10 strategy around that, around all of the
11 relief items that are available for
12 people.

13 COUNCILMAN GREEN: Okay. I
14 believe that in response to a previous
15 question I asked, according to -- this is
16 part of your Five Year Financial and
17 Strategic Plan. According to IHS Global
18 Insight, the average residential real
19 estate property value in the county
20 increased to \$180,330 in 2011. When you
21 consider that it's currently today,
22 according to your testimony, \$50,000 and
23 it's increased to \$180,330, IHS Global at
24 least has the increase in aggregate
25 value, at least with respect to

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2 residential, at more than three and a
3 half times the current taxable assessed
4 property value, and that's probably where
5 you got the numbers that you were
6 mentioning to PICA as three to four
7 times.

8 MR. DUBOW: It's actually not
9 where we got those numbers. And
10 assessments may be there or may come out
11 some place different, but that's --

12 COUNCILMAN GREEN: So do you
13 agree with the statement that's in the
14 Five Year Financial and Strategic Plan
15 that you presented to PICA that the
16 average residential real estate property
17 value in the county is \$180,330 in 2011?

18 MR. DUBOW: I agree that that's
19 the average home price and I agree that
20 they've increased 25 percent. I don't
21 know what that will mean before we wind
22 up with assessments.

23 COUNCILMAN GREEN: Okay. The
24 Five Year Plan revises -- and this has
25 been touched on briefly. The Five Year

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2 Plan revises real estate transfer tax
3 growth rate significantly in FY13, 5
4 percent in '13 and 4 percent in '15 and
5 '16. In the quarterly -- and there's
6 been a discussion about this assumption
7 here today, which I won't repeat, but it
8 was testified to by the Budget Director
9 that it's reasonable given how much we
10 used to collect from this tax and that
11 there's been pent-up demand. Hasn't
12 there been pent-up demand this year, and
13 why do we think the pent-up demand will
14 be realized next year?

15 MS. RHYNHART: There is --
16 yeah, there is pent-up demand going on
17 right now and it keeps building up, and
18 the transfer tax has been relatively
19 flat, but that's -- our projections are
20 based on projections of housing sales and
21 property values growing that were given
22 to us by our economic advisor as well as
23 what the economists at the Fed think. So
24 that's a consensus opinion.

25 COUNCILMAN GREEN: Will you

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2 please provide your economic analysis to
3 the Chair, Ms. Rhynhart?

4 MS. RHYNHART: Yes. You
5 want --

6 COUNCILMAN GREEN: The report
7 that --

8 MS. RHYNHART: From IHS?

9 COUNCILMAN GREEN: From IHS
10 that demonstrates --

11 MS. RHYNHART: Sure. Yes, we
12 can provide that.

13 COUNCILMAN GREEN: The
14 Administration reported that the revenue
15 estimate in the most recent Quarterly
16 Managers Report for real estate transfer
17 tax actually went down by \$5 million
18 compared to what was budgeted.

19 MS. RHYNHART: That's right,
20 and that's consistent with -- what we
21 have seen is, transfer tax has been
22 relatively flat for the past few years,
23 and that's consistent with what IHS and
24 the economists are seeing as well, and
25 then they expect the rebound to occur in

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2 a few years, over the next few years.

3 COUNCILMAN GREEN: Okay. I
4 have additional questions on the Five
5 Year Plan which we can get to, but for
6 now, I will -- because I understand we're
7 going to recess this hearing.

8 I do want to make a couple of
9 quick points, and, that is, apparently
10 there's no memo or written legal opinion
11 as to the legality of this. We're
12 building in a formulaic approach. We're
13 building in the possibility for a lot of
14 contingencies here. One, that we won't
15 get to AVI; two, that if we do get to
16 AVI, in other words, we get the
17 assessments done on time and we send out
18 the bills on time, that the courts may
19 not uphold this, and there's two grounds
20 that are specifically in the bill
21 pursuant to which the courts may not
22 uphold this legislation, and I think that
23 there's a lot of uncertainty with respect
24 to -- including the overall aggregate
25 value, how that impacts what homestead

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2 exemptions and other things should be,
3 and just for myself, Mr. President, there
4 are many, many unanswered important
5 questions that need to be addressed
6 before I think I and the public and
7 others will feel comfortable with any
8 sort of formulaic approach to this year's
9 budget.

10 Thank you, Mr. President.

11 COUNCIL PRESIDENT CLARKE:

12 Councilman, I agree. I think that you
13 can include most of, if not all, of the
14 members in terms of level of concern, the
15 uncertainty of a lot of this.

16 So what I'd like to do, if
17 there are no other members who are
18 interested in asking questions today, I
19 would like to recess the Five Year Plan
20 until Wednesday, March 28th. So I would
21 ask that you all come back.

22 MR. GILLISON: I won't be here.

23 COUNCIL PRESIDENT CLARKE:

24 Pardon me? You can't come back?

25 MR. GILLISON: I will talk to

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2 you afterwards, but, no, I won't be here.
3 But I'll talk to you afterwards.

4 COUNCIL PRESIDENT CLARKE: You
5 can talk to me now.

6 MR. GILLISON: I will not be
7 here. I will be in Boston with my
8 daughter.

9 COUNCIL PRESIDENT CLARKE:
10 Okay. I'm assuming there's someone else
11 from the Administration. We have some
12 veteran members up there.

13 MS. RHYNHART: Sure.

14 COUNCIL PRESIDENT CLARKE: So I
15 assume there will be a few questions.
16 That's the good thing about government,
17 there's always somebody to pitch in when
18 someone can't be there.

19 MR. GILLISON: I agree. I just
20 didn't want you --

21 COUNCIL PRESIDENT CLARKE: As
22 you see, Councilman Jones has capably
23 stepped in when I was out of the room.

24 So what I'd like to do now,
25 we're going to recess the Five Year Plan

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2 and we will have the Capital hearings on
3 Wednesday, March 28th at 11:00 a.m.

4 MR. DUBOW: We're doing the
5 Capital hearings on the 28th or the Five
6 Year Plan?

7 COUNCIL PRESIDENT CLARKE:
8 We're going to do the Five Year Plan
9 first. I anticipate there will be just a
10 few questions, and then we'll immediately
11 go into Capital.

12 MR. DUBOW: Got it.

13 (Committee of the Whole
14 recessed at 2:20 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 on March 26, 2012, and that
this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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