COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, April 9, 2015
1:20 p.m.

PRESENT:
COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA

BILL 140607 - An ordinance amending Title 19 of The Philadelphia Code (Finance, Taxes, and Collection), Chapter 1600 (Water and Sewer Rentals), by providing for installment payment agreements...

BILL 150197 - An ordinance amending Sections 19-1303 of The Philadelphia Code, entitled "Discounts and Additions to Tax," and 19-1806, entitled "Authorization of Realty Use and Occupancy Tax," by further tolling additions, interest and penalties when the assessed value of property is under appeal...

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COUNCILWOMAN TASCO: Good afternoon. This public hearing is being called to order. City Council's Committee on Finance is here, and the purpose of this hearing is to hear testimony on Bills No. 140607 and 150197.

I recognize that we have a quorum in the presence of Councilwoman Brown, Councilman Greenlee, Councilwoman Sanchez, and Councilman Goode.

Will the Clerk please read the title of the bill, both bills.

THE CLERK: Bill 150197, an ordinance amending Sections 19-1303 of The Philadelphia Code, entitled "Discounts and Additions to Tax," and 19-1806, entitled "Authorization of Realty Use and Occupancy Tax," by further tolling additions, interest and penalties when the assessed value of property is under appeal and further limiting tax payments due based on certain assessments under appeal; all under certain terms and conditions; and

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140607, an ordinance amending Title 19 of The Philadelphia Code, Chapter 1600, by providing for installment payment agreements, all under certain terms and conditions.

COUNCILWOMAN TASCO: Thank you very much.

Councilwoman, do you have any comments?

COUNCILWOMAN SANCHEZ: No.

COUNCILWOMAN TASCO: I would now like to call Ms. Clarena Tolson, our Revenue Commissioner, to the table.

(Witness approached witness table.)

COUNCILWOMAN TASCO: Good afternoon. Please state your name for the record.

COMMISSIONER TOLSON: Good afternoon, Chairwoman Tasco and members of the Committee on Finance. I am Revenue Commissioner Clarena Tolson. I'm here to testify in support of Bill No. 150197 introduced by Councilman Henon.

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This bill amends Sections 19-1303 of The Philadelphia Code, entitled "Discounts and Additions to Tax," and 19-1806, entitled "Authorization of Realty Use and Occupancy Tax," by further tolling additions, interest and penalties when the assessed value of the property is under appeal and further limiting tax payments due based on certain assessments under appeal.

In 2014, the first year of the Actual Value Initiative, this Council granted taxpayers appealing their new assessment the option to pay their real estate and use and occupancy taxes based on the 2013 assessment until the appeal is resolved. Given that some appeals remain outstanding, the Department of Revenue has allowed taxpayers whose appeals are ongoing to pay their 2015 real estate and U&O taxes using the 2013 assessment until the appeal is resolved. No taxpayer has been required to pay more

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than they did in 2013 until their appeal is complete. We appreciate and support Bill 150197's legal mandate to extend this option to taxpayers until their appeals are complete in accordance with our current practice.

Thank you for the opportunity to testify today. I would be happy to answer any questions that you may have.

COUNCILWOMAN TASCO: Are there any questions from members of the Committee?

Let me recognize Councilman Henon, who is a member of this Committee and who has joined us.

The Chair recognizes Mr. Henon for remarks.

COUNCILMAN HENON: Thank you, Madam Chair.

Good afternoon. Thank you for your testimony. I just wanted -- it's more of a statement than anything else, and I appreciate the members of this body as well as the Administration in trying

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to ensure that fairness is set in place as we go through the kinks and the issues that we have as we work to resolve them all. So I just want to say thank you for your consideration and your support in helping out a lot of people move forward with a little bit of certainty that the City of Philadelphia is paying attention to them.

So thank you.

COMMISSIONER TOLSON: Thank you.

COUNCILWOMAN TASCO: Thank you.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good afternoon, Commissioner.

COMMISSIONER TOLSON: Good afternoon.

COUNCILMAN GREENLEE: It's sort of related to this, and yesterday at the budget hearings I brought up these issues of the -- and I know we've talked about this, where people get a decision from the Board of Revision of Taxes, but it seems to take a while to get all the way to Revenue, and then folks are getting bills that don't appear to be accurate. I have a few in my office and I understand other Councilpeople do.

Where do we stand now as far as trying to get all the various entities together so we're all working with the same numbers, if you will?

COMMISSIONER TOLSON: We continue to work with the Office of Property Assessment and the Board of Revision of Taxes to make sure that our data is as accurate and timely as possible. The process is one that is ongoing. Ongoing improvement is an opportunity that we have. We have not made it as probably as lean as we all would like it to be.

But to that end, the Revenue Department has improved some of its processes since our beginning to have the challenges. We currently sent out the

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2015 bills as they would have appeared, absent any type of appeal, and then we also provide notice and the opportunity with a bill that states the 2013 amount until we have formal notice from OPA of the final valuation and assessment. Once we have the notice of that final valuation and assessment, it is literally within days that we send out a revised bill to the property owners and advise them that they either have the need to pay the new assessed value, the difference from maybe what they paid originally or that there's opportunities for a refund.

COUNCILMAN GREENLEE: I won't go into big detail here because it doesn't directly pertain to this bill, and I certainly support this bill too, but it seems like people are still getting wrong numbers. We get a lot of that, where it just -- and I'm not saying it's Revenue. Wherever it's coming from, by the time it filters down to you guys,

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I don't know if you have the wrong information or whatever, but we seem to be getting a lot of that.

COMMISSIONER TOLSON: I think certainly once the numbers are -- once there's certification and the advice of the numbers that people may be given fairly quickly from the BRT once they are processed and each agency does what it needs to do to make sure that they're accurate, the numbers should align and be correct. But until that happens, there may be a difference, because we may have an assessment value that is based upon something that may have changed in '14 or '15 and we have given them a bill that is for '14, '15 and then tell them that they can pay at the '13 level. So that is part of the challenge.

COUNCILMAN GREENLEE: Okay. All right. Thank you.

COUNCILWOMAN TASCO: Are there other questions regarding this bill?

(No response.)

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COUNCILWOMAN TASCO: Thank you very much.

COMMISSIONER TOLSON: Thank you.

COUNCILMAN JOHNSON: Clarena Tolson?

COUNCILWOMAN TASCO: I'm sorry. The Chair recognizes Councilman Kenyatta Johnson.

COUNCILMAN JOHNSON: I just wanted to say for the record thank you, Commissioner Tolson, for your support and your team on working to address this issue that has significantly impacted residents in certain parts of my district who have seen an increase in their taxes as a result of AVI. And so we work very aggressively and hard to try to find different ways to at least allow them to pay their taxes on time, most importantly, and stay inside their homes.

So I just wanted to personally say thank you for the record, tell you to keep up the good work, as well as I was

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mentioning in a community meeting the other day our work in going after individuals who are back on taxes and our collection rate. So I just wanted to thank you, tell you to keep up the good work.

COMMISSIONER TOLSON: Thank you. I will certainly share that with, for the most part, our Tax Division headed by Frank Breslin, but also in collaboration with our IT team and within the agency, because it was a significant amount of work to be done to make this all happen.

COUNCILWOMAN TASCO: Thank you very much.

COMMISSIONER TOLSON: Thank you.

COUNCILWOMAN TASCO: We will now have the first panel regarding Bill 140607, and I call Mr. Howard Neukrug, Philadelphia Water Commissioner.

(Witnesses approached witness table.)

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COMMISSIONER NEUKRUG: Good afternoon, Councilwoman Tasco and Councilwoman Sanchez and members of the Finance Committee. I am Howard Neukrug, Commissioner of the Philadelphia Water Department. I am here with my colleague Clarena Tolson, Commissioner of the Revenue Department. Thank you for the opportunity to provide testimony on Bill No. 140607.

Philadelphia Water shares the goal of providing all our water customers the assistance that they need to continue water service. We know that there is more we can do, and we renew our commitments to working with the sponsor of this bill and other members of the Council to fully realize this goal. However, Philadelphia Water Department and Water Revenue Bureau do have some concerns with the bill in its current form, which leads us to recommend that the bill be held today so that we can continue our dialogue with Council.

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Most importantly, changes that forgive debt or payment structures must be fully analyzed to ensure legal compliance with the General Bond Ordinance. The City is contractually obligated to enforce its rates and charges to meet these covenants and to maintain its favorable water bond ratings. This analysis has not yet been performed, so we request more time to do so and that we can fully understand the legal and financial implications that may follow.

While significant, these concerns go to the actual mechanics of the bill and not to the overarching theme. We get it. There are too many people in delinquency and too many properties with liens. The current situation is not acceptable.

Our request today is to provide us the time to work with Council and stakeholders to find the right balance and create a low-income assistance

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program that offers real improvements for those in need while observing legal requirements and fairness to all taxpayers, all ratepayers.

Last fiscal year, over $20 million was expanded on a variety of assistance programs, including the charitable organization discount, the senior citizen assistance program, and support through the Utility Emergency Services Fund, to name a few. Water Revenue Bureau provides standard payment agreements, SPAs, for any customer experiencing difficulties in paying their bills as well as more targeted assistance programs for households below 250 percent of the federal poverty level, where the level of assistance provided is based on the water usage and the customer's ability to pay. But still more needs to be done. We have been working with our friends at Community Legal Services to implement solutions to some of our customer service issues. The outcomes include creating an easy and more transparent application process and a simplified entry into payment agreements and a more streamlined process for appeals.

In addition, on May 1st we inaugurated the Residential Customer Assistance and Services Advisory Group -- we're calling it RCAS -- to further review and improve our assistance programs with many of our stakeholders. They include Community Legal Services, City Council, PennFuture, Energy Coordinating Agency, the Homeowners Association of Philadelphia, the Greater Philadelphia Corporation for Aging, and Action United. If there are other recommendations for stakeholders for this group, we are very happy to include them also.

We have also recently engaged an independent contractor to review and analyze our assistance programs. We hope that with the support of City Council we can create an affordable rates program similar to one recently begun in Washington, DC. This work will also be in collaboration with Philadelphia's first Water, Sewer and Stormwater Rate Setting Board, which has just been confirmed by City Council in February. As it is the entity now in charge of setting water rates, their involvement is critical, as they can factor any new initiatives, payment agreements or financial programs into rate considerations.

In conclusion, we are very supportive of the intent of the bill, but respectfully request that the bill be held today so that Water Department, Water Revenue, CLS, the sponsor of this bill, City Council, and others can ensure an equitable and fair program that is responsive to all of our customers' needs, especially our neediest.

I am happy to answer any questions you may have at this time.

Thank you.

COUNCILWOMAN TASCO: Thank you very much for your testimony.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair.

When I got elected and I began to look at some of the challenges of the district, one of the things that caught my eye was the large number of debt both on the real estate and water in my district. In the real estate, many of my colleagues know that we presented a tax payment plan which is the most progressive payment plan we've had based on people's incomes to ensure that people in poverty are not paying more than a third of their salary towards property taxes.

When I got elected, 20 percent of the water debt was in my district, and I only represent 10 percent of the district. Throughout the last seven years, I've worked very closely with the Administration, and I believe my number is down to 11 percent -- the Commissioner may want to correct me -- 11 percent of the debt. That's progress, but it's not enough.

Yesterday I received extensive information by the Administration in preparation for today's hearing, and while I have not had a full time to analyze the data, one of the things that is startling to me -- and I've shared it with this Finance Committee -- is the number of liens on residential properties.

If you look at the enclosure that we circulated, we have 311 residential properties with liens, water liens in the City of Philadelphia. I think we all understand in the City with growing poverty that this number is not acceptable.

Commissioner, how does this compare with other comparable cities,

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just level of debt?

COMMISSIONER NEUKRUG: Well, first of all, I absolutely agree with you that the level of debt is too much, and we have concerns about that. I don't have any information in front of me, but I would be very happy to either find it back in my office or to collect it through a search of other cities on how ours compares to other cities. But as you know, when you compare us to the ten largest cities in America, we are one of the most neediest.

COUNCILWOMAN SANCHEZ: One of the things that I want to say for the record, at no time in our discussions with the Water have we talked about eliminating the period of no shut-off, and I just want -- because in your testimony there's a mention of that period of time when people are not allowed -- when we do no shut-offs, and that has never been on the table for discussion. I just want to be clear.

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COMMISSIONER NEUKRUG: And just to be clear, I did not add that to my oral testimony back, simply because I didn't want to take this subject off kilter, but it is an extremely important piece of a very large puzzle of how we can ensure that people get water and can afford to pay their water bill and not rack up debt.

COUNCILWOMAN SANCHEZ: So one of the things that the Administration has requested is more time. How much time are we talking about and what else do you feel you need time to do and what would be the timeline? In order for me to consider the request not to move this bill, I need to have date certain about what we're talking about.

COMMISSIONER NEUKRUG: Well, we're ready to move full steam ahead and we've already, as I believe you know, been working with CLS on a whole host of issues that are near this issue, but not this issue in particular. We're very happy to expedite and work, and Commissioner Tolson and I are ready to commit ourselves to working with you.

In terms of the timeframe, I do not know where these conversations go, how complicated they get in terms of the analyses needed to be done by third parties, but other than that, you have our full commitment, because there's really not much more of, other than for me, making sure people have clean, healthy drinking water every day. There aren't a lot more important issues to making sure that people have affordable rates and that people have ways to be able to pay their bills.

COUNCILWOMAN SANCHEZ: So is this something we can get done in the next 30 days?

COMMISSIONER NEUKRUG: That would -- we could have a discussion and see.

COUNCILWOMAN SANCHEZ: I introduced this bill -- we have to do

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better than that. I think it's important. I think my colleagues are ready to support this, and clearly like we did with the real estate tax payment plan, this is too important and we want to get it right. Let me correct that. I no longer shoot for the perfect, one of the things I've learned as a legislator. We're going to get better and sometimes not even get it right. But how much time do we need? How much more time do you need?

COMMISSIONER TOLSON: One thing, Councilwoman -- excuse me, if I could just interject -- that would be helpful for us to understand the part of the question is, our original understanding was this was to address those who, for lack of a better term, might be underwater in terms of their water bills being greater than the values of their property. The legislation as it appears right now appears to address the entire population of the City versus those who might be in that circumstance. So is it that circumstance that we're trying to address?

COUNCILWOMAN SANCHEZ: No. We are trying to address the City putting forth a very deliberate, very thoughtful, intentional process by which people can come forward and enter into compliance. And so while I understand that there may be -- my huge concern over the structural ones that I've seen, I may have 200 accounts in the City that meet that guideline of water debt may be greater than the value of their house, but one of the things that we've learned in looking at the private industry, PECO and PGW, is that the more generous and deliberate the plans, the higher rate of compliance by the customer. And so we felt it was very important to be as comprehensive in light of the fact that this Administration and all of us understand the large poverty that exists in the City. So we wanted to be broader because we wanted folks to know that they could come in and that in addition to water and real estate taxes, that the City would not overburden them with payment plans that sets them up to fail.

COMMISSIONER TOLSON: So, again, to help us try to address it instead of timelines for how we could resolve some of this, the water issues and the tax issues are expressed slightly different and certainly what's proposed here is different from even the OOPPA plans that are developed for real estate taxes. OOPPA does not eliminate principal. The principal remains with the property, as well as currently water debt remains with the property.

So under this legislation as I think we're reading it, this would eliminate principal for the property after several years of payment based upon income.

COUNCILWOMAN SANCHEZ: And one of the reasons we put on there that

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allowance is that we found that most people who are eligible have not been enrolled into low-income programs. And so what we wanted to do was allow the Administration to take into consideration someone who has been poor based on where they live and their income who should have been enrolled in one of our low-income programs, was not, so that in the calculation you would take that into consideration, because we have such a low enrollment in our low-income programs.

COMMISSIONER TOLSON: Okay. So as we approach that issue, I'm not sure how that is done without also looking at the issue of the moratorium, because that does impact how people may accrue their debt and what is owed.

COUNCILWOMAN SANCHEZ: I think one of the principles of the bill is, we want people to demonstrate that they can come into compliance, and that's why the forgiveness part of this is based on people demonstrating that they're going to get on a payment plan that they can afford and allow them to get in the good record so that the Administration can then say, you know, you have a $10,000 debt or, let's say, you have a $3,000 debt. If you would have been enrolled in the WRAP program, your debt might have been $1,500. If you come forward and you pay and you show good effort, in two years, guess what, we're going to take into consideration the fact that you were eligible for that low-income calculation and you were not as payment, because for whatever -- as we know, homestead, AVI LOOP, districts like mine are still 50 percent under-enrolled in these relief programs. It's a challenge. I'm not totally saying that it is all our responsibility, but because our practice is people have to opt in as opposed to opting out, that creates this low enrollment that we have for folks who are eligible for benefits. So what we were really doing is giving the Administration

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the ability to say this is someone who would have paid had they not needed a 50 percent deposit or 25 or the medical hardship or whatever to become compliant.

COMMISSIONER TOLSON: Is the intent also to make this like an amnesty program?

COUNCILWOMAN SANCHEZ: What we've seen from PECO and PGW is, PECO four years ago or three years ago wiped out like $40 million what was of bad debt, because they knew it wasn't collectible when people showed good faith in trying to get compliance.

So, again, I don't look at it as amnesty, because most of those people should have been enrolled in the low-income program. So you could call it amnesty if you want. I say people are eligible for service they have not been enrolled in.

COMMISSIONER TOLSON: I'm saying amnesty from the standpoint of is the intent that there be a period where people be allowed to sign up for this program, address their current delinquency, and then going forward be expected to stay current in their bill or, as it could be read, that people would be allowed to come in and out or to start to stop paying and then utilize this as an option, because the way -- it could be perceived that doing it as written here to not pay is a better option than paying for the water bill.

So I'm trying to understand what the intent, to try to make this a certain time period, clean it up, and then going forward stay current or is it a different type of program?

COUNCILWOMAN SANCHEZ: Well, I think in light of the kind of the economic times that we've faced over the last four or five years to say a person is only eligible to clean up their record once, not understanding what a medical hardship or other situation can happen in the household, I hate setting up policy

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for the folks who know how to break rules, because those are few, and so that's usually not good policy. When you look at 311 delinquent accounts, it's going to take us a while to clean that up. So I'm not ready to say we're going to do this only for a time period, because a medical emergency, as we all know, can lead people into hardship, poverty, and sometimes losing their homes, as we've seen in this country. So I'm not willing to look at limits for what could be. I want to look at how do we get 311,000 people potentially a pathway to compliance. So that's the difference.

I'm sorry. I won't monopolize the conversation. Go ahead.

COUNCILWOMAN TASCO: Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Councilwoman Sanchez mentioned this. I don't mean this in any

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disrespect, Commissioner, but when I was reading your testimony beforehand and you were asking for more time, then I look back and I saw the bill was introduced June 19th, 2014, that's ten months ago almost. Has there been any outreach or any work done on this in the interim to -- because like some of the questions you raised about the bonds and all, it seems like that could have somehow been figured out by now.

COMMISSIONER NEUKRUG: I hear you, and we have done what we could in order to investigate this further and understand this further, but we need more time at this point in order to work with City Council and to work diligently with the City Council to make some improvements.

COUNCILMAN GREENLEE: Okay. Well, Councilwoman asked about a timeframe. I'd like to say personally ten months sounds like a lot of time and if she's ready to move it, I'm certainly

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ready to move it, but that's certainly up to her.

But let me ask you one more question. Has there ever been any study done -- the Councilwoman mentioned about people getting in agreements that they know they can't really make, but they do it just to keep the water on for a certain amount of time. Is there any study how many of those kind of things get broken? Maybe Commissioner Tolson might be able to answer that better.

COMMISSIONER TOLSON: I can share with you that around the moratorium in Fiscal '13 that our number of delinquent accounts prior to the start of the moratorium was about 4,400 and then at the end of the moratorium, it went to 40,000 accounts that were eligible for water shut-off for lack of payment.

COUNCILMAN GREENLEE: I don't know if that's exactly where I was going. I guess looking back to my constituent service days, I remember many people that

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got in trouble that made an agreement, and I had asked them, I said, You knew you couldn't pay this, why did you make this agreement, and the basic answer was, I was trying to keep my water on, which is a pretty good answer I guess.

COMMISSIONER TOLSON: And that's the comment that we're making about the moratorium, why it has to be part of the discussion, because a little over half of our agreements, payment agreements, are made at the end of the moratorium at the shut-off time. At that point, the amount that is owed has increased past the point where it is affordable, because oftentimes it is not paid during the moratorium period.

COUNCILMAN GREENLEE: If it isn't -- I'm sorry.

COMMISSIONER TOLSON: So that causes a problem. We need to improve our enforcement on breaches and talk about how do we want to handle that, but that's part of this bigger discussion about how

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do you look at having the affordable rates, having affordable payment plans, maintaining those, can you go in and out of a breach state, getting another agreement. With OOPPA, for example, you're allowed to have a breach on that one time and then you move on from there. It's not clear as it's written here that you have that same requirement. So that's why I asked the question that is it the intent to be like an amnesty and why there's the difference between this and the OOPPA agreement.

COUNCILMAN GREENLEE: Okay. I'll just repeat that it seems like those questions could have been asked over the last ten months, but I'll leave it at that.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you very much.

My staff reminds me along this

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line of questioning that there are outside agencies like Pioneer Company, for example, that are not located in our city where when we have issues with others, taxes and so forth, at least we know Linebarger, we know GRB. We can contact them as well, but outside agencies that people have no way to access, so they can't -- they don't have any way of getting their bills straightened out, and because they're an outside firm, nor do we have an opportunity where with like real estate taxes we can forgive penalty and interest different ways, but when you have contracts with an outside company, they're not doing business the way we're used to.

So I think that whole question enters into this discussion and we would like to hear your response to it.

COMMISSIONER TOLSON: I think that we certainly want our vendors to follow the policy that we have and for them to be consistent. If there are any that are not being consistent with exercising, one, notice to taxpayers or ratepayers about all of their rights and all their opportunities for assistance, we have a problem with that and we need to correct that. Certainly if they're not responsive, we need to know about that so that we can address it. They are an extension of the City and thereby, from my perspective, have to follow the rules that we follow and thus the rules that we would want them to follow. We have no intent for any of our vendors to be, for lack of a better word, a strong arm that we aren't willing to exercise ourselves. We're not going to try to make somebody else a scapegoat that way. And to the extent that we want to offer assistance, they have to offer that assistance as well.

COUNCILWOMAN BLACKWELL: That's important. It keeps within the exact same thing my colleagues are talking about. People have problems and they need the opportunity to make agreements, not to have to stay on the phone all day because there's no person they can access locally in order to get help.

Thank you.

COMMISSIONER TOLSON: If the access issue is an issue, we certainly will go back and try to address that. I was not aware of that as being an issue --

COUNCILWOMAN BLACKWELL: Thank you.

COMMISSIONER TOLSON: -- with that firm, but I will certainly discuss it and see how we can correct it.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILWOMAN TASCO: Councilwoman Sanchez -- I'm sorry; Councilwoman Brown.

COUNCILWOMAN BROWN: I too am struck by the request to hold and Councilman Bill Greenlee's line of

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questioning. So to hold would mean what? First of all, what has happened since the bill was introduced by way of bringing the stakeholders to the table, members of your team to address the tenets of this bill? What has happened since the bill has been introduced?

COMMISSIONER NEUKRUG: Well, we've had some internal discussions and we've met with Councilwoman Sanchez's staff, and the bill just -- the conversations -- and I'll take full blame for this -- just came to an end and we moved on. We've been doing an awful lot of work in many different areas, but with this, we just need some more time to refocus on this and redouble our efforts.

COUNCILWOMAN BROWN: So the impasse was linked to what? What created the impasse? You said it came to an end, end without a solution. So what's the sticking issue here in your sit-down with members of your team, Commissioner of Water?

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COMMISSIONER NEUKRUG: Yes.

COUNCILWOMAN BROWN: What were the sticking issues where it came to an end and we're here today and you're asking for a continuance on the matter?

COMMISSIONER NEUKRUG: No particular issue, because I mean they're all -- as I said in my testimony, these are all very fine, important issues that need to be resolved and I'd rather resolve them as quickly as possible. We are in the process of looking this over and hiring consultants to work with us to look at affordable rates and we're doing a lot of positive proactive --

COUNCILWOMAN BROWN: On this bill I'm talking about, on this particular bill. So were those items listed in writing presented to the Council Lady so that there could be some additional progress and movement on those issues specific to the impasse related to this bill?

COMMISSIONER NEUKRUG: I'll

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have to go back to my staff and get a write-up of what exactly happened with this bill. I don't have an answer for you obviously.

COMMISSIONER TOLSON: And, Councilwoman, I would just add, I think that certainly from our perspective the issue of the moratorium is one that we're not sure where that is in terms of discussion, but we believe it is a significant issue, because as you try to put together the entire policy, that's something that can't be left out of the equation, how that will be handled relative to payment agreements.

COUNCILWOMAN BROWN: A separate question. What red flags or signals are given to citizens and in particular seniors when it appears that they are at a place overburdened with the financial duties related to their water bill? What kind of triggers are there in the system for seniors in particular?

COMMISSIONER TOLSON: Both

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departments I think have a tremendous amount of outreach to educate people about opportunities for support, whether it be the senior citizen discount or the WRAP program or the grant program. It's something that we just have to continue to do.

COUNCILWOMAN BROWN: I'm very, very, very aware of what Revenue does because you attend our senior citizen forums eight times every fall. I'm interested in hearing what the Water Department does with regards to outreach specifically for seniors.

COMMISSIONER NEUKRUG: Well, we provide outreach through education packets and information in our mailers. We offer a 25 percent discount. Again, this is done through Water Revenue. Water Revenue is the revenue arm of the City of Philadelphia for the Water Department. So it is really responsibility and is dealt with by Water Revenue. But there is a 25 percent

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discount for all senior citizens and we fund that every year.

COUNCILWOMAN BROWN: I see. Okay, then. Thank you very much.

COMMISSIONER TOLSON: Just to clarify, our outreach efforts on the water issues are on behalf of the Water Department, the assistance programs.

COUNCILWOMAN SANCHEZ: We're going to allow for the rest of the testimony. The moratorium, as I mentioned earlier, is not on the table. PGW has the same restrictions and they figured it out. So I don't want to go into any negotiations with anybody thinking that I'm going to move on the moratorium. Okay? I think PGW, there are other best practices. I'm open to considering the holes. I just -- again, I'm going to say for a date certain and know that I intend to move this bill sooner rather than later, and as we did with the real estate taxes, very open to suggestions around the practicality of

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and even whatever legal or logistical issues, but we want to get this done in the next 30 days. I think it's hugely important that we get this done.

So we'll take the rest of the testimony, Madam Chair, if you will allow. Thank you.

COUNCILWOMAN TASCO: The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: To our Water Commissioner, unrelated but related, linked to our budget hearings, I want to restate for the record at whatever point you're coming to speak during budget hearings so that there's no confusion and we don't have to hear the response, I'll get back to you. What I want is a demographic breakdown of your department in a table of organization. Not graphic numbers, but in a table of organization that has you at the top and then all of your levels of your department, the demographic numbers on the General Fund side and then a separate

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table of organization for the grant side, the grants that you get through the Department -- from the Department from other sources.

COMMISSIONER NEUKRUG: The grants we get from other sources?

COUNCILWOMAN BROWN: Yes, and what those numbers are demographically.

COMMISSIONER NEUKRUG: And for the General Fund side, be aware we're an Enterprise Fund, so it's the operating fund.

COUNCILWOMAN BROWN: I'm sorry. Repeat that.

COMMISSIONER NEUKRUG: We are a separate water fund. We're not part of the General Fund, so you'll see the water fund piece and you'll see a grant piece.

COUNCILWOMAN BROWN: And the demographic breakdown of your employees.

COMMISSIONER NEUKRUG: Right.

COUNCILWOMAN BROWN: By gender and ethnicity.

COMMISSIONER NEUKRUG: You got

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it.

COUNCILWOMAN BROWN: Thank you.

COMMISSIONER NEUKRUG: Thank you.

COUNCILWOMAN TASCO: Thank you very much.

We're going to recess the hearing briefly to go back to the first bill so that we can report it out, because one of our members has to leave.

Councilwoman Blackwell, would you please move 150197 with a suspension of the rules.

COUNCILWOMAN BLACKWELL: Thank you, Madam Chair.

COUNCILWOMAN TASCO: We're in a public meeting right now.

COUNCILWOMAN BLACKWELL: Thank you. I move that Bill No. 150197 be moved out of Committee with a favorable recommendation and a recommendation for suspension of the rules so as to permit first reading at our next session of Council.

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(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved that Bill 150197 be reported out of Committee with a favorable recommendation and that rules of Council be suspended so that this bill can be heard at Council's next session.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Any opposition?

(No response.)

COUNCILWOMAN TASCO: There being none, thank you. The motion is carried. We will now go back into our public hearing.

We will now call on this panel: Robert Ballenger, Roger Colton, and Roxanne Crowley.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good afternoon.

MR. BALLENGER: Good afternoon,

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Chairwoman Tasco, Vice Chairwoman Blackwell, Councilwoman Sanchez and --

COUNCILWOMAN TASCO: Would you speak into the microphone. Somehow these mikes have just gotten crazy.

MR. BALLENGER: I always have that problem, Councilwoman.

Good afternoon, Chairwoman Tasco, Vice Chairwoman Blackwell, Councilwoman Sanchez, and members of the Committee on Finance. My name is Robert Ballenger. I'm an attorney at Community Legal Services in the Energy Unit where I specialize in utility matters. I'm here to testify in support of the proposed amendment to 140607, which was circulated, along with a fact sheet, by Councilwoman Sanchez's office. The amendment would establish affordable bills based on monthly income for eligible families ranging from 2 percent to 4 percent.

COUNCILWOMAN TASCO: Excuse me. Can you kind of --

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MR. BALLENGER: Zip through?

COUNCILWOMAN TASCO: Yeah.

MR. BALLENGER: Yes. Absolutely. I'm not reading -- I actually do have separate comments, so I'm not going through exactly what I submitted.

COUNCILWOMAN TASCO: Because your written testimony is --

MR. BALLENGER: That's correct. I'm going to summarize my written testimony.

COUNCILWOMAN TASCO: Thank you. Thank you. Thank you.

MR. BALLENGER: I'm testifying here based primarily on my experience representing low-income families in utility matters here in Philadelphia, families who need help to restore and maintain life-essential water utility service, and it is truly life-essential.

In the overwhelming majority of these cases, my clients come to me after they've already incurred a loss of

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service. I've represented elderly and disabled household members who need access to water for safety, for health, for medication, for basic sanitation; parents with young children whose custody is threatened by the loss of service; families facing eviction from subsidized housing and loss of voucher assistance; heirs who have inherited homes that they can't get water service to; tenants who have paid their landlords who haven't paid the water bills; and many, many people who lived without utility service for a long period.

The consequences of the loss to those families are severe. The consequences to the Department and the City are no less severe. They result in the loss of service revenue, instability in housing, public health risk, and the degradation of our quality of life.

I urge the Committee to take this opportunity to fully consider and act upon the testimony of Mr. Roger

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Colton, which you'll be hearing soon via the modern technology available to us here today, and the expertise he's making available to us. We should be grateful for his generosity in being with us and providing us with the opportunity to benefit from his guidance. He is truly an expert on developing appropriate low-income programs to assist utility customers.

Quite simply, I think Mr. Colton will help us understand that while the difficulties low-income families have in maintaining service are avoidable through a proper program design, they will actually produce tangible, quantifiable benefits for both customers, the Department, and the City of Philadelphia as a whole.

So I express my gratitude on behalf of my clients to Councilwoman Sanchez for the proposed amendment to Bill 140607.

My written testimony covers a

lot of things. It covers how do we determine what's an affordable bill, and we look at the expertise that's available to us. We look at the census figures. We look at what an average bill is for an average family in Philadelphia, and we try to figure out as that average bill is applied to people with decreasing amounts of income, how unaffordable that bill becomes over time.

So this bill, this proposed amendment that we've all been talking about, it represents the best of the information that's available to us from experts, from national policymakers. You'll see that my testimony relies upon the Environmental Protection Agency in saying that really municipalities should be encouraged to look at different rate structures for low-income families. It relies on best practices in saying that there's a widespread and growing recognition of the need to deal with arrears in the context of setting affordable bills, because a family who can't afford to pay for the service that's rendered most certainly cannot afford to pay more than what the service is rendered.

So we think that this bill presents a comprehensive mechanism to determine what an affordable bill is. We believe the repayment schedule, the 24 to 36 months for earning forgiveness, promotes timely and good payment practices for these families for amounts they can actually afford to pay. And what Mr. Colton is going to hopefully explain to us is how that is actually in the financial interests of the Department, because you're collecting revenues you wouldn't otherwise collect. And he's done studies on other utilities implementing these programs. As Councilwoman Sanchez indicated, all regulated Pennsylvania utilities have low-income programs that target affordability as a percentage of

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household income. They may mis-target it or they may target it very well. It varies among the utilities. But what they all do as well is, they provide arrearage forgiveness. PECO provides it over 12 months. PGW provides it over 36 months. This bill starts at the mid point of 24 months. I think that's reasonable in this context, and it escalates up to 36 months for those families who may have relatively higher but yet nonetheless low income.

Affordability is very important, and I'll just close with these remarks. I don't think anything is going to be a surprise that I'm about to say. We have the highest rate of deep poverty amongst our peers, the largest ten cities in the United States. Nearly 185,000 people, 12.2 percent of Philadelphians, including 60,000 children, face deep poverty. Their household income is less than 50 percent of federal poverty guidelines. Many more, approximately

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half of all Philadelphians, are challenged to afford basic life essentials and qualify for some form of utility service protection. So what we're doing here in addressing affordability, it's essential, it's necessary. We're backed up by best practices both within the state and nationally and by the experts that we're hoping to hear from a little later today, again, through the benefit of modern technology, because Mr. Colton will be joining us from his home instead of appearing in person due to the distance of his travel.

But, again, I thank the Committee for its consideration. I'm available to answer any questions you may have.

COUNCILWOMAN TASCO: Thank you.

Ms. Crowley.

CROWLEY: Yes. Good afternoon. Good afternoon, members of the Finance Committee, Councilwoman Quinones-Sanchez,

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Councilwoman Tasco. Thank you for inviting me here today. My name is Roxanne Crowley. I'm a staff attorney at Philadelphia VIP. At Philadelphia VIP we are the hub of pro bono. We match low-income clients with volunteer attorneys who handle their civil cases for free. We have a large practice of tangled title or homeownership cases. In fact, we handle the most tangled title cases in Philadelphia.

Tangled title is the concept of someone living in a property with a legal right to it, but his or her name is not on the deed. They may have a right to the house due to an incomplete lease purchase agreement, adverse possession, deed fraud, and most commonly because they are an heir to the property and the record owner is deceased.

In 2007, the University of Pennsylvania conducted a study, along with Philadelphia VIP, to assess approximately how many tangled titles

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there were in Philadelphia, and they estimated over 12,000. So our clients, our tangled title clients, are considered equitable owners because they do have a legal right to the property. Their name just isn't on the deed.

VIP supports the bill before us today, 140607, because it creates a water assistance program that ensures all Philadelphians experiencing financial hardship have access to the assistance needed to keep their water on and to avoid losing their properties to a water foreclosure. My testimony is brief. I do want to focus on the hurdles our equitable owner clients, the tangled title clients, must overcome in order to even have a shot at getting their water service restored.

For many of these tangled title properties, the water bill is in the name of the record owner. This person may be dead, may be missing, may have moved to Alaska, may have absconded. We don't

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know. Our clients, the equitable owners, are paying this water bill to keep the water service on.

The equitable owners experience some kind of financial hardship, the medical hardship that the Councilwoman mentioned earlier. As a result, they begin to become behind on the bill. They may go to Revenue to try to get into a payment plan. They don't have much success. Over time the bill gets so big, the water is shut off.

Those equitable owners with the tangled titles who are most resourceful do make their way to Community Legal Services. At that time, CLS assesses the case. They determine that it's a tangled title case. The person may have a legal right to the house. They just can't get their water on. That case is then sent to Philadelphia VIP. Our staff assesses the case. We interview the client. We review any factual information relevant to that client's claim to title. If we

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determine the client is an equitable owner and has a valid legal claim to title, we will issue a letter of meritorious claim to title. That letter briefly describes why the client has a right to the house and it also says that we are going to try to match that client with a volunteer attorney who will help resolve the tangled title problem.

That letter is then sent back to CLS. CLS takes the letter and they use it to support the client's application to become a water customer. And they are in a special narrow group called occupants with ownership interest.

Now, after all of this advocacy and review, and keeping in mind that the client's water has been off for days, weeks, even months, sometimes years, after the advocacy of our two agencies, there's no guarantee that this client is going to be able to become a water customer. The only sure way to get someone into the customer status is to eventually resolve their tangled title case and get them to become a record owner.

So with that in mind and the experiences we have at VIP working with CLS, there are several aspects of the bill that are particularly important for our tangled title clients. The first is the inclusion of equitable owners in the low-income assistance program, IWRAP, because of the challenges I've mentioned but also because there are at least over 12,000 properties in Philadelphia with a tangled title. Legal Services doesn't have the capacity to help that many people, and not everyone in that group meets the financial requirements for free legal services. So we need a program that enables all of those people, if they enter financial hardship, to have access to water and to avoid losing their properties to a water foreclosure.

We support the financial hardship tiers as outlined in the bill.

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These ensure affordability of water based upon household income and they set clear guidelines that can be consistently applied.

We also support the acceptance of income and residency determinations made pursuant to Philadelphia Code Section 19-1305(3)(c), and that is the section of the Code that created the real estate tax assistance program. And many of our clients are also in payment plans for their real estate taxes. By accepting proof of income and residency submitted with their real estate tax application, the IWRAP application process is streamlined and the administrative burden of collecting documentation is decreased for the WRB.

So the fact that in 2015 Philadelphians live without water for weeks, months, and even years is staggering. Our clients want to pay what they can to avoid losing their homes at water foreclosure and to have running

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water in their properties. They just need the means to do it.

So on behalf of VIP and our clients, I thank you for inviting me to testify today.

COUNCILWOMAN TASCO: Thank you very much.

We have Mr. --

COUNCILWOMAN BLACKWELL: May I make a statement, Madam Chair.

COUNCILWOMAN TASCO: Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you.

Another thing -- and certainly I want the Commissioner and you may comment, if you choose. That is, my staff is telling me about another issue where there's a company that's subcontracted to whose name is Official Payment Company. So there is a company named Official Payment Company. So if you pay by phone or online, it takes them seven days to process it. So if your water is off, you've got to wait seven days for your water to get back in spite of the fact that you paid it to this company called Official Payment Company.

COUNCILWOMAN TASCO: Is it tied in with the City?

COUNCILWOMAN BLACKWELL: Yes. Yes. Yes. So that's a whole other issue. How about a company called Official Payment Company? That's pretty shrewd. And then they have to wait seven days until -- even when they have their confirmation number, still they have to wait seven days to get back on. There's something wrong with that too.

So we hope that you all, unless you want to comment about it now, check into that and get back to the Chair and sponsor of the legislation and they'll get to all of us.

MR. BALLENGER: If I may just briefly, Councilwoman. I'm not familiar with that particular vendor, but we do recognize that it is often a hardship for our clients to travel to Water Revenue to make the payment in person that results in the fastest restoration of service. I think it's an important issue that service is sometimes impeded by access to the facilities that are needed to be accessed to make payment, and that could happen online. Like I said, I'm not familiar with that particular company, but we do advise our clients to go in person and make payment, because we know it's the fastest way to restore.

COUNCILWOMAN BLACKWELL: Yeah, but that's with everything. Everybody can't always.

Thank you.

COUNCILWOMAN TASCO: Thank you.

We now recognize Mr. Roger Colton, who is by video.

MR. COLTON: Thank you. I appreciate the efforts to make the technological arrangement today. My name is Roger Colton and I work with the economic consulting firm of Fisher,

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Sheehan and Colton in the Boston area. I've also previously submitted written comments on the matters we're addressing today.

Promoting the affordability of home water service in Philadelphia, there's multiple economic objectives, and my testimony this afternoon will review those objectives within the context of a water affordability program such as has been presented to the Philadelphia City Council.

When people consider an affordable water program such as that which is now before the Council, one question that is nearly always asked of me is what the expenditure of those affordability funds buys for the utilities and for the utility ratepayers. Adopting an affordability program can be expected to improve payment coverage by low-income customers and thus increase total revenues from program participants. Stated conceptually, it's better for a

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utility to collect 90 percent of a $70 bill, which is $63, than it is for that utility to collect 60 percent of a $100 bill.

In fact, an evaluation of a rate discount program operated by Public Service Company of Colorado found that the participants in that company's affordability program experienced a sufficiently substantial improvement in payment coverage ratios relative to the low-income non-participants. It more than offset the discount that was provided.

As my written comments show, PSCO found that low-income program participants substantially outperform the payment coverage of low-income customers that did not participate in the program. By the end of the Colorado pilot program, the payment coverage ratio, which is simply the percentage of the bill which is actually paid, of the participants in the low-income program was nearly 30

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percent higher than the payment coverage ratio of low-income customers not participating in the program.

At the same time that Public Service Company of Colorado revenue was increasing, the effort needed and thus the costs incurred to collect that revenue was decreasing. PSCO not only received more payments, in other words, but the utility didn't have to work as hard to generate those payments. PSCO needed to engage in from three to five times more collection activities for each 1,000 customer payments it received from non-participants than it did for payments received from participants.

Overall, when higher revenues are coupled with lower collection costs, from a business perspective, Philadelphia Water Department will be financially better off with an affordability program than without one.

There are other non-utility benefits as well. As a result of the

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mismatch between water bills and the resources needed to pay them, many low-income households incur unpaid bills and experience the termination of service. In addition, however, even when low-income households pay their bills in a full and timely manner, they will suffer significant adverse hunger, education, employment, health, and housing consequences in order to make those payments. And I want to discuss just one of those non-utility benefits from an affordability program, because it affects the City of Philadelphia in its capacity as a provider of municipal service, and that has to do with education.

One study in Missouri found that households with high utility bill burdens are frequent movers, whether they move in search of more affordable utility bills or to avoid the service disconnection due to non-payment. In turn, the frequent uber-status of the

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students was one of the primary factors contributing to educational underachievement. Third grade students that have changed schools frequently are two and a half times as likely to repeat a grade as third grade students who have never changed schools. Frequent-mover students are more likely to be below grade level in both reading and math. The impact is not only to decrease the ability to educate the students but to increase the cost of providing that education.

Finally, the problems associated with inability to pay affect the competitiveness of local business and industry. One comprehensive study performed in collaboration with the Center for Workforce Preparation of the U.S. Chamber of Commerce in the Center for Workforce Success of the National Association of Manufacturers reported that many low-wage workers failed to access public benefits such as water affordability benefits. This not only hurts the workers who miss out on income and benefits, the study found, but -- and now quoting the study -- It also hurts their employers through higher turnover and increased absenteeism. Unreliable transportation, inadequate child care, and poor health are leading contributors to absenteeism, tardiness, and turnover among low-income workers. These same results would arise from a lack of water affordability, and addressing those impacts would result from adopting a water affordability program.

In sum, making water affordable generates many positive economic outcomes. It generates positive financial effects for the water utility itself. It generates non-utility benefits to program participants, but it also generates positive economic benefits to the broader community as a whole.

I would encourage you to adopt a program such as has been presented, and

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I again want to thank you for providing me the opportunity to speak to the Committee. I would be happy to answer questions.

COUNCILWOMAN TASCO: Thank you very much for your testimony and taking time to present yourself. We've come a long way with technology, so thank you.

Any comments from members of the Committee?

MR. COLTON: Thank you.

COUNCILWOMAN TASCO: The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Mr. Colton, I want to thank you for your very robust presentation that you've made to us and to the Committee. Are you available to work with the City of Philadelphia if they were to institute this and ensuring that we put forth best practices in light of our very unique poverty?

MR. COLTON: I would not only be available, I would be delighted to

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work. And if you can arrange some participation dates where the Red Sox are playing the Phillies, I would be even more delighted.

Thank you.

COUNCILWOMAN SANCHEZ: Thank you.

COUNCILWOMAN TASCO: Thank you very much for your testimony. We appreciate all the hard work you do, and we now call on our final panel - Emanuel Rivera, Charles Lanier, and Will Gonzalez.

COUNCILWOMAN BLACKWELL: While they're coming, if I might, Madam Chair. My staff told me in that case where there was a question about a person doing it over the phone is a handicapped individual. So they could not physically approach anyone.

Thank you.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Thank you.

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Good afternoon. Thank you for coming to this hearing. Would you please state your name for the record and begin your testimony, Mr. Rivera.

MR. RIVERA: Good morning. My name is Emanuel Rivera. I want to thank City Council for the opportunity to provide testimony today with regards to Bill No. 140607. I am the Project Manager for HACE CDC. We're a local community development corporation located in Eastern North Philadelphia. Since 1982 as a non-profit 501(c)(3) community economic development corporation, HACE has been serving the Eastern North Philadelphia section of the City for over 32 years. HACE's mission --

COUNCILWOMAN TASCO: Speak into the microphone, please. Pull the mike down. Thank you.

MR. RIVERA: HACE's mission has been to combat community deterioration through economic development initiatives that address commercial revitalization;

employment opportunities; the creation of safe, affordable housing; and the provision of supportive services to meet the needs of community residents towards rebuilding their neighborhood's economic face.

In the area of housing, HACE has developed over 427 units of affordable housing, both rental and homeownership. HACE has managed over $100 million of housing and commercial development in the Fairhill and St. Hugh communities, which is the primary focus of a lot of our work. This work has effectively stimulated the local real estate market and supported positive growth of commercial businesses, directly benefiting local residents.

In addition to working with corridor businesses and our organization's bricks and mortar development, HACE has for over two decades been directing localized initiatives encouraging homeownership, the availability of affordable housing, and the provision of supportive services to our residents. These initiatives have been spearheaded through the work being conducted through our organization's housing counseling program and neighborhood energy centers.

HACE's housing counseling program is a core program of fulfilling the organization's mission for preventing homelessness, promoting homeownership, and rental housing in coordination with our development activities. HACE has been providing citywide housing counseling services since 1991, with the financial support from OHCD. In fact, in addition to the Fairhill and St. Hugh communities, for the past decade HACE has been operating a satellite housing counseling program office located at 4660 Frankford Avenue in the Frankford neighborhood, serving the Frankford, Juniata, Mayfair, Castor Gardens, Bridesburg, Holmesburg, Lower Northeast,

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and Torresdale neighborhoods. Since 2010, HACE's Frankford's office has also served as a neighborhood energy center, providing energy conservation education, fuel assistance, and referrals to our network of conservation service providers. In 2011, HACE's neighborhood conservation center started to provide water conservation education and basic home repairs under the LICAP program for reduction of water bills.

The demographic for HACE's housing counseling and neighborhood energy conservation client base are as follows: 8 percent white, 55 percent Hispanic, 24 percent African American, and 13 percent other or unreported. Fully, 43 percent of the households are headed by single mothers. Elderly households represent 16 percent, and disabled persons represent 10 percent of the clients we serve. The poverty level for the target area significantly exceeds that for the City as a whole. Fully, 90

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percent of the households have household incomes below 50 percent of median for the area and are actually in fact closer to 30 percent of AMI. With a client flow of over 200 households per month, these programs reach over 2,400 persons annually.

Based on our past experience and interactions with City residents, as an organization we come to you today in support of the proposed Bill No. 140607, as Philadelphia's current water and wastewater building practices make water service unaffordable or unattainable for the populations we presently serve. Water bills have become increasingly too expensive for low-income households, as the present billing rates do not clearly take into account the limited financial resources of our resident populations.

Furthermore, enrollment in available assistance programs can be difficult, as there is no transparent process explaining the eligibility

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requirements and what documentation is sufficient to provide household income and residency.

Lastly, the present situation is further exacerbated by the fact that assistance is often undermined by the need to make burdensome additional payments on aged debts already accrued, not taking into account our low-income population's inability to afford these services to begin with, making eventual repayment next to impossible.

Therefore, we as an organization fully support the proposed changes outlined in Bill No. 140607. Tethering repayment to the individual resident's ability to pay by creating income-based payment guidelines relative to the area median income would allow water customers to pay bills that are an affordable percentage based on their assessed household income. Also, creating an easy and transparent application process and ensuring those

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who qualify are enrolled in the program would create an effectively streamlined process, enabling those residents with both language barriers and those with access to computer devices to effectively navigate the application process.

Lastly, the protection of water access and preventing water foreclosures by informing customers who are struggling to pay all available assistance programs and by providing referrals to housing counseling and non-profit organizations such as ours would ultimately aid in creating an effective intervention model to aid in the prevention of water utility debt and water utility foreclosures.

In summation, fundamentally all Philadelphians regardless of income should have access to the basic necessity of running water which, at its core, is the foundation of human existence.

With that, I open the floor for any questions.

COUNCILWOMAN TASCO: Thank you.

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We'll wait until the testimony is completed and we'll open the floor for questions.

Mr. Lanier.

MR. LANIER: Yes. Good afternoon, Councilwoman Tasco and to the distinguished members of the Finance Committee. As stated, my name is Charles Lanier and I am Executive Director of the Hunting Park Neighborhood Advisory Committee and also we are a neighborhood energy center.

As a neighborhood energy center, we are one of 14 that serves thousands of people throughout the City of Philadelphia, and we provide assistance for individuals and families, particularly low-income individuals and families, with applications for LIHEAP, Crisis, UESF utility grants to prevent utility shut-offs. We also conduct energy conservation workshops and budget counseling as well.

In addition to these services,

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we pre-screen and provide client recruitment services to low-income customers of the Philadelphia Water Department. Residents who qualify for the low-income conservation program called LICAP receive minor plumbing repairs, inclusive of repair and replacing leaking faucets, low-flow shower heads, minor pipe repairs, and minor toilet repairs.

Many of the challenges of our clients is the inability to pay their outstanding water and wastewater billing, which is unaffordable and unattainable for a significant number of the City's population. Hunting Park, as stated, is a very diverse community with one of the highest poverty levels in the City of Philadelphia. This program makes sense. We support this wholeheartedly, Ordinance 140607. It would be a major milestone for low-income residents in the City of Philadelphia.

The current billing process

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administered by the Water Department is complicated and lacks the opportunity for customers to receive adequate access to information to help resolve this major utility problem. Some of these challenges consist of the following: Beginning with the fact that the customer does not have the actual -- if the customer does not have the actual water shut-off notice in their possession, they cannot receive help, even with verification that they are in shut-off status from the Water Department.

If a family member is occupying a property as a renter, they cannot receive any help from the Water Department because obviously they're not the owner. The owner may be an absentee owner, living outside the City, what-have-you, but once the owner does get involved, at that point the property may be -- liens will be administered to the property and maybe even in the foreclosure status.

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In reference to the WRAP program, customers are not told to pay their current bill in full along with the WRAP agreement, which will reduce the total bill, and as a result, the customer's bill while on WRAP continues to increase.

Yes, I've heard earlier that people sign agreements. Yes, they do sign agreements. They sign agreements to prevent the shut-off of their water. They will sign. But without education and information, it's detrimental to that person and/or family. And I'm sure -- and I'll go out on a limb with this here -- that when a person comes in to make an agreement, budget counseling is not done at that time to determine whether or not that person can afford the agreement that they're signing. This is basically really one of the very important reasons why we have met with energy centers to assist people with that whole process, but a lot of times it's

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after the fact.

By creating income-based payment guidelines, this allows water customers below certain income thresholds to pay bills that are an affordable percentage of the household income and, as a result, gives the Water Department the opportunity to achieve realistic payments by reducing debt over a realistic period of time. Under the current system, the debt will never be paid because the present economy and income levels of people that are affected by this problem will never be reduced. If the debt will never be reduced, it will be continued to pile on and no progress is made.

So I respectfully submit this testimony, and I thank you for allowing me the opportunity to speak today.

COUNCILWOMAN TASCO: Thank you very much.

Mr. Gonzalez.

MR. GONZALEZ: Buenas tardes.

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Gracias. Good afternoon, distinguished members of City Council. Thank you very much for organizing a public hearing on such an important topic, the Income-Based Water Rate Assistance Program, and for inviting us to testify before you today. My name is Will Gonzalez. I'm the Executive Director of CEIBA. CEIBA is a coalition of Latino community-based organizations in Philadelphia. We coordinate the housing counseling activities of our member organizations in a way that takes a holistic approach to their finances where we try to incorporate matters of financial literacy, free tax preparation, and access to programs that help them save money.

CEIBA enthusiastically supports the creation of an Income-Based Water Rate Assistance Program, as it will help low-income people pay their water bills and help the City collect unpaid water bills through a more affordable, more efficient, and more transparent process.

This is more than just a program about paying for water. The tethering of payments of water bills to the ability of a homeowner to pay makes it possible for families to meet their obligations, not only with their water invoices but also with their property taxes, their mortgages, and other costs that keep a household healthy and vibrant.

You can't get blood out of a stone. If a family only has a certain amount of income coming in, it behooves us to find ways to help them successfully juggle their obligations or we risk decreasing the number of low-income homeowners in the City.

Philadelphia is blessed with a favorable homeownership rate among low-income people, according to a 2012 report from the Pew Foundation. Families earning less than $35,000 a year account for nearly 38 percent of owner-occupied

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properties in the City. That puts Philadelphia second in the nation in that category among the 30 largest cities of the U.S. That favorable position is buttressed by a high rate of homeowners who own their home free from a mortgage. Philadelphia is third among the nation's 30 largest cities with a rate of 41 percent of owner-occupants holding their property free and clear. We need to protect that homeownership advantage for the City.

The foreclosure crisis over the last decade already caused a 7.1 percent decrease in the rate of homeownership in Philadelphia. In Eastern North Philadelphia where most of the Latino community of the City lives, that decrease was way above 10 percent. It is important to keep our rate of homeownership strong with efforts like the Income-Based Water Rate Assistance Program, because homeownership and neighborhood stability go hand in hand.

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Homeowners move far less frequently than renters and, consequently, are embedded into the same neighborhood for longer periods of time. That stability is one of the reasons why homeownership helps to lead to positive social indicators for families who achieve it and to neighborhoods in which they live. And some of those social indicators were mentioned by the gentleman who testified over the video screen, Mr. Colton. The more homeowners we have, the more stable our communities are.

The existence of customer assistance programs by the Water Department shows that the Water Department recognizes the benefits to the homeowner and to the community of helping low-income families pay their water bills. What is needed now is improvements in the program to make it easier for homeowners and for housing counselors who help them to access those programs and realize them and more efficient for the City workers to run it. The Income-Based Water Rate Assistance Program does this by making the application process more open. It clearly explains eligibility requirements and extends the enrollment period to help people successfully complete the program and for the City to collect more revenue.

We also encourage City Council to continue to support programs that promote water conservation and multi-lingual public education programs about how people can save on their water bills. So we should not only just look at how to make things more affordable, but also how do we conserve water. Prevention is worth more than a pound of cure.

All these measures will not eliminate the need for a good Income-Based Water Rate Assistance Program, all the conservation measures wouldn't eliminate that need, but it will help low-income people too by helping them use less water and save money.

We also want to encourage the Water Department to heighten its efforts at communicating with the community, and especially the limited English proficient community, about whatever programs they have, especially programs that benefit senior citizens.

And I also want to echo the comments made by my colleague from HACE about encouraging the Water Department to utilize the housing counseling network that exists in the City of Philadelphia. Housing counselors provide a great resource to the community and looks holistically at how families can improve their budgets.

Thank you very much for your attendance to this matter. Please feel free to contact us if you need additional information.

COUNCILWOMAN TASCO: Thank you very much.

Councilwoman Sanchez.

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COUNCILWOMAN SANCHEZ: I want to thank all of the stakeholders for helping us get a grasp of this information. We received yesterday some information from the Water Department to questions regarding the debt situation in the City, and one of the things that -- again, we haven't had an opportunity to totally digest it, but one of the things that is the most scary, going to, Mr. Gonzalez, your point, was that in Fiscal Year '14, there were 346 residential properties sold at Sheriff Sale for owing less than $2,500 in water. And so I use this -- and we just circulated it to the Committee -- to highlight kind of the urgency of this.

And so, Madam Chair, what I'd like to request is that this bill, while I'll agree with the Administration in light of the fact that I just got this yesterday, with the Administration to allow more time, this is very, very urgent, and I'd like to make sure that this bill get listed at your next Finance Committee hearing, and in the meantime, we will work with the Administration with whatever amendments. There were some amendments that we have today, and if we can call our members back, we can vote them -- we can go back into the meeting and we can vote the amendments. I'm sorry. I know. They're across the hall. If we could do so. But I just want to -- one of the things we want to do, we will share these numbers with the stakeholders, because I think that they really do amplify the urgency of the matter, and we hope that we can bring this to a resolution very quickly. And part of what we will suggest to the Administration is a more comprehensive way of housing counseling relating to the Water Department, including as we've done with -- Councilwoman Tasco led the effort around foreclosure, the sharing of some of the information so that housing counselors could do more preventive work.

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As I mentioned at the beginning of the hearing, when I found out I had 20 percent of the debt, to me it was sort of like an insurmountable task, but working with the Water Department and the emergency utility funds and others, we've put a dent in it, but clearly not enough.

And so I really do look forward to the implementation of this regulation, as we have been with our tax foreclosure program, as a way to show folks a pathway to compliance and make sure people can stay in their homes.

So thank you all, all of you, for testifying today and for your time.

COUNCILWOMAN TASCO: Thank you very much for your testimony.

(Thank you.)

COUNCILWOMAN TASCO: Is there anyone else here to testify on this bill?

(No response.)

COUNCILWOMAN TASCO: I believe we have a quorum here that we can -- we'll come out of the public hearing.

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The Chair recognizes Councilman Greenlee to offer amendments to Bill 140607.

COUNCILMAN GREENLEE: Thank you, Madam Chair. I move the adoption of the amendment to Bill No. 140607.

(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved and seconded we adopt the amendment to Bill 140607.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Any opposition?

(No response.)

COUNCILWOMAN TASCO: There being none.

We will come out of the public meeting and go to the hearing, and we're going to hold this bill until the next session of the Finance Committee.

Thank you.

(Committee on Finance concluded at 2:45 p.m.)

CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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