COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, March 17, 2010
10:20 a.m.

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PRESENT:
COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN BILL GREEN
COUNCILMAN WILLIAM GREENLEE
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JACK KELLY
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN MARIA QUINONES-SANCHEZ
COUNCILWOMAN DONNA REED MILLER
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

BILL 100118 - An ordinance amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," by adding a new Chapter 19-3600, entitled "Sugar-Sweetened Beverage Tax"...

BILL 100131 - An ordinance amending Chapter 10-700 of The Philadelphia Code, entitled "Refuse and Littering," by providing for a sanitation services fee...

BILL 100136 - An ordinance amending Chapter 19-3500 of The Philadelphia Code, entitled "General Acute Care Hospital Assessment"...

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COUNCIL PRESIDENT VERNA: Good morning, everyone. This is a continued public hearing of the Committee of the Whole.

I would ask Mr. McPherson to please read the title of Bill No. 100136.

MR. McPHERSON: An ordinance amending Chapter 19-3500 of The Philadelphia Code, entitled "General Acute Care Hospital Assessment," by clarifying its applicability to High Volume Medicaid Hospitals, by revising due dates, by making changes to conform to amendments to State law, and making technical changes, all under certain terms and conditions.

(Witness approached witness table.)

COUNCIL PRESIDENT VERNA: Good morning, Dr. Schwarz. Please identify yourself for the record.

DR. SCHWARZ: Good morning, Council President Verna, members of City Council. I'm Dr. Donald Schwarz, Deputy

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Mayor for Health and Opportunity and the Health Commissioner. Thank you for the opportunity to present testimony today on Bill 100136, which represents an amendment to Chapter 19-3500 of The Philadelphia Code. This Chapter established an assessment imposed upon every General Acute Care and High Volume Medicaid Hospital in the City. This assessment collected by the City is transferred to the Commonwealth and used to match federal Medicaid dollars, increasing the reimbursement for Philadelphia hospitals that provide a high proportion of Medicaid emergency and ambulatory services.

The proposed bill will comport with State legislation, authorizing the retained portion of the revenue collected to refund a portion of the City's costs of operating public health clinics. It will also change the effective date for the hospital assessment applicable to the High Volume Medicaid Hospitals to October the 1st, 2009 and, at the request of the Commonwealth, will change the quarterly due dates for the assessment to be remitted to the City.

I am proposing an amendment, and have copies for Council, to the bill under Section 19-3504, Paragraph No. 2 that allows the quarterly installments for Fiscal Year '10 to be payable at different due dates.

Thank you for allowing me to testify on this issue.

COUNCIL PRESIDENT VERNA: I believe the amendments are being circulated.

DR. SCHWARZ: Very good.

COUNCIL PRESIDENT VERNA: Councilman Greenlee, I see that your light is on.

COUNCILMAN GREENLEE: Not on this one.

COUNCIL PRESIDENT VERNA: Are there any questions from members of the Committee of Dr. Schwarz?

(No response.)

COUNCIL PRESIDENT VERNA: Thank you, Doctor.

DR. SCHWARZ: Thank you.

MR. McPHERSON: Our next witness is Sandy Gomberg.

(Witness approached witness table.)

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

MS. GOMBERG: Good morning, Madam President and members of City Council. I am Sandy Gomberg and I am the CEO of Temple University Hospital. Thank you for holding today's hearing on Bill No. 100136, which would refine Philadelphia's General Acute Care Hospital Assessment by clarifying its applicability to High Volume Medicaid Hospitals, by revising due dates, and making other technical changes. Thank you also to Councilman Darrell Clarke for his sponsorship of this bill and for his unyielding support of Temple University Hospital, our patients and the communities we serve.

I respectfully ask that City Council approve the circulated amendment and vote Bill No. 100136 out of Committee with a favorable recommendation in order to facilitate the timely implementation of the legislation.

Our request for the current ordinance follows City Council's 2008 enactment of a citywide hospital assessment, which covered certain acute care hospitals in Philadelphia, but at the time excluded Temple University Hospital. The current ordinance would bring Temple University Hospital into the City's Hospital Assessment Program by taxing Temple University Hospital's net operating revenue and would make the assessment effective October 1, 2009.

The Philadelphia Hospital Assessment Program, recently approved by

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the federal Centers for Medicare and Medicaid Services, generates additional revenues under Pennsylvania's Medicaid program. This increases access to critical hospital services for Philadelphia residents and provides additional revenues to the City and to the Commonwealth.

In developing the assessment program two years ago, the Commonwealth recognized that its citywide hospital assessment would be the first such model in the nation. Therefore, it designed the program to maximize chances of securing federal approval for the Fiscal Years 2008 and 2009. This meant excluding certain classes of hospitals, such as those that serve an extraordinarily high volume of patients covered by Medicaid. Only one hospital, Temple University Hospital, fits this High Volume Medicaid Hospital category.

As a means to address its financial challenges, Temple worked with the Department of Public Welfare to redefine the assessment to allow Temple University Hospital's participation, under the separate High Volume Medicaid Provider classification, in a manner that would not impact those hospitals already included in the assessment enacted by City Council last year.

Authorizing legislation by the Commonwealth has been obtained for the imposition of this assessment against high-volume Medicaid providers, and regulatory approval by the federal government is being secured. Passage of this ordinance is needed to include Temple in the assessment program during the current fiscal year.

Temple University Hospital is unique among Pennsylvania's full-service safety-net providers by serving the greatest volume of Medicaid patients. In fact, the proportion of Temple University Hospital's inpatient services provided to patients covered by Medicaid exceeds 50 percent. The Commonwealth recognizes our role as an indispensable safety-net healthcare provider for North Philadelphia and its surrounding communities.

As the City Council and members of our communities face mounting financial challenges, the services that Temple University Hospital provides becomes increasingly more critical. Thus, it's in the best interest of the City and its most vulnerable residents that Council support this means of securing additional federal Medicaid dollars to ensure continued access to care at Temple University Hospital.

Last year, Temple incurred an operating loss of over $53 million. Our mounting losses result from numerous factors, including an extremely high Medicaid mix, Temple's volume of Medicaid patients and coupled with the Medicaid payment policies that pay hospitals below 80 cents on the cost for the Medicaid patients. The ability to participate in a Medicaid financing plan that increases our reimbursements would help ease our burden for caring for our low-income patients. Ensuring an appropriate level of reimbursement to high-volume Medicaid providers is essential to maintaining access to care for the Commonwealth's most needy citizens. Participation in the Philadelphia Hospital Assessment is an important step towards that goal.

Again, thank you, Madam President and members of City Council, for allowing me to testify here today, and I respectfully ask City Council to approve the circulated amendment and vote Bill 100136 out of Committee with a favorable recommendation in order to facilitate the timely implementation of the legislation.

COUNCIL PRESIDENT VERNA: Thank you very much.

Are there any questions of this witness?

(No response.)

COUNCIL PRESIDENT VERNA: Again, I thank you.

MS. GOMBERG: Thank you.

COUNCIL PRESIDENT VERNA: Do we have anyone else to testify on this bill?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing no one, I would request that Mr. McPherson please read the titles of Bill Nos. 100118 and 100131.

MR. McPHERSON: Bill No. 100118, an ordinance amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," by adding a new Chapter 19-3600, entitled "Sugar-Sweetened Beverage Tax," under certain terms and conditions.

Bill No. 100131, an ordinance amending Chapter 10-700 of The Philadelphia Code, entitled "Refuse and Littering," by providing for a sanitation service fee, under certain terms and conditions.

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COUNCIL PRESIDENT VERNA: Thank you.

I believe Mr. Agostini and Dr. Schwarz will be testifying. And if Commissioner Tolson is here, I suggest she also sit up at the witness table.

(Witnesses approached witness table.)

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

MR. AGOSTINI: Good morning, Madam President, members of Council. Steve Agostini, Budget Director for the City of Philadelphia. I'm joined by the City's Health Commissioner, Dr. Don Schwarz, to my left. To my right, Finance Director Mr. Rob Dubow, and I believe joining me, the Streets and Sanitation Commissioner, Clarena Tolson.

COUNCIL PRESIDENT VERNA: Thank you.

MR. AGOSTINI: Again, good

morning, Council President Verna, members of City Council. My name is Stephen Agostini. I'm the Budget Director for the City. Joining me today are the other members of the Administration I just mentioned. We are here testifying in favor of the revenue measure that the Mayor has proposed in the FY11 through '15 Five Year Plan and FY11 Operating Budget.

As was discussed in the Five Year Plan hearing on March 10th and during the Mayor's budget address on March 4th, the severe economic recession has taken quite a toll on the City's revenues. Since August 2008, most of the City's major tax revenues, except the parking tax, have shown dramatic declines from Fiscal Year '07. A comparison of the City's tax revenue estimates for the FY08 Five Year Plan show just how dramatic the recession's impact has been.

For example, for FY2008, the business privilege tax came in ten percent lower than estimated, a $39.4 million drop from estimates. FY09 wage tax receipts were 27.3 million less than estimated. And FY09 business privilege tax receipts were 14 percent lower than estimated, a $55.5 million drop.

Collections are also weaker than the amounts included in our current Plan. Wage tax collections, as you know, are now projected to be $50 million lower than anticipated in FY11.

The substantial revenue declines required the City to cut expenditures and find ways to raise revenues. Over the last 18 months, we have balanced a $2.4 billion deficit by eliminating 1,250 jobs and slashing overtime by $50 million. Excluding pensions and debt service, we are spending $160 million less this year than we were spending before the economic meltdown began.

Unfortunately, that weakness in our revenues has continued just as the impacts of the recession continue to be felt and we are forced to take additional budget balancing actions. For FY11 and the FY11-'15 Five Year Plan, the Administration proposes to cut an additional $33 million from departmental expenditures. The Administration believes that further cuts to departments that have already seen their budgets squeezed considerably in the last two years would have significant service impacts. In order to balance, the City therefore must look to revenue options.

The Administration does not propose broad-based rate increases on any of the City's taxes. Economic evidence has shown the detrimental impact of broad-based rate increases of wage and business taxes on jobs and business growth in the City. Reform of the Board of Revision of Taxes and the significant data cleanup necessary for the Actual Value Initiative, issues that we have discussed with this Council prior, led the Administration to propose a moratorium on assessments until we can be assured that the data is reliable, not perfect. While the Administration will move to fix the assessment system as quickly as possible, the data cleanup process could take two years. Without these fixes in place, the Administration remains uncomfortable proposing an increase in property tax rates. And as you all know, the City increased the sales tax rate in last year's budget to address the shortfall we were faced with last year.

To address the sizable shortfalls in the FY11 budget and the FY11 through '15 Five Year Plan, the Administration looked to new sources of revenues to fill the gap. The two revenue sources outlined in Commissioner Tolson's and Dr. Schwarz's testimonies are both necessary to raise much-needed revenue, as well as to improve services and residents' health. The Keep Philly

Clean fee will not only provide the City with $107.7 million annually, it would also allow the City to pay for improved sanitation and neighborhood services beginning in Fiscal Year '11. The Healthy Philadelphia Initiative will not only provide 77.2 million annually and 38.6 million for the FY11 budget that is before you, it will also deter consumption of sugar-sweetened beverages and, in FY12, allow the City to fund anti-obesity programs in the Health Department.

My colleagues will now provide more detailed testimony on these two revenue sources and I would be happy, as those of us here from the Administration will be, to answer any questions after they have finished.

DR. SCHWARZ: Good morning, Council President Verna, members of City Council. I'm Donald Schwarz and I'm here as Health Commissioner. Thank you for the opportunity to present testimony today on Bill 100118 amending Title 19 of The Philadelphia Code.

As part of a Healthy Philadelphia Initiative, which is a comprehensive program for obesity prevention, the City proposes to implement a tax on sugar-sweetened beverages, or SSBs, beginning in Fiscal Year '11. A two-cent-per-ounce tax will be levied on retailers based on their annual sales volume of SSBs. This will generate approximately 38.5 million for a half year's collection in Fiscal Year '11 and 77 million annually beginning in Fiscal Year '12. It will lead to decreased consumption of hollow calories and help the City support recreation centers, parks, safer streets, community planning and allow the City to provide $20 million in annual funding from Fiscal Year '12 onward for obesity prevention activities. These interventions will focus on making healthy foods more available and affordable and promoting physical activity in daily living.

For the purposes of the tax, a sugar-sweetened beverage is any non-alcoholic beverage with an added sugar-based caloric sweetener, including sucrose, fructose, glucose and other sugars. This includes beverages with high fructose corn syrup and includes, but is not limited to, soda, non-100 percent fruit drinks, sports drinks, flavored water, energy drinks and pre-sweetened tea and coffee. This does not include beverages flavored with sweeteners such as aspartame or NutraSweet, saccharin, sucralose or Splenda, and Stevia or PureVia, Rebiana.

Under this proposal, retailers will track and report their volume of sugar-sweetened beverage sales based on ordering, inventory or sales procedures. The Department of Revenue will facilitate reporting and tax collection. Retailers include restaurants, cafeterias, bars, supermarkets, convenience stores, corner stores, stadiums, entertainment venues and any site in Philadelphia with a vending machine.

As this Council heard in compelling testimony just two weeks ago to the Public Health and Human Services Committee, obesity has become a norm and a public health crisis in Philadelphia. In 2008, 64 percent of adults and 57 percent of children aged six to 11 years were overweight or obese. Remarkably, in some of our neighborhoods, an average of 70 percent of the children are overweight or obese. Over the past 20 years, the prevalence of obesity in the U.S. has tripled and obesity-related medical expenditures totaled $147 billion in 2008. It is with this impetus that we have chosen to tax sugar-sweetened beverages.

While the causes of obesity are many, much of the increase in the U.S. can be attributed to increased caloric intake and decreased physical activity.

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Sadly, as nutrient-poor high-calorie foods have become cheaper and more available, nutritious foods have become more expensive. A symptom of this trend is children consuming much less milk today than 30 years ago and much more sugar-sweetened beverages. At the same time, we lead more sedentary lives and our children sit at computers and television screens rather than in ball fields and soccer fields.

Philadelphians drink more than 60 million gallons of sugar-sweetened beverages annually, translating into just under a half liter or almost 200 calories per person per day. Multiple studies have demonstrated a link between sugar-sweetened beverage intake and obesity, not to mention diabetes, dental caries and osteoporosis. Sugar-sweetened beverages are empty calories and provide no or very limited nutritional value. Sugar consumed in beverage form does not cause fullness like sugar in solid foods, so people end up consuming calories from sugar-sweetened beverages on top of those from other sources. Sweet beverages can change children's taste preferences for the rest of their lives, causing less sweet healthier foods to be less appealing.

What we also know is that changes in price can affect consumption of sugar-sweetened beverages to a greater degree than other unhealthy foods. A recent study of over 5,000 young adults published just last week demonstrated that a $1 increase in the price of soda led to an intake of 124 fewer calories per week, or 2.2 pounds of annual weight loss and lower insulin levels, which is the precursor of Type 2 diabetes -- excuse me; higher insulin levels are associated with Type 2 diabetes.

Years of experience with tobacco taxes demonstrate that cigarette prices increased and subsequently smoking decreased. In the case of Philadelphia's sugar-sweetened beverage tax, we will encourage retailers to pass on the costs of the tax to the price of sugar-sweetened beverages. If they do so, the price of sugar-sweetened beverages will increase by 30 percent for a 20-ounce drink and nearly double for a two-liter bottle.

With the tax, if Philadelphians were to replace one 20-ounce bottle of sugar-sweetened beverage with water twice a week, they would save over $40 a year and lose seven pounds per person per year. A family that drinks a two-liter bottle of soda would lose nearly --

(Some audience members booing.)

COUNCIL PRESIDENT VERNA: Just a moment, please. We're not going to have any of that. We will show respect for each other.

Doctor, please continue.

DR. SCHWARZ: Thank you.

A family that drinks a two-liter bottle of soda at dinner would lose nearly 24 pounds a year if they substituted water for soda just two days a week. If the same family cut back its consumption of sugar-sweetened beverages to three days per week, the members would collectively lose 47 pounds and save $77 per year.

Moreover, $20 million in annual revenue from the tax from Fiscal Year '12 onward would allow the City to fund obesity prevention activities. These activities will include multi-faceted evidence-based interventions to promote healthy eating and physical activity. Recently, the Department of Public Health, in conjunction with other agencies, non-profit organizations and academic institutions, created a detailed and innovative multi-year plan for combatting obesity that will accomplish the following:

First and foremost, it will make healthy foods more available to Philadelphians by increasing the value of things like food stamps to purchase healthy foods. It will establish affordable farmers' markets, particularly in low-income communities, expand a network of corner stores that offer healthy foods and produce, and improve the quality of food in schools and after-school settings.

It will decrease the availability and consumption of unhealthy foods, both through education and media campaigns and instituting in schools bans on junk food. It will promote physical activity, both by supporting our recreation centers and parks and also creating physical activity standards for after-school programs, expanding a pedestrian and bike network through the City, and incorporating active living considerations into neighborhood planning.

The Healthy Bucks Initiative will provide food stamp beneficiaries $2 extra for every $5 spent on fresh fruits and vegetables in farmers' market settings. Such an approach has significantly increased consumption of produce among thousands of low-income New Yorkers. Moreover, we plan to expand the Healthy Corner Store Initiative so that over 1,000 corner stores and bodegas in the City are provided training, technical assistance and mini grants to implement a sustainable business model for selling fresh fruits and vegetables.

Some people suggest that people will simply buy sugar-sweetened beverages outside the City once the tax is imposed. Sugar-sweetened beverages are products of convenience. More than half of all sugar-sweetened beverages are consumed outside the home; for instance, in restaurants and bars, not from large-purchase shopping trips. We know that 70 percent of high-calorie energy drinks are sold in convenience stores.

Others say that low-income residents will be harmed by this tax.

Yet, it is these residents and their communities that are disproportionately harmed by obesity and obesity-related illnesses, such as heart disease, cancer and diabetes. Remember that sugar-sweetened beverages are empty calories that provide little or no nutritional value. This tax would help low-income residents and all Philadelphians make healthier choices. Plus, as described, shifting to free, non-caloric water can save people money and help them to lose weight. We plan to put money back into the hands of consumers through programs like the Healthy Bucks Initiative, which I mentioned. Also, please remember that beyond the money used for obesity prevention beginning in Fiscal Year '12, the majority of the money generated from this tax will allow Philadelphia to support other necessary services, many of which help people stay healthy, like recreation centers, our own Fairmount

Park and the services to keep people safer, like Police and Fire services.

Lastly, some suggest that instead of taxes people should be given information about sugar-sweetened beverages through calorie labeling and health education. We strongly applaud these efforts and are proud that this Council, under Councilwoman Reynolds Brown's lead, has passed the nation's strongest menu labeling legislation. However, while calorie labeling and menu labeling are important, we don't yet have any strong, consistent evidence about how these interventions affect people's choices and behaviors. Information alone is not enough. This is especially true because the beverage industry continues to market bigger, more caloric products in Philadelphia to our residents and targets advertising to low-income and minority communities, including those areas near schools and childcare facilities. This advertising has been particularly harmful in Latino and African American communities. For example, a recent beverage industry magazine highlighted one company's success in marketing a high-calorie relaxation drink through rap songs.

Now is the time for bold action to preserve critical jobs and services and to address head-on the crisis of obesity in Philadelphia.

I thank you for allowing me to present testimony on this important issue and I will be happy, after my colleagues have completed their testimony, to answer any questions you might have.

COUNCIL PRESIDENT VERNA: Thank you, Doctor.

Commissioner Tolson.

(Some audience members booing.)

COMMISSIONER TOLSON: Good morning, Council President Verna and members of City Council. I am Clarena Tolson, the Streets Department Commissioner, and it's a pleasure to be with you today.

The worst recession since the Great Depression continues to take a toll on the City of Philadelphia's budget. As the Budget Director described, tax revenues continue to be weak. After trimming the budget with tens of millions of dollars in reductions and new efficiencies, the City services residents value most are again at risk for devastating cuts. I am testifying in support of the Keep Philly Clean fee because it presents an option to save vital City services, have a cleaner city and substantially increase the City's recycling rate. Importantly, residents can earn back much of the fee with real savings that will inspire spending at local businesses.

As currently conceived, the Keep Philly Clean fee will appear on residents' property tax bills as a separate charge for properties with City-provided trash collection. The fee will allow tax revenues that would otherwise pay for sanitation services to keep police on patrol, fire companies active, libraries lending and health centers open. If the fee is approved, revenue will be available for neighborhood cleaning and greening that had to be cut in recent years. Citywide cleaning crews will keep our neighborhoods cleaner and vacant lot cleaning will be expanded.

The less than $6 per week fee will allow the City to cover the costs of sanitation services such as trash, recycling and neighborhood cleaning services. Properties that can document private trash collection will be exempt from the fee.

A property owner who fails to pay their bill will be charged penalties and interest. Eventually a lien may be placed on the property. Trash, though, will still be collected so there is no incentive to dump trash in vacant lots or other areas.

The Administration recognizes that the Keep Philly Clean fee will place a new financial burden on Philadelphia property owners. For low-income property owners, the Administration proposes a $100 credit be applied to the fee, bringing the fee to less than $4 a week. A property owner with a family of four and a maximum income of over $42,000 or approximately $42,000 will qualify for the credit by participating in the Real Estate Tax Installment Program. An individual living alone would qualify with a maximum income of $37,000. The Real Estate Tax Installment Program has among the most generous qualification criteria of any low-income subsidy program, including the Commonwealth's property tax rebate.

Unlike any other fee or tax, the Keep Philly Clean fee provides every property owner the opportunity to earn back a portion of the fee. In December,

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Mayor Nutter unveiled the Philadelphia Recycling Rewards Program. By July 2010, every property with City-provided recycling collection will be able to earn money-saving rewards just for recycling. This includes individual apartments in multi-unit buildings with City recycling collection. Regardless of whether you are single, married or raising a family, financially comfortable or working on a tight budget, Philadelphia Recycling Rewards saves Philadelphians money. Whether you are grocery shopping, picking up odds and ends at your local pharmacy, enjoying Philadelphia's nightlife and cultural attractions or taking in a movie, Philadelphians can now easily realize savings of $100 and as much as $400 a year by recycling and shopping at more than 150 local businesses. Some examples from the current program include $5 off of $40 spent at ShopRite or Fresh Grocer, $4 off $20 at a CVS, ten percent off at the Reading Terminal Market or free tickets at the Please Touch Museum.

The more residents recycle, the more money stays in the City's budget for other programs. Trash that ends up at the recycler instead of the landfill saves taxpayers upwards of $65 a ton. Philadelphians with City-provided trash collection dispose of about 700,000 tons of waste a year. Currently, about 105,000 tons is recycled, up from just 52,000 tons just a few years ago. The Philadelphia Recycling Rewards Program is made available to residents through a partnership with RecycleBank. The City's partnership is pay for performance. The company is only paid if recycling increases and the taxpayers are saving more. There are literally millions of tax dollars to be saved by increasing recycling.

Philadelphia would not be alone in charging separately for sanitation services. More than 30 of the 100 largest U.S. cities have sanitation service fees, including Los Angeles, Houston, Atlanta, Minneapolis, Seattle, Austin and Cleveland. Many of the suburban communities also separately charge their residents for rubbish collection.

The choice to propose a Keep Philly Clean fee was not easy. No one wants to pay more during challenging economic times, but the Keep Philly Clean fee creates real value by helping restore services, expanding the capacity of the City to clean vacant lots and freeing up dollars to preserve police, fire, library and recreation services. Philadelphia Recycling Rewards presents an opportunity for residents to earn back in savings much of the new fee.

I thank you for this opportunity to testify today.

(Some audience members booing.)

COUNCIL PRESIDENT VERNA: Mr. Agostini, with Bill No. 100118, I see that a CPI is included in this bill. I don't ever remember a CPI being included in any legislation that we passed. Can you explain why this is done?

MR. AGOSTINI: Yes, Madam President. I think the thinking behind the CPI was that as time progresses, having the adjustments necessary to be sure we were collecting the same dollars in real value as inflation eroded, the value of those receipts was important so that we didn't see a material loss in those revenues over time.

COUNCIL PRESIDENT VERNA: But we should see a loss if we're trying to have a change of behavior.

MR. AGOSTINI: Yes, we should, and we have indeed built those into the estimates. The estimates that we are using -- and I expect that I'll get more questions about this -- the estimates that we built were constructed using information from the Rudd Center on Nutrition at Yale University, and we discounted those numbers an additional 20 percent from what was provided, assuming that there would be a change in behavior over time, along with a factor just to be conservative as we moved forward with the revenue estimate.

COUNCIL PRESIDENT VERNA: With CPI being included in this bill, would the Administration have to come back to Council to reenact any of this legislation?

MR. AGOSTINI: If the CPI were not included and we were desirous of having an increase because of revenue shortfalls, yes, indeed we would have to come back.

COUNCIL PRESIDENT VERNA: If the CPI were not included.

MR. AGOSTINI: If the CPI were not included, then in the event that we thought it was prudent to come back with an increase in the rate, yes, we would come back.

COUNCIL PRESIDENT VERNA: Thank you.

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Doctor, I was wondering if you could expand a little on some of the -- I know it's the canned soda, the bottled soda that we're talking about, but we don't have a comprehensive list, and if we all find it somewhat confusing, I think that everybody else is going to find it confusing.

For instance, if I went into Wawa and I wanted to get a cup of coffee and I drink sugar with my coffee, is that also included?

DR. SCHWARZ: So if at the time of purchase when you pay your money it's an unsweetened beverage, it would not be included. So you may add sugar on your own. If it is sugar-sweetened by the retailer or the retailer sells you a beverage that has sugar added through syrup in particular or it comes packaged with sugar included, so on the list of ingredients there's a sugar substance, that would be included.

COUNCIL PRESIDENT VERNA: I

know that Councilman O'Neill loves latte. Would that be included?

COUNCILMAN O'NEILL: Cappuccino.

DR. SCHWARZ: For his cappuccino, if it's unsweetened, it would not be included. If it's sweetened with syrup, the syrup would be taxed.

COUNCILMAN RIZZO: Point of information, Madam President.

COUNCIL PRESIDENT VERNA: Yes. The Chair recognizes Councilman Rizzo for a point of information.

COUNCILMAN RIZZO: Now you really have me confused. If you've ever been to a Wawa, they have the little packets of sugar. At that point, you put the sugar in the coffee and put the cap on, at that point it's taxable?

DR. SCHWARZ: No. The retailer isn't adding the sugar; you are. And it's not added through syrup; it's added through a packet. So there are two reasons why it wouldn't be included.

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COUNCILMAN RIZZO: Thank you.

COUNCIL PRESIDENT VERNA: Did someone say something?

COUNCILMAN RIZZO: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Doctor, I understand that the goal is to reduce the consumption of sugar-sweetened beverages by increasing their cost. However, we are hearing -- and we're only hearing -- that retailers may spread the cost of the tax among many other products instead of charging customers an additional two cents per ounce of sugar-sweetened beverages. In effect, this would defeat your commendable goal. How do you respond to that possibility?

DR. SCHWARZ: I have two responses. The first is that, remember, this is a revenue measure. So if there is no change in consumption of sugar-sweetened beverages, the City will collect more revenue, and there will be no change in consumption. So that those who are concerned about a decrease in consumption will not have to worry.

But remember also that we have proposed the dollars from this legislation ultimately fund obesity prevention. I would hope that if we collect extra dollars, we will use those dollars to increase the amount that we invest in obesity prevention for the City.

The other way that I respond is, I don't know what retailers will do initially. Over time a retailer's tax will be decreased if they sell less of sugar-sweetened versus either artificially sweetened or non-sweetened beverages. I would hope that prudent retailers ultimately would change their pattern of behavior and consumers would change their pattern of consumption.

So, as you know, in many parts of this country, and particularly in more affluent neighborhoods, consumption of bottled water and water beverages without sugar sweetening have increased dramatically. With that in mind, I would hope that Philadelphians who need to drink something, some will move to water from the tap and others who wish to purchase something at a convenience store, for instance, or in a restaurant will purchase beverages that simply are sweetened either without sugar or contain no sugar at all.

COUNCIL PRESIDENT VERNA: Thank you.

I see we have a number of Councilmembers that want to be recognized. For the first go-around, we'll have three minutes. The second go-around will be also three minutes.

At this time, the Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam President.

Good morning, everybody.

(Good morning.)

COUNCILMAN GREENLEE: Council

President asked one of my questions as far as the spreading of the tax. The only thing I'll add to that is that retailers have already told me, some have already told me that's what they were going to do, and it would seem to me that if the store at 29th Street does it, then the store at 27th Street has got to do it, because they have to bring the customers in. But I guess that will be proven down the line.

And just a little spinoff on another question the Council President asked. If indeed, as she said, if this tax is successful, Mr. Agostini, how much has it been altered over the years? Because that seems like a pretty real guesstimate on how much people are going to buy that kind of thing and how much they're not going to buy, if I'm making sense.

MR. AGOSTINI: It is a good question. We tried to estimate what the impacts were. We actually spoke to the individual at the Rudd Center, Tatiana Andreyeva, who actually did the estimates. We spent some time on the phone trying to understand the impacts and how behavior will change, and we thought, as I mentioned earlier, it would be prudent to do a fairly sizable discount just at the beginning and carry that through.

Now, we may indeed be off by some amount, but I think a 20 percent discount, especially in light of the conversation we had, seemed to be a prudent approach.

COUNCILMAN GREENLEE: Thank you. One last question, and this is a very general question, but obviously there's lots of products that add to obesity, and Dr. Schwarz, you also said about life-style and all, and I'll start out by saying I'm not proposing taxing these things, but obviously a lot of things that are identified with Philadelphia, Tastykakes, cheese steaks.

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(Applause.)

COUNCILMAN GREENLEE: It's better than getting booed, Council President.

And, again, before Joey Vento puts up a sign against me, I'm not proposing taxing cheese steaks, but my point is why target one particular industry? And obviously there is concerns --

(Applause.)

COUNCILMAN GREENLEE: And there are concerns about jobs obviously, but the thing is that I've heard estimates that sugar-sweetened beverages maybe add to, what, 10, 15 percent of the problem. Could you just -- and I'm not saying I have an opinion one way or the other. I'd just like to know what is your rationale for that.

DR. SCHWARZ: Okay. Let me do two things. First is to respond to the point that you made, if I may, about the store next door. So if one store decides to levy the fee, if you will, across all of its inventory, I presume then that it would have -- the store down the block might choose to compete with that store on other product lines. So a prudent retailer might well try to balance this, and some retailers I presume will take the cost in sugar-sweetened beverages and keep other prices low while others will distribute it overall, and I don't think we know how that will happen. The good news for the City is the revenue will come in, and the good news for those folks who are concerned about jobs is impact may be much smaller than expected on consumption, and I absolutely admit that.

Second is, why not other products. We know that beverages are different than solid foods in the way the body handles them. So the stomach in particular has a large part in telling us if we're full and telling us how much to eat. Beverages pass through the stomach quickly and the caloric intake, the amount of calories in what you drink, doesn't do the same thing as high caloric solids to make you feel full. So as a result, we don't think and I don't think that the total sum cause of obesity in America is sugar-sweetened beverages.

But from the point of view of public health and trying to think about how do we make a difference to this epidemic, which will mean that children today, based on what we know, are likely for the first time in generations to live at least five years fewer than their parents. So for all the parents who are concerned about their children, public health has tried to figure out what public health can do to make a difference, and we believe that the marginal difference, just the little bit of difference, in reducing portion sizes around sugar-sweetened beverages -- so I'm not banning sugar-sweetened beverages. I don't want to ban sugar-sweetened beverages. I want to reduce the amount that people consume to a point where their caloric intake, particularly their children's caloric intake, each week is reduced so children don't become obese.

COUNCILMAN GREENLEE: Okay. Thank you for your answer. My time was up, so I might be back to you on that. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good morning, Mr. Agostini.

MR. AGOSTINI: Good morning, Councilman.

COUNCILMAN GOODE:
Mr. Agostini, what is the increase in the budget from Fiscal Year '10 to Fiscal Year '11?

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MR. AGOSTINI: Increase in expenditures?

COUNCILMAN GOODE: Yes.

MR. AGOSTINI: I believe it's about $162 million.

COUNCILMAN GOODE: And how much are these two initiatives supposed to raise?

MR. AGOSTINI: In combination, $38 million for the sugar-sweetened beverage and 107.7 for the Clean Philly fee. So in total, about 146 million.

COUNCILMAN GOODE: Okay. And what is the largest item of increase in the proposed Fiscal Year '11 budget?

MR. AGOSTINI: That would be for pensions, pension payments.

COUNCILMAN GOODE: And that is 130 million?

MR. AGOSTINI: Approximately.

COUNCILMAN GOODE: So of the budget increase of 162 million, 130 million is going toward pensions?

MR. AGOSTINI: That's correct.

COUNCILMAN GOODE: So this is actually a revenue generator to cover pension costs?

(Applause.)

MR. AGOSTINI: Councilman, that is indeed a way to characterize it. As you know, we have some very crushing costs with respect to our long-term pension liabilities.

COUNCILMAN GOODE: Well, we have $130 million in new costs, and particularly the trash fee will go to cover that cost; is that correct?

MR. AGOSTINI: Again, that is a way to characterize it. It is also something that will be --

COUNCILMAN GOODE: Well, let's do it another way, then.

Commissioner Tolson, what is the average annual cost per household for trash collection?

MR. AGOSTINI: It's -- I can give you that exactly, if you give me a minute.

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COUNCILMAN GOODE: Okay. Per household.

MR. AGOSTINI: I can do it by property. I can't do it by household.

COUNCILMAN GOODE: That's fine.

MR. AGOSTINI: So for Fiscal Year '09, the actual cost per property was $337. For the current year, we're assuming it's slightly over $300, and for FY11, about $307.

COUNCILMAN GOODE: Is that for roughly a ton of trash?

MR. AGOSTINI: I'm sorry?

COUNCILMAN GOODE: Is that for a ton of trash?

MR. AGOSTINI: No. That is per property. That is for all of the associated costs of picking up trash.

COUNCILMAN GOODE: And what does that cost entail in terms of equipment or labor? Can you break that down in terms of what we're paying for?

MR. AGOSTINI: Yes, I can. And I can give it to you now and then I can give you the table through the Chair so that everyone can see that.

I'll go with FY09 since that's the most recent actual data that we have.

For personal services, it was about 47.5 million. For the purchase of services, principally our tipping fees for disposal --

COUNCILMAN GOODE: I meant per house.

MR. AGOSTINI: Oh, that I'd have to calculate for you. I'd have to calculate that for you.

COUNCILMAN GOODE: Can you calculate that before we leave today?

MR. AGOSTINI: If I get some time to get away, yeah.

COUNCILMAN GOODE: What is the average cost per household in surrounding counties?

MR. AGOSTINI: That I do not know.

COUNCILMAN GOODE: What is the average cost per household in comparable

U.S. cities?

MR. AGOSTINI: We can try and collect that. I know that they have -- there are a number of fees. I think we have a table for those fees. In some cases, the fees are greater than what we're proposing, but we can bring that back.

COUNCILMAN GOODE: But you weren't prepared to give that information?

MR. AGOSTINI: I just don't have that here. I think we've provided a table in response to a question that was given to us last week.

COUNCILMAN GOODE: How can we cut costs?

MR. AGOSTINI: Councilmember, we can cut costs in --

COUNCILMAN GOODE: In terms of trash collection, how could we cut costs?

MR. AGOSTINI: Well, there are a number of ways to do that, but I'm going to turn to both the Deputy Mayor and Ms. Tolson to answer that.

COMMISSIONER TOLSON: The two most significant cost sectors for trash are, one, labor and, two, disposal. Our labor costs come from the crews that collect either trash or recycling or to clean our streets, and our disposal cost is charged by a vendor for the privilege of putting our materials in a hole in the ground.

Labor we look at very closely regularly, manage it very tightly in terms of having as much efficiency as possible. Our crews presently collect on average 15 tons per crew per day for trash collections. For recycling collections, that productivity is approximately nine tons per day per crew, a difference being the weight of the materials that are collected. Things like plastics are lighter, so it's much more difficult to get a heavier weight when you're using the systems that we have.

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We have created efficiencies to maximize the crew productivity, such as moving to single-stream recycling, as well as the use of compactors versus the open-air trucks, which we previously used, and had a productivity of approximately three to five tons per day.

Relative to disposal, our present cost is about $65 per ton. That increases every year. The City has limited control or almost no control when it comes to disposal costs, because we do not own any facilities to dispose of our materials. Where we do have some control is the amount that we recycle. We have very aggressive recycling contracts, which provide for a very reasonable balance of costs to the City. We are presently receiving revenue of approximately $5.04 per ton for recycling. We have received as much as $44 per ton for recycling. However, we have also paid for those materials. So our ability to control our disposal side comes from our ability to increase the amount that we recycle and, thus, decrease the amount that we dispose.

COUNCILMAN GOODE: Thank you, Madam President.

On the next go-around, I will need the breakdown of that cost and how it compares to other cities and counties around us. Thank you.

COUNCILMAN GREEN: Point of information.

COUNCIL PRESIDENT VERNA: Thank you.

Councilman Green, you're next.

COUNCILMAN GREEN: This is my point of information, Madam President.

So don't start the clock, Charlie.

The Sanitation budget is approximately -- the entire Sanitation budget is $87 million, so I assume you were grossing up the figures you have with benefits in terms of the cost per household; is that correct?

MR. AGOSTINI: Councilmember, what I have included in that is fringe benefits, the central service cost allocation plan, the administrative costs allocated on a proportional basis of the Streets administrative function, along with a range of the normal costs, personal services, and deducted a series of costs that are not attributable to this.

COUNCILMAN GREEN: So with respect to the Sanitation budget in the Five Year Financial Plan, how much of that is pure trash collection? 100 percent? And disposal.

COMMISSIONER TOLSON: Yes. Our direct costs -- I assume that's what you mean when you say "pure trash collection." Our direct cost for labor and disposal is approximately 85 million that we're projecting for next year.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT VERNA: Point of information.

Mr. Agostini, I would like some clarity, if you will. Can you discuss whether you included unfunded pension liabilities in your cost calculation? If you did, I will have two questions to ask you.

MR. AGOSTINI: I did.

COUNCIL PRESIDENT VERNA: You did. Why do you believe it to be appropriate to include unfunded pension liabilities inasmuch as they represent services provided in the past, not the cost of services moving forward?

Second, did you include unfunded pension liabilities for all former employees or did you focus on employees who were providing sanitation-related services?

MR. AGOSTINI: I'll answer the last one first. We focused on the sanitation because we thought it was appropriate to just attribute the sanitation cost. So we removed Police, Fire and all of the other non-sanitation functions.

And, yes, we do believe that the unfunded liability represents a cost of operating not just the Sanitation Department but every department in the City. Whether we agree with that on a going-forward basis or not, it's still a cost that we have that we have to pay for.

COUNCIL PRESIDENT VERNA: Thank you.

Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Dr. Schwarz, in your testimony you say that, We have to take bold action to preserve critical City jobs. Whose jobs are you referring to?

DR. SCHWARZ: Jobs of individuals who are part of, at the moment, the City workforce.

COUNCILMAN GREEN: Okay. So let's talk about taking bold action. There were $33 million in cuts that the

Administration proposed. How many of what the Administration is calling cuts are actually what the rest of us in the world would call cuts?

MR. AGOSTINI: We believe that they are reductions in expenditures, so we're referring to them and we'll continue to refer to them as cuts. Whether there's a different opinion as to what your definition of "cuts," that might be, but --

COUNCILMAN GREEN: For example, last year we brought in the Prison budget 15 million less than was budgeted for in FY09. So we are saying the Prison budget should be the same in FY10 as in FY09. The Administration is calling that a $15 million cut. That is not a cut. We didn't spend more than that. That's simply spending the same thing we spent last year. Then you can go through all of your -- basically if you go through everything that is referred to as a cut, it is basically either shifting dollars from operating to capital, spending the same amount of money. There's not one job that is cut from this year's budget; is that correct?

MR. AGOSTINI: Actually, with respect to Prisons, that's not correct. The FY09 Prison budget was 241.3 million. That was actual. The FY10 adopted was 248.8 million. The current budget assumes we will be at 239.8 million. The FY11 assumes we'll be at 239.6. So that is a real reduction from the actuals in FY09. It is also a slight reduction from the current target. It is a reduction in expenditures.

COUNCILMAN GREEN: I understand. We can be pedantic about it if you want, but essentially our run rate is $15 million less on an annualized basis today, and that is why we're projecting it. There's no service, there's no person, there's nobody impacted in any department. There's just no cuts. And when you testified last week, we asked very specifically to have prior to today two and a half, five percent and seven and a half percent cuts that the different departments gave you so that we can determine whether or not additional cuts, which would cause us to have to raise less than $180 million a year in new taxes, are possible.

It is very hard to sit here and have a conversation about revenue measures without the context of what the alternative cuts are, because we only have four levers we can pull - wage tax, business tax and we have a $77 million increase in the business tax, the property tax and cutting the cost of government. So when can we expect that information from the Administration such that we can have an intelligent and informed conversation about where to go with the City's budget?

MR. AGOSTINI: Councilman, we are providing those answers in as quickly a manner as possible. We've started to provide them. So we will get them to you as soon as we can.

COUNCILMAN GREEN: I don't know what that means, "we've started to provide them." I don't know how we can have hearings without the same information that you have.

How many pages of --

(Applause.)

COUNCILMAN GREEN: How many pages of budget detail are there?

MR. AGOSTINI: I'm sorry, Councilman?

COUNCILMAN GREEN: How many pages of budget detail exist?

MR. AGOSTINI: Actually, there were copies brought over today from Monday's and Tuesday's. They represent two books just from Monday's and Tuesday's. You should have received your copy this morning.

COUNCILMAN GREEN: Oh, so I got 3,000 pages of budget detail this morning?

(Applause.)

COUNCILMAN GREEN: I just haven't had time to get to it. I'm sorry.

Thank you, Madam Chair. I'll pick up on the next round.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

Good morning. On the issue of cost and how we spend our money, I think a lot of people listening today want a cost-benefit analysis of, A, what we're paying for and then, B, what services and/or restored services we may get based on whatever revenue, and I'll start with the proposed beverage tax. That anticipates, you said if I recall, $77 million; is that right?

DR. SCHWARZ: Yes.

COUNCILMAN JONES: And of that,

you plan to use 20 million of it to do exactly what?

DR. SCHWARZ: That's in Fiscal Year '12, and the work focuses in three areas. One is increasing the availability of healthy foods in neighborhoods. Two is reducing the availability of less healthy foods. And three is increasing the opportunities and use of physical activity and activity-related areas.

COUNCILMAN JONES: All right. That's a million dollars of it. What are we going to do with the other 19? I mean, those are very general, broad strokes, and I think what people really want to know is what does the thing cost and what is the cost benefit if they pay for it.

DR. SCHWARZ: So I'm happy to provide you, for instance, an example would be working with a thousand corner stores in Philadelphia. The Food Trust from Philadelphia, which works nationally, has a successful model here in Philly working with corner retailers to make healthy foods, healthy fruits and vegetables available in communities. To do that, there needs to be education of the retailer. There needs to be connection of the retailer to available sources of fresh fruits and vegetables. There needs to be help with the fixed costs of refrigeration and display. All of those have now been done in corner stores in Philadelphia and have been found to create a sustainable business model for those corner stores. That cost, unfortunately, for a thousand corner stores is more than a million dollars.

COUNCILMAN JONES: We're up to $2 million. We're going to need a lot more detail to understand the benefit of that.

DR. SCHWARZ: And I'm happy to --

COUNCILMAN JONES: I only get

three minutes.

DR. SCHWARZ: -- provide you with detail.

COUNCILMAN JONES: Okay. There you go.

The second thing I want to know is, we tried the sales tax, bringing it up to eight percent, and one of the things that was in your budget assumptions was that eventually some day, somehow we were going to come out of a recession and revenues will somehow begin to come back to our coffers. If that is true for that tax, why is it not true for a beverage tax that could be indeed sunsetted at the time that we had a better picture of our economic situation?

MR. AGOSTINI: I think two reasons for that. One is that while we do assume there's going to be some growth in sales taxes, as we are all living with right now, the recession continues, the jobs are not growing, and so we are under some economic duress.

It is also the case that we've assumed that consumption will indeed decline and that the impact of the tax will have the kind of effects that Dr. Schwarz described in his testimony.

COUNCILMAN JONES: Finally, and I'm out of time, based on last year's testimony, you responded to Councilman Goode's question about personnel costs. One of the two considerations was automation and the other was, which connects to the second, injured-on-duty claims. How are we addressing those cost centers today? Are we making progress?

MR. AGOSTINI: That's specific to Sanitation?

COUNCILMAN JONES: Yes. Correct.

COMMISSIONER TOLSON: Thank you, Councilman. Good questions. Relative to the injured on duty, we have most recently revised some of our standards with regard to hiring, our medical assessment of people who are being hired, raised the requirements for them and how we inspect them, so that we can assure that we're getting people who are fit for the tough job that they will have in collecting 15 tons per day.

Additionally, we are reviewing with our staff on the management level, the local management level, safety procedures to improve their ability to operate full day, uninjured, over long periods of time. That is critical.

Secondly, with regard to -- you asked the question about --

COUNCILMAN JONES: Automation.

COMMISSIONER TOLSON: Automation, yes. We had certainly paid a lot of attention to automation. It is something that's of personal interest to me. Our challenge with it is the requirements for automation. Automation requires that you have to be able to access a can that people have to hold in their house, access at their curb line. In Philadelphia, we have less than 15 percent of the City with off-street collection or off-street parking availability, so that means either having a rear driveway or a side driveway where they can remove their car so that a trash can could be collected from the curb. That's challenge number one with them.

Challenge number two is certainly with regard to storing a can in the house. Eighty-five percent of the City has front collection, and most people bring the trash through their house to the front yard, which is why we are a heavy bag city.

Having said all that, I still support and am interested in looking for opportunities to automate the City. The other part of the challenge is that our city is very diverse logistically in terms of the size of streets that we have. We have wide boulevards intermingled with very narrow streets, and all of the areas that have the wide streets are not in one location and all the areas with all the small streets are not in one location.

So as we look to automation, as we continue to examine opportunities for automation, it is finding five days' worth of work for a truck in the City in our neighborhoods, and that is a significant challenge. We have had in container companies to work with us to try to examine the opportunity for containerizing trash. That is a way to help with litter, and we just have some logistics that we're trying to overcome. And we're hoping that as technology changes, that it will be a help for us. Dealing with cable lines, the wires that we have hanging in our city, you don't find that in all your cities, and those are some of the challenges that face us in this city when it comes to automation.

COUNCILMAN JONES: Well, 15 percent --

COUNCIL PRESIDENT VERNA: Councilman, your time has been up some time ago. I would suggest you wait for the next go-around.

COUNCILMAN JONES: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

Good morning.

(Good morning.)

COUNCILMAN CLARKE: Let me get one thing out of the way real quickly. Several references are made to the RecycleBank as we talk about offsets to the trash collection fee, and actually had a very successful RecycleBank meeting last night, and I guess the question I want to know, the RecycleBank program is a program that was in place prior to the announcement of the trash fee; am I correct?

COMMISSIONER TOLSON: Yes.

That's correct.

COUNCILMAN CLARKE: So this has been going on for a while. What's the relationship to the trash fee? Because it implies that this tradeoff somehow has something to do with the fee. It implies that if we don't pass the trash fee bill, then maybe the RecycleBank program will go away, and I need to know that, because I'm out here encouraging people at least two nights a week to recycle based on these meetings. And if somehow this bill doesn't pass -- and I'm not clear what will happen with it -- will this recycling program go away?

COMMISSIONER TOLSON: Absolutely not, sir. The Recycling Rewards Program is one that we had worked on for a number of years. It is a premiere system, and, in fact, some other large cities are looking at what we're doing and how we're doing it, because it provides an innovation and a value to the City and citizens in a way that has not been seen before by the vendor company. So this is something we set up and it stays with us.

COUNCILMAN CLARKE: Okay. So this has nothing to do with an offset for the trash fee? I mean, I continue -- and, Ms. Tolson, I respect you and I like you a lot, but the continued reference that somehow we're charging you this fee, but we're giving you $400 in coupons and discounts I just think is just ingenuous. I mean, one has nothing to do with the other.

COMMISSIONER TOLSON: They're related from the standpoint of that you certainly can use the value that's in the rewards program to support or offset the notion of having a fee.

COUNCILMAN CLARKE: But that's going to happen regardless of what happens with this tax, is my point.

COMMISSIONER TOLSON: But that Recycling Rewards Program will happen regardless.

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COUNCILMAN CLARKE: So it would be nice if we couldn't continue to reference that as somehow a part of the trash fee.

COMMISSIONER TOLSON: I think it's important only from the standpoint that it's a new and exciting program that citizens have not yet taken advantage of.

COUNCILMAN CLARKE: And will reduce its cost, and that's why I'm out there, but it has nothing to do with that.

COMMISSIONER TOLSON: And we appreciate your leadership.

COUNCILMAN CLARKE: We had it before, as early as last year, and we're going to continue to have it.

Your reference to -- and this continues to come up the other day, when we talk about our municipalities, and I see in your testimony today you actually reference some larger municipalities. What's the current wage tax for the City of Philadelphia, the rate?

MR. AGOSTINI: Just under four. I can get you the exact in a minute. Just under four for the resident and closer to three on the non-resident.

COUNCILMAN CLARKE: What's the wage tax for the City of Los Angeles?

MR. AGOSTINI: I don't know what that is offhand.

COUNCILMAN CLARKE: What's the wage tax for Houston?

MR. AGOSTINI: Again, I don't know. We can compile those.

COUNCILMAN CLARKE: What about Atlanta, Minneapolis, Seattle and Cleveland?

MR. AGOSTINI: We can pull those together. I don't have those at my fingertips.

COUNCILMAN CLARKE: But we don't know, or we don't even know if they have a wage tax?

MR. AGOSTINI: In some cases, like Seattle, there is not a wage tax, but there's a sizeable business tax.

There's also a much larger sales tax.

COUNCILMAN CLARKE: Some people would say we have a sizable business tax. My point is that we continue to compare ourselves with other cities as it relates to trash fees, but we don't put the data on those other cities. And as we're making decisions about whether or not it's proper for us to even continue this discussion, without information on other cities so we can compare apples to apples, I don't think it's fair to Councilmembers.

(Applause.)

MR. AGOSTINI: Councilmember, that's fair. We'll put that together. Having done the budgets for both the City of San Francisco and the City of Seattle, I would tell you that we're comparable, that while the mix of taxes is different, the amount that's raised for services is comparable. But you're right, we should get that to you.

COUNCILMAN CLARKE: It would be

very helpful.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good morning.

(Good morning.)

COUNCILWOMAN BROWN: Mr. Agostini, Councilman Goode raised a number of pointed questions I thought regarding the pension fund. Who or what entity authorizes or dictates the rules around the pension fund, regulations around the pension fund?

MR. AGOSTINI: Most of that is state, but I will defer to Mr. Dubow to answer questions on the pension.

I guess I can't. He stepped out.

COUNCILWOMAN BROWN: So if the state dictates those rules and the like, then the most the City can do is? Complete the sentence.

MR. AGOSTINI: Is follow that lead. And as you may remember, the reason that we have such a sizable increase from the FY09 to the FY -- from the FY10 to the FY11 is that we as a city moved forward with a pension deferral. That pension deferral allowed us to reduce our pension payment in FY10 in order to address the very sizable issues that we had at the time, as you recall. Part of that deferral now is going away and so part of the cost associated with pensions is that we no longer can defer the entire amount. And as you recall, the sales tax, through state legislation, has been tied to the repayment of that deferral through FY14 when the sales tax increase sunsets.

COUNCILWOMAN BROWN: Okay.

Dr. Schwarz, this hearing is not about the menu labeling bill, but you did reference it, and I wanted to simply attempt to clarify the record. I completely agree that we don't have adequate research yet that shows that behavior change does happen, but what we do know is that if consumers are given the information at the point of sale, which was the linchpin in all this, they do indeed make different choices.

DR. SCHWARZ: Yes.

COUNCILWOMAN BROWN: Okay. All right. With that said --

DR. SCHWARZ: We know that for menu labeling, yes.

COUNCILWOMAN BROWN: Okay. The Healthy Bucks Initiative, what I learned early on with the stadium negotiations is that the devil really is in the details, and if we say that X number, should this proposal garner the necessary support, if X number of dollars are going to be used for the Healthy Bucks Initiative, is that in the text of the legislation as is currently written?

DR. SCHWARZ: It is not. The

legislation doesn't specify the use of the dollars, and according to the budget, remember, the use of the or the allocation of the $20 million would come in Fiscal Year '12, so it is not the subject of the '11 budget.

COUNCILWOMAN BROWN: So my experience tells me that if it's not in writing, it doesn't exist, and as we go forward, as Councilman Jones indicated, the devil will be in the details.

To the trash fee proposal, Commissioner, has any further discussion been given to the reality that that is a flat rate and/or protections necessary for seniors and low-income families?

COMMISSIONER TOLSON: Obviously, Councilwoman, we will continue those discussions with Council. We have included presently in the rate a $100 discount for those who meet the low-income requirements for the Real Estate Installment Plan. So their fee will be a $200 rate versus a $300 rate.

That is what's presently included in the proposal that we have.

COUNCILWOMAN BROWN: The bell has rung. I have follow-up, so I'll just have to wait for my next round.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam President.

Once again, I'll start out by saying I'm not necessarily saying I agree with this proposal, but there's obviously been other proposals out there, and one of them, Mr. Agostini, you reference in your testimony about the big taxes, but there is some argument regarding the trash tax that people generate different amounts of trash, is it really fair to have a flat fee, and obviously there's been some suggestion that maybe the fairer way -- and, again, I'm not advocating it -- maybe the fairer way is to go with some kind of overall property tax increase. Just for the record, what would be your answer to that?

MR. AGOSTINI: We would be open to considering other alternatives, ideas that would emanate either from this Council or from others with respect to how that is constructed.

COUNCILMAN GREENLEE: So you're open on that? Okay. I hear you.

Commissioner Tolson -- and I will start out by saying I don't agree with this proposal, but it's, again, been tossed out there, no pun intended, but, again, as far as the amount of trash, is it fair that some people put out one bag a week, some people put out six, that kind of thing? The whole throw-as-you-go proposal, just for the record -- and, again, I think we're going to agree on this, but I just want to see for the record what is your position on that and why you don't think that would work.

COMMISSIONER TOLSON: What

you're talking about is a pay-as-you-throw system?

COUNCILMAN GREENLEE: Right.

COMMISSIONER TOLSON: Where people would pay by bag or a sticker to be placed on a bag?

COUNCILMAN GREENLEE: Right.

COMMISSIONER TOLSON: A system like that is certainly possible. It's one that is very, very difficult, particularly on those who may be more poor. The challenge in the cost for a system like that is very, very high.

Also, we would experience and with the time that I've been in this position, I would say that we've experienced a significant amount of illegal dumping in the City where we have people in the system, as they've been proposed in the past, were people to pay for each bag of their materials.

COUNCILMAN GREENLEE: No. I certainly agree with you on that, but, again, that's been something that's been proposed as an alternative. I just wanted to get that on the record. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Picking up on Councilman Greenlee's questioning, the Administration first proposed the trash fee last January. So it's somewhat surprising for us to be presented a year later with the same exact proposal and not a further developed one, especially given examples across the United States of how to structure different alternatives with respect to trash.

As the Daily News reported, over 70,000 communities across the U.S., including 200 in Pennsylvania, charge a trash fee on a pay-as-you-throw basis.

The policy reasons for tying the fee to the amount of trash produced, ones that mirror what the Administration has said about a sugar-sweetened beverage tax, include that it will reduce waste and increase recycling. Both waste reduction and increased diversion to recycling produces bottom-line savings to the City budget. I'd really like a full explanation of why the City did not go with a pay-as-you-throw tax, which was suggested by several members of City Council last year when the trash fee came up in the first place.

COMMISSIONER TOLSON: Thank you, Councilman. As I mentioned with Councilman Greenlee, we believe that providing a flat fee, which is an average across all households, all property owners, is a more reasonable way of trying to approach the problem that we have right now. Allowing the fee of $300 or $200 for those who have less ability to pay allows us to cover not only the cost for our program, but allows us to remove our cost from the General Fund.

Doing the flat fee versus a pay-as-you-throw also does not require the infrastructure to support a pay-as-you-throw system or the bag system, which, as I mentioned, does have some concern with regard to how citizens could respond to it.

In this system, should someone not pay the fee, the City will still continue to collect trash. We will address the property owner through penalties and even possibly liens. In a pay-as-you-throw system, you don't collect the trash; you, in effect, leave it, and that could be very problematic, particularly in the places where we presently are dealing with illegal dumping as a significant problem.

COUNCILMAN GREEN: Okay. Well, I don't understand your answer because it's internally inconsistent and it's contradictory with your answer to

Councilman Greenlee. For example, you said that a pay-as-you-throw system would be hardest on the poor. So let's just imagine somebody living on a fixed income, $20,000, with a property that is taxed at $300 a year, who really has one small bag of trash that they put out every year, because they're a senior living alone or an older couple.

Under the proposal of the Administration, no matter how much trash they produce, they would pay $200. Under a pay-as-you-throw system, if the bag costs a dollar, they would pay $52 a year. How is the system you're proposing better for the poor?

COMMISSIONER TOLSON: Okay. Thank you, Councilman. One important point I think to make would be that the description that you just gave does not necessarily fit the reality that we have. In some of our poorer communities, there is more trash set out.

And, secondly, as people were

to -- as people would choose between buying a sticker or, say, buying something else that they may want to have, a sticker may not be the thing that people will buy, or a bag. And we'd also see -- that's why I said we will see the problem of illegal dumping or people taking their trash to somebody else's house would increase and be more of a problem than it is right now, because folks who have to make a choice each week about using a bag or a sticker would be challenged.

Additionally, this fee would not directly impact the -- let's say in a poor community where people are renting a property -- does not directly impact them, because the fee does not go to the renter. It goes to the property owner, who would have the choice of not necessarily passing it along to a renter.

COUNCILMAN GREEN: Well, that answer is internally consistent with what you expect to happen on the sugar tax, which is that it's going to be passed on to the end consumer. I'm certain the same thing will happen to the trash fee for tenants of landlords. And I'm really confused about what you're saying about the incentives we're creating, because as we have a pay-as-you-throw system, it diverts much more waste into recycling. A trash fee does not promote recycling in the least. And the more we recycle as a city, the more money we save on dumping fees; is that not correct?

COMMISSIONER TOLSON: You're correct, Councilman. A fee by itself does not promote recycling. You're absolutely correct.

COUNCILMAN GREEN: And doesn't a pay-as-you-throw system promote recycling, because the more trash diverted into the recycling stream, the less bags people will have to buy to put out their trash?

COMMISSIONER TOLSON: You're correct on that too as well. A pay-as-you-throw system, if people are going to buy bags or buy tags, would promote recycling. However --

COUNCILMAN GREEN: So as we --

COMMISSIONER TOLSON: There's a however that would go along with that, though. The however is that you still have to deal with the challenge of people who --

COUNCILMAN GREEN: We can deal with short dumping. We can deal with that issue. We can deal with the issue of extra trash by charging enough for the bags to make sure that we are able to clean up lots and able to help people with bags. I mean, we as a city can deal with that issue. You're saying on the one hand, we want to promote a sound public policy of the sugar tax by diverting people from buying sugary beverages, and that will be good for the City and will raise revenue. It's inconsistent to then say, yes, we want to have a public policy promoting recycling because that in the end saves us the most money, but we don't want to put in place a system that is the most effective system to promote recycling throughout the City.

COMMISSIONER TOLSON: Well, Councilman, I actually -- I could compare the sugar tax to recycling in this way. If we were --

COUNCILMAN GREEN: I just did.

COMMISSIONER TOLSON: If we were to turn back the hands of time, let's say three years, five years, ten years, we had a recycling rate that was under six percent in the City. People did not recycle, though it was available to them, and it appeared to be no extra cost and it was always good for our environment. So people did not necessarily recycle just because it was there.

What we have done recently, though, to change the system for recycling to make it enticing to people is to provide it in a way that it is convenient and takes away all the excuses about why not recycle as much as possible by making it single-stream, adding additional commodities and also making it weekly.

COUNCILMAN GREEN: Would there be significantly more recycling if we had a pay-as-you-throw system than a trash fee system?

COMMISSIONER TOLSON: I'm not sure that I could say an absolute yes to that. I think that the --

COUNCILMAN GREEN: You don't think that that would change behavior?

COMMISSIONER TOLSON: It certainly would impact the behavior of some. It may not impact the behavior of others, and that's -- I'm trying to look at the system globally. My perspective is not one of just how I reside in my household or in my community, but I look at how I see citizens respond in total to different services that we provide, and when it comes to recycling or to trash, the behaviors vary greatly around the City. We have citizens who deliver their trash to the curb by airmail. They throw it out of the window from the second or third story. I can't imagine why that would make sense, but I do know that it happens, and it happens every single day, and that's part of the cost and part of the process that we go through and people that we have to include in our education and enforcement efforts to try to change how those things happen.

COUNCILMAN GREEN: No matter what kind of -- that's under our current system. That will exist if you have a trash fee. That will exist if you have a pay-as-you-throw system. I'm trying to get to what trash fee system would create the most recycling.

COMMISSIONER TOLSON: I think what we're looking at in terms of what we're providing to citizens with our recycling being weekly, single stream and also offering incentives, that we're going to expect the citizens to improve their recycling and increase it. And I'm not discounting what you're saying with regard to pay-as-you-throw. It certainly does offer the opportunity for increases and the incentive to increase your recycling, because no one wants to pay -- you want to reduce the amount that you put out for trash, but it also increases the incentive to put the raw materials into your waste stream and also to illegally dump. I'm sorry; not into your waste stream. Into your recycling container. The incentive to put that which is really trash into recycling, which is why when we reinvented our incentive program, we took it away from being an individual household in weight, because that did encourage people to abuse the process and the system and instead made it on a neighborhood basis and only encourage people to recycle that which is really recyclable.

3/17/10 - WHOLE - BILL 100118, etc.

COUNCIL PRESIDENT VERNA: Councilman Green, your time is up.

COUNCILMAN GREEN: Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Kelly.

COUNCILMAN KELLY: Thank you, Madam Chair.

I just have basically a question. According to your testimony this morning, you're projecting a tax increase of 38 million for the Year '11 and 77 million for the Year '12; is that correct?

MR. AGOSTINI: That's correct, Councilman.

COUNCILMAN KELLY: It sounds great, but the only problem that I have --

COUNCIL PRESIDENT VERNA: Excuse me, Councilman. Can you speak into the mike? We can't hear you. Thank you.

COUNCILMAN KELLY: Okay. Now,

the problem I have with it, are you confident in raising this revenue? Because at the same time, you're saying that the Department of Revenue will be responsible for the collection of this tax, and due to the past performance of collecting revenue from property owners in this city, I have questions about whether they're able to do it, and how many additional employees would the Revenue Department need to tack on this additional responsibility?

MR. DUBOW: Rob Dubow, the Finance Director.

I just want to kind of address the underlying assumption. While it's clear we have a large amount of uncollected taxes and we need to bring that down, I don't think it's right to say that most of our taxes don't get collected. Our collection rate approaches 90 percent for the first year. Within three or four years, we're up to about 95 percent. So the taxes -- most of the taxes do come in, and we assume that it will be the same for this tax.

COUNCILMAN KELLY: Thank you, Mr. Dubow.

I have another question and it has to do with the problem that retailers will have. According to your testimony, Dr. Schwarz, you expect to have a two-tier pricing policy with stores; in other words, if sugar drinks would be more than diet drinks. Is that true? Is that how you perceive this to be? Because what you're saying is that most people, if they want to save money and whatnot, would go to the diet drinks or the non-sugary drinks.

DR. SCHWARZ: So we are able to tax retailers, and as has Council -- Council has pointed out and I mention in my testimony, how it's passed on by the retailer is not something we'll legislate. We can't legislate.

COUNCILMAN KELLY: Yeah. Well, the retailers have a major problem with this, because -- I know you're in pretty good shape. You probably don't go into the fast food restaurants like many other people do, but if you go into a fast food restaurant, what they do is, they give you a cup. Now, the cup, of course, you go over and you can have diet soda or regular soda or whatever. You have a selection there. You can do that. Now, what happens if they have on their board that a large drink will be, a diet drink, will be $1.75, but a regular drink will be $2.50. Well, what happens when the person goes up there? They're going to certainly say, Well, I'm going for a diet drink. I mean, that would make more sense, right?

(Applause.)

COUNCILMAN KELLY: See, and that's the problem retailers will have, and what they'll do, they won't make it 1.75 and 2.50. They'll make it $2 for all drinks. That's what they'll do.

(Applause.)

COUNCILMAN KELLY: See, I know what your intent is, and believe me, I think I can sympathize with you, but we can't dictate to people how and what they're going to buy and how they're going to buy it and what they're going to drink.

(Applause.)

COUNCILMAN KELLY: That's basically what I just wanted to bring out, that for retailers it's going to be a nightmare, and I think that one of the things we have to do is really think this thing through if we're going to do anything in the way of this tax.

Thank you, Madam Chair.

(Applause.)

COUNCILWOMAN TASCO: The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Mr. Agostini, in your testimony, you say the Administration does not propose broad-based rate increases on any of the City's taxes. I'm assuming by that statement you mean that people who are employed in Philadelphia should not pay more taxes on their wage tax, that people who operate businesses within Philadelphia should not pay more taxes because of their gross receipts or because of their net income from that business, and you believe that's not fair.

The question today is, what makes a soda tax or the trash fee fair. In my earlier line of questioning, I tried to deal with the fairness of the trash fee by saying that we at least have to have a way that compares the cost efficiency of trash collection. So my question again is, if we were to do such a comparison, if it were by property or by household or by ton, can you tell me how we match up in terms of cost efficiency with surrounding counties and with comparable cities in the United States?

MR. AGOSTINI: I don't have that material in front of me. We --

COUNCILMAN GOODE: You still don't have it?

MR. AGOSTINI: As you may have noticed, I haven't left the table.

COUNCILMAN GOODE: Okay. Well, as I noticed -- you said you reviewed it before, right?

MR. AGOSTINI: Councilmember, yes.

COUNCILMAN GOODE: You don't have to cite it for me, but did we rank high or did we rank low?

MR. AGOSTINI: When we looked at it, Councilmember, we ranked pretty much in the middle of all of those communities that had a trash fee.

COUNCILMAN GOODE: You remember that much?

MR. AGOSTINI: Yes.

COUNCILMAN GOODE: Do you remember that the surrounding counties were less than $300?

MR. AGOSTINI: We were looking at larger communities. The Streets Department has been pulling information from surrounding communities. We looked at larger communities, and our view is that based on what we saw in larger communities, we're about the same.

COUNCILMAN GOODE: So on my third round of questioning, by which I hope you have the information by that time, I will ask these questions again, but I will ask them based upon your broad memory of the data.

Will the revenue from the proposed trash fee improve trash collection?

COMMISSIONER TOLSON: The revenues that we are expecting from -- that will help support the General Fund will certainly continue to support the --

COUNCILMAN GOODE: Will it improve trash collection?

COMMISSIONER TOLSON: It will not improve trash collection in and of itself. Certainly any challenge that we're presently expecting --

COUNCILMAN GOODE: That was a simple honest answer. Thank you.

How much of the revenue will be dedicated to new services?

COMMISSIONER TOLSON: Two million dollars will be dedicated to restore or new services in the first year.

COUNCILMAN GOODE: So this is in fact a pension cost fee and tax? Mr. Agostini?

MR. AGOSTINI: That's not my description, sir.

COUNCILMAN GOODE: Okay. Your description is that these are two new initiatives that provide what new services?

MR. AGOSTINI: As I mentioned earlier and as Ms. Tolson just mentioned, two million in additional services this year. Your line of questioning, if I recall, was about the increases in the budget. At the time, I mentioned what the largest component of that --

COUNCILMAN GOODE: So we're raising $150 million to --

MR. AGOSTINI: May I finish?

COUNCILMAN GOODE: -- provide two million more in services?

MR. AGOSTINI: May I finish, sir?

COUNCILMAN GOODE: Go ahead.

MR. AGOSTINI: And the largest component of that was for pensions. And at that moment, I believe you made the comparison or the statement that this is being raised for the purposes of covering our pension costs, and my response to you at that time was that we have very crushing pension costs and if you wanted to characterize it that way, that would be a way to characterize it.

COUNCILMAN GOODE: That is where the money is going. There's no need to revisit it, but I think if that's where the money is going, we should at least be able to talk about the cost efficiency, if you want to call it a trash fee, the cost efficiency of trash collection. If you can't even do that comparatively, then I don't know why you would even try to sell us a trash fee if you can't say that our operation is cost efficient.

Thank you, Madam Chair.

(Applause.)

COUNCILWOMAN TASCO: The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: I'm sorry. I didn't hear you. I actually thought you said Councilman Rizzo.

I have a couple questions regarding the Keep Philly Clean fee, the trash fee.

Does our current real estate trash -- does our current real estate tax cover trash collection?

MR. AGOSTINI: Councilmember, our current property tax covers a range of services, including sanitation.

COUNCILWOMAN MILLER: I'm sorry. I didn't hear you.

MR. AGOSTINI: Our property tax covers a range of City services, including a portion of the sanitation.

COUNCILWOMAN MILLER: Okay. So one portion. Does that portion of sanitation mean trash collection?

MR. AGOSTINI: As one of the services provided by the department, yes.

COUNCILWOMAN MILLER: And is this a temporary tax? After the recession has passed and the economy has recovered, assuming this tax is approved, will this tax be eliminated?

MR. AGOSTINI: We did not propose it as a temporary tax.

COUNCILWOMAN MILLER: So it is permanent. Okay.

And what is the current status of bulk trash collection and will this trash tax reinstate bulk trash collection?

COMMISSIONER TOLSON:

Councilwoman, the current status is that bulk trash is not collected at the curb. As you may remember, that is one of the services that we cut in the past fiscal year. However, it is certainly one of the services that we'd like to consider for our future years under the new service fee.

COUNCILWOMAN MILLER: And this new tax will -- in the testimony it says it will help bring back services such as street cleaning and additional vacant lot cleaning.

COMMISSIONER TOLSON: Yes. We will be improving our neighborhood commercial corridor street cleaning, as well as picking up on a number of vacant lots that are serviced. In addition to that, restoring the mechanical leaf collection program.

COUNCILWOMAN MILLER: Are you cleaning most of the commercial corridors with the cleaning services?

COMMISSIONER TOLSON:

Currently, no.

COUNCILWOMAN MILLER: Can we get a list of those corridors that are cleaned? Could you just get that list to the Chair?

COMMISSIONER TOLSON: Yes.

COUNCILWOMAN MILLER: And just some other mechanics about this trash collection. How would you deal with neighbors dumping trash in front of another person's house? I mean, how will we deal with that? Because some families might only have one bag.

I have a friend that lives in Montgomery County. They pay, but they can only put out so many bags of trash. Is that in any way incorporated, anything like that incorporated, in this particular fee? Is it going to be a limit on how many bags of trash you can actually put out?

COMMISSIONER TOLSON: The limit for set-out would not change. So people will not be incented to put their trash in front of someone else's property.

COUNCILWOMAN MILLER: Is there a limit now --

COMMISSIONER TOLSON: Yes.

COUNCILWOMAN MILLER: -- as to how many bags a household can put out?

COMMISSIONER TOLSON: Yes.

COUNCILWOMAN MILLER: What is that?

COMMISSIONER TOLSON: The present limit is four cans or eight bags.

COUNCILWOMAN MILLER: Oh, okay. Do people know about the limit? I had no idea.

COMMISSIONER TOLSON: Yes. Yes. They're in the regulations.

COUNCILWOMAN MILLER: Okay. All right. Thank you.

COMMISSIONER TOLSON: But that's how this system is different than, say, the pay-as-you-throw, where you have that situation that your friend experiences, that people would have to take their material someplace else if they didn't have the proper bags or tags on it.

COUNCILWOMAN MILLER: All right. Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

I just need to get some clarity on the low-income designation. I just want to make sure I'm reading this correctly. The low-income designation is solely based on the eligibility for the installment program?

COMMISSIONER TOLSON: That would be the basis -- the installment program would be the basis of determining who will receive the --

COUNCILMAN CLARKE: For a family of four?

COMMISSIONER TOLSON: Yes.

COUNCILMAN CLARKE: Under the current -- and I know the characterization from the Administration, one has nothing to do with the other. Under the current system on real estate taxes -- because personally I think this is a real estate tax, but we can leave that open for argument -- senior citizens who are PACENET eligible don't have to pay increases in their real estate taxes. Has any thought been given to this particular proposal for those senior citizens that are currently eligible for the PACENET/real estate program in the City of Philadelphia where they don't pay increases, increases in their real estate tax?

(Witness approached witness table.)

COMMISSIONER RICHARDSON: Excuse me. Can you repeat your question? I was walking. I couldn't hear everything.

COUNCILMAN CLARKE: I just wanted to clarify the whole issue about the designation of low income, but as you know, currently senior citizens in the

City of Philadelphia now are eligible for the real estate freeze, real estate tax freeze, if they're eligible for PACENET. The question is, has any thought been given to this particular program -- because my personal characterization, that this is a real estate tax increase -- to looking at those seniors that qualify for PACENET being able to, in addition to freezing their real estate tax, not have the burden of increasing the tax for trash collection or basically being a part of that?

COMMISSIONER RICHARDSON: Good morning. Keith --

COUNCILMAN CLARKE: Because if they don't have to pay -- sorry to cut you off. But if we feel that that person is worthy of having the ability to freeze any increases in real estate tax, as long as they live and own that home, I think it's reasonable to expect that that person also should not have to pay for an increase in this part of the real estate tax increase.

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

In regard to your question, yes, we believe -- first of all, it's about 18,000 people in the program currently. Anyone who potentially may get this fee, if it's approved, when they get their real estate bill, there will be application also for them to apply. So the Revenue Department will look at the application to verify if someone is qualified to receive it or not.

COUNCILMAN CLARKE: PACENET?

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN CLARKE: But not the increase for the trash fee?

COMMISSIONER RICHARDSON: For the fee also, yes.

COUNCILMAN CLARKE: So a senior citizen who qualifies for PACENET will not have to pay this trash fee?

Ms. Tolson, are you agreeing

with that?

COMMISSIONER RICHARDSON: Again, it's --

COMMISSIONER TOLSON: He's going to clarify.

COUNCILMAN CLARKE: No. I just want to make sure that Ms. Tolson is agreeing with that.

COMMISSIONER TOLSON: No. I think he wants to clarify what he said.

COUNCILMAN CLARKE: Oh, you didn't agree with that.

COMMISSIONER RICHARDSON: Again, it's based on income eligibility.

COUNCILMAN CLARKE: Changing on me. Say it again now.

COMMISSIONER RICHARDSON: It's based on income eligibility for the program.

COUNCILMAN CLARKE: So it's not based on PACENET?

COMMISSIONER RICHARDSON: No. It would be based on eligibility.

COUNCILMAN CLARKE: So a senior

citizen that collects PACENET will have to pay a trash fee?

COMMISSIONER RICHARDSON: This is very possible if they don't qualify, yes.

COUNCILMAN CLARKE: When you say it's very possible...

COMMISSIONER RICHARDSON: If they don't qualify for the income eligibility or don't apply for the senior citizen program with us, they may have to pay the additional fee instead of the hundred-dollar credit.

COUNCILMAN CLARKE: Since you're not going to answer the question, will they have to pay the trash fee or not? That's a simple question. If they qualify for PACENET, which allows a person not to pay any increase of real estate tax, will they also have to pay a trash fee?

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN CLARKE: All right. You keep saying maybe. Yes or no.

COMMISSIONER RICHARDSON: They will have to pay.

COUNCILMAN CLARKE: So --

COUNCIL PRESIDENT VERNA: Excuse me. Councilman, can I just piggyback on that a minute?

COUNCILMAN CLARKE: Absolutely.

COUNCIL PRESIDENT VERNA: I was distracted.

You mentioned about people on PACE --

COUNCILMAN CLARKE: PACENET.

COUNCIL PRESIDENT VERNA: -- and PACENET. Do we have any indication how many of our constituents are on PACENET?

COMMISSIONER RICHARDSON: I don't have the information for you, but I can get that information.

COUNCIL PRESIDENT VERNA: Would you, please.

COMMISSIONER RICHARDSON: Yes, ma'am.

COUNCIL PRESIDENT VERNA: Thank

you.

Councilman.

COUNCILMAN CLARKE: Thank you.

In my follow-up to that, in terms of the billing, will that bill be inserted into the real estate tax bill, the bill for trash?

COMMISSIONER RICHARDSON: Right now the proposal is to be on the real estate bill, but we're discussing that right now.

COUNCILMAN CLARKE: On the real estate bill?

COMMISSIONER RICHARDSON: Or in the bill, yes, as a separate --

COUNCILMAN CLARKE: So you're asking a senior when they get the bill on real estate, there's a form that says you don't have to pay PACENET, and then they have a confusing message, but you do have to pay this increase. It's on the same bill.

MR. DUBOW: We're still looking at a couple of options for how we would do it. Having it on the bill is one of those. It's the one that we've kind of looked at the most, but there are still issues like the one you're raising that we have to figure out. So it may be that we have --

COUNCILMAN CLARKE: We can clear that one up. Just don't charge them.

MR. DUBOW: Then we have a big gap we have to fill.

(Applause.)

COUNCILMAN CLARKE: That's a real easy one. Only 18,000 people. Well, actually less than that, because a lot of those people --

MR. DUBOW: Well, 18,000 --

COUNCILMAN CLARKE: -- don't actually live in properties that will be eligible for the trash fee. So I think we should just eliminate those people.

MR. DUBOW: But other options include having a separate bill that's included at the same time as your property bill instead of having a separate line, or just billing separately, and we have to figure out which one of those works best.

COUNCILMAN CLARKE: What will be the fee -- because in the testimony, Ms. Tolson's testimony, it says a fee for a residential property. What will be the fee for commercial residential properties; i.e., income-producing properties?

MR. DUBOW: We think that will be 300. We're looking at it, but we think that will be 300.

COUNCILMAN CLARKE: Why would a person who has a property that has multiple units in the building who is making revenue pay the same fee as --

MR. DUBOW: Right. The way it's set up now, it's per property, but it may make sense to have it per residence. I think you and I have talked about that. So that is something that we should talk about, and if we need to change it to make it per residence, that's something we would be open to.

COUNCILMAN CLARKE: I know my time is up, but you said we've talked about it and I brought it up to you a couple weeks ago. At what point during this debate on this issue are we going to talk about the unfairness of charging a person who has a single-family home that does not produce revenue the same as a person who has multiple units and is an income-producing property?

MR. DUBOW: Well, I think today is the time to talk about it and --

COUNCILMAN CLARKE: Then when are you going to do something about it? Because we've talked about it for two, three weeks, and my concern is that if there's going to be an additional cost associated with income-producing properties, I think that should be reflected in the single-family cost, and it makes this whole notion that a senior citizen who is qualified for PACENET should have to pay anything.

MR. DUBOW: If we're going to make that change, we should amend the bill before it's voted on.

COUNCILMAN CLARKE: Well, all right. Maybe you want to have that understanding that there will be changes if you want to get it voted out. I mean, you know.

MR. DUBOW: Right. I understand.

COUNCILMAN CLARKE: Not that it's going to pass at all, but I'm just suggesting that. I'm just saying that the improvements need to be discussed early on and not at the last minute and ask us to vote it out without having the benefit of a conversation leading up to that.

MR. DUBOW: I agree with you.

COUNCILMAN CLARKE: Okay. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA:

You're welcome.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

I just wanted to clarify something for the record. Can you tell me in last year's Five Year Plan what the estimated pension expense was going to be for FY2011? In the finally submitted to PICA Five Year Plan rather than the proposed budget.

I can help you with that.

MR. DUBOW: I think the point you're getting to is that it's virtually unchanged from that number.

COUNCILMAN GREEN: Four hundred seventy-six million dollars.

MR. DUBOW: Right. So that number --

COUNCILMAN GREEN: And in the newly proposed Five Year Plan, what is the pension obligation payment?

MR. DUBOW: It's roughly the

same.

COUNCILMAN GREEN: It's $479 million.

MR. DUBOW: Right. That number did not change from what was introduced to PICA.

COUNCILMAN GREEN: Right. So there's a $3 million difference between the Five Year Plan's projection for next year's pension payment.

There was a suggestion or implication, I would say, that the increase in cost and fees is related to $130 million in increased pension payments over this year. That's not true, is it?

MR. DUBOW: Take a step back. We had a Plan that was balanced last year that included that increase in pension costs. What's throwing the Plan out of balance is a number of things, including weakness in wage tax revenue, weakness in sales tax revenue, snow costs. There are a whole bunch of things that added together to create a deficit that required us to make these proposals to bring ourselves back into balance.

COUNCILMAN GREEN: Sure, but it had nothing to do with pensions, because it's exactly what you projected it would be; isn't that correct?

MR. DUBOW: That's correct.

COUNCILMAN GREEN: Okay. I just wanted to make that clear for the record.

And what was the sales tax -- at the time we knew what the pension cost was going to be, what was the purpose of the approval of the sales tax at the state level?

MR. DUBOW: There were two points -- well, in the state legislation, the sales tax is dedicated to repaying the deferral of the pension payment.

COUNCILMAN GREEN: Right. I just wanted to clarify that.

So could you go through actually what the costs are, what the difference -- why we have to spend more money this year? What is the extra revenue needed for, going to be spent for, since we know it's not for pensions?

MR. DUBOW: Well, there are two ways to look at it. One is what caused the deficit, which were the things I talked about, which is the falloff in wage tax, falloff in sales tax, increase in snow costs, a whole bunch of other costs. But if you're asking what's driving our budget, the single biggest cost that's driving our budget is the pension cost. It's a cost that was under $200 million at the beginning of last decade and it's going to be $600 million at the end of this Plan.

COUNCILMAN GREEN: I understand that, but the pension cost remains the same through the Five Year Plan as projected last year. We're raising $600 million in new taxes. The pension costs are the same.

MR. DUBOW: Well, by 2015, the

sales tax is gone and the pension cost is $600 million.

COUNCILMAN GREEN: Sure.

MR. DUBOW: I think there are two different issues. One is, you're asking what caused the deficit that we're trying to close. I've answered that. If your other question is, what's it paying for and kind of what's the driving cost in our Plan, pensions is the biggest driver.

COUNCILMAN GREEN: It is, but there's no difference in pension costs over the next four years from last year's Plan.

MR. DUBOW: That's why I'm saying that the things that caused the deficit were all the other things I listed.

COUNCILMAN GREEN: Okay. And it's also not causing the need for additional revenue at least over the next four years, because it's exactly the same as it was last year. Even though it's a big piece of our budget, it has not changed.

MR. DUBOW: Right. It's not what created our deficit.

COUNCILMAN GREEN: And we're not raising revenue for that because we're spending exactly what we thought we were going to have to spend in all four of the next years.

MR. DUBOW: Right. It's not creating our deficit. On the other hand, if it wasn't going up to over $600 million, we wouldn't have the kind of issues we have.

COUNCILMAN GREEN: Sure. Sure.

I understand that's my time.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you. Thank you, Madam President.

I have a couple questions related to the sweet tax, the sugar tax.

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Hi. Good afternoon, Dr. Schwarz.

DR. SCHWARZ: Good afternoon.

COUNCILWOMAN MILLER: Have any other cities implemented this type of sugar tax? I think I did hear on the news that it was Philadelphia and New York. Are there any more?

DR. SCHWARZ: There are a number of cities and there are a number of states which tax sugar-sweetened beverages.

COUNCILWOMAN MILLER: Other than New York, are there any others closest to us?

DR. SCHWARZ: New York actually doesn't at the moment tax other than sales tax.

COUNCILWOMAN MILLER: So --

COUNCILWOMAN SANCHEZ: Point of information.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Sanchez for a point of information.

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COUNCILWOMAN SANCHEZ: Wasn't New York voted down yesterday overwhelmingly?

DR. SCHWARZ: Yes.

(Applause.)

COUNCILWOMAN MILLER: Okay. So what other cities, large cities?

DR. SCHWARZ: Chicago has had a tax on sugar-sweetened beverages now for more than a decade.

COUNCILWOMAN MILLER: My district is actually close to -- my district has a borderline of Montgomery County, part of my district anyway, and Montgomery County will not have a sugar-sweetened beverage tax. Have you done any analysis to estimate how supermarkets in the City, especially those closest to neighboring jurisdictions, what type of impact that will have on the particular supermarket, this tax?

DR. SCHWARZ: So we've tried to estimate, based on information that we have, what proportion of consumption is from sugar-sweetened beverages purchased in supermarkets, and then we've tried to figure out how supermarkets, based on what you've heard from colleagues here, will pass on to price for consumers, and I don't know the answer to either one. I know approximately the proportion of sugar-sweetened beverages that are consumed from -- purchased outside of supermarkets. I don't know how supermarket retailers will pass the cost on to consumers.

We know, for instance, that sales tax differs between Philadelphia and the suburbs. We know that there are differences in costs for lots of different things actually between Philadelphia and the suburbs because of that, and I think the question is, what will consumers do and how will that impact what retailers do.

COUNCILWOMAN MILLER: Have you thought about how you encourage retailers to pass the tax on -- to discourage them from passing the tax on to all beverages?

DR. SCHWARZ: The only thing that I can do is education and working with retailers to understand the impact they may have on obesity and passing it on.

COUNCILWOMAN MILLER: With the Healthy Corner Store Initiative, does Philadelphia have or will Philadelphia continue with this initiative whether this tax is passed or not?

DR. SCHWARZ: Philadelphia is hopeful that we will have some money over the next two years from the federal government to at least start. The amount that we expect from the federal government is less than we have asked for from the tax beginning in '12.

COUNCILWOMAN MILLER: Okay.

COUNCIL PRESIDENT VERNA: Councilwoman, your time is up.

COUNCILWOMAN MILLER: Okay. Thank you.

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COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Mr. Agostini, do you have the information yet?

(Applause.)

MR. AGOSTINI: No.

COUNCILMAN GOODE: Okay. Let me move on to other questions, then.

What does the average homeowner pay in property taxes in Philadelphia?

MR. AGOSTINI: I don't have that in front of me.

COUNCILMAN GOODE: Let's say, for instance, the average homeowner in Olney pays less than a thousand dollars, as does the average homeowner in Cedar Park, Penrose, Pennsport, Ogontz, Morton, Summerdale, West Poplar, Elmwood, Bridesburg, Whitman, Juniata, Wharton, Southwest Germantown, Paschall, Southwest

Center City, Cobbs Creek, Andorra, Feltonville, Richmond, East Germantown, Wister, Logan, and I have a couple more pages that I won't read in terms of neighborhoods around the City.

MR. AGOSTINI: I thought your question was citywide.

COUNCILMAN GOODE: Let's say they pay about a thousand dollars in their tax bill. Three hundred dollars represents a 30 percent increase. Is that fair?

MR. AGOSTINI: That's an opinion. I'm not going to express an opinion on that.

COUNCILMAN GOODE: What is your opinion? That was the question.

MR. AGOSTINI: I don't have an opinion on that.

COUNCILMAN GOODE: Does anyone from the Administration have an opinion on that?

MR. AGOSTINI: I believe that we made a proposal, a series of proposals, where we believe that the alternatives, making very deep reductions in the service base, would be so damaging to the fabric of the City and so damaging to our ability to provide services to the City, in the aftermath of what has been the most difficult economic crisis since the 1930's --

COUNCILMAN GOODE: And we're here to examine --

MR. AGOSTINI: You did ask for my opinion. I'm trying to respond.

COUNCILMAN GREEN: Point of information.

COUNCIL PRESIDENT VERNA: Excuse me, Mr. Agostini.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair. I'd just like to note we would like to see what the Draconian cuts would look like. I understand in testimony last week we were told we'd have it by the end of last week. I don't want to beat a dead horse. I don't want Mr. Agostini to get mad at me, but it's hard to engage in this discussion about a revenue measure and receive that response without knowing what the actual impact would be of cuts by department, and I just ask the President to please try to get us that information as soon as possible.

COUNCIL PRESIDENT VERNA: Mr. Agostini, when do you anticipate that we will receive that information?

MR. AGOSTINI: I saw a draft of that I believe yesterday. So my hope is to get that over sometime today or tomorrow.

COUNCIL PRESIDENT VERNA: Can we count on that?

MR. AGOSTINI: Yes, ma'am.

COUNCIL PRESIDENT VERNA: Councilman Goode.

COUNCILMAN GOODE: Mr. Agostini was still responding to my question.

MR. AGOSTINI: Thank you, sir.

In reviewing the budgets, after two very difficult budget years where we took out about 2.4 billion over six years, we thought it was very, very difficult to again go back and make reductions in services, and while we appreciate and understand the concerns that have been expressed here and that you, sir, have expressed with respect to both of these, in your case most notably the trash fee, we feel that in order to preserve the base of services, in order to preserve what we're doing, it's important to have revenue coming into the system. Unfortunately, it's either on the expenditure side or on the revenue side, and we believe that this is the best way to preserve that level of service.

So with respect to the perspective of the Administration, yes, that's our opinion, and unfortunately there are a lot of difficult choices that are before us with whether we pursue this set of actions or not.

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COUNCILMAN GOODE: But my question is whether it's fair.

MR. AGOSTINI: Councilmember, I believe that there are probably ways that we can tweak this, given some of the suggestions that have been made here on the Council floor by Councilmember Clarke and others, that we could probably make it a more fair levy, but we'll need some time to do that.

COUNCILMAN GOODE: Would a ten percent property tax increase be more fair?

MR. AGOSTINI: Across the board?

COUNCILMAN GOODE: Yes.

MR. AGOSTINI: If we have a sense that on the assessment basis that we can make that work rather than have the impact on a sort of flat fee for everybody, yes, it's conceivable. If we structure it properly, it would be more fair.

COUNCILMAN GOODE: Would a ten

percent property tax increase raise a similar amount of around a hundred million dollars?

MR. AGOSTINI: I believe that to raise a similar amount, we would need something closer to 12 or 13 percent.

COUNCILMAN GOODE: But a ten percent would give you about a hundred million dollars?

MR. AGOSTINI: It would get us close.

COUNCILMAN GOODE: To raise 107 million would require 12 percent?

MR. AGOSTINI: Yes, sir.

COUNCILMAN GOODE: Ten percent would still get you a hundred million dollars.

So for the homeowners in the majority of the City, in the majority of neighborhoods in the City that probably pay -- they probably pay a thousand to $1,500 in property taxes -- I personally pay $1,500 in property taxes -- a ten percent tax increase would be $150, which is half of the fee, and if a majority of people pay even less than I do in property taxes or the same, then essentially they would be paying less, get a tax deduction, and it would have the poverty exemption. If it raises the same amount of money or similar amount of money, isn't that more fair?

MR. AGOSTINI: Yes. If it's structured in that manner, it could be more fair.

(Applause.)

COUNCILMAN GOODE: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam President.

I know we've been at this for a while, but, Dr. Schwarz, just a little follow-up on Councilman Kelly's point, because I didn't really think about it the way he said it, but I think it makes certainly a lot of sense.

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How are those kind of businesses that he described, how are they going to be taxed on this under this proposal on the soda tax? I mean, they're not taxed per cup, right? They're taxed as far as --

DR. SCHWARZ: Ounces of sale. And the issue specifically about the beverages is syrup. So we know, for instance, that in a soda fountain, syrup is diluted with seltzer water, sparkling water, carbonated water to produce a beverage and that it reconstitutes a certain amount of syrup to constitute a certain number of ounces of beverage, and that's what we would use to calculate.

COUNCILMAN GREENLEE: So wouldn't you agree at least in that case that because the retailer doesn't know exactly when the customer gets his cup, his or her cup, what they're going to do, I mean, in that case, they almost have to spread it out, right? Because they don't know really what the person is going to -- what kind of beverage they're going to take. Would you agree with that?

DR. SCHWARZ: I would.

COUNCILMAN GREENLEE: All right. So at least in that case, and there's a lot of those stores, it doesn't necessarily mean they're going to cut down on sales of soda as opposed to diet soda, right?

DR. SCHWARZ: The incentive, though, there is to cut down on the number of ounces. So rather than handing the consumer a cup for 35 ounces, there might be an incentive to hand the consumer a cup for 25 or 20 ounces.

COUNCILMAN GREENLEE: Okay.

DR. SCHWARZ: From a health point of view, if we look at excess calories in the American diet, cutting down on portion size would make a substantial difference to obesity in this country.

COUNCILMAN GREENLEE: And I understand cutting back. We all agree with that, but I have to ask this, and this is a bit of a smart-aleck thing to say, but wouldn't you agree that a lot of the differences of at least childhood weight gain, obesity, is inactivity?

DR. SCHWARZ: It would be great if we could --

(Applause.)

DR. SCHWARZ: Yes.

COUNCILMAN GREENLEE: And I guess there's no way to do this, but if we're really going to hit the core root of why it's increased, shouldn't we be considering a business privilege tax increase on video games?

(Applause.)

DR. SCHWARZ: So, Councilman, if you would like to propose that, the Health Department would be supportive, and we would be supportive of any honest effort to reduce obesity in the City and at the same time meet the revenue requirements that we have.

COUNCILMAN GREENLEE: I'm not

fighting with you on this. I'm just throwing that out there --

DR. SCHWARZ: And I recognize that.

COUNCILMAN GREENLEE: -- because we've heard about that, but I think really -- I think it's the inactivity. Kids don't go out there and play anymore.

End of speech. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: I see that we have a couple Councilmembers that have their lights on. They had not had an opportunity to ask any questions, so we'll take them first.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam President.

Good afternoon. I want to continue the line of questioning my colleague Councilman Goode was having as it related to the trash fee. Last year when this was proposed, many of us saw it as totally dead on arrival, and that's why I'm shocked that it has come back to bear. We spent six months this year with Councilman DiCicco and the Streets and Services Committee looking at the trash fee, the initial commercial presentation around 500 and worked it down through 300 and then worked it to 150, and it took us six months to get some agreements around commercial pick-up. So I'm just shocked that the Administration would bring us something that created such a unanimous support around this Council saying we were not going to do a trash fee.

So in light of that, what were some of the property tax proposals that you guys considered and why was that not one of your options, in light of the fact that I think we can agree that it's fairer and less regressive?

MR. AGOSTINI: Based on last year's experience where we did propose a property tax increase and we understood Council was very opposed to that.

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COUNCILWOMAN SANCHEZ: We were so about the trash fee also.

COUNCILMAN GOODE: Point of information.

COUNCIL PRESIDENT VERNA: Councilman Goode.

COUNCILMAN GOODE: I'm going to try to say this nicely. You're saying that you were reluctant to consider a property tax increase because of how it was received in Council?

MR. AGOSTINI: We looked at a property tax increase. We looked at all of the major revenues. We had very extended conversations about all of the revenues, and given the concerns that we heard from Council last year about property tax increases, particularly surrounding the absence of an Actual Value Initiative that anyone had any confidence in, we felt that was not an avenue to pursue.

COUNCILMAN GOODE: My question is, were you reluctant to suggest a property tax increase because of the reaction in Council last year? Was that your statement?

MR. AGOSTINI: It was one of the things that we considered, and at the root of that, as we understood it, was the concern that the actual values and the assessments were in such a state of disrepair, if you will, that it didn't make sense to move forward.

COUNCILMAN GOODE: So it was not really because of Council, but it was your own decision not to do it?

MR. AGOSTINI: I think -- that's correct, sir. It was the concerns that we heard, the genesis of the issues that were raised by Council, most notably about actual value, that we said this is probably not an avenue for us to pursue.

COUNCILMAN GOODE: Even if it's better and more fair?

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

(Applause.)

COUNCIL PRESIDENT VERNA: Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: And that's why I guess I'm confused, because there was more support around no trash fee than there was around property tax last year in the discussions in Council. So I just want to be clear. The decision not to provide Council with an option around looking at a fairer tax, property tax or land tax, which would be even fairer if we're so concerned about the assessments, were those options reviewed and why was a decision not to present that as an option to us?

MR. AGOSTINI: Councilmember, we reviewed all of those options. We did look at all of the major taxes, and just to sort of tick them off, wage taxes are down three percent this year, so in our view, raising that rate in the existing economy didn't seem to be a good idea. We had just raised sales taxes. The transfer tax is at almost half of what it was at its peak, and so raising the transfer tax didn't make sense to us in the economy that we were dealing with. We increased the parking tax in 2009 and then used most of that to help us tide through the 2009-2010 budget revisions that we had to do because of the economy. And we looked at the property tax, and, again, based on what we heard with respect to the concerns associated with the assessed value, the concerns about the size of a potential increase, we thought that was not an avenue to pursue.

COUNCILWOMAN SANCHEZ: So you did the analysis and we should be expecting -- and I'm assuming you're going to share that with the Chair in light of Councilman Green's request.

What were the other revenue options that were explored and how do we get to the same a hundred million dollars in fairer, less regressive taxes looking at -- clearly, when we talk about the most progressive tax is wage, because you only pay it if you're working. But that not being an option for the things you listed, when you looked at property, did you also look at the land tax, which is based on just land purely and not the assessment where we've had the questions? Did you look at land?

MR. DUBOW: Well, even if you do a land tax, you have to assess the value of the land. You have the same issues. You have to have good, reliable data. So it's the same issue as with a property tax. So we didn't look at a separate land tax, but even if we did, you have the same issue.

COUNCILWOMAN SANCHEZ: But isn't our land situation a little bit better than the assessment?

MR. DUBOW: No. It's part of the same package.

COUNCILWOMAN SANCHEZ: Okay. I'll come back around the beverage.

COUNCIL PRESIDENT VERNA: Thank

you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

I'm going to shift to the soda tax. I'm going to stay off of trash tax for a minute.

Dr. Schwarz, out of all of the hires that the Mayor has, and not to diminish anybody else that he's hired, I actually out of everybody, I trust you more than any other of the new hires.

DR. SCHWARZ: Thank you.

COUNCILMAN CLARKE: I've actually asked you about family issues on occasion, which I don't normally do. But in next fiscal year's budget there's a proposal for $20 million towards the obesity program?

DR. SCHWARZ: Fiscal Year '12.

COUNCILMAN CLARKE: So that would be next year?

DR. SCHWARZ: That's correct.

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COUNCILMAN CLARKE: As I look on this list -- and I think we should do everything on here. I agree. But when I look at the things that will conceivably actually cost money and things that can be done with just simply order, I don't see how that comes to $20 million. And I'll just kind of go down the list, and correct me if I'm wrong.

Increasing the value of food stamps. I can see that costing us money, although don't you have to get the state involved in that? Food stamps are issued from the state, or could we supplement it?

DR. SCHWARZ: So we have a model of a program that's been done in New York and tried in Philadelphia.

COUNCILMAN CLARKE: Okay. I got to get short answers because I got five minutes, because, like I said, I trust you.

Establishing affordable farmers' markets in low-income communities. That shouldn't cost a dime, basically just authorization to locate on the corner, because I have a couple of them.

DR. SCHWARZ: And facilitation. I mean, the issue in part is that it doesn't happen now because there are costs to set up and maintain and clean up and police the farmers' market. So there are costs that are --

COUNCILMAN CLARKE: By the farmers?

DR. SCHWARZ: -- associated with doing it.

By the farmers --

COUNCILMAN CLARKE: I've signed off on at least four of them in my district and it didn't cost us a dime. That's my understanding.

DR. SCHWARZ: I understand.

COUNCILMAN CLARKE: Spanning network of corner stores. That could probably cost money.

Improving the quality of food

in schools. That's simply somebody saying don't put junk food into schools. That shouldn't cost us a dime.

Enacting a broad-based media campaign. That's going to fill some media consultant's pocket, but we can limit that.

Instituting bans on junk food. I went through that again. We can do that without a dime.

Providing nutrition education and enforcement of the menu labeling law. I don't know why that would cost a lot.

DR. SCHWARZ: It's provided through curriculum. The School District has been trying to do it and is trying to figure out how to finance it.

COUNCILMAN CLARKE: That shouldn't be --

DR. SCHWARZ: A lot of money, no. It's the first set and the second -- the third set.

COUNCILMAN CLARKE: Creating physical activity standards for after-school programs. That shouldn't cost us anything.

Expanding a pedestrian and bike network throughout the City. If you're going to align the whole City and realign traffic, maybe.

Incorporating active living conditions in the neighborhood planning. That shouldn't cost us a dime.

DR. SCHWARZ: Costs us a staff person.

COUNCILMAN CLARKE: So how do we get to $20 million?

DR. SCHWARZ: So if we look at the first piece, I can give you some ideas about how, for instance, the Corner Store Initiative has been done both here and in other cities. So we have actual costs. There are three levels of intervention. The first relates to education and helping with marketing, and it's not very expensive but would cost for a thousand corner stores about $3 million.

COUNCILMAN CLARKE: Say that again.

DR. SCHWARZ: Excuse me. About $3 million.

COUNCILMAN CLARKE: To do what?

DR. SCHWARZ: To do education and appropriate marketing within the corner store. So to position the corner store to do sale of fresh fruits and vegetables for substitution, the cost from New York and the work that's been done here suggests that it's about a $3,000 investment per store, times a thousand stores, which is about $3 million.

COUNCILMAN CLARKE: Okay.

DR. SCHWARZ: One.

Two, training and technical assistance for the store to be able to do the sale, the distribution and so forth and then the cost of equipment for the store comes to somewhere between $40 and $60 million for a thousand corner stores.

COUNCILMAN CLARKE: So we will

be taxing the corner stores, so we can give the money back to them for --

DR. SCHWARZ: I understand --

COUNCILMAN CLARKE: -- entering these programs?

DR. SCHWARZ: I understand --

(Applause.)

COUNCILMAN CLARKE: So why wouldn't we give consideration to some sort of credit as opposed to imposing a tax on sodas?

DR. SCHWARZ: So if we have a good way to do it and their sales will equal the amount that's needed for the fixed cost to install refrigeration and so forth, which I don't think it will, based on sales in a given store. It would work. The issue is that for a given store, there's an investment that's needed to provide the equipment and the display. That is the biggest ticket item here. We know that stores can, once that cost is paid, have a sustainable model for sale of fresh fruits and vegetables in communities. That is what is being -- would be proposed.

COUNCILMAN CLARKE: Okay. And I know I'm way over my time. Sorry, Madam President.

I know currently we have a loan pool and we have all types of funds that provide assistance to stores who want to borrow money to improve their stores and create businesses, things of that nature. Why couldn't we come up with --

DR. SCHWARZ: I don't -- I'm not the one who would know, but I get puzzled looks from my colleagues.

COUNCILMAN CLARKE: No, no. I'm not talking to you, sir. I'm talking to you, but I wouldn't expect you to know that. I'm sorry.

If there are opportunities -- we have all of the alphabet agencies that administer loan pools for businesses, and if you have a credit to a store and that credit can go towards the debt of the borrowing for the equipment and all the other things that you're talking about that will help this obesity program, don't you think that makes a little more sense?

DR. SCHWARZ: The issue is repaying. These are grants, not loans. The fixed cost to do this isn't going to be repaid by the cost to the retailer.

COUNCILMAN CLARKE: When you say "grants," what do you mean grants?

DR. SCHWARZ: Small grants to purchase or provide refrigeration and display.

COUNCILMAN CLARKE: All right. So we really are giving them the money that we're taking away in tax. All right. Give me a minute. Next round I'll have an answer.

Thanks, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Doctor, you mentioned Chicago.

DR. SCHWARZ: Yes, ma'am.

COUNCIL PRESIDENT VERNA: And

you said that they've had this tax for at least a decade.

DR. SCHWARZ: They have a tax. It's a different tax. I think the issue --

COUNCIL PRESIDENT VERNA: Well, can you explain the tax that they have?

DR. SCHWARZ: Sure. Chicago's tax is on distributors, who pay three percent of sales and nine percent on syrups. The magnitude of the tax, if the issue is magnitude of the tax, magnitude of the tax is less than the magnitude of this tax.

COUNCIL PRESIDENT VERNA: It's almost like a sales tax.

DR. SCHWARZ: Excuse me?

COUNCIL PRESIDENT VERNA: I said it's almost like a sales tax.

DR. SCHWARZ: It is. It's specific to distributors both of beverage and of syrup.

COUNCIL PRESIDENT VERNA: I know you said that this has been in effect for a decade. Has there ever been a study conducted to determine if it's been helpful as far as the obesity issue?

DR. SCHWARZ: That's a great question. So their tax began actually in 1993. The issue was that it wasn't studied at that time. The best that we have nationally is a study that looked at what is the difference in cost because of the difference in tax and the difference in real cost of beverages in different parts of the country, and that study is the one that came out about a week ago and showed that there's a decrease in consumption with an increase in cost.

COUNCIL PRESIDENT VERNA: Thank you.

I see that we have Councilmembers Green, Sanchez and Clarke who want to be recognized. However, I think we're going to call a recess at this point in time and we'll return at 1:30.

(Luncheon recess.)

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COUNCIL PRESIDENT VERNA: The Committee of the Whole will resume its public hearing on Bill Nos. 100118 and 100131.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

I'd like to just talk about pay-as-you-throw a bit more. I know it's something the Administration looked at last year, and during last year's pre-budget briefings that were given to City Council, Deputy Mayor Rina Cutler suggested that that was one of the alternatives, and it got widely reported that that was one of the alternatives, and I'm wondering if we did any detailed analysis of that option this year or last year.

COMMISSIONER TOLSON: I'm not aware -- Councilman, Clarena Tolson.

I'm not aware that additional analysis was done after last year's budget session.

COUNCILMAN GREEN: Was there any analysis done last year?

COMMISSIONER TOLSON: At the time that there was discussions about pay-as-you-throw, yes, there were lots of discussions and analysis about it.

COUNCILMAN GREEN: Is any of the analysis written in terms of how much we have to charge per bag or how many bags --

COMMISSIONER TOLSON: Yes, there's some material that's written.

COUNCILMAN GREEN: So how many bags do we throw away a year?

COMMISSIONER TOLSON: The honest answer is, I did not refresh myself on that system, so I can't answer that to you honestly. I'd be more than happy to get that for you, though.

COUNCILMAN GREEN: Okay. So can you describe for me exactly what you recall is available?

COMMISSIONER TOLSON: A

pay-as-you-throw system would be -- the one that was proposed was a system wherein citizens would receive bags and pay a fee per bag. It wouldn't be a tax. It would be a bag system.

COUNCILMAN GREEN: They pay a dollar for a small bag, $3 for a big bag or something like that?

COMMISSIONER TOLSON: It was a one-sized bag, and there was some opportunity for -- I think it was considered. I don't know if it was in the final cut or not -- for those that might be of certain income levels to receive a certain number of bags at reduced costs or no cost.

COUNCILMAN GREEN: And how much did that raise?

COMMISSIONER TOLSON: Councilman, I would like to really have the data in front of me to answer your question properly. I'd hate to guess. It's been some time since I refreshed myself on that.

COUNCILMAN GREEN: Okay. That's great. If you could -- that data is available?

COMMISSIONER TOLSON: Yes, sir.

COUNCILMAN GREEN: Could you provide it to the Chair today?

COMMISSIONER TOLSON: Yes, sir.

COUNCILMAN GREEN: Very well.

With respect to the sugary drinks tax, I just want to try to understand where we are in terms of total revenue with respect to it. There's $77 million on an annualized basis is expected to be that, but that's a 20 percent discount from Rudd, and as you've already acknowledged, because it's not the same kind of tax that's in Chicago -- it's not an excise tax, it's a tax that would be paid by the retailer -- it's likely that at least in fast food restaurants where you can get your own drinks and other things, that will bring in even more than other cities because that problem doesn't exist there.

So really in terms of the revenue that this is going to generate, why did we make the assumption that it's 77 million instead of, say, $90 million?

MR. AGOSTINI: Steve Agostini, Budget Director.

Councilman, we made that estimate after having an extended conversation with people at the Rudd Center, including the economist who is responsible for putting together their revenue calculator that's on the site. At the same time, we then -- I spent some time trying to reconstruct the numbers based on the original data, and really what we did is, we took sort of a reasoned guess. We thought that the 96.5 million that the Rudd Center calculator estimated was too high. I had a lengthy -- actually had a couple of lengthy conversations with colleagues in the Budget Office in New York City, who had proposed a similar tax a couple of years ago and they had also done a similar kind of discounting. I think their discounting was roughly about 20 percent, 15 percent. And we just thought it was prudent to assume that it's a new tax, we're moving into something that we don't really have a lot of experience with. The numbers from the Rudd Center made sense, but it just seemed prudent to take a discount to that number.

COUNCILMAN GREEN: What kind of tax is the sugary drink tax?

DR. SCHWARZ: My understanding is it's a gross receipts tax.

COUNCILMAN GREEN: Which is a business privilege tax?

MR. AGOSTINI: That's correct.

COUNCILMAN GREEN: So how much are current collections for all of our business privilege taxes?

MR. AGOSTINI: The last -- 369, I believe, for the current-year estimate, but --

COUNCILMAN GREEN: Three hundred and sixty-nine million dollars.

And we're going to increase business privilege taxes by what percentage?

MR. DUBOW: Well, for the vast majority of firms, there's no increase.

COUNCILMAN GREEN: That's not --

MR. DUBOW: Well, you asked how much we're increasing business privilege taxes, so I want to give you a full answer.

COUNCILMAN GREEN: Sure.

MR. DUBOW: So for most businesses, there's no increase, because it only applies to one sector. Overall, you're probably talking about like a ten percent increase this year, going up next year.

COUNCILMAN GREEN: It looks like a 20 percent increase?

MR. DUBOW: When we get to '12, yeah.

COUNCILMAN GREEN: So it's a 20 percent increase in business privilege taxes. And what industry or sector is it focused on? Who pays it?

DR. SCHWARZ: It's paid by those individual businesses who sell sugar-sweetened beverages.

COUNCILMAN GREEN: Retailers?

DR. SCHWARZ: Retailers.

COUNCILMAN GREEN: And wholesalers?

DR. SCHWARZ: It's focused particularly on retailers.

COUNCILMAN GREEN: Well, explain that to me, because the business privilege tax gross receipts really -- it's not -- I don't believe -- is a net receipts tax for retail essentially? Do you only pay it at one level?

MR. DUBOW: I'm sorry. Say again.

COUNCILMAN GREEN: Would the wholesaler pay the tax and then the retailer that buys from the wholesaler pay the tax?

DR. SCHWARZ: That isn't the way that it has been laid out, no.

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COUNCILMAN GREEN: I'm not asking how you're thinking about it. I'm asking sort of what the tax law is.

MR. AGOSTINI: Councilman, we'll go back and check with Revenue, but I believe that it's, as you know, it's either on the gross receipts or the net income. I don't believe it's structured as a value added where the wholesaler or retailer wouldn't pay a portion of that. But we'll go back and look.

COUNCILMAN GREEN: I thought our gross receipts tax did operate that way, where every level was paying some of it. That may be separate for retail. I don't know, but --

MR. DUBOW: We'll check --

COUNCILMAN GREEN: -- it's kind of scary that you guys don't know that.

(Applause.)

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President, and good afternoon.

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I'm very concerned about a pay-as-you-throw fee structure or tax. It seems to me that it would incentivize short dumping to reduce the amount of tonnage. And particularly in my district, in the 4th District, since the last year's cutbacks, we've seen a lot of short dumping, tires and other things, that we just found unacceptable by way of not being able to pick up. I understand -- and matter of fact, you might want to come up to the mike.

Since last year's budget and the year before's budget cutback, what kinds of services had we curtailed within the Streets Department as a result of the budget crisis?

(Witness approached witness table.)

COMMISSIONER TOLSON: Yes. Some of the things that have been cut over the last couple of years probably is the way you're seeing the result, have included bulk trash, which would be things like refrigerators, air conditioners, water heaters, in addition to tires, which were collected at the curb. The alternative was for people to leave the tires with the tire collectors -- with the tire companies when they purchase a new one. And for the bulk materials, when purchasing a new refrigerator, have the vendor take away the old refrigerator.

COUNCILMAN JONES: Now, you didn't mention street cleanings and leaf pick-ups.

COMMISSIONER TOLSON: I'm sorry. Yes. Those things too have been curtailed. I'm sorry. I was kind of narrowly getting back to your point that you had been making. We also eliminated leaf collection, the mechanical leaf collection program. We continued with the bag program, but we eliminated the mechanical. We closed some of our citizen drop-off locations, as well as we have almost eliminated all of our neighborhood residential cleaning has all ended. A lot of our commercial cleaning has also ended.

COUNCILMAN JONES: So as we look at revenue enhancements one way or another, at the end of the day, does that mean we get those services back?

COMMISSIONER TOLSON: In Year 1 of the program, as we look at it right now, we're looking at an additional $2 million coming back to the Sanitation Division to support mechanical leaf collection, increasing the number of lots that are done between our department and the Managing Director's Office, as well as improvements with our neighborhood commercial cleaning program.

COUNCILMAN JONES: Is there anything in addition that we would receive based on -- I mentioned in my first round of testimony that people want to know the cost and then they want to realize the services. And is there an additional service that we will receive since you guys would be made flush?

COMMISSIONER TOLSON: Not in Year 1, Councilman. Year 1 are the services I just described to you. In Year 2, however, we're looking at additional resources coming back to the division so that we can add on additional services. Those services have not yet been identified. However, we certainly can work along with Council and others to help identify what we need to do.

COUNCILMAN JONES: Let me say this to you: As you can see here, there's a lot of interest in what we do here, and it makes it difficult for us to say we're just going to write a blank check and we're going to tell you what you're going to get later. You might want to let people know what they can at least hope for by restoration of services and maybe even, God forbid, some additional services such as alleys and things like that that people are plagued with in my district.

So can we -- we don't know what we're going to spend the other 18 million out of the 20 for the sugar tax, and we don't know what we're going to get if we indeed do the revenue enhancements. I mean, that's a part of the equation here, and we need to do a little better job, in my opinion, of stating what they are.

Thank you, Madam President.

COMMISSIONER TOLSON: I agree, Councilman, and I think the reason why there's an open space there is so that the dialogue can happen, not that we pre-determine, but we're certainly open to have discussion.

COUNCILMAN JONES: All I'm saying is, we're real clear about what you want from the tax. We're not real clear what we're going to get as a result even if we did it.

COMMISSIONER TOLSON: Thank you.

COUNCILMAN JONES: So you need to work on that.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you.

I just had to comment on some of the decisions that the Administration is going to make. An example of, Commissioner Tolson, of, I think, a shortsighted decision to stop the mechanical leaf collection, this recent rain. I heard a traffic reporter on one of our local stations say that the intersection is flooded because the leaves have clogged the inlet.

So I just hope the Administration -- all you did was save a few bucks for the Streets Department and you spent money of the Water Department to go out and clean all the inlets that the leaves that weren't picked up in the fall clogged during the most recent rainstorm. So I just had to say that, because you know I had an interest in that. And sometimes decisions that are made don't really wind up, at the end of the day, saving any money. All you did was spend somebody else's, the Water Department.

So I just wanted to give you that one bit of input. No comment required, unless you want to.

COMMISSIONER TOLSON: No. Thank you.

COUNCILMAN RIZZO: Thank you.

Thanks, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Commissioner Tolson, how much do you spend on cleaning up short dumping and lots and sort of generally picking up trash from where it doesn't belong?

COMMISSIONER TOLSON: One

moment, Councilman.

(Pause.)

COUNCILMAN GREEN: I'm sorry. Did the Deputy Mayor want to testify?

COMMISSIONER TOLSON: I just needed to borrow her glasses.

COUNCILMAN GREEN: Oh, okay.

COMMISSIONER TOLSON: Sorry.

Councilman, cleaning up illegal dumping -- I'm just giving you a total very quickly -- the last full year that I have in front of me was about $1.9 million.

COUNCILMAN GREEN: 1.9 million?

COMMISSIONER TOLSON: 1.9.

COUNCILMAN GREEN: So with respect to a pay-as-you-throw type model, could you avoid short dumping by means testing? The giving away of bags, as you suggested, was part of your initial proposal?

COMMISSIONER TOLSON: That would be part of the issue with regard to illegal dumping. The other part of the issue is, those that are dumping are not all residents, residential properties. Some of them are business properties as well, and some of it is also education for even those who are residents, because some people don't have -- don't place a quality or a value to the notion of clean streets or clean sidewalks and they illegally dump as poor behavior.

COUNCILMAN GREEN: And we have that problem today.

COMMISSIONER TOLSON: We have that problem today. But the comments that I had made before about the bag charge is that we have to be careful not to encourage more to slip to that side if there's a value in cost to it. That is why we have some of the illegal dumping with businesses, because instead of paying for the service or what they call subscribing for service, they prefer to illegally dump in some places.

COUNCILMAN GREEN: I understand. This fee doesn't deal with businesses, though, does it, the currently proposed trash fee?

COMMISSIONER TOLSON: No. This is for -- there are some businesses, yes, but this is only for those that the City collects. I was just trying to compare it to those that have private collection, the businesses that dump, and the reason why they dump.

COUNCILMAN GREEN: Following up on Councilman Goode's line of questioning with respect to property taxes, you have basically -- I think there was an acknowledgment that it would be far less regressive to do an across-the-board property tax increase instead of a flat trash fee, and the conclusion was that that's fairer. Would you say, assuming we provide extra resources for short dumping and enforcement and things like that, would you say it's fairer to actually charge people for the amount of trash they throw away than a flat fee?

COMMISSIONER TOLSON: I think

if the intent is simply to have people pay for their trash, yes.

COUNCILMAN GREEN: And what added bonus do you get if they pay for their trash as opposed to just a flat fee?

COMMISSIONER TOLSON: What added -- I'm not sure I understand your question.

COUNCILMAN GREEN: Do you think that would increase recycling?

COMMISSIONER TOLSON: If they pay -- yes. If people have to pay for their trash and recycling did not have a cost, people who -- most people would be incented to recycle more, though there would be some who would simply just make the trash not theirs and would illegally dump it.

COUNCILMAN GREEN: I understand that.

How much recycling do we expect to have, say, in FY11 citywide?

COMMISSIONER TOLSON: I believe

our number is 25 percent.

COUNCILMAN GREEN: We've budgeted for 25 percent of our waste stream to be recycling?

COMMISSIONER TOLSON: Yes.

COUNCILMAN GREEN: Okay. On a citywide basis?

COMMISSIONER TOLSON: Citywide basis, yes.

COUNCILMAN GREEN: And how much did that save us?

COMMISSIONER TOLSON: If you looked at 125,000 tons times 65. So let me get my calculator out. One second, Councilman.

COUNCILMAN GREEN: No problem.

COMMISSIONER TOLSON: Why don't I just get a pencil out.

Eight point three million.

COUNCILMAN GREEN: Twenty-five percent saves us 8.3 million?

COMMISSIONER TOLSON: Yes.

COUNCILMAN GREEN: So 40 percent of that is 3 million roughly. So for each --

COMMISSIONER TOLSON: About 3.3.

COUNCILMAN GREEN: For each five percent increase in additional recycling, we can expect 3 million more dollars to hit our bottom line?

COMMISSIONER TOLSON: Yes.

COUNCILMAN GREEN: So can you please provide, by the time of your departmental testimony, an estimate of how much recycling would increase if we went as a pay-as-you-throw and what the additional savings would be in your opinion?

COMMISSIONER TOLSON: Yes.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Thank you all very much. If you all would remain, please, so if there are any questions that have to be answered, you'll make yourself available.

COUNCILMAN GREEN: I'm sorry,

Madam President. I thought there was somebody else. I'm not finished.

COUNCIL PRESIDENT VERNA: Oh, okay.

And I would just like to remind my colleagues we are going to have public testimony immediately after Councilman Green finishes his line of questioning. It is my understanding that we have approximately 40 witnesses to testify.

Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

So the people -- I think we just heard testimony that the people who are going to pay the business privilege tax increase of $77 million is the wholesale and retail trade. That's who will pay it, the people who sell the product. Can you tell me what the current wholesale and retail combined gross receipts tax is?

MR. AGOSTINI: I don't have that at my fingertips. I'm happy to provide that through the Chair.

COUNCILMAN GREEN: It's $47 million in 2007.

So what percentage increase in business privilege tax is an additional $77 million on the retail and wholesale trade?

MR. AGOSTINI: I'll take a moment to calculate it, but I'm sure you're going to tell me.

COUNCILMAN GREEN: Well, I didn't actually do the calculation, but it seems to me like it's almost a hundred percent, especially if you use Rudd figures or higher figures.

So you've essentially -- it's 200 percent. I'm sorry.

So based on your years of experience, what happens to an industry when they have a 200 percent increase in taxes?

MR. AGOSTINI: I think it depends on the substitution effects associated with beverages.

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COUNCILMAN GREEN: Well, I mean, there's no question that you expect the revenue to appear. I mean, it's in the Five Year Plan that we'll get at least 77 million a year. So if you're increasing an industry's taxes by 200 percent, wouldn't you expect there to be a loss of jobs in that industry?

MR. AGOSTINI: I think it depends on the substitution effects associated with beverages.

COUNCILMAN GREEN: Okay. Can you tell me -- I think you mentioned that Chicago is the only other city with a sugary drinks tax, major City.

DR. SCHWARZ: District of Columbia includes it in its sales tax. So as a specific tax just on sugary beverages, yes, that is correct.

COUNCILMAN GREEN: Okay. And how much is that? I think you said it was -- how much is that as a percentage of the total sale?

DR. SCHWARZ: The distributors

pay three percent on sales of containers and seven percent on syrups in Chicago.

COUNCILMAN GREEN: So it's a three percent tax?

DR. SCHWARZ: As I said, much less than the tax that's proposed.

COUNCILMAN GREEN: So for a 64-ounce or liter of Coke, how much tax would they pay in Chicago on that product?

DR. SCHWARZ: So if we say, for instance, a two-liter bottle, which costs the same as a 20-ounce bottle of sugared-sweetened soda, the price is 1.39. So should I do 20 ounces or a two-liter?

COUNCILMAN GREEN: Both.

DR. SCHWARZ: So on 20 ounces at two cents an ounce for 20 ounces, that would be 40 cents. Forty cents on a 1.40 is somewhere between 25 and 30 percent. Is that right?

COUNCILMAN GREEN: Right.

DR. SCHWARZ: And on two

liters, which is 128 ounces, that would be about $2.56 on a 1.39 purchase.

COUNCILMAN GREEN: And what percentage is that?

DR. SCHWARZ: That's almost 200.

COUNCILMAN GREEN: Two hundred percent.

(Applause.)

COUNCILMAN GREEN: So I think we all agree with the goals of reducing obesity in the City and providing resources for that, to the extent we can. Did you look at how much we'd raise if we just went with a Chicago style model for --

DR. SCHWARZ: No.

COUNCILMAN GREEN: No. Okay.

DR. SCHWARZ: It's clear that if you look on a percentage basis, the amount that's raised would not be the amount of revenue that's needed for the City.

COUNCILMAN GREEN: Well, I'm

not asking -- what's the --

DR. SCHWARZ: I think we can calculate based on --

COUNCILMAN GREEN: What's needed is sort of what we're here discussing, but in terms of how much it would collect if we had some different level of tax that is more in line with experiences around the country in terms of imposing this, because I think to compare Philadelphia where we're going to have 40 percent increases in taxes and 200 percent increases in the cost of goods or a 200 percent increase in the overall business taxes for a particular industry, I would say it's fair to say that we don't have the data to know what the impact will be on that industry to make those kind of huge changes with respect to that industry. Would you say that that's fair?

DR. SCHWARZ: I'm going to just reiterate back what I heard, which is that if we don't talk about this as a tax to generate revenue and we talk of it as a tax only about obesity, based on the national information that we have on the impact of price on caloric intake, this tax would be in line with the amount of increase in price that's necessary to have an impact on obesity.

So to answer your question, I believe that there are two purposes to the tax. From a revenue point of view, including the amount that's in Chicago wouldn't get us to our revenue goal, and from an obesity point of view, having the tax at the level of Chicago wouldn't get us from a health point of view to our obesity goal.

COUNCILMAN GREEN: Sure, but there's never the -- I guess what I'm suggesting is the information Rudd has about the likely effects of such large increases -- and most of their information has to do with excise taxes, which we're not able to do. So that there's so many missing data points that we don't -- isn't it fair to say that we don't know what impact a 200 percent increase in business taxes on one industry will have in terms of spill-off effects, other jobs?

I mean, I can tell you from practical -- somebody is going to go to Costco in Delaware County and that's what's going to be sold in corner stores in neighborhoods throughout the City of Philadelphia, and they'll charge a bit more and none of it is going to end up in the City's pockets, because they will have paid cash in Costco in Delaware County and they'll be selling for cash in the corner store.

As a practical matter, those sort of effects, it's not clear to me that we've considered all that stuff in terms of what the actual impact even on obesity is, because we're doing something that nobody has ever done and we're doing it not incrementally, but boom.

DR. SCHWARZ: It is correct

it's a boom, and I have to say that based on what is, I would call, emerging agreement in the literature and by others who do public health around the country, the magnitude of increase that's required to assure some reduction in caloric intake that's meaningful is of the magnitude we're talking. However, I want to answer your question directly, and, that is, has anyone done this before in this way, and the answer is no.

COUNCILMAN GREEN: So what are they basing the data on that says this is the right number? I mean, and have they taken into account the effect on a particular industry? Because all the research that you're talking about that's national focuses on an excise tax. So it's at the point of sale that the person pays the additional tax, and what we're talking about is a tax that's paid by businesses, not by the consumer.

DR. SCHWARZ: I'm not aware that all the literature has focused on excise tax. The literature in public health at least has focused on the impact of price on consumption.

COUNCILMAN GREEN: Okay.

DR. SCHWARZ: So I can speak about that.

COUNCILMAN GREEN: But price assumes -- the implication of price being the measure is that the cost is passed on to the consumer.

DR. SCHWARZ: That is correct, as I've said.

COUNCILMAN GREEN: Which means essentially the only way to enforce that is a sales tax or an excise tax. So it's clear that nobody has looked at the impact --

DR. SCHWARZ: So you're --

COUNCILMAN GREEN: -- other than with respect to price. Can we agree on that?

DR. SCHWARZ: You have the same issue, remember. So an excise tax is levied at the point of distribution. If it's levied at the point of distribution, it increases the cost to the retailer. There is no guarantee that a retailer passes anything on.

COUNCILMAN GREEN: Okay.

DR. SCHWARZ: So however we do it in this way, other than a specific sales tax to the consumer, has the same implicit issue, I will acknowledge and say to you. I think the question becomes does the prudent retailer pass it on or not, and does he or she pass it on to some extent.

I believe that a prudent retailer could say, If I'm taxed by ounce and it at the moment costs the same for a two-liter and a 20-ounce container, I might sell more 20-ounce containers or I might sell more beverages which aren't sugar-sweetened, because that would reduce my tax, which is different than the business privilege tax where the business privilege tax is on what you sell. Here it's a specific category that we're talking about, and changing sales of that category can reduce the given retailer's tax.

COUNCILMAN GREEN: Right, but --

DR. SCHWARZ: So partnership around passing the tax on and doing it in a prudent way is what we would propose to do.

COUNCILMAN GREEN: But the research ties this impact to price.

DR. SCHWARZ: Research looking across the country suggests if price to the consumer goes up, there's a decrease in consumption. What we're talking about is figuring out ways to assure or help retailers understand that passing that cost on to the consumer for sugar-sweetened beverages would be a benefit to them and a benefit to obesity in Philadelphia.

COUNCILMAN GREEN: So with respect to the obesity rather than the tax and revenue side of this, the research demonstrates that a price of this is going to have the effects that you displayed, right?

DR. SCHWARZ: Yes.

COUNCILMAN GREEN: Okay. Is there any research with respect to the impact on an industry of a 200 percent tax increase?

DR. SCHWARZ: So we know about tobacco where tobacco taxes have been increased dramatically in various jurisdictions over time.

COUNCILMAN GREEN: But that --

DR. SCHWARZ: And in those jurisdictions we know --

COUNCILMAN GREEN: That is a price increase of the tobacco. That is not something that is taxed to the industry. We're talking about increasing retail and wholesale taxes by 200 percent. Now, whether or not they pass them on gets to the obesity point you are making, and I do not dispute that. I assume that that's pure research, and I'm going to trust you. I'm talking about the impact on the business. And a cigarette tax is not charged to the retailers directly. It is passed on to the consumer and is passed on to the federal government.

DR. SCHWARZ: So could this be.

COUNCILMAN GREEN: And the state government.

DR. SCHWARZ: So could this be passed on to the consumer.

COUNCILMAN GREEN: Right. So what I hear the Administration saying -- and this is an important part of a general discussion about business privilege taxes -- is that low-margin industries, if you increase -- and we can all acknowledge that retail is very low margin. If you increase their business privilege taxes, they are going to pass it on to the consumer and keep their profits about the same, if they can.

DR. SCHWARZ: That is the hope.

COUNCILMAN GREEN: If they can.

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DR. SCHWARZ: Yes.

COUNCILMAN GREEN: And that is the Administration's position with respect to that issue.

DR. SCHWARZ: I'm not sure I understand the question, if there's a question.

COUNCILMAN GREEN: Well, let me rephrase the question.

So there's $77 million of increased business privilege taxes that is focused on one industry. So I'm taking off the obesity hat and I'm putting on the tax and revenue need hat. Wouldn't it be fairer to tax all industries in the City equally to raise the revenue we need to support City services as opposed to focusing on one industry given --

(Applause.)

DR. SCHWARZ: So may I respond?

COUNCILMAN GREEN: No, no.

DR. SCHWARZ: May I respond?

COUNCILMAN GREEN: I'm not

finished my question.

DR. SCHWARZ: I'm sorry.

COUNCILMAN GREEN: --
(continued) given that we don't know the impact of putting the tax only on one industry and there is no research about that?

DR. SCHWARZ: So I'll say two things. One is, I think we just agreed that when the cost is increased to retailers, that they pass it on to consumers, which if passed on to sugar-sweetened beverages would make a difference to obesity. So I want to reiterate that. We agreed to.

COUNCILMAN GREEN: That's a big assumption. It may not be sugar-sweetened beverages. It could be everything in the store.

DR. SCHWARZ: Fair enough.

The second piece that I would say is that obesity is not fair, so if we look at the poor in Philadelphia --

COUNCILMAN GREEN: My question

was about the tax. We agreed on obesity.

DR. SCHWARZ: -- who are the people who are paying the cost, which could be called an externality, of consumption of sugar-sweetened beverages, remember that the poor highly disproportionately in Philadelphia are impacted by that disease and their life expectancy is reduced because of the disease.

COUNCILMAN GREEN: I'm not disputing that. I'm having a policy discussion about tax policy with respect to businesses.

DR. SCHWARZ: I can appreciate that.

COUNCILMAN GREEN: Okay. So I've said let's assume everything you're saying about obesity is correct. So I'd like you to deal with the tax question I'm asking.

DR. SCHWARZ: And I believe that the issue is passing on to consumers the cost of the tax so that the price goes up.

COUNCILMAN GREEN: And you don't think it's fairer to levy an increase of $77 million on taxes, taking obesity off the table, across all businesses in the City versus the retail and wholesale industry?

DR. SCHWARZ: So we tax, as I understand it, a number of different items. At the moment, remember, we don't tax sugar-sweetened beverages. They're excluded from the sales tax. So we don't tax milk. It's excluded from the sales tax. We don't tax a whole bunch of things. We don't tax clothing. So there are a number of decisions that are made. We do tax tobacco and we do tax gasoline. So I think the question becomes the compelling, for me at least as Health Commissioner, the compelling public good.

COUNCILMAN GREEN: Well, could Mr. Agostini answer my question about taxes, then?

MR. AGOSTINI: I think the

doctor did.

COUNCILMAN GREEN: I'm sorry?

MR. AGOSTINI: I believe the doctor answered the question the same way I would answer the question.

COUNCILMAN GREEN: So you don't think it's fairer to impose the tax, just from a tax perspective, to impose a tax generally across all businesses rather than focus on one industry, and you don't think that a 200 percent increase in a tax on an industry, Mr. Agostini, will have a negative impact on that industry?

MR. AGOSTINI: As I said twice before, it really will depend on the substitution effects.

COUNCILMAN GREEN: What do you mean by that?

MR. AGOSTINI: Standard economic concept: One item is a higher price either through tax or through the pricing. People either decide not to purchase that or they purchase a substitute item.

COUNCILMAN GREEN: That deals with the retail consumer. That doesn't deal with the business that has to pay the tax, and you're not anticipating a lot of substitution because you have in your budget the tax for the next five years. So I don't understand that answer.

MR. AGOSTINI: Well, I'm sorry you don't understand that, but that really will drive -- if people move to water and if you look at the industry's own publications like beverage year 2009, the growth in water, the growth in diet teas, the growth in those items has helped to forestall what would have been an even deeper drop in consumption because of the recession.

So it really will depend on what people do when they are faced with an item that costs a little more. Will they stop purchasing a beverage entirely or will they move to a different beverage, many of which will be bottled by and sold by the same industry.

COUNCILMAN GREEN: Once again, the question is not about the impact on the end consumer. It's about the impact on the business. And we keep getting into this conversation about whether or not the end consumer is going to substitute when we are predicting $77 million in business privilege taxes. So we know there will not be substitution to the extent of $77 million at least, plus a CPI. My question is, what is the impact of that $77 million tax on the retail and wholesale industry? Not on the behavior of consumers, and we know there's not substitution with respect to that $77 million, because it's in the budget. That's the question.

DR. SCHWARZ: So if it's passed on to consumers, I think -- I don't know, but I believe --

COUNCILMAN GREEN: Doctor, really with respect, I'd like the Budget Director to answer this question.

MR. AGOSTINI: I think the doctor can answer for the Administration.

COUNCILMAN GREEN: I'd like the conversation to be about the tax on industry, which I don't believe is the doctor's expertise, but I do believe you have expertise in this area, Mr. Agostini.

MR. AGOSTINI: Councilmember, I've provided an answer. I think we just disagree.

COUNCILMAN GREEN: Well, you said substitution is the key, and we know there won't be substitution with respect to 77 million. So the question is, with respect to that $77 million, what is the impact on the retail and wholesale trade? Because there's not substitution with respect to it. It's in the budget.

MR. AGOSTINI: But as you've just said, if there's an assumption of $77 million, it then suggests that it has been passed on to the consumer and, therefore, there will be no loss of jobs, because the individuals will be paying that and the bottling and all of those activities will continue.

To the extent that there is a migration -- again, the substitution effect -- to some other beverage and perhaps in larger numbers, it's conceivable you will have increases. But I think to your point, you cannot look at and cannot understand the underlying impacts on the industry without understanding what the underlying impacts and actions of the consumer, because that's, in essence, what will determine supply and demand.

COUNCILMAN GREEN: Sure, but we know that there's not substitution with respect to 77 million. What you're saying is, we don't know what the impact on the industry is going to be.

MR. AGOSTINI: Actually, I'm totally confused by what you're trying to -- I really am confused at what you're trying to get at.

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COUNCILMAN GREEN: It looks to me like we looked a lot at the obesity factor, but we didn't spend much time doing research on the effect on the retail and wholesale industry. And I think the implication or suggestion of your answers is that that supposition is correct.

MR. AGOSTINI: No, it's not --

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Rizzo for a point of information.

COUNCILMAN RIZZO: Yeah. I'll wait for my point of information until this issue is resolved here. Or maybe I should jump in now.

COUNCILMAN GREEN: I yield to Councilman Rizzo.

MR. AGOSTINI: We looked at it.

COUNCILMAN RIZZO: I have a question for the doctor. You've been with the City how long now?

DR. SCHWARZ: A little over two years.

COUNCILMAN RIZZO: When did you first -- I'm just curious, would you have floated this idea if we weren't having these financial difficulties? Because I never heard a word out of you until recently about a soda tax.

(Applause.)

COUNCILMAN RIZZO: So I'm curious whether the Budget Director and the budget team brought this idea to the table or sincerely was this ever in any proposal before today to do this?

DR. SCHWARZ: Yes.

COUNCILMAN RIZZO: I know you're going to say yes.

DR. SCHWARZ: I actually am happy to share with you the proposal that was submitted in October before this, something that's been talked about not just here but nationally, and it is something that if you look at the public health community, it's something that the public health community supports strongly, as I think there'll be people who will talk about later today.

COUNCILMAN RIZZO: If I didn't know you, I wouldn't believe your answer, but I respect your -- because I've never -- until this was kind of leaked in a meeting many, many months ago, I kind of thought it was a joke, and I wasn't sure that it was really a sincere revenue producer. Many people have talked to me, say, Look, if you want to tax sodas, just tell us you want to tax sodas. Don't spin the part about the health, because people ask me why didn't you tax ice cream, things, you know, trying to be funny. But I believe you if that's your answer.

DR. SCHWARZ: Thank you.

COUNCILMAN RIZZO: Thank you.

Thanks, Madam President.

Thanks, Bill.

COUNCIL PRESIDENT VERNA: Councilman Green.

COUNCILMAN GREEN: Thank you, Madam President. The public is here to testify and I'm going to wrap up. I'll have additional opportunity during the different departmental hearings to get into some of these issues. I would like to request whatever analysis was done with respect to the impact on the retail and wholesale industry of a 200 percent tax increase be provided to the Chair expeditiously.

COUNCIL PRESIDENT VERNA: Thank you.

And please remain.

Our first witness?

MR. McPHERSON: Gary Foster.

(Witness approached witness table.)

COUNCIL PRESIDENT VERNA: Good afternoon, Mr. Foster. Please identify yourself for the record and proceed with your testimony.

MR. FOSTER: Hi. My name is Gary Foster. I'm a Professor of Medicine and Public Health at Temple University and direct the Center for Obesity

Research and Education there.

First, thank you for the opportunity to discuss the most serious and prevalent public health problem in this city and in this country and on this globe. As you're well aware, the rates of childhood obesity have tripled over the last 20 years, and as a result, many medical conditions which were frequently seen in adulthood are now seen in childhood. In addition, obesity also confers significant psychosocial and behavioral consequences such as stigma, bullying, discrimination, increased absenteeism and poor academic performance, and much of this data has been collected in the City of Philadelphia.

Finally, and I think importantly in this context, the economic toll of having children develop adult diseases in their teens and to develop the complications of those consequences in their 20's, 30's and 40's, that economic toll cannot be understated. It's led some to say the staggering possibility that we're living in the first generation in which parents may actually outlive their children.

My colleagues and I have been doing research on obesity in schools and community settings in Philadelphia over the last 25 years, ranging from Northeast Philadelphia to North Philadelphia. The bad news from a study of ours published in Pediatrics in 2008 revealed that 17 percent of 4th to 6th graders in Philadelphia were overweight and an astounding 25 percent are obese. These are not children presenting at a medical clinic. These are kids who are simply going to school.

Our study further showed that if we do nothing, 14 percent of children who were not overweight in 4th to 6th grade will in fact be overweight just two years later.

The good news is that a school

nutrition policy initiative, which was tested in that study and included removing sugar-sweetened beverages from schools, was able to reduce the number of children who became overweight by 50 percent. But even in the presence of this effective school-based intervention, seven percent of children still became overweight in a two-year period.

There's no doubt that schools are an important environment to change in terms of energy and activity, but they're not the only potential help for the children of this city. Children are often faced with environments that make healthy eating and physical activity quite problematic. In a study of ours published just last year in Pediatrics, we showed that in 24 Philadelphia corner stores surrounding ten elementary schools, 4th to 6th grade children, each time they went to a corner store, spent $1.07. For that $1.07, they walked out the door with 360 calories. The most frequent beverage consumed were sugar-sweetened beverages. The most frequent foods consumed were chips and candy.

What can be done? Clearly, there's no single solution to a complex and serious problem like childhood obesity. There are several things that have already been done, with Council's leadership, that I think we should applaud. One is a food and beverage policy from the School District of Philadelphia that sets criteria for healthy beverages, including eliminating sugar-sweetened beverages from school.

The second is that City Council has made nutritional information more easily accessible on menus at the time of purchase.

In times of financial difficulty, the prevention and management of childhood obesity can seem like a luxury. I can assure you that if we don't pay to prevent and manage obesity right now, we will pay for it in future healthcare costs and diminished productivity of our citizens.

Fortunately, Philly has taken a leadership position on this issue, as recognized by the CDC, the First Lady, the Secretary of Agriculture and the Secretary of Treasury on their recent visit. To maintain our leadership position, we must push ahead with new funding and new initiatives. We're making a dent, but it's a small one, and we need to be aggressive.

You'll likely hear many reasons not to act on a sugar-sweetened beverage tax, including the loss of jobs and the uncertain state of the science. Regarding jobs, every job in Philadelphia is important, especially in these times. It is unclear to me, however, that a policy that would reduce but not eliminate sugar-sweetened beverages would have an effect on jobs.

Just last week, the American

Beverage Association reported, quote, that since the first half of 2004-2005 school year and the 2009-2010 school year, there has been an 88 percent decrease in total beverage calories shipped to schools in America.

In addition, the School District of Philadelphia instituted a beverage policy in 2004 that eliminated sugar-sweetened beverages from schools. These policies that prohibited sugar-sweetened beverages apparently resulted in no loss of jobs in Philadelphia plants. Just this morning, phone calls to two major local bottlers revealed that they were both actively hiring. If a policy that eliminated sugar-sweetened beverages had no effect on jobs, it's hard to imagine, at least for me, that a policy that provides incentives for small reductions in sugar-sweetened beverages would result in job loss.

It's also, I think, important

to note that most companies that make and distribute sugar-sweetened beverages have been around for decades, some for greater than a century, a testament to their ability to swiftly respond to market forces and consumer demands. If indeed the tax does change the purchase pattern of sugar-sweetened beverages, rest assured that companies will develop new products and/or market already existing ones they have that are not sugar-sweetened. They always do. That is why they are indeed very successful businesses.

Regarding the science, it can be argued that studies to date are equivocal about the role of sugar-sweetened beverages on obesity, and as an academic, I can appreciate the exercise of dissecting study after study, but I don't think that leads to any improvement in the public health. The facts are remarkably simple. Obesity results from excess intake relative to

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expenditure. Any reduction in calories would make a difference. This is not about demonizing sugar-sweetened beverages. It's about targeting beverages that bring nothing to the table nutritionally.

Focusing on beverage also makes the messaging, especially for kids, more direct and straightforward, rather than prescribing a long list of dietary prescriptions that families and kids have to adhere to, prescribing a very straight message that's clear: Drink fewer sugar-sweetened beverages. It's a simple and achievable message.

I would argue that for decades the government has been telling children and their families what to eat and offering no help to do so. This is an opportunity to make a healthier choice easier, especially in the City of Philadelphia where obesity is disproportionately present among people for whom price is the number one consideration when they buy a product.

(Applause.)

MR. FOSTER: In summary, I encourage Council to support a sugar-sweetened beverage tax. No tax will be met with great popular appeal, but this one is different. Not only does it bring revenue to a fiscally trouble city, it provides crucial funds for obesity prevention in this city and provides incentives for Philadelphians to choose drinks that are not packed with sugar and calories.

Thank you very much.

(Applause.)

COUNCIL PRESIDENT VERNA: Our next witness?

MR. McPHERSON: Our next witness is Joel Naroff.

COUNCIL PRESIDENT VERNA: Thank you very much. We appreciate your testimony.

(Witness approached witness table.)

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COUNCIL PRESIDENT VERNA: Good afternoon. Welcome. Kindly identify yourself for the record.

MR. NAROFF: I'm Joel Naroff. I'm the President of Naroff Economic Advisors. For the past 25 years, I have been an economist at several of the largest banks in the region where I was responsible for all national and regional economic analyses. I have been a consultant to a variety of businesses and governments, including the City of Philadelphia, on economic and financial issues.

Thank you for the opportunity to discuss my views on the potential impact of the sugared beverage tax on the City of Philadelphia. I will be limiting my comments to the issues of tax revenues, tax avoidance and the potential differential impact of the tax on individuals and businesses. I will not be taking a stand on the health implications of taxing sugar products.

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Let me clearly state up front I am skeptical about the ability to meet the two competing but inconsistent goals of this tax proposal. If the tax is to raise significant amounts of revenue, there must be continued demand for sugared beverages. For the second goal of reducing sugar-related health issues to be met, there must be a significant reduction in demand. That would limit the expected tax windfall. In other words, you can have your tax revenues, but you have to eat your sugar, too.

The overarching factor that must be considered as you evaluate the efficacy of instituting this tax is that the resulting price increase may not be modest or marginal, as economists call it. It is likely to be large. For those who purchase beverages for home consumption, the tax has the potential to roughly double the price of a typical six- or 12-pack of canned drinks. Larger sized products could face even greater increases. Drinks at restaurants will have differing price changes depending on the price already charged, but it is clear that the less expensive the restaurant, the greater the potential price increase.

Substantial price increases create significant movements along the demand curve. People often employ extreme efforts to avoid those changes. Unfortunately, those actions may manifest themselves in unexpected and negative ways as the large price change will affect the various segments of the market differently.

The greatest negative impacts are the result of the typical edge effect of creating sharp geographic price differentials. For those who can readily purchase beverages outside the City, the price gap in beverages alone could induce changes in shopping locations. The mobile population can avoid the tax and still consume the product. The City's potential tax revenues are reduced greatly without cutting sugared beverage demand.

The deflection of food service demand means City-based businesses lose once again to suburban competitors. Thin-margin food stores would be at greatest risk. They would face an unenviable choice: Raise prices just on sugar beverages, share the price increases across all beverages and/or eat some of the tax increases. All but the "eat the tax" choice would create competitive disadvantages with non-City stores.

The "eat the tax" option would likely be the worst choice. It reduces earnings for stores already financially stressed. Job losses are inevitable, but in possibly unexpected places. Undoubtedly, smaller stores would be hurt, but they might not be alone.

Some supermarket chains are having significant profitability

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problems. The tax would reduce local store earnings, not simply because they would absorb some of the tax increase or sell fewer soft drinks, but people choosing suburban markets would do all their shopping there. Reduced demand could create incentives to shut stores that were already financially questionable. The possibility of some communities losing a major food provider is real.

Job losses and reduced competitiveness is not what the City is hoping for with this tax, but it is a likely outcome. And to the extent that there are fewer jobs and businesses, the other tax revenues are reduced, offsetting some of the beverage tax gains.

For those with restricted mobility, tax avoidance is limited. Their choice is clear: Pay the higher price or switch. Since the poor and elderly tend to fall into this category, they are the ones most impacted, making the tax regressive. These people will likely reduce their usage of sugared beverages, but are they the people you want to impose the greatest cost on?

Collection and enforcement could become a major issue as well. This tax would require additional paperwork for all businesses that sell the product. Tracking and accurately reporting sales levels adds to the cost of doing business. For larger companies, that might not be a major issue, but for smaller businesses, it is another nuisance that makes it difficult to operate in the City. And let's not forget the potential for an underground market that would further pressure smaller stores in poorer communities and would raise the question of how would you enforce the tax.

Finally, there is the issue of image. It's hard to argue that recreational use of sugared beverages is an evil that must be taxed out of existence. If, as I suspect, revenues will be disappointing, questions will grow about what the City will do next to raise revenues, and that affects the perception of the City's business friendliness.

So let me summarize my view on this tax. Potentially large changes in prices are likely to have unintended consequences, triggered by short- and long-term avoidance actions. It will fall disproportionately on the poor and the elderly, who are least able to avoid the higher prices. It will reduce demand for local food-service businesses, leading to the closing or cutback of not only smaller corner stores or restaurants but also potentially larger chain stores. Declining business causes job losses that would further burden City services and reduce other tax revenues. It will create additional paperwork for smaller businesses. It cannot help the City's attempts to improve its image as a business-friendly location.

Given all these negative effects, it is questionable how much revenue will be ultimately raised. You are likely to be disappointed.

I understand clearly the difficult financial situation the City is in, and I applaud the imaginative attempts to deal with the problems. Unfortunately, this tax will not likely raise all the desired revenues, but will create pain for those individuals and businesses least capable of affording the negative impacts. I hope you search for alternative means to close the budget gap you are facing.

Thank you for your time.

COUNCIL PRESIDENT VERNA: Thank you. We appreciate your patience and coming in to testify.

(Applause.)

COUNCIL PRESIDENT VERNA: The next witness?

MR. McPHERSON: Our next witness is Danny Grace.

(Applause.)

MR. McPHERSON: Councilman Green has a question.

Mr. Naroff?

COUNCIL PRESIDENT VERNA: Mr. Naroff, would you please approach the witness table. Councilman Green has a question.

(Witness approached witness table.)

COUNCILMAN GREEN: Thank you. Mr. Naroff, I know we're talking about sort of -- your reputation is well known to, I'm sure, all of us on Council. I asked people from the Administration a simple question, not having to do with the social benefits of the tax but having to do with the impact on a particular industry, and I just wondered if you might have an answer to the question I asked them, and, that is, current business taxes citywide for the retail and wholesale trade are $47 million, or were in 2007. We're talking about basically a 200 percent increase in a tax on one particular industry.

What would you normally, in an economic model, expect to be the impact on that industry as a result of a 200 percent increase in taxes on them?

MR. NAROFF: Well, I think the issue is not simply one of limiting it to an analysis of that specific industry, because you've got to look at the consumer's budget. Essentially, if $77 million is raised, we have to know who it's raised from and whether or not they will simply expand their expenditures and cut back their savings or substitute the higher-cost sugared product for other products, and as a result of that, they may cut back on other food products; therefore, affecting the food service industry, and/or cut back purchases of other goods and services within the City, as they cannot afford to purchase as many goods if they're paying $77 million more in taxes.

So the impacts wouldn't be limited, I believe, strictly to the food-service industry, retail industry, although they would probably feel a significant share of it, but it would be spread across a wide variety of industries and probably largely in the City.

COUNCILMAN GREEN: So what you're suggesting is, it would take $77 million or actually $90 million or some figure out of the economy in the private sector and move it to the public sector.

MR. NAROFF: It would take probably less than 77 million, because there would probably be some savings that would be used that go into it, but probably a small amount of the savings would be going into it. It would take $77 million of demand for other goods and services out of the public -- out of the private sector, or share of that 77 million, and put it into the public sector, yes.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much.

Any other comments or questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Mr. Grace, thank you for your patience. Please identify yourself for the record.

MR. GRACE: Good afternoon, Madam President. My name is Daniel Grace. I'm Secretary/Treasurer of Teamsters Local 830 here in Philadelphia.

COUNCIL PRESIDENT VERNA: Please proceed.

MR. GRACE: The soda tax will cut jobs, not waistlines. Why? The soda tax is the wrong way to fight obesity.

Background: In an economic downturn, the government looks for additional revenue in order to balance budgets. Mayor Nutter is proposing a two-cent-per-ounce tax on all sugar-sweetened drinks in order to pass a $3.9 billion budget by May 31st, 2010.

The Teamsters position: The soda tax is an impractical and shortsighted policy decision that will succeed only in cutting jobs, not in cutting obesity rates. It will disproportionately hurt hard-working middle-class families and the working poor of this city. If Mayor Nutter is serious about improving citizens' overall health, then only a robust education program aimed at targeting eating behaviors and promoting fitness and a healthy diet can effectively combat the country's obesity epidemic. Virtually any food or drink consumed without moderation will cause weight gain.

The soda tax is discriminatory. Taxing one product and one industry to the exclusion of numerous items containing similar sugar-based ingredients is simply unfair. The tax would not be imposed on snack items such as ice cream, candy, popsicles, doughnuts or other high-sugar foods. Instead, this tax would only unjustly target and burden the beverage industry alone.

Mayor Nutter would only use $20 million of the 77 million raised annually through this tax for public health education and services. Let's be honest here. The initiative is not about health. It is about deficit reduction and raising taxes on the Philadelphians who are already burdened with --

(Applause.)

MR. GRACE: -- among the highest taxation rates in the country. It is not designed to help curb childhood obesity.

Jobs: The beverage industry statistics show that when soda price is raised ten percent, sales drop eight to nine percent. Reduction in soda sales means job losses from bottling plant workers to Teamster Union delivery drivers. Our best estimate at this point in time is potentially as many as 2,000 lost regional jobs if this tax is passed. Yet, these job losses will not be limited to Teamster members alone. Supermarket employees, convenience store workers and small business owners who sell soda in their stores or restaurants will also be adversely affected if this onerous tax is passed into law. There are thousands of family-sustaining middle-class Philadelphia jobs in beverage production, supply, distribution, sales and retailing, all of which depend on a healthy beverage industry. The loss of any of these jobs will only further erode the City's tax base.

Teamsters Local Union 830 represents 2,200 Philadelphia members in the soft drink and beverage industry. These hard-working, tax-paying City residents do not deserve to have their jobs placed in jeopardy because of a misguided attempt to fill the City's coffers solely by taxing the product they produce and deliver.

The Teamsters Union is actively involved in the fight against obesity. We actively participate in prevention and wellness programs in connection with our health and welfare plans. To help educate children and provide them with nutritious beverage options, we support the industry effort to establish school beverage guidelines that remove full-calorie soft drinks from all schools and provide students with a range of lower-calorie, smaller-portion beverage options. This must be a part of a broader effort to teach children the importance of a balanced diet and exercise.

I respectfully ask the members of City Council to vote against this soda tax. It will make an additional financial burden on the families already struggling to make ends meet. It does not work for Philadelphia or for

Philadelphia workers.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

(Applause.)

COUNCIL PRESIDENT VERNA: Our next witness?

MR. McPHERSON: Dr. Robert Berkowitz.

COUNCIL PRESIDENT VERNA: And I believe after Dr. Berkowitz we have Girard College students. We see them sitting on the side.

Are you going to be testifying?

(Yes.)

COUNCIL PRESIDENT VERNA: Perhaps you could come up here so we would save some time.

(Witness approached witness table.)

COUNCIL PRESIDENT VERNA: Doctor, welcome. Kindly identify yourself for the record.

DR. BERKOWITZ: Good afternoon,

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Madam President. Thanks for the opportunity to speak with you. I'm Dr. Robert Berkowitz, Associate Professor of Psychiatry in Pediatrics from the University of Pennsylvania and the Children's Hospital of Philadelphia where I've been Senior Medical Director of the Center for Weight and Eating Disorders program and a steering committee member of CHOP's Healthy Weight program. I'm involved in the treatment of youth and adults with obesity and find it important -- who find it important to reduce sugar-sweetened beverages as part of their treatment.

As you all know, we're in the midst of a serious epidemic of obesity in children and adults, and obesity, including obesity in children and adolescents, is associated with very serious medical problems. To name just a few, Type 2 diabetes, risk of heart attacks, heart disease and stroke, high blood pressure, cholesterol problems, sleep apnea, depression, problems of self-esteem and bone disease, that all affect the health and quality of life of all people, especially our youth.

Sugar-sweetened soft drink consumption is associated with obesity and its development and these other serious illnesses. A number of studies have shown that the more a child consumes sugar-sweetened beverages, the more likely the child is to become obese. A 2005 study by the Center for Science in the Public Interest found that the average teenage boy consumes on average three cans of sugar-sweetened soft drinks a day, and the average teenage girl consumes two cans of sugar-sweetened soft drink a day. If we were able just to cut down by one 12-ounce 145-calorie can of sugar-sweetened soda a day, a child may be able to lose a pound a month or not gain that pound a month. If we were able to cut down by one 20-ounce, 240-calorie sugar-sweetened soda, a child or adolescent may be able to lose up to two pounds a month or not gain that weight.

A very important part of our treatment for patients with obesity is to reduce consumption of sugar-sweetened soft drinks.

Recently, I had a teenage patient in our clinic. This patient not only was overweight but had high blood pressure, high cholesterol and poor self-esteem. The patient was able, with intervention, to lose 40 pounds and keep it off for more than a year at this point. The patient still went to his favorite fast food restaurant, but replaced the Big Gulp type regular soda with water, still had his burger, was successful losing weight. His self-esteem improved. His cholesterol improved. His blood pressure was better. His overall quality of life was better.

These are the kinds of efforts to assist youth in consuming less-sweetened beverages that will make them healthier.

It is important for us to continue to communicate to the public that sugar-sweetened soda and other sugar-sweetened drinks have no nutritional benefit whatsoever to children and adults. In fact, they cause harm when consumed in excess. People develop obesity with other very serious diseases associated with obesity, like Type 2 diabetes, problems with high cholesterol, high blood pressure and heart disease and strokes, also sleep apnea and bone problems. Obesity may be prevented by replacing sugar-sweetened beverages with unsweetened drinks such as water, unsweetened beverages or low-fat milk.

It is important to help people consume fewer sugar-sweetened beverages. It is important for the City of Philadelphia to join with us at the Children's Hospital and other health organizations in the City to promote the wellbeing and health of children and adults and to continue their public health important services for its citizens.

Thank you very much.

COUNCIL PRESIDENT VERNA: Thank you.

(Applause.)

COUNCIL PRESIDENT VERNA: Thank you very much, Doctor.

Students from Girard College, please approach the witness table.

(Witnesses approached witness table.)

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

MISS POWELL: Hello. My name is Lena Powell. I'm a junior at Girard College.

MISS COLAWA: Hi. My name is Olene Colawa (ph) and I'm also a junior at Girard College.

MISS BAKER: And I'm Imani

Deans-Baker and I also attend Girard College but I'm in the 8th grade.

COUNCIL PRESIDENT VERNA: Thank you. Are you going to testify? Proceed with your testimony.

MISS POWELL: First, although he is not here, we still want to thank Michael Nutter for giving us this opportunity to speak to address some of our concerns and to also give some reasons as to why we support the soda tax.

As was already stated, the Mayor proposed the soda tax, which is also called the Philadelphia Healthy Initiative, and its aim, which is already stated, is to raise $77 million for the City, in addition to trying to reduce the obesity rate within children in Philadelphia.

The reason why we support the soda tax is because we feel as though this will be the first step for our ultimate goal, which would be to tax plastic bottled water. We feel as though by taxing soda bottles, this will dissuade consumers from purchasing plastic and -- you know, that's basically it.

COUNCIL PRESIDENT VERNA: Thank you.

MISS COLAWA: Good afternoon again. In addition to what Lena just said, I think it is very important for us to seriously consider -- well, for you guys to seriously consider supporting this tax, because it's going to be a very good initiative, because I know that there are other states who have already taken the initiative to start this program. And obesity is not only a serious problem in Philadelphia, but all across the nation, and I think it is very important for us to seriously think about the future of Philadelphia. I mean, the students who are going to school who are obese right now are going to be the future leaders of Philadelphia, and if their current health isn't where it needs to be, I seriously doubt that the intellectual room will be where it needs to be.

So I think not only will this help the City with raising money, but it will also help to bring things into perspective and think about the future and not just the now.

COUNCIL PRESIDENT VERNA: Thank you.

MISS BAKER: Good afternoon. I'm Imani Baker from Girard College and I'm in 8th grade.

Today, I'm here to inform you about several states that already took an initiative to tax not only sweetened drinks, but all plastic bottled drinks. States such as New York, Iowa and California are taxing all kinds of beverages just to sustain the healthcare of their citizens. They charge five cents to be brung in and recycle. So not much people are doing it. Only 12 percent have been seen bringing in -- I mean returning bottles to be recycled, and that's a very low percentage. And in Philadelphia, this is big for Philadelphia if we were to do this, because this is a city that has been looked upon as in for passing things that influences other states.

So in Delaware, Governor Jack Markell saved the Bottle Bill and now helps the cost of -- well, to pay for the taxes are called curbside recycling. Well, only 12 percent of the bottles that are being recycled is very low. Though it isn't much, only a tax-sweetened drink, but you got to start somewhere to make a difference.

MISS COLAWA: In addition to what Imani said, I'd like to add that those states that already passed the Bottle Bill, they don't have -- there hasn't been any report of them having people lose a lot of jobs, because a lot of people still have their job. Of course, we're in the recession right now. We're in an economic recession right now, so there are going to be issues, but they don't have such the drastic issues that practically all of the people who live in those states don't have a job. People are still working despite the bill.

COUNCIL PRESIDENT VERNA: Thank you.

Do you simply want to introduce your friends there.

(Witnesses approached witness table.)

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

MISS FOX: Hello. My name is Tamashi Fox and I'm in 7th grade and I attend the school Girard College.

MISS SONY: Hi. My name is Genesis Sony and I also attend Girard College and I am also in the 7th grade.

COUNCIL PRESIDENT VERNA: Thank you.

MISS FOX: I am here to say that I fully support the tax on plastic bottled beverages, because when you...

COUNCIL PRESIDENT VERNA: Go ahead, dear.

MISS FOX: I'm kind of nervous.

To have tax on the bottles, I want less people to buy them, because when people buy them, it is hurting our environment and they're just wasting the bottles. And to use the tap water and you're buying the bottled drinks, then you're just paying twice as much money as you would just to use the tap water.

COUNCIL PRESIDENT VERNA: Thank you.

MISS SONY: I'm here to explain to you why I fully support the tax on soda bottles also. Soda bottles and regular water bottles are being wasted, so the reason why we think that they should put a tax on water bottles is because even though they're being recycled throughout the world, most plastics are non-biodegradable. So that means that they can't be broken down. And we found that the tap water has been -- is clean and we found that there's fluorine found inside. So we think that it will be better if we could drink tap water instead of buying bottled water, so it will save money both ways.

That's it.

COUNCIL PRESIDENT VERNA: Thank you very much.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Madam President, democracy is often a theatre for competing ideas, and everybody, young lady, does not agree necessarily with your opinion, but everybody in here has to agree that you presented yourselves well, and for that, let's give them a round of applause.

(Applause.)

COUNCILMAN JONES: And to our folks there that have a contrary view, I want to give you a round of applause for showing them that you can express these things in a forum and not be heckled or anything like that. I was very proud of you. I was listening for it. So I'm going to give you a round of applause, too.

(Applause.)

COUNCILMAN JONES: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Thank you all very much. We appreciate your coming in.

(Applause.)

COUNCIL PRESIDENT VERNA: Dave McCorkle, is he here?

(Witness approached witness table.)

COUNCIL PRESIDENT VERNA: Are you offering us a drink; is that the idea?

MR. McCORKLE: Pardon me, Council President?

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COUNCIL PRESIDENT VERNA: I said are you offering us a class of Coke?

MR. McCORKLE: You know, actually we're not going to specify the beverage. I bought it today at Wawa because it was a buy-one-get-one-free, so it kind of represents what I'm going to present to you today. And the other beverage is a dairy product. It's a flavored chocolate milk. As you probably know, the dairy industry in Pennsylvania is quite large, sells about $3 billion worth of dairy products a year around the region and is a growing segment of our agricultural economy. And the proposed sugar-sweetened tax in Philadelphia, business privilege tax, would affect both of these products. I'll try to outline how.

My name is David McCorkle. I'm the President of the Pennsylvania Food Merchants Association and the Pennsylvania Convenience Store. Council President Verna, I want to thank you for allowing me an opportunity and allowing others an opportunity to speak against the sugar-sweetened beverage tax in Philadelphia.

I represent an organization that's statewide. We have about 1,100 corporate members in Pennsylvania. They operate about 6,000 convenience stores, corner grocery stores and supermarkets, and you know our members in Philadelphia. They have stores in your districts. They've worked closely with you. They are the hub of the wheel in the communities, and that's been more and more important in the last ten years than ever.

I'd like to start offering thanks to all City Council members who are here today. I thought your discussion this morning was excellent. I'd also like to thank the Mayor's staff, who met with me and with others from the beverage and food retailing industry and from Teamsters Local 830, to express our concerns about this proposal. We had met with them privately and tried to get across points that have been made previously by the first economist who testified and many others and many of you in your questions today.

I'd like to start with a note of optimism, hopefully. I think I heard some things this morning that could find their way to solving the fiscal solution in Philadelphia. Your expertise on budget issues is extraordinary, and I hope you find a way to fill this budget gap and provide the services needed in the City without unduly taxing the products that are proposed in the Ordinance 100118, I guess it is.

I have provided written testimony. I'll start with a word of optimism because of the good discussion that was held this morning and also the hearing that was held in City Council Chambers in 2002 that began a dialogue that I think has been extremely constructive, and that dialogue between Councilmembers and private organizations in the City of Philadelphia, ultimately the General Assembly and the State of Pennsylvania and now President Barack Obama and Michelle Obama at the White House have supported and embraced the model started here in Philadelphia entitled the Fresh Food Initiative, the Fresh Food Financing Initiative. And that program has resulted in the creation of supermarkets in underserved areas of the City and across the State of Pennsylvania in urban and rural areas. State funding, private funding have combined to develop almost 100 now programs in the last eight years, following constructive discussions that were started with a hearing in City Council Chambers. Those businesses across the state have created jobs, they've created tax monies in Philadelphia and for the State of Pennsylvania, but, most importantly, they've served the nutritional needs of the citizens of the area surrounding those stores.

In meetings, as I mentioned, with the Administration leaders, including the Mayor and including his Budget Director and Dr. Schwarz, who testified earlier today, we tried to share with them our concerns about the specific proposal that they ultimately put on the table two weeks or so ago. That proposal is the most onerous tax on sugar-sweetened soft drinks and dairy products in the country.

By comparison, you've discussed the tax in Chicago a bit. It is similar to a sales tax, as was said by a Councilmember. The tax in Chicago -- population of Chicago is a bit larger than Philadelphia -- raises between $8 and $9 million a year. The tax in Philadelphia, as you've heard, would raise they think $38 and a half million in the first six months of this fiscal year, $77 million in the Fiscal Year 2012. That, as was noted, is a 20 percent increase in the business privilege tax in the City of Philadelphia, and proposing an increase in tax of that proportion, when in the last two fiscal years the business privilege tax has declined, revenue has declined by ten percent in '08 and by 14 percent in '09, is absolutely extraordinary to me.

One other thing that I'll mention is that I was quite concerned earlier when I heard that revenue forecast for the proposed tax by Mayor Nutter's Administration, consultants were found at Yale University, I believe it was, in New Haven, Connecticut. New Haven, Connecticut doesn't have a tax of this proportion levied on its consumers. And in their calculations, I believe -- and correct me if I'm wrong -- I believe I heard Dr. Schwarz say a few minutes ago that soft drinks and sugar-sweetened beverages are not taxable in Pennsylvania. That's incorrect. They are taxable, according to the state Department of Revenue and according to my receipt for the purchase of this soft drink product this morning. The state collects six cents on the sale of certain soft drinks and sweetened beverages in the Commonwealth, and the City of Philadelphia collects two cents. And just to -- I'm going to bore you with a couple of numbers that I've scratched out here, so if my math is incorrect, please let me know about it.

In purchasing this container, 67.6 ounces of cola today, I got two for the price of one. So the cost was a dollar. My cost was a dollar, of which the retailer after taxes keeps 1.2 cents. That's the average retail supermarket profit from 1983 to 2007, the last year I could get it.

The retailer collects 1.2 cents out of a dollar. The State of

Pennsylvania receives six cents out of my dollar purchase. The City of Philadelphia received two cents out of my dollar purchase, which totaled $1.08. I wonder if the City has calculated the current sales tax revenue they receive from the sale of all covered sweetened beverage products sold in the City. I'm not sure.

Were the ordinance to be enacted, the cost remains at a dollar for this container. The retailer would continue to, after taxes, receive 1.2 cents. The state would receive 14 cents and six percent sales tax. The excise tax would total $1.36 cents, and the City of Philadelphia would receive about 4.7 cents in the two percent sales tax that you collect in place. The cost to consumer would be not $1.08, but about $2.55. It's a 236 percent increase in the cost of that product. And I say that to reinforce what is my theory about how the tax will reach its way to the consumer.

If -- and our members have told this to the Mayor and to his advisors -- if the price of this product goes to $2.55 a container, consumers will stop buying it in the City of Philadelphia. As the economist just told us, they'll go across the border. They'll find some way to have it delivered to their home, being purchased out of New Jersey or Montgomery County or Bucks or Delaware Counties. And, number one, as noted, the tax will not be received because the item won't be purchased in Philadelphia, and there won't be any effective health benefit because consumers will find another place to purchase their product, their beverage of preference.

For the dairy product, it will add a penny an ounce. This is 16 fluid ounces, so -- excuse me; two. So it will add 32 cents to the cost of this product, which this morning was about $1.15. So you've got roughly a 30 percent increase in the price of a dairy product.

I don't think that's the kind of policy that any consumer in Philadelphia or certainly person involved in the beverage or the retail industry could support. So I expect you're going to hear a lot more about this before a final solution is reached on the budget process.

But, again, this is a starting point, and from what I heard this morning, everyone is interested in sitting and talking and asking questions to find out what the facts are and getting to the bottom of the issue and preserving services without unfairly taxing the beverage industry. And we believe that the beverage industry will lose jobs if this tax is enacted. I believe that members who have started stores in Philadelphia in the last five years may go out of business, and they have shared that personal prediction with the Mayor, and I'm sure you're going to hear it from them personally as time goes on.

So thank you for your time.

COUNCIL PRESIDENT VERNA: Thank you. Just a moment, please.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Mr. McCorkle, thanks for coming today. Just on the lighter side, I've been involved in a lot of issues in this Council and carried a BlackBerry for a lot of years now. I never knew you could fill one up until this issue hit. So your outreach has probably been one of the best, and it's been educational. I learned a lot from some of the folks that communicated. So it does have an effect, at least on me, some of the information that's been coming my way. So I just wanted to tell you it's been one of the best outreach efforts that I've ever seen.

MR. McCORKLE: It's a team

effort here. Councilman Rizzo, thanks for listening. This is a serious problem. We all have to work together to find a way to resolve it.

COUNCILMAN RIZZO: Terrific. Thanks.

MR. McCORKLE: Thanks very much.

COUNCILMAN KELLY: Where's the Diet Coke?

MR. McCORKLE: Excuse me, Councilman Kelly?

COUNCILMAN KELLY: Where's the Diet Coke?

MR. McCORKLE: I'm not going to respond to that. It's a personal preference.

COUNCIL PRESIDENT VERNA: Mr. McCorkle, just a moment, please.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, and thank you for your patience, for all the folks who have come today to testify. I have a question, because one of my concerns, notwithstanding the obesity issue, which, again, for many of us is an important one, under what business model do you foresee your association cooperating and passing on this expense only to the products targeted?

MR. McCORKLE: Specifically I think is the word "enacted." Again, if they applied it to only the products affected, they could not sell those products in their stores. Consumers would go to another location outside of Philadelphia and purchase the product. Very clearly, people will drive miles to save a cent or two cents on a gallon of gasoline. Now, if you don't have a car in the City of Philadelphia, you'll find somebody who will bring it to you who has purchased it out of the area without paying the tax. You might pay a little extra for that, but you wouldn't pay as much as if you paid the tax.

So I think it would be spread, as others have suggested, over the cost of all items sold in the supermarket. So you lose it. But what that does is to increase the cost of groceries for the average family's family meals, and I don't think that's something that any of us can support.

But I know that the retail industry and the beverage industry will work hard with you to continue our work against obesity in the City. The $20 million program, I think you asked excellent questions about that today. I think there are resources within the City where volunteers will work together to solve those problems in our communities in the City of Philadelphia. We've done that before. We'll do it again. We need a Philadelphia solution to this problem, not a solution that's come from New Haven, Connecticut or New York State or wherever else it might be. Let's focus on the issue and the jobs and the economy here and find a solution to health problems in our community.

COUNCILWOMAN SANCHEZ: One more question. You talked about the Healthy Foods Initiative, and I'm happy to have a Fresh Grocer on Broad Street to go visit. What percentage of the beverage industry for a supermarket in terms of their gross receipts, what percentage, do you know that, is beverages?

MR. McCORKLE: Total sales?

COUNCILWOMAN SANCHEZ: On average, what's the percentage?

MR. McCORKLE: It's large, because these are high-volume selling items. Milk, cola products, sweetened and unsweetened. Last time I looked, I think six out of the ten top-selling items in a grocery store were beverages, including juices. It's a huge number. These are the items that bring people into the store to buy their fresh fruits and vegetables and their meat and their other products. They are attractively priced and, in the case of milk, certainly nutritious and, in the case of cola products, certainly delicious. So they're something consumers want and we need to -- and the retailers' role is to make sure that they're available in the stores at the lowest possible price, which is why we're here objecting to this extraordinary tax on individual items within the store.

I'm not sure that answered your question clearly. I can get you a percentage figure of supermarket sales for these beverage products.

COUNCILWOMAN SANCHEZ: It would be good for us to know I think as part of the information-gathering the percentage that beverages represent to supermarkets, because I do agree with you, I think it's a large number. I don't know -- I've heard numbers similar to the ones you've said. And I think for those of us who are struggling to keep some of those businesses in the community, we need to know that.

I wanted to ask you, you mentioned that you had had conversations with the Administration. What was your perception -- what was the result of that dialogue?

MR. McCORKLE: They were very generous with their time. They seemed to listen, but I believe I heard today -- again, correct me if I am wrong -- they didn't seem to realize that sales tax is already collected on these products, so their financial projections are in question, at least to me.

I think, as was stated earlier I think by the Budget Director, they sent you over a couple of very complex, difficult items, one of which you heard last year that they might have known you were going to reject so that you could begin serious discussions about how to solve the problem. But they didn't say that.

Again, I think everybody is

listening. I hope we can find a solution. And I will say, Councilperson, that we've asked our members for a list of the items covered in the stores in Philadelphia were this tax enacted, 2,000 items. A typical supermarket has between 35,000 and 40,000 items. There are 140 flavored beverage mixes that would be covered. But it's about 2,000 items out of -- it's five percent of the items in the store. It's a big number.

COUNCILWOMAN SANCHEZ: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Thank you, Mr. McCorkle.

(Applause.)

COUNCIL PRESIDENT VERNA: Our next witness is Danielle Greenberg. After Ms. Greenberg will be Pete Ciarrocchi.

(Witnesses approached witness table.)

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COUNCIL PRESIDENT VERNA: I see that you have written testimony. If you would abbreviate your testimony, we will give a copy of it to the stenographer. It will be transcribed in full. So we'd appreciate it.

Please identify yourself and proceed with your testimony.

MR. McGREEVEY: Madam President, my name is Jim McGreevey from the American Beverage Association. I wanted to precede my colleague Danielle Greenberg with just some very short testimony on behalf of the industry. Would that be okay?

COUNCIL PRESIDENT VERNA: Go ahead.

MR. McGREEVEY: Madam Chair, the beverage industry opposes the Administration's beverage tax for three reasons. We believe it is bad public policy to balance, in large part, the City's budget on the backs of our employees, our retail partners and our consumers. Our industry employs more than a thousand people in the beverage production and distribution jobs within the City of Philadelphia and more jobs in the Greater Philadelphia area. These are good-paying, many union, jobs. Our industry contributes to the region's economy and to the community through numerous community and philanthropic activities as well.

The second reason we oppose the tax is that it is unfair to sanction our industry and our products for a special tax when our industry is playing a leadership role in addressing the epidemic of obesity. Just two very brief, but important examples.

In 2006, the beverage industry pulled full-calorie soft drinks out of America's schools. This was done in partnership with former President Clinton and the American Heart Association. Our partnership, called the Alliance for a Healthier Generation School Beverage

Guidelines, was modeled, in large part, on your initiatives taken in 2003 on this issue. President Clinton said a few weeks ago in relation to the School Beverage Guidelines, I applaud the beverage industry for the good faith and aggressiveness they've shown in implementing the guidelines, which are now fully implemented in America's 125,000 schools across America.

Also, on February 9, 2010, we announced a partnership with First Lady Michelle Obama as part of her Let's Move Campaign. Our commitment is to clearly label all of our containers, vending and fountain machines with clear calorie information regarding our products. We're very proud of this initiative, as is Mrs. Obama, who said of our industry, that this is exactly the kind of vital information parents need to make good choices for their kids.

Finally, we oppose the tax because we believe the Mayor does not have the authority to levy it under the Sterling Act. You'll hear more on this topic from our counsel later today.

So just in brief, those are our three general objections to the tax, and I'm happy to stand for any questions after Danielle.

COUNCIL PRESIDENT VERNA: Thank you, Mr. Greenberg -- I'm sorry. Ms. Greenberg, I'm sorry. Would you proceed.

DR. GREENBERG: Good afternoon, Councilmembers and Chairwoman. My name is Dr. Danielle Greenberg and I'm a nutritionist with PepsiCo where I have worked for the past nine years, and prior to joining PepsiCo, I served on the faculty of Cornell University Medical College for 15 years where my area of research was in the study of obesity and the control of food intake.

On behalf of the hundreds of employees who work for PepsiCo's bottlers here in Philadelphia, I want to thank you for the opportunity to be here today.

There is no question that obesity is a serious public health issue, and as a leading food and beverage manufacturer, everyone at PepsiCo knows we have an essential role to play in helping to find solutions to this complex problem. However, as a scientist whose life's work has been devoted to obesity-related issues and as a mother of two, I know that taxing sugared beverages is not the solution.

Please consider a few facts. According to scientists at the National Cancer Institute, the calories from soft drinks and other sweetened beverages are only 5.5 percent of the total calories consumed in the American diet. That means nearly 95 percent of our calories come from other foods and drinks. To address obesity, we will need to look much more broadly than just at soft drinks.

And to illustrate this point,

consider somebody who is eating 3,000 calories a day. That's someone who is clearly overeating. At 5.5 percent of calorie intake, the average, that would represent approximately 165 calories per day. Let's assume the beverage tax was effective in the -- to the degree that those proposing it suggest. That would be a reduction of roughly ten to 15 percent. This equates to between 15 and 25 calories a day. That is simply not enough to have a meaningful effect on weight loss. And, importantly, evidence shows that if calories are cut in one part of the diet, say from beverages, they may easily be substituted elsewhere in the diet - doughnuts, candy bars, et cetera.

Soft drinks and other sweetened beverages are simply too small a part of the total diet to make a meaningful impact on obesity. Data proves this out. Between the years 2000 and 2008, per capita consumption of sweetened beverages declined by eight percent. Obesity rates continued to rise. Let me repeat that point. Calories from sugared beverage was going down by eight percent. The effect on obesity was non-existent.

The only way to address the multi-faceted problem of obesity is with comprehensive approaches that address both sides of the energy balance equation: The calories we consume in our total diet and the calories we burn through our daily activities and planned exercise. Weight management is very simple. It's not easy, but simple. Calories in, calories out. It's all about energy balance, and any solution to the obesity challenge must address both sides of this equation through education, total balanced diet and physical activity.

PepsiCo has long recognized the vital role we can play in these efforts and we have worked for decades now to expand our offerings of low-calorie products and to help our consumers make healthier nutrition choices.

Two decades ago we began acquiring new lines of business, including Quaker Oats and Tropicana. Our research and development resources, we have developed lower-calorie products, like Aquafina, Trop 50 and Zero Calorie SoBe Lifewater. This transformation has changed the nutritional face of our business. In fact, in the last five years alone, we have reduced the average number of calories that we produce in our beverages by 11 percent.

We are also working to raise consumer awareness about calories. For years now, we have shown the calorie and nutrition information on our labels for the full container.

COUNCIL PRESIDENT VERNA: Doctor, excuse me a moment, please, but we do have quite a list of witnesses.

DR. GREENBERG: I have one more paragraph.

COUNCIL PRESIDENT VERNA: If you would abbreviate your remarks, we will make certain that your testimony will be given to the stenographer and it will be transcribed in full.

DR. GREENBERG: I understand. Let me finish the one part here that I think is really critical.

We have been supporting the efforts of the First Lady. We have been involved with other organizations. Our Chairman and CEO, Indra Nooyi, played a pivotal role in forming the Healthy Weight Commitment, which is looking to reduce childhood obesity.

We are a company that encourages nutritionists and scientists like me to make a difference in a place where my colleagues and I are proud to work, a company that seeks to partner in efforts to find common-sense solutions to complex problems like the one on the table today.

We understand that in troubled

economic times there's an appeal of a tax that purports to produce revenues and promote health. However, there's no scientific or medical evidence that a beverage tax will reduce obesity.

A sugared beverage tax is a simplistic attempt to solve a very complex problem. It may raise revenues, but there is no evidence that it will have any effect on obesity.

Thank you very much.

COUNCIL PRESIDENT VERNA: Thank you very much. We appreciate your patience and taking the time to come in to testify. Thank you very much.

Pete Ciarrocchi.

(Applause.)

COUNCIL PRESIDENT VERNA: After Mr. Ciarrocchi, we will have Jerry Mondesire, if he's here, after Mr. Ciarrocchi.

(Witnesses approached witness table.)

MR. CIARROCCHI: Good

afternoon, Council President.

COUNCIL PRESIDENT VERNA: Good afternoon. Welcome.

MR. CIARROCCHI: I'm glad that everybody is here. I would have a lot more people with me in my industry, but it is St. Patrick's Day, so, therefore, it is a little difficult to get the bartenders and other bar owners out here. But being Italian American, they voted me to come and speak for them.

I hear a lot of numbers. There's a lot went on here today, and a lot is a little bit long in the tooth, and it's hard for people to digest. So I'm just going to hit you with the uneducated or the regular normal layman's what's going on here.

First of all, I speak on behalf of the restaurants and bars, and I want to say that if they're talking about childhood obesity, then I have a bar. Where do I fall in there? Am I like serving underage people or giving it to kids? No. So I think there has to be some kind of thought process of what we're talking about. If it's just money for the City, well, it's a bad year for the City, I know, but it's a bad year for business. Who do you know that's saying, Wow, I had a great year? I didn't have a great year.

(Someone yelled "AIG.")

MR. CIARROCCHI: It's been a little bit rough, and restaurants, I'm sure you will see in the next few months a lot of them aren't going to make it. Their margins aren't there. It's just -- it costs us just like it costs the City. So they're going to fall. But you're attacking the same type business again.

Now, I want to give you a "for instance." I have a place on Roosevelt Boulevard, which is one mile inside the City of Philadelphia, not even. Around that restaurant there are many restaurants that have went under, around Chickie and Pete's on the Boulevard.

There's a Champps, which is a successful chain nationally, hasn't made it in Philadelphia. They couldn't cut it. There's a big empty store there.

There's other restaurants. I would like to think it's because of Chickie and Pete's they didn't make it, but it's not, because if you just go one mile up the road to Neshaminy, there is a mall of restaurants, a mall, Cracker Barrel, Red Robin, not places that I would normally go to, but I'm just saying there's a mall of restaurants all making it. Why? Because when I sell a drink, it could be -- the way it stands now, my drinks' increase will be so much between the liquor tax and the soda tax.

Now, let me just read -- because most people read, but I just want to -- maybe somebody can clarify this for me. It says -- this is the bill. It says, Sugar-sweetened beverages: Any non-alcoholic beverage which lists any form of sugar.

So can anybody answer me, does that include drinks? Because then I'll only have half an argument. Could somebody help me with that? Does anybody know?

COUNCIL PRESIDENT VERNA: Dr. Schwarz, can you answer that question, please.

(Witness approached witness table.)

MR. CIARROCCHI: Just what I wanted to see, Dr. Schwarz.

Good to see you, Doctor.

DR. SCHWARZ: Don Schwarz.

I'm sorry to have become your worst nightmare, but sugar-sweetened beverages are anything in which an added ingredient in the process is a sugar. So it is non-alcoholic, so alcoholic beverages are not included. So if you sell something as an alcoholic drink, it wouldn't be included.

MR. CIARROCCHI: So if I sold a rum and Pepsi, rum and Coke or a rum and

Royal Crown soda, would that be taxed?

DR. SCHWARZ: The tax would be on the sugar-sweetened beverage component.

MR. CIARROCCHI: Okay. I'm glad you're sitting here, because I want you to sit right here.

All right. Now, let's say this rum and Coke, Pepsi, whatever, is $4.50. Now, do I put the tax before I put the liquor tax or after I put the liquor tax?

DR. SCHWARZ: So the tax is on the -- it's the --

MR. CIARROCCHI: Let's say there's 12 ounces of soda in there. How much is that?

DR. SCHWARZ: It would be two cents per ounce.

MR. CIARROCCHI: So we're going to add 24 cents to that 4.50.

DR. SCHWARZ: Correct.

MR. CIARROCCHI: Now that's 4.74. And now I add ten percent liquor tax to that, because liquor-by-the-drink tax. So now you're telling me I add to 4.74 another 47 cents -- or 70 cents, right?

DR. SCHWARZ: Yes.

MR. CIARROCCHI: That same drink is 5.20 at Chickie and Pete's, and I can go right up the street and buy that same drink for 4.50.

DR. SCHWARZ: Mm-hmm.

MR. CIARROCCHI: Why would you tax the same -- don't you think that's a little ridiculous?

DR. SCHWARZ: I don't --

MR. CIARROCCHI: Isn't it about childhood obesity?

DR. SCHWARZ: It's about obesity in general. So if we look at adults in Philadelphia, I can go through the data there as well.

MR. CIARROCCHI: What's that?

DR. SCHWARZ: I can go through the information on adults as well.

MR. CIARROCCHI: No, no, no.

(Applause.)

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MR. CIARROCCHI: I just think I have a point, because now I'm being double taxed.

Now, for instance, if you come to Chickie and Pete's today, which I hope you do, and you go in there and you got to buy a soda, it's $2.50.

DR. SCHWARZ: But I wouldn't buy a soda.

MR. CIARROCCHI: Well, if you did.

DR. SCHWARZ: If I did.

MR. CIARROCCHI: If you did and you bought a soda, right now I'm charging you 20 cents tax, right this second. Okay. Now, since that's sales tax, I'm charging you 20 cents on it right this second. Where does that come in your tax?

DR. SCHWARZ: So I can give you another example.

MR. CIARROCCHI: No, no. Where does it --

DR. SCHWARZ: Well, with that

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MR. CIARROCCHI: Okay.

DR. SCHWARZ: Let's look at the cost of beer. People have preferences for beer. They spend what they spend. When they go into a bar, I presume they go into a bar for whatever other atmosphere and other things that are in the bar, and they may substitute drinks based on what the relative price is in a given institution, because what things cost at your place I think are probably not the same that they cost down the road toward Philadelphia, as well as further from Philadelphia. So I would hope that people come to you because they like being there.

MR. CIARROCCHI: I'm not just talking about me.

DR. SCHWARZ: Because they like to be there. I know that.

MR. CIARROCCHI: I'm saying that I'm surviving.

DR. SCHWARZ: I know that.

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MR. CIARROCCHI: I'm saying that there is an industry of restaurants, a whole flock of them right above Chickie and Pete's. It's not -- do you want empty stores in Philadelphia?

DR. SCHWARZ: No.

MR. CIARROCCHI: This is a fact. Not all Philadelphia is in Center City. If you're in Center City and you choose to come to it, are they that much -- I know we're better than Chicago and New York, but are we that much better?

DR. SCHWARZ: I'm going to ask you a question.

MR. CIARROCCHI: Go ahead.

DR. SCHWARZ: So as a competent and smart retailer, if this passes, what will you do?

MR. CIARROCCHI: I won't open any more stores in Philadelphia.

DR. SCHWARZ: And what will you do about the price?

MR. CIARROCCHI: I'll have to

give it to my customers and take a hit.

DR. SCHWARZ: So you would pass it on to your customers?

MR. CIARROCCHI: I would try. I wouldn't be able to in the case of alcohol.

COUNCILMAN KELLY: Point of information, Madam President.

COUNCIL PRESIDENT VERNA: Yes.

COUNCILMAN KELLY: I would just like to ask Mr. Ciarrocchi, under your system right now, your computer system, if a person orders a drink, a rum and Coke, you would charge him a price based upon, of course, the cost of the Coke, and in Dr. Schwarz's premise here, it would be more --

MR. CIARROCCHI: He would say it was the Coke and the liquor.

COUNCILMAN KELLY: -- than if it was a Diet Coke. Now, if someone were to come in and say, I would like a rum and Diet Coke, would there be two different prices for that drink or just one price for all?

MR. CIARROCCHI: We would probably try to even it out. There's not another drink. It's not going to help in my business.

COUNCILMAN KELLY: So, therefore, it's not going to be sort of an incentive for people to buy Diet Coke.

MR. CIARROCCHI: No, it's not. Not in my restaurant. No, not in any restaurant.

(Applause.)

COUNCILMAN KELLY: That's my point. And I'm sorry to say Coke. I should say Pepsi also.

COUNCIL PRESIDENT VERNA: Doctor, I think you may have answered the question. Thank you very much.

DR. SCHWARZ: Thank you.

MR. CIARROCCHI: I do like you, Doc. You can sit here any time you want. You're not my worst nightmare. You're just one of them; that's all.

COUNCILMAN KELLY: And I should

be -- it's St. Patrick's Day. I should be up there with your bartenders right now. You have to know that.

MR. CIARROCCHI: I agree.

Let me just say as a Philly native -- and I love this City, and everybody here knows that. I mean, I love the City of Philadelphia, and I think what we're doing here -- we have a lot of out-of-towners that come to Chickie and Pete's. They come to watch a game. Now that we know how much more the drink would cost in Philly than it would in the suburbs, the people come to Philadelphia, they come to go -- like they might be from Dallas. We don't like Dallas, but they come. That's fine, I'll take their money. But they come from Dallas and they say, Hey, listen, let's go to a restaurant, and then they get their bill and their bill says liquor-by-the-drink tax, ten percent; soda tax, 32 cents on a drink. They think you're gouging them. I mean, we don't have major industry in Philadelphia. We have hospitality. That is our number one industry in the City, is hospitality. You're going to take that away by gouging people, tourists?

I know we're better than Chicago, like I said before, but do we have that many more great things in Philadelphia that make you want to come here? Because we're going to gouge you when you want to go out and have fun and have a few drinks and come to the City and spend money, and then you look at your bill. These are educated people that fly around. They're going to look at -- they're not stupid. They're going to say, What kind of city is this? How do they -- why are they ripping me off? That's what it looks like.

I just think you're taxing the restaurant industry. It's not an industry that's kicking it out this year. We're having a tough time. The City is having a tough time. It's a recession.

We need to attract customers. We got to say it's a good deal to come here. We can't beat them up.

Now, as far as childhood obesity, I understand that, but I don't think you're going to price yourself out of childhood obesity. I mean, you're going to buy what you want to buy.

(Applause.)

MR. CIARROCCHI: Let me just charge you more and you won't have it. How about if I take a whip to you, too?

I mean, what's the difference? You're punishing people. You're punishing them and in one industry. Is there not sugar in other products? Is there not candy out there? I don't want to throw them under the bus and have the candy guys come and beat me up, but there's candy, there's cakes, there's a lot of things. Is it just one item? Is it the easiest target?

That's all I ask. I ask people to look at a business, think about the restaurant industry that's our hospitality, that are our open arms, that we're there to take all the tourists in and to entice people to come back to us. Or do we just want to sit here with empty pockets and say, The only people we can go after is these soda people, let's beat them up.

I think it's wrong. I think it was a little easy. And with all the great minds in Philadelphia, they can't strategically think of a better idea than going after one simple product?

I really have nothing else to say, but I hope they all listen to me.

(Applause.)

COUNCIL PRESIDENT VERNA: Are you going to testify?

MR. CIARROCCHI: No. That was just Joe Campbell. He was former President of the Restaurant Association and he is my confidant and a worker that works with me every day, and he would kick me if I said something wrong. And he didn't have to kick me yet.

MR. CAMPBELL: Not yet.

COUNCIL PRESIDENT VERNA: Thank you for coming in to testify. We appreciate it.

MR. CIARROCCHI: Thank you very much.

COUNCIL PRESIDENT VERNA: You're welcome.

Jerry Mondesire.

(Witness approached witness table.)

COUNCIL PRESIDENT VERNA: Good afternoon. Welcome. Please identify yourself for the record.

MR. MONDESIRE: I'm Jerome Whyatt Mondesire, President NAACP, Philadelphia Sun publisher. Thank you very much for this opportunity to speak. I know there's a very long list of witnesses, especially from the community, after me, so I'm going to keep mine very brief. I'm going to send you a written testimony tomorrow.

We just want to be on record as opposing the sugar/soda tax against beverages, number one, and also to oppose the tax on raising monies by taxing the refuse pick-up. But primarily today we want to speak about the sugar tax. We think it's an unfair levy to put on working-class people, poor people, especially those that we represent countless times in the City of Philadelphia.

We just had a workshop the other day on diabetes, which is a second or third killer now of African Americans across this country and in particular Philadelphia and all big cities. So we understand the obesity problem very, very well, but like the previous witness that just spoke, we don't believe that picking on the beverage industry is the right way to go. We've got to change young people's dietary habits and the way young people relate to their parents and learn how to follow good eating regimen.

Secondly, we also want to make it very clear that the beverage industry has been a strong supporter of the civil rights causes for more than half a century, and we wouldn't be in existence without strong labor unions, and both this tax would have a debilitating effect on these unions and this industry. And we want to make it very clear that we remember our friends, and when they're in trouble, we speak in their defense.

And so I just want to sum it up by saying please vote no on this levy and especially that it would have a terrible impact on jobs, especially on the inner city parts of this area, because where the Coke plant is, where the Pepsi plant is and other facilities that manufacture, we stand to lose countless jobs, and that's something we just can't stand.

Thank you very much for listening.

(Applause.)

COUNCIL PRESIDENT VERNA: Thank

you very much.

Lois Fernandez and Madeline Shakomba.

(Witnesses approached witness table.)

COUNCIL PRESIDENT VERNA: Good afternoon. I know you're going to have to leave very shortly and I do appreciate your coming in to testify. Please identify yourself for the record and proceed with your testimony.

MS. FERNANDEZ: Lois Fernandez, creator and founder of Odunde, Incorporated.

COUNCIL PRESIDENT VERNA: Please proceed with your testimony, Lois.

MS. FERNANDEZ: Yes. Thank you very much, Council President. I'm here to talk about and hopefully -- I'm going to try to be brief.

As a senior, I want to talk about the proposed tax, that new tax coming up for trash, that's going to be for us with us, it appears, forever, that as seniors, we can't afford it. And my position is, I'm asking you all to exempt we seniors from that, to exempt us from the soda tax. I mean, most of us are on limited income. I mean, seniors didn't even get a cost-of-living increase for our Social Security this year. And so where are we supposed to get this money?

You know, I know they're talking about obesity and diabetes and what-have-you, but not all of us have that. Not all of us have diabetes or are obese. I just happen to have RA, but I'm still hanging here. But the thing is is that we need to be exempt from this. I don't think that we should be taxed at all. We certainly have paid our dues through the years. We have served our city and this country, and so I'm asking Council to consider that.

You know, we do the festival, Odunde, and certainly we have vendors there, and you all know we celebrate our 35th year this year. We have a lot of vendors who do sell sweet water, soda water, and certainly this would be a disaster for them. Certainly we have supporters, Jerry said, from other things. We have support from Pepsi, from Coca-Cola. They support our community. We're getting ready to build a senior complex down there on Grays Ferry Avenue. We have support.

So I'm asking you guys to look at this, to consider this. This will be a disaster for many small businesses who try to survive in our neighborhoods. And so, again, I ask you to exempt we seniors from this tax at all, if it comes to be, for the soda and for those taxes for the trash.

Thank you.

(Applause.)

COUNCIL PRESIDENT VERNA: Please identify yourself.

MS. SHAKOMBA: My name is Madeline Shakomba. I represent North of Washington Avenue Coalition.

I'm not here asking for an exemption. I'm asking that the tax be not passed at all.

(Applause.)

MS. SHAKOMBA: I'm not going to talk about the sugar tax. Right now I'm talking about the trash tax. I see this as a process of gentrification, another method of removing working-class, low- and moderate-income people out of this city. You expecting to charge us --

(Applause.)

MS. SHAKOMBA: -- for our trash. Okay? That's what you're trying to do, charge us for our trash, and if we don't pay it, you're going to put a lien on our house. That's another method of trying -- if you can't get the real estate tax out of us, put another lien on our house for our housing so the Sheriff can sit it up there and sell it to somebody who got the money and these here middle-class -- these here so-called yuppies can come into our neighborhood.

(Applause.)

MS. SHAKOMBA: Okay. Right now we're having trouble trying to keep the low-income and the moderate-income people in this city. This is just the beginning in terms of your taxes. Right now we faced with electric tax -- not an electric tax. Increase in our electricity, an increase in our gas, an increase in the water bill with this water company coming down with this so-called storm sewage drainage. And next year, come 2011, we going to see a 50 to 100 percent increase on our real estate taxes. And don't tell me that's not going to happen, because it is. You just wait in time to come in there and slash us with another tax on our real estate taxes.

We're tired of this. You know, the money is there. I tell you where it's at. You want to know where it's at? In them ten-year tax abatements. You get rid of the ten-year tax abatement, you'll have the money.

(Applause.)

MS. SHAKOMBA: Right now they're building up here on Rittenhouse Square, 17th and Rittenhouse Square, 50 buildings worth $3.5 million with a ten-year tax abatement. You know how much money that is the City is losing in a year? And don't come with that sorry survey about how much money they bringing into the City, because they ain't bringing into the City no $14 million that you're losing every single year. That's just from those 50 houses. That's not counting the rest of them being made at Symphony House or that house down on Lombard Street that's selling for $4 million. I'm just talking about on Rittenhouse Square. That's $14 million that's lost, and you're going to tell me they bringing in that much money? If they were, your coffers would be full with money. You wouldn't be asking us to pay for the tax on trash. So that means they're not bringing in the money that your survey was supposed to reveal to us that they were supposed to be bringing in. Okay?

I'm also tired of the fact that -- I know a whole lot of businesses is here about your sugar tax. That's the least of my worries, about the sugar. I don't drink no sodas anyway.

COUNCIL PRESIDENT VERNA: Just a moment. You're going to have to speak into the mike, please.

MS. SHAKOMBA: But this tax on our refuse should not be passed. Okay? If you want to, go to every other week. Because I'm telling you, you pass that tax, you are after my home. And I'm a senior citizen, too. That $14 million that you are letting go on just those 35 houses at 17th and Rittenhouse Square is enough to pay the salary of at least ten first-year teachers. Okay? It's enough to pay the salary of maybe 20 to 30 people who receive minimum wages working at McDonald's. It's enough for senior citizens like me or others who may be receiving basic services, 50 to 60 of us could receive that money for a whole year, and you letting it slide out the door with this so-called ten-year abatement.

We're tired. Now, I'm going to fight you on it. I'm telling you, I'm tired. I don't know about you, but I'm ready to fight you on it. And come next year, you'll be running -- putting your name down for petitions to run for office. I think it's about time we start letting some of our own folks getting some things going around here. If you want to join me, my address is northofwashingtonave, A-V-E, coalition@gmail.com, because I am really sick and tired. I repeat: northofwashingtonave, A-V-E, coalition@gmail.com, because I am really sick of this. Okay?

Now, my solution, like I said,

is collect the trash every other week, because the only thing you're going to end up doing is have dirty streets, trash-filled lots and rodents and rats running everywhere if you pass this trash bill, because you cannot exempt senior citizens. Some of them only get $7,000 a year. Where they going to come up with $200? Okay?

I'm a Philly native too, and I love Philadelphia as much as anybody else. I was born and raised in the City, and I want to remain in the City, but at the rate you're taxing me out of here, I don't know if I'm going to be able to. And these taxes are all punishing just one group of people, the working-class and low- and moderate-income people and the older people. This is not hurting the rich and the well-to-do. That $300 that they're going to pay is like a drop in the bucket to them. After all, they getting a couple thousand dollars tax rebate from the City that they don't have to pay taxes on. So you're going to come up with $300 from them? That's a joke.

But at any rate, like I said, it's wrong, and you got to, how you say, get rid of the ten-year tax abatement and some of them other things you been granting to the wealthy, because only the wealthy can afford the ten-year tax abatement. Us poor folks, we don't got enough money to do rehab or new construction.

COUNCIL PRESIDENT VERNA: Thank you for coming in to testify. We appreciate it.

I do hope you can make your bus in time, Lois.

MR. McPHERSON: The next witness is Al Taubenberger.

COUNCIL PRESIDENT VERNA: And Joseph Bright will be next, if he would come up to the table too, please.

(Witness approached witness table.)

MR. TAUBENBERGER: Madam

President, thank you for the opportunity to speak before this Council. And as a German American, I was selected by the Northeast Philadelphia Chamber of Commerce to speak today on St. Patrick's Day on this most important occasion.

On behalf of our nearly 1,000 members, I respectfully urge you to vote no on the Healthy Philly Initiative, which proposes to tax at the highest rate in the nation on sweetened beverages, including soda, energy drinks and even chocolate milk. This onerous levy, which would add 40 cents to the price of a 20-ounce bottle of soda, for example, seriously threatens the livelihood of two major bottling plants in the North and near Northeast of Philadelphia, about 1,000 jobs as a result. Additionally, it places an unnecessary burden on small businesses, like grocery stores, diners, restaurants who offer sweetened drinks since their customers demand it.

I agree that there's ample

evidence that many of us should eat healthier. Probably one of them sits at this table. However, it appears overambitious for municipal government to legislate this, especially when it has been written that only 20 million of the 77 million in new revenues as a result of this tax will actually be spent on programs encouraging nutrition.

I recognize the precarious state of Philadelphia's finances and the desperate need to generate new sources of revenue. However, this proposal is shortsighted, potentially threatens jobs, which would further deplete tax revenue. I strongly urge you to vote no, and I thank you very, very much for the opportunity.

(Applause.)

COUNCILWOMAN TASCO: Thank you very much for your testimony.

Are there any questions of this witness?

(No response.)

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COUNCILWOMAN TASCO: Thank you very much.

MR. McPHERSON: Joseph Bright.

(Witness approached witness table.)

MR. BRIGHT: Councilpersons, good afternoon. I'm Joe Bright. I'm a tax lawyer, and I specialize in Pennsylvania taxes, and I write a great deal on the subject and study them in some depth.

I was asked to give my view/opinion whether this tax is preempted by state legislation, and I think the answer is yes. I was going to tell you it was preempted twice, but on the basis of testimony I just heard, I would say it's probably preempted three times.

The first time is by the sales tax. Pennsylvania imposes a sales tax on a whole lot of things, mostly tangible personal property, including soft drinks. This tax proposed is styled a privilege tax on selling the product at retail, but I rely on three authorities for the proposition that it duplicates and is, therefore, preempted by the sales tax.

The first is the City itself. The City says that the burden of this tax is going to fall on the consumer. That's the point of it. And all the talk and testimony we've heard about influencing consumer behavior and obesity only works if the tax is passed on. So the point is that the City says that the substance of the tax is to fall on the consumer, and that's exactly where the sales tax falls.

The second authority is, the leading writers and professors in the field of state taxation all agree that whether you impose a tax on a consumer purchasing a product or on the retailer selling the product to the consumer is the same thing. In other words, the substance of it governs.

The third authority is the Pennsylvania Supreme Court. We have, as you heard, a tax on liquor-by-the-drink. Before we had that tax, there was another tax which was struck down by the Pennsylvania Supreme Court as preempted, and the reason they said it was preempted was because there are two state taxes, a sales tax and a liquor tax, which are imposed higher up the chain. The proponents of the tax; namely, the City, said, Well, our first version of the liquor tax isn't preempted because that's at the low level of the chain and these taxes are higher up, and the Supreme Court said, We don't care. The point is, they are intended to fall on the consumer, precisely the same thing that the authorities that I cite say, precisely the same thing that the City says. So I think if the PA Supreme Court gets this case, this tax before it, it will say, We told you the answer once and this is now preempted.

Second preemption: We have a business privilege tax in Philadelphia and it applies, generally speaking, to all businesses. Prior testimony confirms that this would be a second business privilege tax. There is a doctrine that the Pennsylvania courts apply which says that when the General Assembly enters a field and legislates thoroughly, there is no room for local additions or subtractions. The General Assembly has occupied the field, you can't add or subtract. If that doctrine is applied here -- and I think it would be -- the tax would be stricken on the second ground of preemption.

The third ground, which I just heard today, is the tax evidently would apply to Coke in the rum and Coke, and that's already taxed by the ten percent by the drink tax, a second duplication. Now, I recognize that technically the drink tax is imposed by the School District, but only with the authority of this Council. So I think in substance, you get a third preemption, from what

I've heard today. Consequently, I would bet, if asked to make a bet, that it would fall if the case were challenged in the courts.

Thank you.

COUNCILWOMAN TASCO: Thank you very much.

Are there any questions of this witness?

(No response.)

COUNCILWOMAN TASCO: Thank you very much, Mr. Bright, for your testimony.

COUNCILMAN JONES: Madam Chair?

COUNCILWOMAN TASCO: Yes. Councilman Jones has a question.

COUNCILMAN JONES: Can you repeat the two grounds by which it would fall succinctly, because you gave a legal briefing.

MR. BRIGHT: Yes. Actually, as I say, probably three for the reasons that I explained. And let me preface by saying what I expect you all know, but it's worth repeating. The City can tax under the Sterling Act anything that the state doesn't tax. So if the state does tax something, the City can't do it, unless the General Assembly says so.

So here the grounds are the sales and use tax, which is imposed on soft drinks; the business privilege tax, which is a privilege tax imposed on all businesses, so you would now have a second privilege tax, second business privilege tax just on certain selected businesses; and the third is the liquor drink tax. So if you impose the sugar drink tax on the contents of the rum and Coke, you're taxing it twice.

So those are my three points.

COUNCILMAN JONES: All right. I just wanted to -- thank you so much.

MR. BRIGHT: Yes.

COUNCILWOMAN TASCO: Very interesting. Thank you very much.

Mr. Bruce Cox.

(Witness approached witness

table.)

COUNCILWOMAN TASCO: Good afternoon. Would you please state your name for the record and present your testimony.

MR. COX: Good afternoon, Madam Chairperson. My name is Bruce Cox. I'm a citizen of the City and County of Philadelphia. I'd like to speak on both the sugar tax as well as the proposed trash tax.

There are challenges which confront our achieving the intended outcomes with the proposed tax increases in their present form. If the consumers purchase the sugary beverages in spite of the increased costs, then the intended behavior modifications would not be achieved. If, on the other hand, it does not deter the consumption of the beverages -- it does deter the consumption of the beverages, then we may not produce the intended revenues.

Additionally, the trash tax

could impose an undue hardship on persons having fixed incomes. I would like to suggest an alternative option for supplementing a reduced trash and sugar tax.

A flexible levy option and obligation revenue or floor tax could be used, with modification, in conjunction with a trash tax and a tax on sugary beverages to minimize the impact the trash tax could have on persons with fixed incomes, such as the elderly and disabled, as well as minimize the impact the sugar tax could have on the beverage industry.

This revenue could be produced through the City offering additional services, such as police foot patrol beats, at the taxpayers' request for pre-determined periods, or additional trash pick-ups for large events or pick-up of bulk or disposable refuse, at the taxpayers' request. These services could be paid for either at the onset of the request for these services, it could be paid at the conclusion of the service for a specified pre-determined period or it could be disbursed throughout the fiscal year.

These services would raise revenues while also giving the taxpayer the flexibility to choose their tax expenditures. The taxpayer could -- the intent of these programs are to offset tax discounts or exemptions for businesses and qualifying individuals and distribute the cost over a broader segment of those persons benefiting from City services.

The drawback of this floor tax is that while it may be -- constituents may take advantage of this unique opportunity, no one is compelled to do so. Consequently, it is recommended that this floor tax would be implemented in conjunction with a reduced trash tax and sugary beverage tax.

This proposal is not intended

to suggest that a decrease in the quality or availability of the standard services which Philadelphia citizens have come to rightly expect. Rather, for those persons or entities who desire to avail themselves of this option, it produces a flexible opportunity to obtain needed services while managing tax expenditures.

Thank you for the opportunity to speak.

COUNCILWOMAN TASCO: Thank you very much for your testimony.

MR. McPHERSON: Our next witness is Rudolph Wallace.

(No response.)

MR. McPHERSON: Mr. Wallace?

(No response.)

MR. McPHERSON: Andrew Weikert?

(Witness approached witness table.)

MR. WEIKERT: Good afternoon. My name is Andrew Weikert and I'm here representing Auntie Anne's hand-rolled soft pretzels and our stores located in the City at 30th Street Station, Cheltenham Square, Franklin Mills, the Shoppes at Penn and Philadelphia Airport. Our Auntie Anne's locations provide customers with a variety of pretzels, dips and, of course, a range of beverages, including soda and our famous proprietary lemonade product.

I came here today on behalf of our franchisees in the City to urge your strong opposition to this tax. When we've analyzed the legislative language on this, it comes out to -- it would increase the price of a 21-ounce soda for our customers by 48 cents, and for the lemonade, which frankly is one of our biggest sellers in the beverage line, it would increase the same 21-ounce cup of lemonade by 72 cents that the consumer would have to pay on top of the price that they pay right now.

At those levels, there's no question at all that this tax is going to seriously suppress demand for beverage products, and when you consider that, we are concerned about the investment that our franchisees have made in the City and also the jobs that they are providing in the City.

We talk to our franchisees all the time. We say, Whatever you do, take care of your employees. They're your most important asset. They're the ones who are going to make your business successful or not. You know, do everything you can to take care of your employees and support them. A lot of times for franchisees, that could mean healthcare benefits that they buy for their employees, all kinds of things. We encourage them to pay as competitively as they can. And this type of thing is going to hit a large -- the beverage mix is a large percentage of your overall sales in any retail food operation and this is seriously going to hit profitability and our franchisees' ability to take care of the employees the way we think they should.

On the other side, we're also worried about our customers. These are products that our customers love. We just put out on -- we have a rather large following on Facebook and Twitter, and we wanted to get their feedback on this. We put out some things yesterday to try to gauge their response. So we're still waiting to see what they say, but we're asking them to tell us what they think about this, and we're pretty sure that when they start -- when the responses come in on those websites, we're going to find that they're not happy about this at all.

So for the sake of our customers, for the sake of the employees who work in Auntie Anne's stores in the City and, of course, for our franchisees who made significant investments in the City, I ask you to please oppose this very, very steep tax on sweet beverages.

Thank you very much.

COUNCILWOMAN TASCO: Thank you very much.

Councilman Greenlee.

COUNCILMAN GREENLEE: Very quickly. As I see your business, you are kind of limited in what you sell. You just sell a few things basically, right?

MR. WEIKERT: Yeah.

COUNCILMAN GREENLEE: Pretzels, your drinks, that kind of thing. So if this tax was imposed, you wouldn't, in a sense, have the ability that a lot of other stores would have of spreading it out, because you only have so much to spread, right?

MR. WEIKERT: Well, that's right. I mean, our principal product is the pretzel, and being that it's our core product, we just can't put up the price on our core product. It's already, since it is such a great product, it's already a premium price as it is, so there's not a lot of ability there to push that out much further. So the price would have to be added to the drink.

COUNCILMAN GREENLEE: And I guess that would also put you at a disadvantage of other businesses that are also selling drinks that may have the ability, if they so choose, to spread it out among more products?

MR. WEIKERT: Yes. It would be a clear disadvantage.

COUNCILMAN GREENLEE: All right. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you very much for taking time to come down to testify.

MR. WEIKERT: Thank you.

COUNCILWOMAN TASCO: We appreciate it very much.

MR. McPHERSON: Our next witness is Anne Croisier.

(Witness approached witness table.)

DR. CROISIER: I was going to present this in paper form, but somebody stole my flash drive at the Lucien Blackwell Library, so I'm unable to. I e-mailed all of City Council and the Mayor's Office about this.

I was going to talk about the soda tax and the trash collection fees. I'll probably just have time for the soda tax.

Anne C. Croisier, Ph.D., MBE.

I think what we should do is what the State of California did about 15 or 20 years ago, and, that is, have a junk food tax, apply it to food substances in addition to beverages and include all beverages, except water and 100 percent fruit juice. As I learned at the Bally's Total Fitness 1995, the only drinks that are really nutritious are water and 100 percent fruit juice. A lot of other beverages -- milk is nutritious, but a lot of other beverages are really bad for you. And all soda is bad for you, even diet soda, because sodium makes you gain weight. I gained a lot of weight from drinking diet soda. And I think it would spread the burden a lot more fairly across the industry and be taxed at a lower level if we could -- the standards could be set in terms of things like trans fat, which is bad for you, saturated fat, fried foods, high levels of sodium. Like if sodium was more than, say, a thousand milligrams per serving or something, perhaps it could be taxed. White carbs are bad for you. White carbs really blimp you out at your midsection. I know that. Trans fat is really bad for your health. Sodium is bad for heart disease, and, of course, sugar, high levels of sugar, are bad for you and bad for diabetes, and perhaps the standards could be set like that.

You can't single out cheese steaks or Tastykakes or things like that, but if the standards could be set, perhaps by Dr. Schwarz, the Health Commissioner, and by medical standards or nutritional standards, like the existence of trans fats or the existence of saturated fats, because monosaturated fats are good for you, like olive oil, canola oil and like almonds. Like that's one of the best sources of good fats.

But I really think there could be a broad-based tax, because they did this in the State of California 15 or 20 years ago, and that way, the percentage of the tax could be lower because it would be spread to food items and also to beverages.

I really think that a lot of emphasis should be put on educating the public, educating the public, and in a better economy, give fast food restaurants and grocery stores tax breaks for selling nutritious foods. That would really encourage them. In a bad economy you can't do that.

I gained 30 pounds since July eating fast food. Not because I wanted to; because I had to. I know what I'm supposed to eat. I cannot afford to.

I'm living $3,500 a year above the poverty line, when the 25 percent -- $25 a week Obama stimulus comes off unemployment in July, I'll be $2,500 above the poverty line.

I know what to eat. I can't afford to eat right. My only source of money for food is food stamps, but there's a lot of people have it far worse than I do.

And my trash collection fees, if I have enough time to talk about that, the City is very deeply impoverished. I think perhaps the Mayor's team of advisors, I know they know that the City is impoverished. I don't know if they fully understand how deeply impoverished it is and how needy citizens are of its services who live below the poverty line. There are citizens living 50 percent below the poverty line. In Cobbs Creek there's a housing complex, Cobbs Creek Apartments, you have to be 50 percent below the poverty line to get in there.

Imagine people living on $5,000 or $6,000 a year.

I think the trash collection fees, we should exempt those below the poverty line. We should make it a gradational system, say one to two percent of the -- one to two times the poverty line have $120 a year; two to three times the poverty line, 240 a year; three to four times the poverty line, 360; four to five times, 480. It's far more costly to do a graded system, gradational system, than it is just the 200 and 300, but in terms of social equity, it might be a lot better. The thing is, it might be too costly to administer. I fully realize that.

And the cost to implement a junk food tax, do it on all food items across the board and beverages and food items that are not nutritious for you. That would be very costly to implement and administer.

I think a lot of emphasis

should be placed on education, educating the public about what's nutritious. I've noticed like in impoverished areas, people eat a lot less healthy. I think it's not only because they cannot afford to eat right, they don't know how to eat right.

I worked at Independence Blue Cross in the past three and a half years until June of last year and I learned that 50 percent of health conditions can be prevented through proper diet and exercise. We could really encourage the public to eat right because of the cost of the healthcare system, hospitals and insurance companies. It's a huge cost.

COUNCIL PRESIDENT VERNA: Thank you so much for your testimony.

DR. CROISIER: Thank you.

COUNCIL PRESIDENT VERNA: Our next witness?

MR. McPHERSON: Our next witness is the Philadelphia Coalition for Essential Services, Sherrie Cohen, Stan

Shapiro, Jonathan Stein, the Reverend Jesse Brown and Anthony Oliver.

(Witnesses approached witness table.)

COUNCIL PRESIDENT VERNA: Good afternoon. Welcome. Thank you so much for your patience. Nice seeing you again. Please identify yourself for the record and proceed with your testimony.

MS. COHEN: Thank you. Good afternoon, Council President Verna, Councilmembers. My name is Sherrie Cohen and I am the Coordinator of the Philadelphia Coalition for Essential Services, a coalition formed in the winter of 2009 to fight for and save essential services from Mayor Nutter's proposed budget cuts.

Through direct action and community-based policy development, over 35 organizations have worked together in a labor-community alliance to demand that the City budget not be balanced on the backs of poor and working people, that revenue problems be fixed with equitable revenue solutions, not detrimental spending cuts that would hurt the most vulnerable, and that effective alternatives to incarceration for non-violent offenders be used so we can stop the escalating Prison budget from devouring the City budget and instead use these funds to increase prevention, treatment and reentry support services in order to reduce recidivism and renew our communities.

We are here today to provide context to the current economic crisis, to oppose the trash fee and to propose fair and equitable revenue solutions.

First, in addition to the fact that we are facing the worst recession since the Great Depression, let's not forget that Philadelphia began a tax reduction policy in 1996 that did not end until last year.  Our current Mayor was the most ardent proponent of it.  These reductions to the business privilege tax and the wage tax have drained our city's coffers of over $1 billion in revenue during this period. The people of Philadelphia and all of our city's institutions and infrastructure are still reeling from this loss of revenue. It is important to recall this history, because the Mayor is again proposing to soon reinstate these wage and business privilege tax reductions.

Second, we oppose the trash fee as a regressive tax that disproportionately impacts poor and low-income Philadelphians. Though it is two-tiered, it is still basically a flat tax that is not based upon ability to pay. Nor is it intended to decrease trash and increase recycling, because it is not structured as a pay-as-you-throw tax. It is a backdoor property tax in a property tax system that is highly inequitable.

It is even a greater burden for those who cannot pay it, because hidden within it are the interest and penalties and possible other collection costs and fees from privatized collection agencies when the fee is not paid.

We also oppose one alternative that has recently been suggested, an increase to the property tax. The current unreformed real property tax is also regressive and discriminatory. Forty-four percent of homeowners would pay less under a reformed real property tax, and these are primarily homeowners who are low income and people of color. There should be no increases in real estate taxes until there are reforms and assessments and circuit breakers in which the share of income paid in property taxes is taken into consideration and homestead exemptions for low-income Philadelphians.

On the issue of the tax on sugary drinks, our members are split. Though the tax is a regressive one that disproportionately impacts poor and low-income Philadelphians, should the tax succeed in curbing consumption of these drinks, it would have an important public health benefit. Members of our panel today may be expressing their individual or organizational positions on this tax, but it is not the position of the Coalition.

The City budget that we demand is one that is based upon fully funded excellent City services and progressive taxes that are based upon a person's ability to pay. There are progressive alternatives to the regressive trash tax the Mayor proposed.

First, we must close corporate loopholes and preferences. The business privilege tax now gives preferences to banks, utility companies and insurance companies. These preferences must be ended. We demand to know from the City Administration how much revenue we are losing from these preferences.

And, Council President, if we

could ask the Administration to speak about that right now in response.

COUNCIL PRESIDENT VERNA: I think that's a state matter, isn't it?

Is Mr. Dubow here?

(No response.)

COUNCIL PRESIDENT VERNA: Mr. Dubow had to leave to make a very important phone call. He should be back probably before you leave.

MS. COHEN: Okay.

Second, we should convert the City wage tax to a City income tax that would tax both earned and unearned income. This would replace both the wage tax and the inefficient and unenforced School District property tax that does not tax all unearned income. The City could establish a higher rate on unearned income, which would make the tax more progressive. We demand to know from the City Administration, and we'd like to know today, how much revenue we are losing from not having a City income tax.

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Third, the City's property tax abatement is unfair and must be ended. It is not targeted to meet the need for affordable housing in the City. It is forcing the City to make up the losses through major tax increases on all other residents of the City, including many low-income and fixed-income homeowners, and it denies the School District needed revenues from property taxes. We demand to know from the City Administration, and we'd like to know today, how much revenue we are losing from the City's property tax abatement.

Fourth, our major hospitals and universities must contribute "Payments in Lieu of Taxes" to the City. These institutions like Penn and Jefferson pay no property tax, yet benefit from the services provided by the City. The Daily News published an excellent article by Anthony Campisi on Friday, March 5th, entitled "City Has Seen Its PILOT Light Go Out." The article stated that last year only 17 institutions contributed a total of only $686,922 out of a $3.7 billion operating budget. Whereas, in 1995 when the PILOT program began, 46 non-profits agreed to pay a total of $9.4 million annually. Last year, the highest contributor was one retirement community, Cathedral Village, with a $275,000 contribution. Yet the University of Pennsylvania with its $5 billion endowment paid zero, as did Temple, Drexel, St. Joseph's, Children's Hospital of Philadelphia. The entire Temple Health System paid only 5,000 for each of its three hospitals last year.

With all of the City's educational and medical institutions not contributing their fair share to our city, is it any wonder that Philadelphians have the poorest health of any county in the state and a failing educational system where only about one-half of our students graduate high school?

Fifth, there is a way to bring in more revenue through the gross receipts tax and exempt most of our city's businesses from that tax at the same time. Stan Shapiro on our panel will be speaking more about this.

There are so many ways we can increase revenue and equity at the same time in our city. Let's create a just and equitable budget with full funding for excellent services paid for by fair and equitable taxation. Let's also make sure that in the upcoming City contracts, our City workers are provided fair wages and benefits.

Now that the Mayor's budget is in City Council's hands, we demand City Council preserve our essential services and fund these services through fair and equitable taxation.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you. Sherrie, I would suggest that you make an appointment with the

Administration so that they could respond to the many questions you had.

MS. COHEN: Okay. Thank you.

COUNCIL PRESIDENT VERNA: You're welcome.

Councilman Jones.

COUNCILMAN JONES: I don't want to interrupt, and we have an aggressive witness group, but could you repeat that about Cathedral Village, which happens to be in the 4th District?

MS. COHEN: Cathedral Village? It is the highest -- it provided the highest amount of "Payments in Lieu of Taxes" last year to the City. It paid 275,000 higher -- I mean, the University of Penn paid zero, Temple paid zero, most of our hospitals and universities paid zero, but Cathedral Village paid more than anyone else.

COUNCILMAN JONES: Duly noted. We're going to get some answers to that one.

Thank you.

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COUNCIL PRESIDENT VERNA: Stan.

MR. SHAPIRO: Good afternoon, Madam President, members of Council. Nice to be here again.

COUNCIL PRESIDENT VERNA: Nice seeing you.

MR. SHAPIRO: I actually wrote "good morning," Madam President, but that would be defunct.

I'd like to start actually by thanking Mayor Nutter for opening up a discussion of how the business privilege tax can be truly reformed rather than destroyed, because, as you know, his proposal to tax sugary drink adds that tax to the business privilege tax, an idea that's rather novel.

So BPT reform doesn't necessarily mean just cutting that tax. Indeed, there are ways to reform it that can both cut its impact and those who are unfairly hurt by it, raise the rates on those who can afford it, and obtain more revenue for the City. And with that revenue, we can reduce or eliminate the need for one of the most regressive taxes that has ever been proposed in this Council, the Mayor's proposed trash pick-up fee.

For years we've heard that the BPT is the, quote, "job-killing" tax and that we will need to soon roll up the sidewalks of Philadelphia unless we repeal it. Well, the "repeal it" fever has subsided recently as we've come to realize the size of the revenue hit repeal would bring about. But the Mayor still insists on resuming across-the-board cuts in the gross receipts portion of the tax in 2013 -- will end on both sides of the tax -- even if services remain at the sharply reduced levels he cut them to last year. Presumably, the lost revenue from resumed BPT cuts would be made up in part by the trash tax the Mayor has proposed, a result that would tilt our tax base in a decidedly more regressive direction.

We are definitely against that. There are better ways of dealing with the business privilege tax.

For instance, the City could provide a credit of the amount of gross receipts tax paid by businesses against their net income tax liability. That would benefit local businesses that actually pay the net income tax, which not all businesses do. Companies that either hide their net income or are not located in Philadelphia and earn no net income here would have nothing to apply the credit against and so would continue to pay the gross receipts tax. Thus, companies that actually locate in Philadelphia would obtain a competitive advantage over non-resident companies or at least give companies less incentive to hide the fact that they earn net income here.

Another alternative reform to the BPT would provide an exemption from the gross receipts portion of some amount of receipts, say $500,000, which would essentially abolish the gross receipts tax for about 85 percent of all taxpayers, all of them small businesses.

Why should Council consider doing one of those things? Because as we know, small business is the driver of the economy, and relieving small businesses of the burden of paying the gross receipts tax is the smart thing to do. But the City needs revenue, and we can't just cut the tax for small businesses. However, if we shield these businesses, we can roll back recent rate cuts without imperiling those businesses, and much of that rate increase would fall upon businesses that are not resident in Philadelphia, many of which employ few or no Philadelphians and that are larger businesses with the capacity in earnings which would enable them to pay that tax.

The existing rate is a low rate of tax. It's a mere 1.415 mills, down from 3.9 mills 20 years ago. It has already been cut by two-thirds. A few years ago based on 2005-2006 data, which I've attached, by the way, to the testimony, CES estimated that rolling the tax rate back to its 1998 rate of 2.875 mills would raise $69 million per year, even exempting the first half million dollars of receipts.

Of course, there is great opposition to rolling back recent cuts in the GRT. For some reason, the common wisdom is that the GRT is a particularly onerous tax, one that must be charged whether a business makes money or not. Well, that has never been true across the board. Retailers, wholesalers and manufacturers all have special rates enabling them to deduct the cost of labor or goods or both of them before they compute their tax. So-called regulated businesses - banks, insurance companies and utilities - pay only the gross receipts tax capped at the net income rate of the tax. So if they have no net income, they do not pay tax. They do not pay gross receipts tax.

The authorizing statute is not only rife with exceptions to the general rule that all companies must pay gross receipts tax even if they have no net income, but it gives this body, Council, explicit power to expand the list of companies that can pay less than the full tax. It does this in two places. First, the general authorization to tax at 53 P.S. 16184 Subsection (a) imposes the tax on every business except those, quote, that are "exempted or excluded from the payment of tax by an ordinance of the city council of a city of the first class." This Council. So that's a provision that allows Council to exclude businesses per se from the tax. And, of course, Council has used that authority to exclude port-related businesses and certain technology-related businesses from the tax.

Second, Council has broad

authority to exclude certain receipts that are otherwise taxable under the gross receipts tax. Indeed, that power is very broad and comprehensive, as it can exclude, quote, "all or a portion of such allowances, costs, moneys or credits as it chooses to specifically exclude." Using that authority, Council has enacted a variety of credits to the tax, including credits for contributions to CDCs, for job creation, for investments in green roofs and for hiring ex-offenders. There is no reason why credits or exemptions can't be added that would simply make the tax more fair to small businesses across the board, perhaps exempting a working capital allowance, for instance.

Here is another suggestion. As you know, the City can tax anything that is not subject to a state tax or fee. Council can impose a sales tax on some or all of those items that are excluded from the state sales tax. These include such things as the sale of gold bullion, rail transportation equipment, accounting services, ship cleaning materials, interior office cleaning services and the sale of airline tickets. These and other items excluded from the state sales tax could be taxed locally without burdening low-income residents.

Finally, if a tax as regressive as the trash pick-up fee is going to be enacted, offsetting tax relief to low-income folks should also be enacted. The Cohen Tax Rebate has been sharply cut back and postponed until 2013. No one questions its legality. Bring that tax credit forward to next year. Or enact a real estate circuit tax breaker that would reduce the real estate tax for the same class of people eligible for the Cohen Rebate. Or finally pass a tax measure that gives relief -- or finally this Council could pass a tax measure that gives relief to long-term homeowners living in gentrifying neighborhoods.

That tax exemption has long been in force as an authorized tax by the state. This Council could enact that for next year.

Council last year came up with its own tax package. Hopefully it will do so this year and do so in a way that protects the poor and unemployed, who simply cannot afford more and more burdens being imposed on them in an economy that is threatening them with ever-growing hardships.

Thank you for your time this evening and I would be happy to answer your questions.

COUNCIL PRESIDENT VERNA: Stan, what is your position on the sugar tax?

MR. SHAPIRO: Personally, I'm opposed to it. As Ms. Cohen has indicated, CES has not taken a position on it. But I do think that it will not actually impact on consumption and I think that it's a regressive tax.

COUNCIL PRESIDENT VERNA: Thank you.

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Our next witness?

MR. BUTLER: Good evening, Madam Chairman. My name is Andre Butler from the Philadelphia Unemployment Project and I'm a member of CES, also a member or TURN, Tenants Union Representative Network, and I am basically here speaking amen-ing everything that Stan and Sherrie have already said, because most of our clientele is poor, under class, low income, unemployed. And for the most part, regrettably to me, most things that this city -- often times this body look at when it comes to raising money is taxing the least of these. It seems to always be taxing or surcharging the least of these. And as Philadelphia continues to unfortunately have an increase in the poverty -- number of people who live in poverty every single year, now we come with a regressive trash tax, which you could say it's everybody to pay, but still you have an unfortunate increase every year of people who are living at or below the poverty level.

Our organization sees people every day who are facing foreclosure, in foreclosure, being evicted, unemployed, trying to get on their feet, and whenever they seem to try to get on their feet, here comes something else stopping them. So I would just ask this body to look at and examine maybe, once and for all, if we're going to try to straighten the situation, try to look at progressive taxation as we tax those who have the ability to pay more than those who have the least ability to pay. And we're all in this together, but still, let's not try to be looking at always taxing and charging the least of these.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Good afternoon.

REVEREND BROWN: I'm Reverend Jesse Brown. I'm also a member of the

Philadelphia Essential Services Coalition, and I also oppose both taxes, both the trash tax and the soft drink tax, but I also want to raise a number of concerns.

My colleagues have given testimony to ways in which we can do revenue generation. I have a more social concern on whether or not as we attempt to implement these taxes, that we are seriously looking at their impact or simply want to raise revenue. And why I ask that question is because sometimes, as in this particular case, the soft drink tax has been masqueraded as if it is a public health initiative and that somehow it's going to improve our public health or decrease obesity in the City. The reality is that, of course, if such a tax were seriously going to do that, then far more money would have to be placed into the process in order to reduce obesity in the City and reduce possibly our healthcare costs. But that's not why that's just a tax. It's there to raise revenue, not as a public health initiative, pure and simple.

And on that alone, knowing that the least of us are going to be those that are going to have to pay the price for that, that should be opposed. But I'm also concerned that last year when we were sitting at this very table, having these very discussions, it was clear that Council got the message that the City did not -- the people in the City did not want to raise property taxes. Yet, we come out again with another property tax proposal. You can call it trash if you want to, but it's a property tax revenue generator.

I'm just wondering, President Verna, when will we have serious discussions, not just in the heat of budgets but outside of this, to discuss what revenue generation we ought to be engaged in, look at all of the sources of revenue generation that can be done and do it not just with Councilmembers, but collaboratively with the community.

As you heard Stan's testimony -- he is pretty sharp on this stuff and has studied a number of ways in which revenue generation can be done. When will we have those kind of serious discussions?

COUNCIL PRESIDENT VERNA: I think I had suggested to Sherrie that she communicate with the Administration. I'm sure the Administration would be very happy to respond to her many questions, and I think that if that's what you're interested in, that issue ought to be taken up with the Administration also.

REVEREND BROWN: And I hope we will -- I'm sure Sherrie and this Coalition will certainly communicate that --

COUNCIL PRESIDENT VERNA: I'm sure she will, believe me.

REVEREND BROWN: -- with the Administration.

But I want to conclude with this notion, that we need to raise revenue, we need to sell the City as the great city that it ought to be. Even in the midst of recessions, we still can sell this city as a great city and get more people involved, but we must also take care of the residents and the people who make this city great and not simply continue to heap the burden of responsibility on their backs and their backs alone.

We need to look at fair and equitable taxation issues. And I would like to see City Council and the Administration go to the state and start talking about getting authority to be able to do progressive taxation, which, of course, will raise -- can raise revenue for Philadelphia. I would like to see that aggressiveness used for that as it has been used to try to sell us a boondoggle that somehow we're going to change the health outcomes here in

Philadelphia by imposing some kind of tax.

COUNCIL PRESIDENT VERNA: We have heard you loud and clear. Thank you very much.

Good seeing you, Sherrie.

Any questions for this panel?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, our next witness will be?

MR. McPHERSON: Shelly Yanoff.

COUNCIL PRESIDENT VERNA: Thank you again.

(Witness approached witness table.)

COUNCIL PRESIDENT VERNA: Good evening.

MS. YANOFF: Good evening.

COUNCIL PRESIDENT VERNA: Please identify yourself for the record.

MS. YANOFF: I'm Shelly Yanoff. I'm Executive Director of Public Citizens for Children and Youth. We are the region's major child advocacy organization. Thanks for the opportunity to speak tonight and for the announced plans to have more public hearings on the budget. I am here to testify concerning recommendations for securing funds needed to balance that budget.

We want to acknowledge the difficult situation the City and all of us are in due to the economy and to commend the overarching spending plan that reflects your, this Council's, insistence last year not to cut vital services.

Within the framework that recognizes that libraries, recreation centers, health centers, services to the most needy not endure further cuts and that all segments of society should bear a fair share of the burden, we recommend the following:

Number one, the use and application of new real estate abatements needs to really be reexamined. Limit them in number, scale and duration, and graduate their exemption. For those fewer abatements that would still exist, we recommend that, for example, a five-year abatement could provide 100 percent tax relief in the first year, 75 in the second, 50 in the third, 25 in the fourth, to zero. In that way, we would not only have the wealthiest among us paying a fair share of the cost that the rest of us bear every day, but also it would enable these Philadelphians to avoid facing the huge cliff that will happen to them when their tax abatement ends and they then have to meet to pay full taxes.

Bring back, please, and reinvigorate the PILOT, Payment in Lieu of Taxes, from the large universities, hospitals, large non-profit property holders. As Sherrie spoke about earlier, most of our large institutions pay zero. Somewhere over 25 percent of all our properties in Philadelphia, in addition to the abatements described above, are exempted from property taxes. Other cities secure voluntary agreements, voluntary, with these large land owners. Boston University contributes $5 million every year to that city. This city secures virtually nothing. Smaller cities in Pennsylvania, like Scranton and Erie and Pittsburgh, are somehow able to spread the responsibility and to receive more adequate funding than we do.

We understand that many of our big universities will argue that their employees pay wage taxes to the City, but so do we all, businesses as well as non-profits. It's time that these hugely successful institutions help support the City as good corporate citizens by voluntarily entering into agreements and supporting a fair share of the City's costs.

Councilman Jones, the list that Sherrie referred to of the non-profits and what they pay is attached to my testimony in the back.

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We do support some tax on sugary drinks. The New York Times just yesterday reported on a new study that taxes on soft drinks contributed to healthier young adults. This is but the latest in many studies that note that sugary drinks are not healthy and contribute to obesity. We do have an obesity problem, so taxing something on these drinks would help us, and the taxes would help us as well.

I want to remind Council -- and, Council President, you remember this well. When the cross-the-bar liquor tax was in this Council, there were so many strident voices predicting the end of small tavern owners, the end of employment in the bar industry, the end, and they also predicted that the money would not -- was not near as much that would come in as was projected. Well, all those predictions were wrong. The bar owners did not close, the employment did not cease, and $20 million annually, increasing every year, has come in for the schools.

Due to the cumbersome way, however, that this tax on sugary drinks has to be collected, it may indeed result in smaller stores being unable to have the accounting mechanism to track the purchases. We ask, therefore, that you consider exempting small mop-and-pop stores as the tax is phased in.

Apart from taxing the wealthy by reshaping abatement and PILOT policy and the unhealthy sugary drinks, we also recognize that all of us will have to bear some increase in order to keep our city whole. We hope it's temporary, but we know we must do this. We recognize that most places outside of the City do charge for trash collection, and we would not oppose it in general, but we are concerned that applying the same tax on all, no matter -- that flat tax, no matter their income or property value, would be unfair. We would, therefore, ask that you consider a very small increase in property tax as a less regressive tax, not because we believe the property tax is in good shape at this point, but because it is broader and general and will hopefully hasten the time when we can indeed have more confidence in the assessments of our properties. Until we have a new system, we'll have to all pay into the old one. Therefore, adding a new fee will not distort the process any more than it's currently being distorted.

We do ask that you consider that we begin -- every year we ask that you consider an income tax instead of a wage tax and it's always too late, so let's start it now so that by next year this time, we can have it in place.

We ask that you do all you can to fix the property assessment system as quickly as possible. It is currently recognized to be neither fair or equitable, which, once again, diminishes the message that we are all in this together and we have to all pay for our fair share.

Again, I conclude as I began, thanking you for recognizing that we cannot cut our way out of this crisis, which is affecting every municipality across the country, and that taxes are the price we pay to live in a civilized society.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Any questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Thank you very much.

MR. McPHERSON: Our next witness is Tracey Gordon.

(Witnesses approached witness table.)

COUNCIL PRESIDENT VERNA: Hello. Welcome. Please identify yourself for the record.

MS. GORDON: My name is Tracey Gordon. I'm here representing Southwest Concerned Citizens. And this is Maurice Jones. He's part of our coalition as well. So I'm going to let him speak first.

COUNCIL PRESIDENT VERNA: Maurice Jones?

MS. GORDON: Yes.

COUNCIL PRESIDENT VERNA: Fine. Thank you.

Please proceed.

MR. JONES: Good afternoon, Madam President. I'm a resident of Southwest Philadelphia, single father of a first grader in the public school system. I just wanted to give my views on this whole dialogue about the sugary tax.

I don't have a particular professional knowledge on whether this is going to be an aggressive or progressive or whatever type of tax it is, but I know from direct knowledge of participating in the school -- I'm the Home and School President, I serve on the leadership committee, I attend every staff meeting, I participate in actually the budget. We just had a budget last week meeting at Southwest Philadelphia School District where we -- I participate in working to develop the budget for the school. I've also been 20-some-odd years in business. I understand budgets. So I know that there is a big issue with trying to close the gap that we have in the City.

A lot of people are having some issues about this tax, but I know from direct knowledge of what the sugary drinks do to the kids. I participate in something called School-Wide Positive Behavior Support, which is a program with the Philadelphia schools and actually across the country, and what we do is address any of the issues that the children have by using positive behavior support. We have found that -- we examine the pink slips that come into the school, the times that they happen, the reasons that they're happening, and a lot of the times are consistently certain times. And then we search with the parents, find out what's happening with the child, and a lot of it is linked to diet. A lot of the kids are crashing at 10 or 11 o'clock and they're having issues of -- behavior issues, paying attention, et cetera, because we're finding that a lot of them are eating or drinking sugary drinks before they come to school. That seems to be a major issue.

Now, I understand that the business owners have a problem with any type of tax that addresses that, and a lot of people say that it is a tax on the poor, but any type of pleasure type tax, whether it be cigarettes or the sugary drinks or et cetera, are going to affect the poor, because they're inclined to buy those, because that's the cheapest thing for them to buy. The healthier products are priced at a higher price point.

I know that, being in retail business for many years, I know the gross profit on the fountain drinks, and you had a huge gross profit on the fountain drinks and that's where a lot of the businesses make their money. There is leeway in there for them to make money, but I think that the tax -- I approve of the tax, but there should be some more development and some more review of how extreme it should be. The two cent per ounce may be a little high, but there should be some more development into that to figure out where exactly it would be beneficial to the City and also to the business owners. The money has to be gotten from somewhere. But I'm just here to address how it affects the student body that I participate in.

Thank you.

COUNCIL PRESIDENT VERNA: Mr. Jones, what opinion do you have of the trash issue?

MR. JONES: The trash fee, I talked to a number of people in different places across the country, friends and colleagues, and I find that across the country, we are -- our city gets a lot of things free and there's a lot of fees that other cities pay far more than what we pay. But this is a problem at this time because of the economy, because of people losing jobs, and this is going to affect them. At any other time I don't think that this would be as big an issue.

Any time you levy something on Philadelphia, it seems that a lot of people feel that it's an aggressive tax on them or if it's additional real estate tax on them, they feel that it's out of the ordinary, but I have friends in Colorado and Florida, et cetera, and they almost laugh at me when I say that we have to pay an extra $300 for trash pick-up.

But at this time, I think that

it's an issue because of the amount of unemployment. People are catching up now, and if it's something that can be looked at down the line, I think that that would be better, but at this time, it seems like it's the wrong time.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Tracey.

MS. GORDON: Yes. Again, my name is Tracey Gordon from Southwest Concerned, and I remember this time last year I was in here shouting, What about the trash, and I didn't know tax was going to be on the end of it. I might have said what about something else.

As you know, Councilwoman, I'm very concerned about the quality of life and health issues regarding trash in our city, most particularly in our district, the 2nd Councilmanic District.

For the record, I do want to thank you, because I believe had it not been for you and your delegation, I wouldn't have had the opportunity to make my environment look, I would say, 100 percent better.

COUNCIL PRESIDENT VERNA: Great.

MS. GORDON: So thank you for that.

COUNCIL PRESIDENT VERNA: You're welcome.

MS. GORDON: I also would like to thank the Streets and Sanitation Department, because they have been working with me. And I know I get on they nerves, but they've been patient with me, and if you come within a 12-block radius of my home, you will see a significant difference, and I believe that significant difference is contributed to the fact that we are aggressively giving people citations for not wanting to pick up the trash that they put on the ground. Irregardless of whether they put it there, if it's in front of their property, that's a problem.

So I'm not here -- I'm basically here to say that under no circumstances do I hope anybody in Council decide to decrease any of our services, but my problem that I'm having through my research is the lack of aggressiveness and -- not just this Administration, but Administrations in the past and I believe it's going to be Administrations in the future, which lies into Council indirectly, because most Councilmembers have been here for years and they get reelected and reelected and reelected. And so I'm going to come up with a solution that I happen to in happenstance find right in my direct neighborhood. And no disrespect to our Council district, but this is affecting the whole city: Delinquent rentals, non-tax-paying landlords. The City is losing millions of dollars in revenue, and it can certainly fill this gap.

Recently, I conducted a study, because I noticed that quality of life is a direct correlation with homeownership and rentals. And everybody know that when you get the rentals in your neighborhood, not all of them, but a lot of them, they deteriorate your neighborhood. So I had noticed that within a couple-block radius of where Maurice and I live that -- I actually predict, I said, This whole block is a rental. That's how horrible it is. I said, The whole block is a rental.

So L&I did -- they went, and I said, That block is a rental. I said, Check the block out for me. And 2100 block of South 65th Street, the entire block is rental. The 2100 block of South Gould Street, the entire block is rentals.

So what I did was, I said, Well, let me -- in this package you will see, I'm saying, Well, how do you regulate rentals? Because we can't get rid of rentals, and I don't want to get rid of rentals, but if a rental comes in our community, I want them to act like they own the property, like decent folk.

So when I looked up and I seen that in order to even think about doing business as a landlord, a rental in this city, you got to get this application here called a Business Privilege License fee, one-time fee of $300. That's nothing. Then you also have to get -- and this is before you can rent out a property in -- this is the law. This is not nothing that's made up. Then you got to get a license application, and depending on how many units you have, it's going to be from $75 to $85, notwithstanding that.

So I took the block, and it's approximately 91 blocks over a two-block radius -- 91 houses and out of 91, darn near all of them are rentals. But I'm going to say, okay, maybe two aren't rentals, and it's abandoned within there.

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They done converted these houses -- and this is the new trend in Southwest Philly, with the people coming in and they converting these houses into duplexes and rooms. Okay?

So I take that -- I took -- I said, Well, what revenue -- if you open a store in this business, you got to pay taxes. If you come and you renting the property and you making money, you pay us. Pay us.

So out of 45 properties, 45 properties, based on what the going rate is for a two-bedroom apartment or one- or two-bedroom apartment between $500 to $700, sometimes $800 depending on what part of the City you live. So I took $600. Out of the $600 on these units of 45 properties, the landlords accrued $648,000. That's how much they brought in, the landlords that's renting out. So if you subtract the hundred thousand dollars that they going to say that they did for expenses, that leaves us a taxable income of over half a million dollars, which is $548,000.

COUNCIL PRESIDENT VERNA: Tracey, I know how passionate you are about this issue and I know that we have tried desperately to work with you, and you with the Commissioner of L&I. Can you tell us how you feel about the two bills that we're discussing today?

MS. GORDON: I am. I'm getting to that. Thank you for asking.

This taxable income would have earned the City -- the 500, half a million dollars, once they filled out the 2009 business privilege tax form, had they -- had they reported this to the City, the City would have got $72,526 for 2009 alone just for those 45 properties. So imagine if the City collected this taxable income on two blocks and went on all the blocks of these illegal rentals. Then we would be --

COUNCIL PRESIDENT VERNA: Tracey?

MS. GORDON: One last sentence.

COUNCIL PRESIDENT VERNA: Tracey?

MS. GORDON: Not to mention --

COUNCIL PRESIDENT VERNA: Wait a minute, Tracey. You are working with the Commissioner of L&I; are you not?

MS. GORDON: No, I'm not.

COUNCIL PRESIDENT VERNA: Why not?

MS. GORDON: That's the only Commissioner that is very hard to work with. That's why I didn't mention her. But that's off the record.

COUNCIL PRESIDENT VERNA: May I --

MS. GORDON: Not to mention --

COUNCIL PRESIDENT VERNA: May I offer you a suggestion, please? Put in writing the other blocks that you're referring to that may be rental properties, which you are really not sure of.

MS. GORDON: Well, I'll tell

you what, I gambled on these two.

COUNCIL PRESIDENT VERNA: I want you to write a letter to the L&I Commissioner and cc me, if you will.

Now please tell us how you feel about the two bills --

MS. GORDON: I wrote you a letter --

COUNCIL PRESIDENT VERNA: -- before us today.

MS. GORDON: Well, what Commissioner Fran Burns told me and your assistant, Maryanne Mahoney, for the record, told me, that I should walk around and knock on the doors in the entire Southwest Philly and see who the rentals and report them to you. That's what I was told. That's what I was told. It's been in writing, e-mails and everything.

So I'm going to do it your way, but that's what they told me to do. I don't work for the City. I don't have the time, the resources or the revenue.

It is not my job. You hire people to do that. But I'm just giving you a large number of samples. So besides --

COUNCIL PRESIDENT VERNA: And we appreciate --

MS. GORDON: -- the fact that we collect --

COUNCIL PRESIDENT VERNA: We appreciate all the work you do in the community. However, we can't go knocking at every door either. So if in fact you have this information, you send to the Commissioner of L&I and you cc me, the Commissioner has personnel whose responsibility it is to do precisely what you're asking.

Now let me know how you feel about these two bills before us.

MS. GORDON: So I feel that until the Administration and Council address the money that we are owed from tax deadbeats to the tune of $955 million that's owed, don't ask us for a trash tax until y'all collect money that was due, 955 million of deadbeat real estate tax beats, not including we got illegal rentals all rampant through the whole City and they are accruing revenue, taking the pockets, probably living outside the City and not paying, and then you coming back to me and him and him and her and telling us that we got to pay more money for people that's not even paying money. And that's two blocks. And I'll tell you this for the record: Audit the whole Southwest Philly, because over 41 percent of them is illegal rentals.

COUNCIL PRESIDENT VERNA: Okay. Now how do you feel about, Tracey --

MS. GORDON: The soda tax?

COUNCIL PRESIDENT VERNA: The soda tax.

MS. GORDON: Tax it.

COUNCIL PRESIDENT VERNA: Pardon me?

MS. GORDON: I said tax it. It's not good for us. We gave you a report right there showing -- I worked in the school system too, and the teachers send letters home, Do not send little Jamal or Jamilla with a Hug in school. That's those little things. I don't know about the numbers, like he said, but like I said, if we got to close the gap, close the gap. But the gap is closed if we would deal with this. And, again, Maryanne Mahoney told me to knock on every door. I can't knock on every door, Ann Verna. That's not my job.

COUNCIL PRESIDENT VERNA: I totally agree you can't do that.

MS. GORDON: Thank you.

COUNCIL PRESIDENT VERNA: Any questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Thank you so much for coming in. Thank you for your patience.

Our next witness?

MR. McPHERSON: Our next panel consists of Beth Rezet and Andrew Hysell.

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(Witnesses approached witness table.)

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

DR. REZET: Good afternoon. My name is Dr. Beth Rezet, and thanks to everyone hanging in there and thank you for your attention.

I've been a pediatrician in West Philadelphia for over 20 years, and during this time, I've certainly seen a dramatic rise in both overweight and obesity in the patients and the families that I care for. I've also seen diseases secondary to obesity that I've previously only seen in adult patients. These diseases include Type 2 diabetes, high blood pressure, high cholesterol, fatty liver disease and obstructive sleep apnea, in addition to all of those that were mentioned earlier. As more children become obese and develop these medical complications, this becomes not just an issue for individual children and their families, but an enormous burden on healthcare and society in general. These diseases result in chronic morbidity and an increase in healthcare utilization for things like testing, medication and follow-up, as well as lost school days, workdays, productivity and an overall decrease in quality of life.

There's no doubt that these diseases are medical problems, but the solution to our childhood obesity epidemic really can't be found in the doctor's office alone. The answer to this problem lies in supporting healthy choices in every area of a child's life - at home, at school, in the community and nationally.

Through scientific research, we actually do know that decreasing the consumption of sugar-laden beverages in a child's diet results in healthier weights. That question has come up all afternoon. We have the evidence. We know that it decreases weight and results in healthier weights.

At the Children's Hospital of Philadelphia's Healthy Weight Program, we use toolkits to assist families in making healthy choices. By replacing sugary drinks with milk or water, we have seen firsthand progress in a child's wellness. The toolkits use behavior modification that's based on education, readiness to change, monitoring or role modeling to help restructure life-style choices. I have some of those toolkits here with me today to share with you and I'll leave them with you.

Families, though, need support in their changes and choices. At the doctor's office, we can share information about how sweetened drinks add empty unnecessary calories to a child's diet. Unlike eating solid sugar as food, we can explain that consuming sugary drinks does not result in satiety and feeling of fullness, and this is what distinguishes sugary-laden beverages from other sugar products. When you drink the sugar in a sugar beverage that has no other nutritional value, that leads to overeating and empty calories, without any nutritional value. In fact, consuming sugar beverages will make children eat even more after they drink their calories. We can tell families that eliminating sugar drinks from their diets may result in a ten-pound weight loss over one year. We can share this information with them once, maybe twice, maybe even three times a year when they visit us in the office for a regular visit. As a pediatrician, I use my time to help families and children make healthful choices, and I hope that my messages resonate and will result in healthier decisions.

The medical community and society as a whole has seen that appropriate investment in health

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promotion leads to a prevention of both acute and chronic medical problems. We've seen this nationally with the Back to Sleep Campaign, and at CHOP, we've seen it through our asthma community outreach and our immunization focus. Continued investment in health-related activities in both the prevention and treatment arena will help with curtailing this obesity epidemic.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much, Doctor.

Councilman Rizzo.

COUNCILMAN RIZZO: Thank you.

Doctor, just a quick question. You talked about water and milk. Today you've heard about alternatives, non-sugar-sweetened, like Diet Pepsi, Diet Coke and all the other diet stuff. Is that a suitable replacement? Because I looked at the sodium content in a can of diet soda today and it was staggering. Your professional opinion about changing from the sugar to the artificially sweetened.

DR. REZET: I can speak about children. Children should be drinking milk and water.

COUNCILMAN RIZZO: So to suggest to them to switch to something other than sugar --

DR. REZET: I think that there are individual alternatives which are possibilities, and I wouldn't try to curtail that, but from a health aspect and from someone who advises families about healthy choices, I suggest milk and water.

COUNCILMAN RIZZO: To what age?

DR. REZET: College.

COUNCILMAN RIZZO: Good.

DR. REZET: I don't take care of them after that.

COUNCILMAN RIZZO: That's funny.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA:

You're welcome.

DR. REZET: Thank you.

COUNCIL PRESIDENT VERNA: Doctor, I must say, I am very impressed in that we had a number of physicians here today who waited very, very patiently, as you did, to convey the message, and I want you to know that we all appreciate your coming in and testifying.

DR. REZET: It's my pleasure.

COUNCIL PRESIDENT VERNA: Thank you so much.

DR. REZET: Thank you.

COUNCIL PRESIDENT VERNA: Good evening.

MR. HYSELL: Dear Chair and distinguished members, thank you for hearing my testimony tonight. My name is Andrew Hysell. I'm the Director of the Campaign for Healthy Kids. I'm the Associate Vice-President of Policy and Advocacy for Save the Children. I'm here today to enthusiastically support the measure before the City Council to create a two-cent-per-ounce tax on sugar-sweetened beverages. Your support for this public health measure today will strike an important blow against the problem of childhood obesity, helping create a better future for the children of Philadelphia.

I'm going to make my remarks short and submit something for the record.

I want to say, first of all, why soda, because that was raised tonight -- why sugar-sweetened beverages. Excuse me. Sugar-sweetened beverages are not a necessary part of a healthy diet. Further, they do not satiate hunger the same way as solid food does. Finally, serving sizes have increased dramatically over the past 20 years. For example, what was once a medium beverage is now labeled as a small at McDonald's. Starbucks has abandoned the short size and added a new 30-ounce option. And many of us can remember that a soda used to be 12 ounces, not the 20 ounces that's the mainstay at convenience stores. So it's no surprise to anybody that consumption of sugar-sweetened beverages has more than doubled in the last half century, and children now drink more soda than milk. This isn't because kids and adults have been petitioning the industry to increase serving size.

Taxes on sugar-sweetened beverages reduce consumption, especially when lower-cost healthy alternatives exist. The science is there. In fact, the latest study released on this topic called Food Price and Diet and Health Outcomes, researchers found more than 5,000 young adults -- they followed more than 5,000 young adults for 20 years as they moved around the country and faced changing prices of soft drinks. Price changes were then matched to the participants' dietary choices in health. The study found that a price increase at

1.5 cents per ounce translated into 124 fewer calories per day consumed from all sources, leading to an on average 2.34 pounds of body weight loss per year. That does not sound like a lot, but in a population, that's huge.

I want to mention too that the idea that this is a regressive tax completely misses the point that this is a regressive -- childhood obesity is a regressive disease. It afflicts the poor, who are the least able to deal with the health consequences.

I want to also address the fact that this is not an excise tax. Granted, an excise tax would be ideal. However, the fact that this tax is the magnitude it is and the fact that it's based on volume, increase the likelihood that it would be passed along to the consumer affecting behavior.

Also I want to address the fact that there has been discussion of a substantial amount. I've testified on these bills in other places, and this is by far the best allocation I've heard of for obesity prevention on a bill that I've testified. That money can be spent on creating a lot of economic opportunities. Next year, monies flowing into projects like building new sidewalks, upgrading bike paths, expanding the capability of a corner store to provide fresh food alternatives creates a number of jobs. It creates a number of opportunities for retailers to make money on new product lines in fact.

In conclusion, I would just simply say that there is no evidence that a sugar-sweetened beverage tax will reduce jobs. I worked on the tobacco control issue. I heard the exact same arguments, and as a previous speaker spoke to this point, we have not seen that come to fruition.

Healthy alternatives exist here on tax, like bottled water, juices and I would say diet soda, because I drink diet soda, that require workers to make them, to deliver them and to sell them. The question is whether we continue to build on an economic model around promoting ever-increasing portions of obesity-causing drinks or instead adopt public policy encouraging sales of healthier alternatives. Research and common sense clearly support the latter.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much.

Any questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Again, I thank you for your patience. Thank you for coming in.

MR. McPHERSON: Our next witness is Meghan Kincade.

COUNCIL PRESIDENT VERNA: I'm sorry. You can approach the witness table, but the stenographer has asked for just a five-minute break. I think we can accommodate her.

(Short recess for stenographer.)

COUNCIL PRESIDENT VERNA: Thank you. Please continue.

MS. KINCADE: Thank you very much. Good evening, President Verna and distinguished City Council members, those who are remaining. I'm very happy to see that the room is appropriately adorned in green, as I am Irish. So it's obviously --

COUNCIL PRESIDENT VERNA: Happy St. Paddy's Day.

MS. KINCADE: I obviously feel like I'm representing a worthy cause.

I'm the Director of Shelter Services for Women Against Abuse, one of the many shelter and transitional housing programs funded through the Office of Supportive Housing. Women Against Abuse appreciates the ongoing support of Philadelphia City Council regarding issues of domestic violence. We thank you for the opportunity to provide testimony today to support the proposed revenue-generating initiatives. It is an honor to speak on behalf of those whose voices have been silenced by domestic violence, as well as those who have survived by gaining vital shelter services. The City desperately needs additional revenue in order to maintain these essential services. Without these initiatives, the City may be forced to cut shelter and transitional housing for the most vulnerable of Philadelphians.

Women Against Abuse is the largest domestic violence program in Pennsylvania and the operator of the only battered women's shelter in Philadelphia. We also operate the first domestic violence legal center in the nation, a transitional housing program, and are the lead operator of the Philadelphia Domestic Violence Hotline. Last year, Women Against Abuse served 10,406 individuals through direct service and education programs.

We urge the City Council to approve the proposed revenue-generating initiatives, specifically Keep Philly Clean and the Healthy Philly Initiative. These two programs would close the 150 million budget gap and allow essential social services to continue at their current funding levels. Without opportunities to generate revenue, essential services for our domestic violence victims and for homeless individuals in Philadelphia are in danger. Keep Philly Clean and the Healthy Philly Initiative prevent City departments, including the Office of Supportive Housing, from suffering budget cuts of up to 7.5 percent.

It is imperative that City Council does not allow that to happen. Departmental budget reductions would have devastating effects on these essential services and on domestic violence services in Philadelphia.

Women Against Abuse relies on funding from the Office of Supportive Housing to sustain the life-saving services offered through its emergency shelter.  As the operator of the only shelter specifically for domestic violence victims and their children, Women Against Abuse provides a vital service that has helped tens of thousands of Philadelphians rebuild their lives throughout the past 30 years.

We encountered major budget cuts last year because of the decreased funding from city, state and federal governments.  While we were able to maintain our core services by cutting other programs and eliminating nearly 20 percent of our staff, Women Against Abuse simply cannot sustain more cuts without seriously compromising its essential services.

During these difficult economic times, demand for domestic violence services has increased.  In 2009, Women

Against Abuse was forced to turn away 4,600 women and children because the shelter was consistently at full capacity. That is the highest number of turn-aways in agency history and more than triple the number turned away in 2008. In addition, domestic violence homicides nearly doubled in Philadelphia in 2009 despite the fact that the number of overall homicides decreased. These statistics demonstrate that now is the time to do more, not less, for social services in Philadelphia.

Supportive housing services are more relevant than ever to the thousands of Philadelphians suffering from abuse. Without a safe place to live, victims may have no choice but to stay with their abusers. Although current services and funding levels do not meet the needs of our society, more budget cuts will surely put lives at risk.

City Council must find a way to close the $150 million budget gap without cutting essential services like emergency and transitional housing. Victims of domestic violence need a safe place to go. Without support like the Women Against Abuse emergency shelter, families impacted by domestic violence will be forced to choose between abusive homes or living on the street. We urge you to consider the faces of your fellow citizens whose lives have been disrupted by violence. They are sisters, sons, daughters, aunts, friends, employees and vital community members. We simply cannot withstand another major cut like the one we will incur if City Council does not approve a balanced approach to the budget by passing the Keep Philly Clean and Healthy Philly Initiative.

In conclusion, we would like to thank you again, City Council, for your attention to this very important issue. Women Against Abuse strongly urges you to approve the proposed revenue-generating initiatives in order to maintain the vital services provided to our most vulnerable Philadelphians.

Thank you very much.

COUNCIL PRESIDENT VERNA: Thank you very much.

Any questions?

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Just very quickly.

Thank you, and thank you for all you do. I know we've worked together on a number of things.

As I read your testimony, basically your concern is making sure that the essential services stay where they are. You don't really talk about the two issues themselves. So is it fair to say you would not be opposed if we could find other alternatives as long as we kept the services where they are and filled the budget gap?

MS. KINCADE: Yeah, that would probably be accurate.

COUNCILMAN GREENLEE: All right. Thank you.

MS. KINCADE: Thank you.

Thank you all very much.

COUNCIL PRESIDENT VERNA: Thank you.

MR. McPHERSON: Our next witness is Yael Lehmann.

MS. LEHMANN: Good evening, Council President Verna, Councilmembers and guests. My name is Yael Lehmann, the Executive Director of The Food Trust.

I just want to say that -- and you'll probably be happy to hear this -- I'm going to keep my remarks extremely short tonight, but I did want to come up here to make sure to go on the record to let you all know that we are strongly in support of the soda tax. We feel that the tax has the potential to greatly improve the health of Philadelphians, especially our children, who now drink more soda than milk, as Anthony (sic) from Save the Children pointed out as well.

I also just want to take a minute to talk about how excited we are that Dr. Schwarz is now the Health Commissioner for Philadelphia and to also applaud the staff of the Philadelphia Health Department, who we greatly admire.

Encouraging a reduction in calorie intake is just one way the sugar-sweetened beverage tax will improve the health of Philadelphians, but let's not -- but we also should remember that the 20 million collected from this tax will go directly to the Department of Public Health to further improve the health of our children by expanding healthy food access and promoting physical activity, and this multi-faceted commitment to addressing the obesity issue is vital to the health of our community.  I encourage you to support the sugar-sweetened beverage tax and the health of Philadelphia children.

Thank you.

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COUNCIL PRESIDENT VERNA: Thank you.

Any questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, thank you.

MR. McPHERSON: Our next witness is Ekemoa Washington.

(No response.)

MR. McPHERSON: Angelo Sgro?

(No response.)

MR. McPHERSON: Jim Omando?

(Witness approached witness table.)

MS. WAGNER: I'm Deborah Wagner, Director of Housing and Homeless Services for Catholic Social Services. I'm here speaking on behalf of Joe Sweeney. He's the Secretary of Catholic Human Services of the Archdiocese of Philadelphia. He had to leave earlier. I will be brief.

I'm not here to speak for or

against a particular tax. However, I am here to say that unless new revenue is generated, vital services to the most vulnerable in Philadelphia will be cut. Since the founding of St. John's Hospice in 1963, Catholic Social Services has provided housing and social services for homeless persons in Philadelphia. Currently, we operate an overnight cafe and seven residences serving 200 men, women and children a day. In addition, we reach out to over 400 men, women and children on weekdays in our day services programs operated out of Mercy Hospice and St. John's.

We are very concerned that drastic cuts in transitional housing and shelter placements could take place. We are currently involved in engaging the most vulnerable off the streets, bringing them into housing and treatment.

Cuts in homeless programs would result in more homeless individuals and families on the streets. This would reverse the momentum which the City, in partnership with many providers, has been working so hard to bring about.

I urge you to prevent any cuts in programs which provide a safety net for the most vulnerable.

Thank you.

(Applause.)

COUNCIL PRESIDENT VERNA: Thank you.

Our next witness?

MR. McPHERSON: Ayana A. Powell.

(Witness approached witness table.)

MS. POWELL: Good evening, members of City Council, staff and guests. My name is Ayana Powell. I'm a registered dietician at Mercy Philadelphia Hospital located in West Philadelphia. We serve the West Philadelphia and Southwest Philadelphia communities. In addition, I am a nutritionist, who works tirelessly in my community to encourage the people to advocate for themselves and make healthier food choices, as well as obtain healthier nutrition resources in their neighborhoods. I'm testifying before you today in support of the soda tax.

As a registered dietician who works closely with a population who drinks soda and sugary beverages on a daily basis, I am keenly aware of the harmful effects that they have on the individual and, as a result, the family and the community. Every day I educate patients on weight loss, diabetes management and reducing dietary sodium, just to name a few. I also have a number of patients who I manage tube feeds for as well as other forms of nutrition, who I have likely provided education for one to two years prior.

Even those who are at the end of their diseases still drink soda and eat poorly, because it is all that they know how to do. Certain eating practices are embedded in the culture of urban Philadelphia. The local food environment, which was created by merchants, is now driven by consumers who rely on these foods and drinks and the establishments that sell them. From my testimony, I hope that you will leave here today knowing that you have the resources and authority to change the environment.

By imposing a soda tax, you can limit access in the form of affordability. This can change the environment by eventually causing a reduction in the amount of sugary beverages that are sold in stores.

Finally, it is important to remember the obvious, that we are human beings before we are consumers. To be a human is to interact with the environment in which we function. If soda is more readily available and significantly less expensive than water and other healthier beverages, it is human nature to consume more soda. I wish to emphasize to you today that those consuming the most soda are those who have it in their environments the most.

No one exists in a bubble. The relationship between the person and the environment is one that is reciprocal. Therefore, what exists in the environment, in a sense, is a part of the person. If we expect for rates of obesity and chronic disease to decrease, it is necessary that we impose the soda tax in order to take the first step towards changing our city.

I support the soda tax because it represents progress in the fight against obesity and other chronic diseases. Making soda and other sugary beverages less affordable will reduce the amount of these items purchased by Philadelphians, thereby creating a healthier city.

Thank you for giving me the opportunity to testify before you on this very important issue.

COUNCIL PRESIDENT VERNA: Thank you very much, Ms. Powell.

Any questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Thank you again.

MR. McPHERSON: Our next witness is Tim Lau.

(Witness approached witness table.)

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

MR. LAU: Good evening. My name is Timothy Lau. I am the Developing and Marketing Director for the Utility Emergency Services Fund of Philadelphia.

Council President Verna, distinguished members of City Council and fellow supporter of services provided by the great City of Philadelphia, thank you for providing me with this opportunity and this forum to speak tonight.

The testimony that I wish to present doesn't relate directly to the sugary beverage tax or the trash tax. My testimony focuses on the potential cuts to City services to make up the potential shortfall from the defeat of these bills.

I'll dispense with the explanation of my organization. I believe that the Utility Emergency Service Fund has a good working relationship with many members of Council here tonight and appreciate their support and all their efforts.

One of the programs that UESF is engaged in is homelessness prevention. Through the homelessness prevention program, payments for rental and utility arrearages for up to six months in arrears and future rental and utility payments for up to 12 months may be made totalling $2,500 or more, if authorized. The homelessness prevention program is funded through the federal stimulus

American Recovery and Reinvestment Act and administered locally by the Office of Supportive Housing. Today, I come to you as a daily witness to the effective work performed by the Office of Supportive Housing.

I understand that the City is facing a severe financial crisis in the upcoming fiscal year, but I ask that the good work performed by the Office of Supportive Housing not be subjected to any budget cuts that would result in reduced services. OSH is the primary resource for the City of Philadelphia for our homeless population. A seven and a half percent budget reduction would require OSH to reduce emergency housing capacity by over 200 beds, reduce transitional housing capacity by 40 units. Reductions in homeless family capacity may result in OSH having to identify priorities for family placements and turn non-priority families away. Reduction in homeless single placements may lead to more homeless persons living and sleeping on the streets. Reductions in the transitional housing inventory may result in households currently in some specific transitional housing programs being unable to be transitioned elsewhere in the system and those waiting on the waiting lists unable to be housed at all.

UESF sees the staggering number of families on the edge of homelessness caused by the loss of utility service. The costs saved through program cuts would have a damaging -- would have damaging effects in the long run. Homelessness, housing abandonment and the loss of utility services are only three of many factors that de-value property in Philadelphia. If the proposed cuts occur, more families living on the edge will be forced to live on the streets.

Please help OSH, UESF and other community-based organizations to do their best to reduce the homeless population in Philadelphia.

Thank you for your time and your consideration.

COUNCIL PRESIDENT VERNA: And we thank you.

Are there any questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Thank you again.

MR. McPHERSON: Lauren Huminski.

(Witness approached witness table.)

MS. HUMINSKI: Good evening. My name is Lauren Huminski. On behalf of Health Promotion Council of Southeastern Pennsylvania, I thank you for the opportunity to speak today in support of the proposed Philadelphia soda tax.

I am a registered dietician at HPC and I manage a nutrition education and outreach program targeting Philadelphia students. I would like to share some alarming statistics concerning obesity in this country and, more importantly, in Philadelphia.

In 2008, about 64 percent of adults and about 57 percent of children were considered overweight or obese. Additionally, about one-third of Philadelphia adults suffer from a chronic health condition such as diabetes, hypertension or heart disease. Not to overwhelm you with numbers, but consider this: The average American consumes about 50 gallons of soda and other sugar-sweetened beverages each year. That 50 gallons of soda equates to 6,400 ounces of soda, which is worth about 80,000 excess empty calories, and that equates to about 23 pounds of weight gain in a year.

If you recall, not too long ago Philadelphia was named the fattest city in the United States, and it remains in the top 20 of the fattest, least fit cities. I think you will all agree that we cannot afford the additional pounds or the overall negative health effects of soda consumption. Let's not forget that this is not an issue of weight or obesity alone. Excess weight and low fitness affects our overall health and puts us at risk for multiple chronic diseases.

It's really sad to hear that approximately 70 percent of obese youth have at least one additional risk factor for cardiovascular disease, such as high blood pressure or high cholesterol, leading children to have diseases that were once thought to only affect adults. Nearly one in three children that enroll in Head Start programs are overweight or obese.

It's really sad to see students walking to school in the morning carrying their soda and their bag of chips and that's considered breakfast. And it's even sadder to see women pushing strollers down the street with babies holding bottles filled with soda or brightly colored fruit drinks in their bottles. What type of future do our children really have?

Study upon study shows a dietary change as simple as lowering calorie consumption can contribute significantly to weight loss and chronic disease risk reduction. Recent research also shows that taxing less nutritious food options such as soda can have a positive effect on shopping and eating habits. Since soda itself is such a calorically dense, yet nutritionally void product, virtually anything a consumer buys in place of soda will have better nutritional quality.

I agree with Health Commissioner Schwarz's quoted comment that we should all drink Philly tap water and save money. It is good health advice overall.

We need to work on not only educating people to make better choices, but also changing the environment so that children will learn to make better food choices. This proposed soda tax is a good first step in changing the unhealthy dietary culture of this city, and Health Promotion Council stands behind it. As such, we feel that this tax will ultimately benefit the health and wellbeing of all Philadelphians.

COUNCIL PRESIDENT VERNA: Thank you very much.

Are there questions from members of the Committee of this witness?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, we will now call the next witness.

MR. McPHERSON: Lawrence Washington?

(No response.)

MR. McPHERSON: Lawrence Washington?

(No response.)

MR. McPHERSON: Judith Robinson?

(No response.)

MR. McPHERSON: Maurice Sampson?

(Witness approached witness table.)

COUNCIL PRESIDENT VERNA: Good evening.

MR. SAMPSON: Good evening.

Good evening, Council President Verna, members of City Council. My name is Maurice Sampson. I live at 129 West Gorgas Lane in Mt. Airy. I'm President of Niche Waste Reduction and Recycling Systems. I serve as the Chair on the RecycleNOW Campaign, which is a project of the Recycle Alliance of Philadelphia. Now, I'm speaking today as a private citizen.

Just to be clear, this is not an issue where there is consensus among members of the Alliance. My comments today reflect those I wrote that were published in yesterday's Daily News Opinion column, Doing the Trash Right.

I believe that if implemented

under the right conditions, the Clean City Services fee provides the opportunity for City Council to assure transparency and accountability for something you haven't had before, the opportunity to assure that we're getting the most efficient waste management at the lowest cost.

We have all come to understand that recycling saves tax dollars by avoiding disposal costs. According to studies performed by both the Solid Waste Association of North America and the U.S. EPA, the average disposal costs account for only about 12 percent of total waste management costs, while collection costs can be 50 percent or more. What this means is the real opportunity to cut cost is to make collection more efficient. The anecdotal experience of other municipalities suggest that savings of 20 to 40 percent are feasible with the implementation of collection efficiency strategies. For this for Philadelphia, this could amount to somewhere between $30 and $60 million a year. Some of those strategies include purchasing more efficient collection vehicles, collection equipment comparable to the standard rear-loader compactor. And the cost and capacity has been tested on our streets. It filled 20 percent faster than the rear-load compactor.

Automated waste collection: Letting the truck lift an empty container reduces lift-related injuries. Most municipalities that have automated collection have done so to reduce disability costs.

Reduce crew size: Automation allows for collection of two to three times as much material per collection crew with one or two workers versus the standard three for manual collections.

Curb-side collection of food and yard waste: 40 percent of our waste is organic and can be handled by facilities built in Philadelphia. Every ton of organic waste diverted to a composting facility will save money.

Adopting pay-as-you-throw: The scenario that allows for unlimited recycling, charging a fee for each additional container beyond what is found to be an average household volume. Unlike the proposed flat fee, pay-as-you-throw rewards the frugal residents and charges the wasteful.

Exactly which of these strategies will be best for Philadelphia can't really be determined without having a better understanding of existing waste management practices. That information would provide the foundation for planning an efficient, sustainable waste management system at the lowest possible cost. The technology is constantly improving. We need to review and modify our plans accordingly.

Given these opportunities, I would encourage City Council to seek the following conditions in supporting the

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Clean Philadelphia Services fee:

First, an independent study must be conducted of current collection practices, recommending the best ways to proceed in Philadelphia. We can't truly begin to seriously consider any of those efficiency changes in sanitation operations without having this kind of information. I believe that study should be performed in a process that includes the public and considers the full schedule of services that we would expect to receive.

Second, that a plan be prepared annually with a progress report showing how the money will be spent. The Commonwealth of Pennsylvania requires us to produce a ten-year municipal solid waste plan. It's due this year. This is a good opportunity to get started.

The waste management policy in Philadelphia is, at best, ambiguous. It needs to be transparent. The Solid Waste and Recycling Advisory Committee, or

SWRAC, has been meeting monthly in one form or another for 20 years, and its deliberations are politely ignored. SWRAC should be able to be the public forum for ongoing discussion of these issues. Its meeting minutes and all studies, reports, monthly waste disposal and recycling figures generated by the Streets Department should be posted to a website for easy public access.

In conclusion, I want to point out that I'm hearing two discussions here today. In one instance we are talking about closing the budget deficit by imposing a tax and calling it a service fee. At the same time, we are talking about isolating and accounting for the real cost of waste management, an essential service that I don't think has ever been properly budgeted.

The taxpayers of this city require both. We need to close the budget gap in a way that's fair and equitable, and we shouldn't pay any more than we need to to get rid of trash.

Should Council choose to adopt the Clean Philly Services fee, I would encourage you to consider my recommendations. If we resolve the budget gap in a different way, I hope that some member of Council will champion this issue, because regardless of what we do, the cost of trash will remain $150 million of uncontrolled costs that are only going to keep rising.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much, Mr. Sampson.

Are there any questions of this witness?

(No response.)

COUNCIL PRESIDENT VERNA: Thank you again.

MR. McPHERSON: Our next witness is Margaret Johnson.

(No response.)

MR. McPHERSON: Joshua Vincent?

(Witness approached witness

table.)

COUNCIL PRESIDENT VERNA: Good evening, Mr. Vincent. Please identify yourself for the record.

MR. VINCENT: Good evening. I'm Joshua Vincent. I'm the President of the Henry George Foundation/Center for the Study of Economics. We're based at 413 South 10th Street in Philadelphia, and I'd like to say good evening to Council President Verna and the members of Council. It's been a very informative day, and acknowledging that, I'm going to skip my soda tax comments, because I think it's all been covered thus far.

I'd like to move down to the trash fee or the trash tax. It's not quite a property tax. I'd call it more of an address tax. If you have an address, you're going to pay it.

The inescapable nature of a flat trash fee appears attractive at first glance. It will not per se lead to illegal dumping and it will compel compliance through the nature of liens against non-payment and other penalties.

Problems arise, however, when we note the narrow residential nature of the flat fee and the very regressive nature of how it will fall throughout the City. Low-income exemptions are being offered, but they require action on the part of the hard-working or elderly homeowners who have little opportunity to apply for the lower fee. As has been noted by Councilmembers in past days, existing property tax rebates or exemptions are not available for a flat fee, nor are tax deductions, such as are provided by the property tax under your federal income tax.

Flat fees generally are used in more homogenous communities such as suburban communities or communities that have a straight up and down social economic demographic of rich, middle class and poor. Disparities in income and ability to pay are not as marked as those in Philadelphia, and pay-as-you-throw is in the future.

I don't want to take up much of your time, but I do want to get to the nub of some of the research that we've conducted, just looking at the current property tax and what a garbage tax would do. And the first chart is simply the trash fee is a share of the current residential tax bill for each average home in each Council district, and right away I think we run into regressivity on a rather severe scale. I would start with District 7 where the average city and school property tax bill is $736 and the flat rate that is being proposed would be $300, immediately bumping up taxes to a very high level. I would also cite Council District 3 where the average city and school tax bill is about $643 a year, and adding another 300 would essentially be hitting the lower earners, the seniors and neighborhoods that are at risk.

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Since this is a City tax and City tax is about 40 percent of the total, you can go to the next chart and then see how dramatic it really becomes. In District 7 the average City property tax is $294 a year. So what we'd be ending up with is a trash fee that would actually exceed the current property tax bill of an average house in District 7.

In District 3, it's actually a bit worse, $257 is the City share of the property tax, and $300 of a trash fee would be indeed higher than the average tax bill.

And what I did on the final page was just do it as a percentage, show what the percentage of the trash fee of the current property tax bill would be.

So the Foundation would suggest that aspects of the Council and Administration's plans would include exploring viable alternatives to bring in the same revenue but in a different way. And we're always busy at the Center running numbers on the assessments, and we are going to find out and determine whether the property tax may provide a resolution.

The recent traumas with the property tax and particularly the values upon which they are based are well known. The system of valuation does need fixing. Yet, the real property tax right now raises over a billion dollars a year for both city and schools. It's not going anywhere.

So I urge Council to arrange a more in-depth study and hearings on this particular issue of the trash flat fee at its earliest opportunity before adopting the FY2011 budget. And I thank you very much for your time.

COUNCIL PRESIDENT VERNA: Thank you. One moment, please.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

Thank you so much for your patience with us today. Earlier today I asked the Administration about a land value tax, and what they said to me was that that system was just as bad as our assessment system.

In your review of our land tax portion of our real estate, do you believe it is as far off as our assessment part of our real estate?

MR. VINCENT: No, Councilwoman, I don't. As a matter of fact, we helped during the recent assessment increases in Bella Vista, we helped about 25 homeowners get significant reductions on the increases, and we split out the land and building values, and the building values are very spiky. Land values are more consistent. They're still not great, I'll be the first to say, but at the same time, we do raise a billion dollars a year, city and school, from this bad system.

So just running the numbers

with a land value tax as sort of a user fee for garbage would affect low-income areas and more dense neighborhoods in a far more sensitive way by a factor of several hundred dollars in some districts.

COUNCILWOMAN SANCHEZ: So in your review of our land value piece, you're saying it's more consistent at least even in this bad system? We all agree it's such a bad system.

MR. VINCENT: If I were going to find a rainbow in the storm, that's about it, that in residential areas I would say that they're fairly consistent. If we go to any district that's a row home district, you'll see pretty stable land values side by side by side.

Drexel University did a study some years ago for Controller Saidel at the time, who was putting forth his tax reform effort, and their adjudication, if you will, was that the splits between land and building values were not that bad. I wish I could say they were great, but I couldn't sit here in front of you and say that.

COUNCILWOMAN SANCHEZ: Okay.

MR. VINCENT: But they're better than the buildings.

COUNCILWOMAN SANCHEZ: Thank you.

COUNCIL PRESIDENT VERNA: Mr. Vincent, thank you for your research.

MR. VINCENT: Thank you very much.

COUNCIL PRESIDENT VERNA: I think it's going to be very helpful to us. Thank you very much.

MR. McPHERSON: Our next panel consists of Dr. Jane Jue and George Hacker.

(Witnesses approached witness table.)

COUNCIL PRESIDENT VERNA: If you will bear with us just a moment, please.

We're going to recess the

public hearing for just a moment so that we could go into a public meeting regarding Bill No. 100136, and the Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President. Madam President, the amendment was circulated much earlier in the day. I would like to offer an amendment to Bill No. 100136.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and seconded that the amendment be adopted.

All in favor will say aye.

(Aye.)

COUNCIL PRESIDENT VERNA: Those opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it, and, again, the Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Real quick, Madam President. The amendment is an amendment to the hospital authorities bill for Temple University Hospital.

COUNCIL PRESIDENT VERNA: So we will be able to consider that at our next session of Council.

COUNCILMAN CLARKE: Yes. Madam President, I move that Bill No. 100136, as amended, be reported out of Committee with a favorable recommendation and a request for rules suspension as to allow reading at the next session of Council.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 100136 be reported out of Committee with a favorable recommendation, as amended; further, that the rules of Council be suspended so as to permit first reading at our next session of Council.

Thank you very much. We will now go back -- oh, I'm sorry. I'm just very anxious and brain dead.

All in favor?

(Aye.)

COUNCIL PRESIDENT VERNA: Those

opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it, and this bill will be placed at our next session of Council.

We will now go back into our public hearing.

I appreciate your patience. Please identify yourself for the record.

DR. JUE: My name is Jane Jue. I'm an internal medicine physician at the University of Pennsylvania and I live in the City of Philadelphia.

Good evening, Council President Verna and members of City Council. Thank you for the opportunity to present testimony today. I am here today because I care deeply about the health of Philadelphians, and as such, I support the Healthy Philadelphia Initiative.

We have heard already the staggering numbers of overweight and obese children and adults in Philadelphia. As a physician, I see the truly devastating impact of this on too many of my patients - arthritis, sleep apnea, high blood pressure, diabetes and heart attacks, just to name a few. Many miss days from work, become disabled or even lose their jobs. That is why the tax proposed by Mayor Nutter on soda and other sugar-sweetened beverages is about more than just closing a budget deficit. It could be the key to reversing a dangerous decline in the public health of Philadelphia.

As a physician, one thing I've come to understand is that there are many causes of obesity - genetics, environment, economics, personal behavior. They all matter. Research shows that many environmental factors influence diet habits, including increasing soft drink availability. While these sugar-sweetened beverages are not the only source of extra calories, they are one of the most ubiquitous forms that have insidiously become part of the daily American diet. Over the last 30 years, daily calories from intake from sugar-sweetened beverages has risen steadily. The evidence is clear, consumption of sugar-sweetened beverages is associated with increased weight, poor nutrition and increased risk of obesity and diabetes.

People are concerned that this tax will affect those who can afford it least, and that's who I'm most concerned about. Actually, obesity disproportionately devastates low-income communities and minority communities, particularly our African American and Latino communities. This is no surprise given healthy foods are more expensive than unhealthy foods. So those who purported can afford a soda tax the least are the ones with the most at stake in terms of their health and also have the most to gain from this tax. They are the ones that cannot afford not to have this tax. They need it the most.

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Most approaches to reduce obesity that focus on individual behavior have limited success. A better understanding of the factors underlying obesity has led to more emphasis on changing the environment through policy. Local governments and public health departments are poised to be role models for this type of environmental change, having the means to shape policies and practices to promote health in their communities. Philadelphians need their policymakers and public officials not only to recognize the dire health situation of our city, but also to become agents for change. Philadelphia is now being noticed nationally in our efforts to curb obesity. This is a chance to lead with a policy that will be one of the most effective policies in the nation to decrease consumption of empty calories.

I drink soda, not every day, maybe once a week, and diet when I have the option. Like any other penny-pincher, I really don't want to pay more for anything. Some argue, I'm not obese, why should I be punished for the poor choices of others? Actually, it's already affecting us all in the public healthcare we fund and society's lost productivity. When half of our city is suffering, we all suffer. If the Healthy Philadelphia Initiative means that I will be able to tell fewer of my patients that they have diabetes or send fewer of them for bypass heart surgery or hold fewer family member hands when their loved ones have passed from a heart attack, then by all means, take my two cents per ounce. As mentioned earlier, losing jobs is a serious issue, but I believe, and think you would agree, so is losing lives.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much. That was very interesting.

Any questions?

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(No response.)

COUNCIL PRESIDENT VERNA: I see not. Thank you. Thank you again.

Good evening. Kindly identify yourself for the record.

MR. HACKER: Good evening, Madam President and members of the stalwart Council who are still here. My name is George Hacker and I'm with the Health Promotion Project -- Health Promotion Policy Project at the Center for Science in the Public Interest in Washington, DC.

Since 1971, CSPI has worked to improve the foods we eat and promoted governmental policies to enhance personal and societal health. We're the publishers of Nutrition Action Health Letter, the world's largest circulation nutrition newsletter. Approximately 2,700 of our more than 900,000 subscribers live in Philadelphia.

I will not dare repeat all of what was said today so eloquently in support of the tax on sugar-sweetened beverages. However, I would like to make a couple of points which I don't think have been sufficiently made.

First, predictably, the soft drink industry and its allies have loudly opposed a public health tax that might shrink their profits. Their messages come straight from Big Tobacco's playbook. As Big Tobacco denied the connection between cigarette smoking and cancer, Big Soda now denies the connection between soft drink consumption and obesity. As Big Tobacco hid behind front groups, Big Soda has established the Americans Against Food Taxes, an industry-led front claiming to protect the pocketbooks of American families but really looking out for companies' bottom lines.

Coca-Cola, for example, recently introduced a "mini" 7.5 ounce can with calorie labeling on the front. According to Coke, the Coca-Cola "mini" can innovation reinforces the company's support for healthy active life-styles, but it seems more likely that Coke's downsizing is geared more for profit than for health. It now delivers Coke at about $9 per gallon compared to $6 per gallon when offered in 12-ounce cans. This price gouging hardly squares with industry's purported concern for consumer costs, a reason often asserted by industry in opposing taxes on sugar-sweetened beverages.

If Coke really cares about the economic difficulties of its low-income consumers, why is it selling healthier products, smaller cans at far greater prices than their normal gargantuan portions?

Clearly, Coke thinks it's entitled to what it can squeeze out of its consumers, but Coke and its allies scorn the real needs of the citizens of Philadelphia, who would benefit in numerous ways from less damaging alternatives to sugar-sweetened beverages rather than smaller quantities of the same junk and also from the additional public revenue available from a levy on sugar-sweetened beverages.

If we are to address this country's obesity epidemic and Philadelphia's, we must find ways to reduce soft drink consumption. Imposing taxes and substantially raising the prices of sugar-sweetened beverages is one of the most effective policy means to achieve that result. The Center for Science in the Public Interest heartily supports the Council's effort to improve the health of Philadelphia's finances and that of its citizens.

Thank you very much for your consideration, and I believe you already have copies of my full written testimony for the record.

COUNCIL PRESIDENT VERNA: Yes, we do. Thank you so much. We appreciate it.

MR. McPHERSON: Our next witness is Thaddeus Squire.

(No response.)

MR. McPHERSON: Maurice Jones?

(No response.)

MR. McPHERSON: Ann Averison?

(No response.)

MR. McPHERSON: George Mortelli?

(No response.)

COUNCIL PRESIDENT VERNA: Do we have anyone else to testify on these bills?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing no one, this Committee will stand in recess until Monday, March the 22nd at 10:00 a.m.

Thank you all very much.

(Committee of the Whole recessed at 6:30 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 17, 2010, and that this is a true and correct transcript of same.

______________________________

MICHELE L. MURPHY

RPR-Notary Public

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