COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, May 2, 2012
10:48 a.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN BILL GREEN
COUNCILMAN WILLIAM GREEENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES KENNEY
COUNCILMAN DAVID OH
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN MARK SQUILLA
COUNCILWOMAN MARIAN B. TASCO

BILLS NO. 120164, 120165, 120166, 120173,
120174, 120175, 120230
RESOLUTION NO. 120167

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COUNCIL PRESIDENT CLARKE: Good morning.

This is a continuation of the Public Hearing of the Committee of the Whole regarding Bills No. 120164, 120165, 120166, 120173, 120174, 120175, 120230 and Resolutions No. 120167.

Ms. Lewis, please read the titles of the bills and resolutions.

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

Bill No. 120165, an Ordinance to adopt the Fiscal 2013 Capital Budget.

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

Bill No. 120167, a Resolution providing for the approval by the Council of the City of Philadelphia of a revised five-year financial plan for the City of Philadelphia covering Fiscal years 2013 through 2017 and incorporating proposed changes with respect to Fiscal Year 2012, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority, the Authority, pursuant to the

Intergovernmental Cooperation Agreement authorized by an Ordinance of this Council, approved by the Mayor on January 3, 1992, Bill No. 1563-A, by and between the City and the Authority.

Bill No. 120173, amending Section 19-1806, entitled "Authorization of Realty Use and Occupancy Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax of use or occupancy of real estate within the School District of Philadelphia, under certain terms and conditions.

Bill No. 120174, amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by repealing Section 19-1508, entitled "Refunds and Forgiveness for Poverty Income."

Bill No. 120175, authorizing real estate taxes for the City of Philadelphia and the School District of Philadelphia for Fiscal Year 2013 and thereafter, by amending Chapter 19-1300 of The Philadelphia Tax Code, entitled "Real Estate Taxes," to provide for a tax and a tax rate on real property, for exclusions and for an established predetermined ratio; and by amending Chapter 19-1800 of the Philadelphia Code, entitled "School Tax Authorization," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia and providing for a tax rate and for exclusions; all under certain terms and conditions.

Bill No. 120230, authorizing real estate taxes for the City of Philadelphia and the School District of Philadelphia for Fiscal Year 2013 and thereafter, by amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," to provide for a tax and tax rate on real property; and by amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia and providing for a tax rate; all under certain terms and conditions.

COUNCIL PRESIDENT CLARKE: Thank you. Would the Administration please come forward.

(Administration comes forward.)

Good morning.

MR. DUBOW: Good morning, Council President Clarke. Should I start?

COUNCIL PRESIDENT CLARKE: Please do, sir.

MR. DUBOW: My name is Rob Dubow. I'm the Finance Director. And with me today Rebecca Rhynhart, the City's Budget Director; and Keith Richardson, the Revenue Commissioner.

And I'm here today to testify in favor of Bills No. 120173, 174 and 175. I recommend changes to the use and occupancy tax, wage tax and the real property tax. And we are opposed to Bill No. 120230, which is an alternative property tax bill.

Bill No. 120175 authorizes real estate tax for the City and the School District for FY13. It would help us implement the Actual Value Initiative. We are in the process of completing reassessment work necessary to fix the old broken assessment system and produce assessments that are fair, accurate and understandable. Those accurate assessments which we'll produce through the completion of the City's first full assessment in decades will be the basis for property taxes due in FY13.

Since properties are now only assessed at a fraction of their actual value and assessments have often not kept up with changes in value or reflected accurate data about the characteristics of properties, the assessments will generally -- the reassessment will generally result in substantial increases in property's assessed values.

The Bill proposes several measures to temper the impact of the new assessment that would be issued in the Fall. Most importantly, the Bill proposes to dramatically reduce tax millage rate applicable for 2013.

The Bill establishes the tax rate by providing that once the total taxable assess value for all properties is known, factoring in homestead reductions for which homeowners have applied, the rate will be the multiplier necessary using the total assessments should produced target revenue numbers for the City and the District.

Proposed target for the City will capture most of the net increase and property values that occurred during the years when the City was not doing comprehensive assessments. The amount of property tax assessment -- tax revenue to be collected for FY13 is expected to be the same as for FY12.

The proposed target for the School District would capture again most of the net increase in property taxes on the School District's side of the equation and that is expected to result in about 95 million in additional property tax revenue for the District in '13.

The Bill also proposes to lessen the immediate impact of the Bill by providing homestead relief for owner-occupied properties in the amount of $15,000 of assessed value per property and by smoothing changes in assessments over three years. The Bill would eliminate the confusing 32 percent predetermined ratio that has been used in connection with all assessments and replace it with 100 percent ratio so that property taxes would be based on actual value.

We recognize that just change produces a great deal of anxiety for many residents. We are concerned about -- who were concerned about the impact that the changes on their property taxes from the Bills. We would like to continue to work with Council President and other members of Council to try to develop measures that lessen the impact of changes particularly on long time owner-occupants who have seen significant increases in the values of properties in their neighborhoods.

We are not, however, in favor of delaying this effort. The State Board has already ruled that our assessment system is sufficiently inaccurate so hundreds of appellants are entitled to reductions in their tax bills due to disparities in the system. We could face a significant increase in such appeals if we were not to put in place for next year the accurate assessments that we'll have available in the fall.

Moreover, after so many years, it's been long understood to be an inaccurate and unfair system in our view, it is simply time to get this done. As a result, we are opposed to Bill 120230 which poses to continue for another year the temporary increase in the City Property Tax of two years ago and a smaller increase in the School District rate of last year.

The Bill is premised on the notion we could delay option of the new accurate assessments for another year. But if the Bill were adopted and the new assessments were not issued, the City would face enormous risk for thousands of appeals based on the STEB ruling the system is inaccurate and potential losses of real estate tax and many tens of millions of dollars. If the Bill were adopted and new assessments were issued, tax bills for many, many properties would increase dramatically and without the buffers that we have proposed in the legislation and without the increase in the revenue for the District.

Bill 120173 sets forth amendment to the Use of Occupancy Tax that are consistent with the proposal -- actually, switch my testimony.

Bill No. 120173 is Use and Occupancy Tax. We will be proposing amendments at a later date to that bill to make it consistent with what we have done in Bill No. 120175.

Bill No. 120174, entitled wage -- amends Chapter 19-1500 of The Philadelphia Code by repealing section 19-1508 which is entitled "Refunds and Forgiveness For Property Income," the section provides wage tax refunds to those residents and non-residents who pay wage tax and meet the criteria of low income and very low income starting with wage tax paid in Calendar Year 2016.

While the Administration applauds the goals of the Section, we believe the greatest benefit to all taxpayers, low-income households included, will be continued reduction in wage and net profits tax rate. Administration is eager to reinstate City-funded wage in net profits tax reduction for both residents and nonresidents. These reductions would lower the tax burden for the broadest base of City tax payers and increase the economic competitiveness of the city.

Numbers of studies have demonstrated the City's wage tax rates have damaged the City's ability to attract businesses and that lowering those rates will help attract and retain jobs. While the Administration would like to start those reductions as soon as possible, based on the general fund's fiscal condition, we believe 2014 is the first year that we can reduce wage tax rates.

That concludes my testimony. And we're happy to answer any questions you may have.

COUNCIL PRESIDENT CLARKE: Thank you, Mr. Dubow. Quickly, Mr. Dubow, in your testimony you talked about working with Council. And I want to say publicly, thank you, for the Administration's willingness to sit down. We have asked several questions and conversations about possibility of providing some levels of support for individuals who experience some long term issues relating to magnificent increases.

In your testimony you do reference one issue. And you talk about on -- I don't have a page number on my sheet -- talked about particularly on long-term owner-occupants who have seen significant increases in the values of properties.

Are you referencing Bill other than homestead?

MR. DUBOW: Yeah. I'm talking about some of the other conversations we have had about other ways that we might be able to help people in that particular position.

COUNCIL PRESIDENT CLARKE: Okay. I just want to make sure that we're -- that's still in play.

MR. DUBOW: Yes, it is.

COUNCIL PRESIDENT CLARKE: All right. That's for the record.

Mr. Dubow, in your testimony you talked about -- what is the percentage of properties currently assessed by OPA? I know at one time when OPA was testifying, they said that they had done 75 percent.

MR. DUBOW: They haven't assessed. What they have done is gotten the characteristics for them. So, they have not put values on them. They looked at the characteristics. The last time I talked to Mr. McKeithen, which was late last week, they were at 95 percent.

COUNCIL PRESIDENT CLARKE: Is that just characteristics?

MR. DUBOW: Just characteristics.

COUNCIL PRESIDENT CLARKE: So, they testified approximately two weeks ago, maybe more. And they were at 75 percent?

MR. DUBOW: Right.

COUNCIL PRESIDENT CLARKE: And now they are only at 95 percent. I am a little concerned about that timeline in order to be in a position to be prepared at the appropriate time to produce the actual numbers.

MR. DUBOW: This is the schedule that they have laid out. They are consistent with their schedule.

COUNCIL PRESIDENT CLARKE: All right. Can I ask you to do something for me, and I know this is not OPA's day. I would like to know who is the individual responsible who essentially is the IT person who is responsible for overseeing the actual conversion from a technical perspective?

MR. DUBOW: There is an IT person at the OPA whose name is Larry Saltzman. But they've been working closely with Adel Ebeid, our CTO, who is directly involved in this process.

COUNCIL PRESIDENT CLARKE: Is it possible at some point, sooner than later today, to have those people here? Is that okay with you?

So we can just ask specific questions with respect to the people who are actually on the ground ultimately responsible.

MR. DUBOW: Just want to make sure I understand what questions you want to ask so we make sure we have the right people.

COUNCIL PRESIDENT CLARKE: Well, there is a conversion and there's issues relating to the IT

Systems to be in a position to adequately come up with the assessments. And there is always this issue about the timing of all of that, and then there is all kinds of information out there that they are not going to be able to produce this information appropriately.

We would actually, obviously, like to have it like today.

MR. DUBOW: Right.

COUNCIL PRESIDENT CLARKE: Before we actually vote on these measures. I would also like to have a conversation with the person who is directly responsible.

MR. DUBOW: I think probably the best person to have talk about it is probably Adel. If you want to get him over here, we will try to get him here today.

COUNCIL PRESIDENT CLARKE: All right. Okay. That would be helpful. Thank you.

So 95 percent in characteristics. I'm going to ask you a couple questions that you probably won't be able to answer.

What's the current estimated aggregate taxable real estate value for both residential and commercial properties for FY13?

MR. DUBOW: Under the new assessment?

COUNCIL PRESIDENT CLARKE: Yes.

MR. DUBOW: We don't have it yet.

COUNCIL PRESIDENT CLARKE: I wanted to get it on the record. Got to ask those questions.

So, you don't have that. And I'm going to ask you the second question that you probably won't be able to answer.

What is the expected millage rate for residential properties for FY13, '14 and '15?

MR. DUBOW: Don't know that yet.

COUNCIL PRESIDENT CLARKE: Put it on the record. What is the expected impact of AVI for the average resident whose property is currently assessed properly?

You should have that.

MR. DUBOW: Assessed properly? We don't actually think that exists. If their assessment is in relation to everyone else's is appropriate, then they would probably see a 9 percent increase, which is the increase in total revenue under our bill.

COUNCIL PRESIDENT CLARKE: That increase is based on natural growth or --

MR. DUBOW: Yes. Since the last time that we have done it.

COUNCIL PRESIDENT CLARKE: Since the last time. So, if you -- if they had been -- I just want to understand this.

If they had been assessed relatively recently, why is it increased again?

MR. DUBOW: The first part of the answer which we don't think really anybody is appropriately assessed, we don't think we have been capturing growth appropriately anywhere.

So, we don't think -- for example, if your property is worth 150,000, we don't think there is any residential property in the city where you will see the value assessed at 150.

COUNCIL PRESIDENT CLARKE: Someone's whose property was assessed last year, that is probably not accurate?

MR. DUBOW: That's right.

COUNCIL PRESIDENT CLARKE: Interesting. Okay. I'm going to come back to you on the second round.

Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President. Good morning, Mr. Dubow.

MR. DUBOW: Good morning.

COUNCILMAN GOODE: Under this proposal, we were returning to the 60/40 split between the City and School District I proposed in 2007; is that correct?

MR. DUBOW: That's correct.

COUNCILMAN GOODE: So, 60 percent of tax revenue would come from the total reassessed value up from 55 percent, and that's where the $94 million figure comes from?

MR. DUBOW: That's correct.

COUNCILMAN GOODE: Okay. Under the School District's Five-year Financial Plan, proposed Five-Year Financial Plan, when would the District come back for more money?

MR. DUBOW: For increased revenue from the City, there is no additional request in the course of the plan.

COUNCILMAN GOODE: Other than the 60/40 split, based upon the reassessment, the School District will not be coming back for more money under their Five-year Financial Plan?

MR. DUBOW: Under the five-year plan, correct.

COUNCILMAN GOODE: Lastly in that regard, what is the -- this is a trick question.

What is the fairest thing we can do for property taxpayers at this time?

MR. DUBOW: That is a trick question? To get accurate assessments as quickly as possible.

COUNCILMAN GOODE: Are we actually doing that in a pure fashion, or are we balancing what different people think is fair?

MR. DUBOW: We are balancing that against trying to avoid giving too dramatic a sticker shock to people and smoothing the change over.

COUNCILMAN GOODE: Is that actually the fairest thing we can do?

MR. DUBOW: If you factor in trying to avoid sticker shock, yes.

COUNCILMAN GOODE: I'll repeat the question.

MR. DUBOW: The trick question.

COUNCILMAN GOODE: What is the fairest thing we can do for property taxpayers?

MR. DUBOW: I think is probably a multipart answer, I think.

COUNCILMAN GOODE: Trick questions require that.

MR. DUBOW: Yes. We want to get them accurate assessments in a way that doesn't produce too much -- it doesn't produce more sticker shock than we can avoid by doing some kind of smoothing out, smoothing homestead.

COUNCILMAN GOODE: The fairest thing we can do is actually just assess the property accurately.

MR. DUBOW: The fairest thing that the Office of Property Assessment can do is just assess it accurately.

COUNCILMAN GOODE: Once we move beyond that, in essence, we are deciding what is fair.

MR. DUBOW: Right.

COUNCILMAN GOODE: And that's subjective.

MR. DUBOW: Yes.

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

COUNCIL PRESIDENT CLARKE: You're welcome, Councilman.

Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President. I think my colleague raises an interesting and intriguing question about what the fairest thing we can do for taxpayers is.

I think one of the fairest things we can do is make sure that we equally levy, equally enforce and equally collect on building owners in the City of Philadelphia. We raised this issue during the budget, we would be consistent. This is not one of those issues, Mr. President, I am trying to hide behind. Unless you bring me the broom of the Wicked Witch of the West, I would not consider AVI. It's not one of those. It's not a trick question.

It's a simple assertion of the fact that based on our records, that 2,956 properties in the City of Philadelphia are owned by 2,329 non-Philadelphia owners that owe us $28.5 million in tax delinquency. That's money on the table that we haven't been able to collect.

Now grant it, my Revenue Commissioner, my favorite Revenue Commissioner ever, is working diligently to look at that pool of money to see how collectible it is, where it is and various stages of acquisition. But 78 percent of those delinquent taxes are over four years old; 21.6 percent of all of those delinquent taxes are 12 years old. And the -- it's incredible to me that that represents about 24 percent of the amount owed to the City of Philadelphia at a total pool.

Now, we have to do some heavy lifting in the near future to save this public school system as we know it. But you asked the question, Councilman, what is fair. Fair is not levying the people who are honest people that pay. Fair is collecting on those people as well as the honest people who are reluctant to pay.

So, I want to see a effort along with whatever this Body decides to do, a commitment from this City to say that we're going after that $28 million with a vengeance so that it, at least, lessens the burden on those people who are honest people that actually pay their taxes.

MR. DUBOW: We -- we are making that commitment.

COUNCILMAN JONES: All right. I need more than just making that commitment. I need a timetable because here is why. Because we're getting ready to make some serious -- we have a timetable. September is not moving backwards. September, when school buses and kids have that expectation, is coming. We are going to have to make some decisions.

I want to know that there is a game plan a foot to go after this pool of money. Now, grant it, I think all taxpayers are created equal, but some of them are more equal than others. The ones that live outside the city and have the audacity to be paying their bills in their respective home counties and then ignoring ours are people that are egregious in my mind, and they need to be focused upon. I need to know that there is a plan.

MR. DUBOW: Keith Richardson will address that.

MR. RICHARDSON: I'm Keith J. Richardson, Revenue Commissioner.

To address your question and concerns, rather is not a question, as we sat with your staffers in regard to that number, you got to understand when we look at it, how many of those potential taxpayers may be in payment plans. There may be some individuals that are in bankruptcy. And then you need to understand the unknown variable that that address that you have, it could be son or daughter paying the payments for mom or dad. So you can't assume that they live out of the area. May not be that way entirely.

You have to take into account and consideration also a lot of those individuals might be in low-income payment plans, some of them might be in hardship agreements where they are paying 20 or 30 dollars a month. Again, we will analyze that information that we talked to your staffers about actually yesterday afternoon and provide you with what the universe may look like.

But again, as we did the Pension Program, 2,700 people were delinquent at $13.9 million. We scrubbed it to go after folks, came down to 1,300 people. Those numbers may come down if they are in agreements. We can't default them on their payment agreement if they are paying us as planned. But again, we know that their tax delinquency is high.

COUNCILMAN JONES: Here is what we know. It's in a great unknown. We don't have answers for the specific questions that you just raised. We don't know whether this is a true 28 million or it may be only 12 million. But if it's 12 million, that is 12 million more than we have. So we need the answers to those questions.

It also piggybacks off of concerns that Councilman Henon, Councilman Sanchez has. Some of these owners that are delinquent are nefarious for not keeping their properties up and causing even greater public safety ills than we have. So, there is a dual reason why we need the focus on that.

That, A, they owe us money; B, they are causing blight in the communities; and C, that blighted property can cause a safety hazard to citizens and first responders.

So for all of those reasons and above, this is a pool of people that we need to pay particular attention to.

MR. RICHARDSON: Duly noted.

COUNCILMAN JONES: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You're welcome, Councilman.

Following up on this whole tax delinquency issue. We asked this question earlier about accelerating delinquent tax sales, foreclosure tax sales.

When an individual purchases a property at sheriff's sale, is it close to being clear title or regardless of any other liens?

MR. RICHARDSON: When a person purchases at sheriff sale, they have 30 days to take care of pretty much everything then.

COUNCIL PRESIDENT CLARKE: You say "they".

MR. RICHARDSON: "They" as the person that bought the property. Hopefully, after that we will be able to clear whatever they may -- they maybe own a title. They may -- some unfortunate gas bills, water bills, things of that nature that are still left.

COUNCIL PRESIDENT CLARKE: Municipal means?

MR. RICHARDSON: Right. But they would not be accountable for that.

COUNCIL PRESIDENT CLARKE: They would not?

MR. EBEID: Right.

COUNCIL PRESIDENT CLARKE: All right. I ask that question because the Housing Authority recently -- I know it's a different situation -- they auctioned off close to a thousand properties. They did it in a relatively short period of time. They pretty much made some announcements. They hired an auction company actually to do it.

Based on Mr. Kelly's word, he told me that there was a significant level of revenue gained by -- as a result of the sales of those properties. And a lot of those properties were in real bad shape. But in spite of that, people bought those properties because of location.

So my question is, why can't we do that?

MR. RICHARDSON: Well, one, we are. Again, as Ms. Beckly says yesterday, we are --

COUNCIL PRESIDENT CLARKE: You say "we are". When have we done something to that magnitude in that relatively short period of time?

MR. RICHARDSON: To answer your question, Council President, we have increased our sales to about trying to get 600 a month. We have never been at that level. We have been at about maybe about 50 to 150 a month. Again, we are trying to get up to 600 a month because we have the capacity, the two co-councils have that capacity.

The good part is that, again, with one of our co-councils they have only had nine sales as of this month because people are now coming in to pay them, make payment agreements, pay them in full. Again, we don't want to be in a situation that we have to sell properties, we want the money. I don't really want to do serf work. I would rather have collections coming in. And that is what our mindset is.

As of this year, for example, 2012 taxes that are due as of March 31, we are being more aggressive to go after that money now. If we know individuals are start paying their taxes now, by the time comes for September/October if they haven't paid, then we are going to look at trying to get judgments against those individuals and put that against their properties instead of waiting until next spring to do that kind of work. We are trying to be faster at doing things.

We did a tax lien sale back in the '90s. Monetarily was good for the City, but there is a lot of headaches with that. Again, what PHA may have done, they had their pool of things. They used a private company to do that. We are trying to take the more proactive approach of going after the money faster now instead of waiting later to go through the sheriff sale process.

COUNCIL PRESIDENT CLARKE: Okay. So,

you're saying you're trying to get the 600.
Where are you now?
MR. RICHARDSON: We are at about now 250 or so again because a lot of them have been postponed because people are coming to pay us.
COUNCIL PRESIDENT CLARKE: All right.
MR. EBEID: And that's what we want.
COUNCIL PRESIDENT CLARKE: Of that 2,900 and maybe more that Councilman Jones referenced, do you have a sense of how many of those properties are vacant? Because I should have prefaced my comments by saying vacant properties because I'm not looking to put people out of their homes. But I know there are a significant amount of those properties are, in fact, vacant.
MR. RICHARDSON: We will be analyzing the data. We will get back to the Councilman or to the staff within probably the end of the month. We cannot do it overnight. We want to analyze everything to put into parameters how many are bankrupt, how many are in low income payment programs, how many may be hardship agreements. So we're going to have all that put together, and then we can provide that data back to you. But it's going to take a couple weeks to get

that to you.

COUNCIL PRESIDENT CLARKE: Okay. Thank you.

Chair recognizes Councilman Oh.

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

COUNCIL PRESIDENT CLARKE: You're welcome.

COUNCILMAN OH: I wanted to go through just some simple things, but I just wanted to make sure it's clear for me and for the public who may be listening or viewing this.

We are doing a comprehensive assessment of as many properties or theoretically all the properties in Philadelphia; is that correct?

MR. DUBOW: That's correct.

COUNCILMAN OH: When was the last time we did something like that?

MR. DUBOW: The last time that there was a large reassessment, I think, was 2004. I think that the results of this would be much more accurate than the results of that effort.

COUNCILMAN OH: This one you are saying would be much more accurate than the 2004?

MR. DUBOW: Yes.

COUNCILMAN OH: Why is that so?

MR. DUBOW: I think there are a few reasons. One, we're making sure that our assessors are trained and certified to -- I think we're going through a much more thorough approach this time to getting the assessment rights.

COUNCILMAN OH: So, at the end of this assessment, it's anticipated that in general the property values of the City as a whole would be higher rather than the same or lower?

MR. DUBOW: That's right. Yeah. Under the assessments now, properties are only assessed at a fraction of their actual value. We will be going to the full value.

COUNCILMAN OH: Right. But even if we didn't go to full value, even if we stayed at the former method of taking the market value times 32 percent equal the actual value -- even if we never change anything, the new assessments would probably increase a homeowner's taxes; is that correct?

MR. DUBOW: Right. There are two parts. There is the predetermined ratio, which is the 32 percent that you talked about that reduces the value for tax purposes; but there is also just a market value. And the market values are two-of. So, all the market values would go up.

Even if you didn't change -- I think what you're asking, even if you didn't change the predetermined ratio, the values would be going up.

COUNCILMAN OH: You don't know that. But you are anticipating or believing or based on the evidence you received, even if we never went to AVI, the property taxes would most likely go up?

MR. DUBOW: Right. One of the things we have looked at is we have looked at sale prices in some areas against the current market values in the system. And sale prices have been significantly higher.

COUNCILMAN OH: If I separate this, the comprehensive assessment, that portion has to do with fair and accurate. AVI or going to full market value has to do with understandable?

MR. DUBOW: Correct.

COUNCILMAN OH: Okay. So, the understandable then has to do with then dependable and predictable because we would remove the State process of changing percentages, numbers and making other adjustments; is that correct?

MR. DUBOW: I missed a little bit of what you said. I'm sorry.

COUNCILMAN OH: By going to the actual value, we would remove the part where the State comes in and makes changes.

MR. DUBOW: We would remove the predetermined ratio which actually set by Council, and so that would take away one of the things that makes the billing process confusing. Then what's happened is the State reviews that and the State's looked at that and said that they don't think the 32 percent is accurate. So, we are removing that risk of the State saying, oh, the percent you are using is inaccurate.

COUNCILMAN OH: If the State doesn't agree with the percentage under the former system, they can make adjustments that then affect the revenues we receive?

MR. DUBOW: Right. This year they said 32 percent wasn't right. We should be using 25.2 percent.

COUNCILMAN OH: Okay.

MR. DUBOW: That has a big impact on
revenue.
COUNCILMAN OH: The goal is to get to fair,
accurate and understandable which is also
predictable and stable for planning and growing
and providing for our City. That's the goal.
MR. DUBOW: That's the goal.
COUNCILMAN OH: Within that tax revenue,
there is already a portion because not 100
percent of it goes to the City. Not 100 percent
of it goes to the School. But a portion comes
to the City, and a portion comes to the School.
MR. DUBOW: Right.
COUNCILMAN OH: Based on that, when you say
$94 million, is that based on the existing
percentages that go to the School and to the
City? Or is that based on some change in the
percentages between the School and the City?
MR. DUBOW: It's the percentages for the
City and the School District before the
temporary tax increases went into place over the
last couple of years. Be going back to the
60/40 split that was in place before those
temporary tax increases.
COUNCILMAN OH: So, this process is not,

per se, taxing homeowners an additional
$95 million, it's the taxes that come from the anticipated revenues from the assessed value and that portion which is due to the School District?

MR. DUBOW: Right.

COUNCILMAN OH: Okay. That's what it's supposed to be, so thank you very much.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

COUNCILMAN OH: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Welcome.

COUNCILMAN GREEN: Good morning.

MR. DUBOW: Good morning.

COUNCILMAN GREEN: I appreciate you -- the meetings that you've had trying to help me understand the formulaic approach in Bill No. 175. It has been very helpful, and thank you for taking that time.

MR. DUBOW: Sure.

COUNCILMAN GREEN: So, in response to

Council President Clarke's questions, you said you can't say what the aggregate value of overall real estate will be in FY13. And you can't say what the new rate is, but you've given charts to District Council people and to some at large people with the assumption that the rate will be 2.5 percent with smoothing and homestead. And you've said that it's 1.25 percent without smoothing and homestead.

What assumptions are you making about the aggregate value of real estate when you provide those charts?

MR. DUBOW: Just a couple of things before I answer that. I think it's 2.4 percent within the first year with smoothing and homestead. And 1.2 percent in the third year, which is effectively no more smoothing but still a homestead.

And what we did actually is we looked at neighborhoods in each council district. I think close to 40 in total. Looked at their average tax bill now, and then looked at what that tax bill would be with a 9 percent increase. So we had an average tax payment for those neighborhoods, divided that by the average sales price in those neighborhoods and that gave us the rate.

So, we didn't make any assumption about total assessments. We just used that universe of neighborhoods that we looked at.

COUNCILMAN GREEN: So, you used the sales data in --

MR. DUBOW: Used sales data as a proxy for --

COUNCILMAN GREEN: The actual --

MR. DUBOW: -- around where new market values would be.

COUNCILMAN GREEN: The actual sales data in that neighborhood?

MR. DUBOW: Yes.

COUNCILMAN GREEN: So, the actual market value today?

MR. DUBOW: Well, the actual -- the average sales price, which we use as a proxy for market value, there are other things that assessors will look at to get to market value.

COUNCILMAN GREEN: So, forget this question about 2.4 percent smoothing and homestead. You said it's 1.25 percent without any of that.

MR. DUBOW: No. With homestead, but with

no smoothing.

COUNCILMAN GREEN: That is with homestead?

MR. DUBOW: Yes.

COUNCILMAN GREEN: Okay. What assumption do you make about the aggregate value with 1.25 percent?

MR. DUBOW: It's the same calculation that I described a couple minutes ago. There is no assumption about total aggregate value.

COUNCILMAN GREEN: What aggregate value does 1.25 percent imply? Given that -- with the goal of --

MR. DUBOW: I'd have to actually go back and do the math to figure that. I can figure that out, but I can't do it right here.

COUNCILMAN GREEN: Is it about 114 billion?

MR. DUBOW: It sounds like you've done the calculation and come up with that number. It sounds -- doesn't sound unreasonable, but I haven't done the calculation.

COUNCILMAN GREEN: How off will the charts be if it's actually 75 billion or 150 billion?

MR. DUBOW: Then, obviously, they'd be off if the numbers were --

COUNCILMAN GREEN: Significantly.

MR. DUBOW: We only used -- we have made clear in the presentations we are not saying this is where we think rates will be. We are just showing an example based on these neighborhoods that we have looked at in doing an average of those. There is -- there was no attempt to say this is where rates will wind up.

COUNCILMAN GREEN: But I think that's an important point to make. Because unless you can tell us the overall aggregate value, you are showing us rates and what taxes will be based on a set of assumptions that you are not giving us a degree of certainty as to how accurate that is.

MR. DUBOW: The one certainty that we have under the Bill is the target revenue, which is a 9 percent overall increase.

COUNCILMAN GREEN: I understand that. But there is no certainty with respect to how it will impact any specific neighborhood because you're making a base assumption of 114 billion aggregate value, not 150 billion and not 75 billion.

MR. DUBOW: We weren't making any base assumption. We were doing a calculation based on the neighborhoods we looked at.

COUNCILMAN GREEN: Well, let's put it another way. If it's not 114 billion, the assumption is incorrect.

MR. DUBOW: Again, we weren't making an assumption. We were doing a calculation based on those neighborhoods. And we were not saying this is where we will wind up.

COUNCILMAN GREEN: I understand. What degree of probability do you apply to the charts that you prepared for City Council as accurate?

MR. DUBOW: What the charts were intended to do was show the varying impact on different neighborhoods based on the difference between current market value and -- current market value in the system and sales prices.

It will show that -- it will show the difference in -- the proportions between neighborhoods would be the same. The actual numbers will vary depending on what their total is.

COUNCILMAN GREEN: I understand what the intent of the charts is. What degree of probability are they that they are correct?

MR. DUBOW: I have -- I don't know. It's

not -- we didn't think of them in those terms.
We weren't trying to say.

COUNCILMAN GREEN: You didn't think of them in terms of how correct they are?

MR. DUBOW: We didn't think they were not intended to say this is what the rates are going to be.

COUNCILMAN GREEN: They are not intended to be factual statements?

MR. DUBOW: They're intended -- well, the factual statements, we haven't briefed you yet. When we do, you will have a better understanding of what we are doing with it.

What we are trying to show is the difference -- different effect it would have on different neighborhoods. You can see how -- for example, what this will show is some neighborhoods had current market values that were proportionately much less than where the sales prices are. Those neighborhoods will see bigger increases.

Neighborhoods where the current market value is closer will see smaller increases. Neighborhoods with higher absolute values of a more negative effect in a year when you are smoothing, because your tax rate will be higher.

What these charts are showing are a lot of the impacts of it. They are not trying to show what you are trying to get at, which is what the rate will be.

COUNCILMAN GREEN: Right. So, I understand we all knew going in that the statements you just made are true in general. And the only question I had was how probable do you think the numbers you are showing people are correct? And I think we have the answer.

My time is up. I will come back on the next round. Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Good morning, guys.

MR. DUBOW: Good morning.

COUNCILMAN SQUILLA: I have a couple questions about the Bill you pose.

You state that because of the way that the STEB Ruling came down that the 32 percent would be a high number and may be cause of a lot of appeals.

MR. DUBOW: Yes, that's correct.

COUNCILMAN SQUILLA: If the millage rate now that is intact with the 32 percent is -- was 0.09 for whatever.

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: If council were to decide or put an amendment into that Bill where you make the rate 22 percent and raise the millage factor up to a percentage that would keep it revenue neutral, would eliminate the number of appeals happening, what would your opinion be of that?

MR. DUBOW: We would still have new -- if we don't go to actual value, we will still have new STEB numbers that come out next June. And they will be looking at how our assessments, which won't have changed, compare to sale prices. So if sale prices change over the course of the year, that 25.2 is going to change. It can go up. It could go down.

Where it could go down to the 18 percent that they originally gave us as long. As we haven't gone to actual value, we face substantial risks from STEB Rulings.

COUNCILMAN SQUILLA: Well, do we not have risks now knowing that there is a lot of things in the State House that we are waiting for to get approval as far as the ability to lower the millage rate, the ability to implement a homestead?

And also now that new legislation by the Senate, by Stack and McGee and also by Boyle in the House to make certain legislation to try to protect us from ourselves to make revenue neutral the AVI system and things like that?

Doesn't that also weigh on our decision?

MR. DUBOW: It does weigh on your decision. And we are, you know, working hard in Harrisburg to get the three pieces of legislation we need approved. Two of them, the homestead one and the BRT, have moved out of the Senate, are in the House. The third one was voted out of the Senate Education Committee yesterday. And we're optimistic will move out of the Senate soon and then will go to the House.

COUNCILMAN SQUILLA: How about the Revenue Neutral Bill or the other bills introduced in the Senate?

MR. DUBOW: I haven't actually seen those, and I don't think they've moved yet.

COUNCILMAN SQUILLA: They haven't. It

still throws doubt into the mix. This one has to be done by a month from now that we need to be able to decide on this. And if we do this, is the actual formula that you have designed, put together, deciding on what if this doesn't happen and if that doesn't happen, how this would be decided?

MR. DUBOW: I didn't understand the question.

COUNCILMAN SQUILLA: The formula that you have put in place for the --

MR. DUBOW: Formula in the bill?

COUNCILMAN SQUILLA: For the AVI.

MR. DUBOW: Right.

COUNCILMAN SQUILLA: Has that been, I guess, calculated in a way that we can see what if the certain things don't pass; if they do pass, this is the way the formula will be. If it doesn't pass, this is what we need to do.

MR. DUBOW: You're asking what fall backs do we have if the legislation isn't passed?

COUNCILMAN SQUILLA: Right.

MR. DUBOW: We can show you. We can walk you through options.

COUNCILMAN SQUILLA: Isn't that going to

have to be part of the Bill? Because we have to pass this before it's done.

MR. DUBOW: Right. Yeah. We have a failsafe in there, but you're right. We can look at options to put in for if there is no state legislation.

COUNCILMAN SQUILLA: I mean, that just -- it just makes it seem like -- you are saying we are worried about the State coming down with different STEB rulings. If we reduced our STEB to 22 percent and increased our factor to 0.098, we can have the same value coming in from the revenue from before not worrying about -- well, if the STEB comes in to 0.18 or 0.25, we can still keep our same value. And there will be no appeals by that. And --

MR. DUBOW: No. If STEB came back again outside our 15 percent range, we would still have the same risks.

COUNCILMAN SQUILLA: Outside of 15 percent, we were looking -- now at the 32. If it ended up being 29 percent, we could still kept our 32 percent as a ratio, correct?

MR. DUBOW: Right. Anything above 27.2.

COUNCILMAN SQUILLA: Right. So, the same

thing. If we keep it at 22, it could go down to 18 and we would still be in range.

MR. DUBOW: Right. But we don't know where it will end up. And by this Fall, we will actually have the new assessments.

COUNCILMAN SQUILLA: We hope.

MR. DUBOW: We are on schedule to have the new assessments by the Fall. We would be in a position where we were trying to defend old assessments that not only do we know were inaccurate, but we have new assessments in hand that were better than.

COUNCILMAN SQUILLA: Couldn't we as we get all this together and while we are meshing all this information and while we're coming up with Homesteads, couldn't we say we have all these new assessments we're implementing the following year?

We can implement them the following year.

MR. DUBOW: I don't know how we defend using old assessments when we have the new assessments.

COUNCILMAN SQUILLA: We defend them by saying we will implement them when we have all the Homesteads in place and all the safeguards in place to make the --

MR. DUBOW: I'm saying the pro -- I'm sorry. I didn't mean to cut you off.

COUNCILMAN SQUILLA: That's all right. To make it work.

MR. DUBOW: I am saying if a property owner comes in and appeals, we don't really have a basis for defending the appeal saying, no, that assessment is correct when we have a new assessment on the property that is accurate, that is different from that one.

COUNCILMAN SQUILLA: But now we can have the time to actually drag that out long enough to make it go through the year, and then we will have it done in the proper time. I mean, we are rushing to do things without the proper information.

You're asking Council to come up with a vote and asking them to say trust us on this. It's going to work out. We don't have the assessments for the, I guess, the commercial and industrial. Probably won't be done till June or July. And if that's not done then, we still have to mesh that into the plan for the whole assessment value. We are getting further and further along before we can even have them file for the assessments.

That just -- it just seems like you are asking us to do that now and make it a very difficult decision for Council to go along with it. I am willing to propose an amendment to the Bill to lower the STEB ratio and also increase the millage factor in order to stop the fear of appeals and loss of revenue.

But that's something we will talk about in the next round.

MR. DUBOW: Okay.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Mr. President. I don't have any questions. I have two statements.

Number one, on the revenue collection, Mr. Dubow, I have had this conversation with you before. I think you need some outside help both on the revenue side, on the real estate side and everything else. That is just my opinion, and that is my suggestion. If you take it, you take it; if you don't, you don't.

MR. DUBOW: And we actually --

COUNCILMAN KENNEY: I just think you need a two-year, three-year help. It's up to you.

MR. DUBOW: So, we have two things we are doing right now. We are putting out an RFP for a new outside vendor to help us with outside calling and things like predictive dialing to get the help you're talking about. And we are amending our existing contract with one of our providers to get more help on property tax, specifically over the next six months to year.

COUNCILMAN KENNEY: Glad to hear it. Second is a statement relative to this entire AVI issue.

Let me give you just my personal stark backdrop since I've been here long enough. Hornbeck, Vallice, Ackerman, Mash, three continual years of real estate tax increases. People who have lived in this city for generations whose may be out of work, might be out of work, whose parochial schools are closing, who can't get into charter school, who don't have faith in their local public school, three years of tax increases where I've been told about full day kindergarten, about nurses, about arts and culture, about bus service. A lot of it a lie, just outright. The bus service and the full day kindergarten was an outright lie.

Okay. I recognize that we are forced into the situation with actual value. We should have done it 10, 15, 20 years ago. And now we're doing it. I get it. But with that backdrop, unless you can convince that me that the smoothing and the homestead and all the protections are that are in there are actually going to help people that are going to get whacked the most, I am not going to be able to help you. I'm just not going to be able to help you.

Councilman Goode raised the issue of fairness. It's not fair to expect somebody to absorb an increase -- taxes based on the increased value of their homes because they just sat there and did nothing and things improved around them. I am happy things improved around them, but they can't afford it. They can't afford buying a house for 150, having it go to 6 or 700,000 dollars in value and then get banged with a tax bill even over a three-year period.

So, I sit here year after year, and I just marvel and what we're asked to do. Now, almost everybody in this room voted for those taxes, almost everybody in this room. They did it because it was for the kids. I agree. I did it. I did it election year. All of us did it in election year. It wasn't fun. This ain't going to be fun either, obviously. And I am not saying you are suggesting it's going to be fun.

But you have to make sure that this is not cavalierly just said. Well, your property value's increased, just pay your fair share and pay because you owe it. It's not right, and it's not fair to approach it that way. I'm not suggesting that you are. And I know Council President's been working with you to kind of get to where we need to be. But I need to be convinced assuredly that that poor person sitting in Northern Liberties or in Pennsport or in Mt. Airy or in Powelton or in those neighborhood that have changed are going to get destroyed over this.

Because if your real estate taxes are equal or close to or more than what you would pay in the suburbs, why do you live here? What is the sense of living here? I mean, what are you getting? At least over there people feel they can use the school system where they feel they can't use it here.

I am all for the kids. I have got skin in the game. I have done it three years in a row in an election year. I am willing to help you do this again, but I got to be assured that there is going to be protection. Because if I am not assured, I am not going to be there for you. I'm just telling you up front that's the case. Because I've been here too long and seen -- the other issue, frankly, the State took over the system, didn't they?

Isn't this a state agency?

MR. DUBOW: It is.

COUNCILMAN KENNEY: No one goes to the State House or the State Senate members and gives them the hard time we get in here. This seems to be like the World Wrestling Federation in play where everybody comes to yell and scream here. It's their system.

The Governor walked away. The State Legislature walks away. The only people left to help the kids are the people who remained here

and stayed loyal to the City for generations.
And unless we can protect them, I can't help
you.
MR. DUBOW: I understand. As I said, and
Council President, we are working to make sure
we get those protections in place.
COUNCILMAN KENNEY: And I know Council
President's got areas in his district that are
in that situation. Almost everybody in this
room that's a District Council person has areas
in their district where people remain loyal and
faithful to the City and their property values
increase. Some of it by no fault of their own.
Some of it, and I am a tax abatement fan. I
think tax abatements have work tremendously.
However, tax abated folks wound up whacking the
people who live next to them who didn't have the
tax abatement. And now we are going to do it
again.
I don't -- understand it, but I don't like
it. And I'm not doing it unless I am assured
they are going to be protected.
MR. DUBOW: I understand.
COUNCILMAN KENNEY: All right. No
questions. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

I actually would like to follow up on the Councilman's statement because I understand where he's coming from. School District last year -- and I know you've heard this all before.

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: But I hear the Councilman's passion, and I'm starting to feel it now.

You know we were asked to step up to the plate, and we did it, as referenced before, in the middle of an election year. Because at the end of the day, what is the point of being an elected official if you don't do the right thing.

But a part of what we attempted to do was have some performance measures for levels of accountability for additional revenue. And we were led to believe that if we got in the game, that the State was going to get in the game, also. And they didn't. And you know, which was not extremely surprising, but they didn't. But we thought we were going to have this accountability issue.

And we were basically slapped in the hand both locally and by the State and some State Legislators. And they reminded us that we are not in charge of the School District. Our role -- not just our primary role, but our role is simply pass legislation to provide revenue. And our accountability measures were slapped down.

We got a letter from the State General Assembly telling us that is not our role. The SRC said it's not our role. And the Administration said that's not our role, but in spite of that we put the money up.

In addition to what Councilman Kenney said about ensuring that there is protection in place, and you have been working, as I said earlier, very diligently with us. We hope that ultimately it comes out to be something that most of us can -- all of us can feel somewhat comfortable.

If there is additional revenues for the School District, and I do believe there are additional revenues in spite of the fact that we are somehow -- my good friend and colleague Councilman Goode talks about a redistribution to get back to 60/40, and it is. But there are additional revenues at the end of the day that has to be some level of accountability attached to that. I would like to see it in a formal way.

The current system doesn't allow that. But the issue that I have talked to Pedro Ramos, the Chair of the SRC, deals with classroom issues. We actually took a tour and went to some of the schools where there were prior challenges. And I was presently surprised at the turn around in those schools. If this whole issue about classroom and safety, because that is why the charter schools continue to grow because people just want to have a safe environment and hope that that child has an opportunity to learn in that safe environment, that I would like to feel real comfortable that that's going to happen. It somehow has a relationship to whatever revenue put on the table. I know other Council members have other issues that they would like to see.

But I am telling you, I actually been talking to a couple members about some plan called the City Council Funded Plan, because everybody has a plan. All we get to do is vote for taxes, right? So maybe there should be a City Council Plan about funding scenarios for the School District that not only include increase in taxes but also include other revenues from other places such as the State. Because for the life of me, I don't understand how in all these articles I see printed every day in the newspaper, that somehow the State has no level of responsibility for this current crisis. It is quite stunning. And I know that is not your fault. Because if you were writing the newspapers, you would say it.

So, as we move ahead in this discussion, wherever we end up going, if there are additional revenues, we really need to talk about some level of accountability and it being a part of the restructuring measures that are ultimately going to require that our children have a better environment to learn.

MR. DUBOW: We are happy to engage in those conversations.

COUNCIL PRESIDENT CLARKE: The other issue with respect to tax abatement, and I am a supporter of tax abatements. As you know, prior years I tried to change them because I didn't think that we needed ten years, 100 percent and I still don't believe that.

The reality is a number of these neighborhoods -- you want to see the significant increases, they are going to be in areas that it's only happening because these new construction starts that have increased values dramatically. I see my good friend in the back who lives in one of those neighborhoods. And the reality is, a lot of these people will actually not experience significant tax increases because they have tax abatements. But the people next door who've been living there for 10, 20 years are going to get significant increases.

So, I'd like for you to if you can -- I know there was an analysis done on tax abatements because we did it before to determine the areas in the City. I want to see if there is a direct correlation between where recently tax abated new construction properties are in relationship to these neighborhoods where there appears to be increase -- significantly increased values. Because I am willing to bet a lot of those neighborhoods, that is the case where you see these dramatic values. And it's primarily as a result of new construction starts in neighborhoods. And these people living here for a long time are going to end up getting a brunt of the burden, if you can.

MR. DUBOW: Let me see what we can do.

COUNCIL PRESIDENT CLARKE: Thank you. Chair recognizes Councilwoman Tasco. Sorry, Councilwoman, to take up your time.

COUNCILWOMAN TASCO: A lot has been said. I think some of us agree and some of us support. I just want to go back to the fairness issue that Councilman Goode raised.

We talk about the area I represent. One of the areas Cedarbrook, and how through the years we have been pretty much overassessed as opposed to other neighborhoods.

So how do you come to the actual value for that neighborhood? What do you base the assessment on? Do you go back to the years and the value where they were assessed, or do we make the assessment on the current value?

Because if they were overassessed in 1999 or whatever -- we always got complaints about people's property taxes going up -- and they were assessed on whatever number they were assessed on, how do they -- so their taxes were raised, so what happens to them now when this new reassessment because --

MR. DUBOW: It's likely in that scenario, their taxes should go down. If -- relative to other people in the City have been overassessed.

COUNCILWOMAN TASCO: How do you determine they were overassessed, and on what value were they overassessed?

MR. DUBOW: Really, you don't look at the old assessments. You look at kind of -- you do an assessment value based on sales in the area, condition of the house, whole number of facts. Look at the characteristics of the house. Put all that together to come up with an assessed value. That assessed value now is going to be accurate as opposed to the old assessments.

When you put that together with whatever the new millage rate would be, areas that have been relatively overassessed will see their taxes come down.

COUNCILWOMAN TASCO: Okay. Let me ask you, Revenue Commissioner, on these agreements that people make for back taxes.

When they -- when some individuals feel the pinch -- and I am not looking at the small homeowner, the little old lady whose got an economic problem, you know, she just gets Social Security taxes check and she's trying to make it and she may get behind. I'm looking at these people that Councilman Jones talked about. These guys who come in the city, buy these homes, live in New York, they get behind in their taxes, don't pay. But then they come to us, the City, and say, well, let me make an agreement to pay the back taxes.

But do you ever look at the violations on the property and make that -- because they should not just be given, okay, well, you pay it back because they know the tricks. Philadelphia, I think, is very weak in terms of -- they know that we are not strong, and we are not going to come after them. They can get away with doing business in Philly.

They'll wait five or ten years to pay their taxes. And then end up finding some trick method not to pay the tax and we still hung out there for that tax. I mean, I've been here a long time. And we have had this discussion a long time. It's just unfair to let properties sit and let people use our lack of let's go get them attitude and take advantage of us.

MR. RICHARDSON: To answer your question, there is two avenues to this. One, I am responsible for the tax collection part of it. I don't know all the violations part of that. That is L&I side. We are working with them to try and tackle some of these issues going forward.

COUNCILWOMAN TASCO: The question is -- and what are you doing with L&I? It seems that sort of like L&I is the core of a lot of this in terms of what is happening in the City. It's underfunded. Doesn't have enough staff. We ran into this last night with some other issues at the public forum we had in Kensington about the lack of resources and the L&I Department.

So, if -- what are they doing to help you? Is there a real effort, or are you just saying that because you are sitting here?

MR. RICHARDSON: No. I am saying it because it's real. We meet with them on a quarterly basis. We go out on the streets and canvas with them. We are working with them a lot on abandoned properties. So, we do work with L&I. That is real.

Again, there may be situations that, as you said, the taxpayers are compliant with their taxes. And in payment agreement, they may have violations on the L&I side. I have to provide that or Commissioner Burns has to handle that. I can't work on that lane. That is her bailiwick.

If there are violations and there are fees and money owed for license and inspection purposes, we are looking at particularly trying to get those going through the sheriff process, as well.

COUNCILWOMAN TASCO: The other thing I want to ask -- and that will be my question because I don't have a lot of them. Mine goes back to the whole issue of the sheriff sale.

I got a property in my district. And you know I've been talking about this since you've been here. I talked about it with the last Admin, 12 years. I have a property on Stenton Avenue that I can't get to sheriff sale. I can't it to sheriff sale. $240,000 they owe the

City, and it doesn't go to sheriff sale.
We are at the point now, I think, where we are trying to bring it to sheriff sale. But I have this eyesore sitting there and I can't get anybody to do anything about it. And that's called Lakey's. I want somebody to tell me how do we -- I got a guy who wants to buy the property. It's just so hard to get it done.
MR. RICHARDSON: One, you give me the address. I will look into it.
COUNCILWOMAN TASCO: No. We're not going to -- we did that before.
MR. RICHARDSON: Councilwoman, I haven't talked to you about Lakey's. I never talked to you about that property, so you can give me the information.
Again, two, the person who wants to buy --
COUNCILWOMAN TASCO: We have talked about that property. We talked about it in here in Public Hearing and I talked about Lakey's. Talked about bringing it to sheriff. I think it's supposed to come up very soon. I hope some little trickery doesn't happen. It's not your fault, not talking about you. But something always interferes, and it never gets to sheriff

sale.

These guys are real smart. You know, they know how to do it. I'm not a real estate person, so I don't know how to deal with it. But it's really very frustrating. So, I'm venting on you because you happen to be the Revenue Commissioner and you're sitting here.

MR. RICHARDSON: Not a problem, ma'am.

COUNCILWOMAN TASCO: Just have to take it. But in any case, at what point does the Law Department bring these properties to sheriff sale? And what triggers them to bring it to sheriff sale?

MR. RICHARDSON: Again, we are trying to make properties trigger after a year or two now going to the sheriff sale process instead of waiting four, five, six, seven, twenty years on a delinquent property.

Again, situations like you just said someone that may own that property may recognize and play the game and decide to come in and say, I am going to do a payment agreement with you guys now to stay the sheriff sale. They may in fact do that for six or eight months. Then we have to go back through the same process again to go through the sheriff sale process.

COUNCILWOMAN TASCO: How many agreements do you give them? They should only have one.

MR. RICHARDSON: Again --

COUNCILWOMAN TASCO: They should only have one.

MR. RICHARDSON: I am willing to give somebody at least two agreements.

COUNCILWOMAN TASCO: No. No.

MR. RICHARDSON: Well, you have to understand --

COUNCILWOMAN TASCO: They only need one.

MR. RICHARDSON: Well --

COUNCILWOMAN TASCO: If you can look at the history of these properties, they continue to get agreements, agreements and don't pay. And that's why we have $28 million in real estate sitting here that we can't get rid of. And that's the frustration we have, at least I do as a District Council person. And we deal with it every day.

So, they only need but one. Just need one. And they default, then they go to sheriff sale.

MR. RICHARDSON: Duly noted, ma'am.

COUNCILWOMAN TASCO: If you send a message that you are not playing, then people will stop playing with us.

MR. RICHARDSON: I think you're getting that message now. Again, I haven't been accountable and responsible for all the collections in the City. So now that's come to my bailiwick this year.

Again, if you look at things, we've been more aggressive, more proactive. Over the last year, we've had $11 million increase, and over two years, $30 million. In a sense, I am taking responsibility of it with the Law Department underneath me.

Again, we are trying to be more progressive and proactive about it. I can talk to your staff in regard to the Lakey's property and sit down with them and go over that. Again, if we talked about it in Public Hearing, my memory is very short. I don't remember 20 minutes ago sometimes. But we can look at that and see what's going on.

Again, a taxpayer can come down to the Revenue Department for $800 and get that property listed also for sheriff sale if they want to. That's part of the judicial sale process. Who you may know or any other taxpayer looking at a specific property can put up to $800 for Judicial Sales Department to try to force the For Sheriff Sale. So that process is available.

COUNCILWOMAN TASCO: And I don't mean to personally attack you. It's just that you happen to be in that business. You have to take my frustration.

MR. RICHARDSON: Not a problem.

COUNCILWOMAN TASCO: Thank you very much.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

What is the common level ratio or predetermined value an expression of?

MR. DUBOW: The relationship of our assessments to real market value.

COUNCILMAN GREEN: In the aggregate?

MR. DUBOW: Yes.

COUNCILMAN GREEN: In the aggregate. And so, your testimony on the five-year plan and otherwise basically said that there is a

10 percent increase in value, and that we were capturing that 10 percent increase.

MR. DUBOW: There has been over --

COUNCILMAN GREEN: Over the last ten years.

MR. DUBOW: I think we said there's been a 25 percent increase.

COUNCILMAN GREEN: Twenty-five percent increase.

MR. DUBOW: Yes.

COUNCILMAN GREEN: During that time, we've never adjusted our common level ratio or predetermined value.

MR. DUBOW: That's right. It stayed at -- the predetermined ratio stayed at 32 percent.

COUNCILMAN GREEN: Based on your testimony our, I guess, we are sort of -- we are aware we are with respect to the common level ratio. But when you are having a conversation with Councilman Squilla we were talking about assessments and common level ratio and both.

Really, I think when you're talking just about the common level ratio, if the 1.25 percent that you say is -- would be the number is accurate --

MR. DUBOW: I never said that would be the number. I specifically said that we weren't saying that was the number.

COUNCILMAN GREEN: Common level ratio of 25 would be right because that is an expression of the percentage of -- the percentage of the -- the overall aggregate value, we basically would be at 25 percent of the real value of all property in the City.

MR. DUBOW: I don't know how you got to that conclusion. I'm not disagreeing, I just don't know -- I'm not understanding how you got to where you just got.

COUNCILMAN GREEN: I am taking what the overall aggregate value of real estate would be at 1.25.

MR. DUBOW: Okay.

COUNCILMAN GREEN: And I'm -- I'm basically suggesting that we are, as the report that you mentioned in your original testimony and other things as you testified before PICA, are going to see a multiple in the aggregate value of real estate of four times from the current number.

MR. DUBOW: We're at 38 billion now.

COUNCILMAN GREEN: Right.

MR. DUBOW: So, four times 38 billion is, like, 121.52; is that right?

COUNCILMAN GREEN: I guess that's right.

MR. DUBOW: We wouldn't be at a quarter.

COUNCILMAN GREEN: Okay. Is there any way for -- how do we get to the proper common level ratio?

MR. DUBOW: By going to actual value, and then we are at 100 percent.

COUNCILMAN GREEN: Is there an estimate of what the common level ratio would be next year based on -- if we stay with the current system, based on the sales that have taken place this year?

MR. DUBOW: Well, it would actually not just be the sales. We need to look at sales between now and, I guess, next June when we would be sending the numbers in. So, we don't have that data yet.

COUNCILMAN GREEN: We've got the -- it will be through this June, right? So, we have most of the year --

MR. DUBOW: Through next June. The STEB number comes out next June. The next STEB number is supposed to come out by July 1 next year based on sales during the course of the year.

COUNCILMAN GREEN: We don't do it annually?

MR. DUBOW: We send them monthly data. We send them stuff.

COUNCILMAN GREEN: Aren't they going to this June --

MR. DUBOW: They get it by month.

COUNCILMAN GREEN: -- going to have a new STEB number?

MR. DUBOW: Yeah.

COUNCILMAN GREEN: Like they did last year?

MR. DUBOW: So, there is more sales data to get then that we haven't gotten them.

COUNCILMAN GREEN: About a month.

MR. DUBOW: We still have -- we haven't gotten them April yet. We at least would have May and June to go through and probably April, so there is a substantial amount we wouldn't have yet.

COUNCILMAN GREEN: But you have nine to ten months of data, which is a pretty good sample size, that would allow you to estimate what you think the common level ratio should be under the current system.

So, what I would ask you to do is, please, evaluate that data and provide it to the Chair so we can have it as part of our deliberations.

MR. DUBOW: I'd like to have a conversation with you outside the Hearing about that if that's okay.

COUNCILMAN GREEN: Okay. Thank you.

So, I thought your answer to Councilman Goode's question was excellent in that you said --

MR. DUBOW: That worries me.

(Laughter.)

(Timed warning alarm sounds.)

Oh, time's up.

(Laughter.)

COUNCILMAN GREEN: In that you said the move from 55 to 60 percent in terms of the $94 million we're going to collect is actually the 94 -- where the $94 million comes from. It's moving up by 10 percent, the amount of taxes collected by the schools.

MR. DUBOW: It's changing the allocation.

COUNCILMAN GREEN: It's changing the allocation. And that is where $94 million comes from. It is not from capturing value. I thought that was --

MR. DUBOW: No. It's from capturing value and the way we are allocating it changes. The total 94 million increase comes from the -- from capturing value. The fact that it's going to the District comes from the change in allocation.

COUNCILMAN GREEN: If we didn't change the allocation between the City and the School District, no value would be captured. It is only by changing the amount the School District collects from 55 percent to 60 percent that you actually end up getting 94 million.

In other words, if we left the distribution between the City and the School District exactly the same as it was last year, there would be no 94 million.

MR. DUBOW: There would be, it just wouldn't all go to the School District. You would still have the growth.

COUNCILMAN GREEN: We wouldn't.

MR. DUBOW: Sure. You just allocate it differently. Total revenue would be the same. We are allocating it differently next year.

If you still do 55/45, the City would get additional revenue beyond what's in our budget.

And the School District would get less than what's in its budget.

COUNCILMAN GREEN: Okay. I will accept that as a true statement, and get back to you.

MR. DUBOW: Thank you.

COUNCILMAN GREEN: I actually have a quick question -- I'm sorry, Mr. President.

COUNCIL PRESIDENT CLARKE: You got a quick one, go ahead. Go ahead.

COUNCILMAN GREEN: Quick question for the Revenue Commissioner related to questions Councilwoman Tasco was asking.

That is, you have been very successful in getting additional revenue on real estate property tax assessments through the new program that you have in place with the two vendors and the Law Department and Revenue, et cetera.

And my question is, why wouldn't we invest additional dollars in moving further down in the direction of those collections?

In other words, have we reached the marginal point of no return where getting additional vendors or hiring additional revenue people or hiring additional people in the Sheriff's Department for sheriff sales, et

cetera, will result in not more than $1
collected?
MR. DUBOW: We actually -- we testified to earlier, we actually are expanding our contracting efforts. We are amending a contract with an existing vendor to -- to increase outbound calling on property taxes. Then we are doing a more general contract that we are going to an RFP process on all taxes to expand our collection efforts.
COUNCILMAN GREEN: Where are those numbers in the revenue assumptions?
MR. DUBOW: If those numbers came in, you would probably see improved delinquent collections, but they are not there yet.
COUNCILMAN GREEN: Okay. I would like to understand where it is, the point of marginal futility exist in terms of expanding our efforts in that area, and why we are not far more aggressive about expanding sheriff's sales so that we can get collections?
In other words, based on the testimony we heard today and yesterday from the Law Department, I think what we hear is that when there are consequences, people pay their taxes.

When their property is listed, we are going to get the money. As long as they know sales aren't going to happen and the properties aren't listed, we are not going to get the money.

So, the faster we can get to 600 listings a month or 1,000 listings a month, the faster we are going to collect our revenue. I would like to understand why we are not proposing to give everybody the resources they need to do that because we are going to get far more than a dollar for each dollar we spend in that effort.

MR. DUBOW: We agree. That is why we are putting more effort into that area. As the Commissioner said, the reason that we haven't gotten to 600 is because people are settling. We get listings to go up to 600, but people settle and pay, which is actually our goal.

COUNCILMAN GREEN: Listings are going up to 200, and we are actually only going up to 90.

MR. DUBOW: No. You may be just talking about for -- that's just a --

COUNCILMAN GREEN: For sheriff sales.

MR. DUBOW: But we also -- both of our contractors have also increased, too. So, no, it's 600 between City and the two contractors.

COUNCILMAN GREEN: We haven't got there yet based on --

MR. DUBOW: Haven't got there because people are paying, which is what we want to have happen.

MR. RICHARDSON: Case in point, GRB over the last two months tried to go to sheriff sale. They have only had 15 and now finally going to 9. So, they are trying to push out more but people are paying them. Say they may not get to the 200. We want people to pay us, that's great.

But keep in mind also to get to the 600 we still look at about 1 200 properties or more. So, to look at getting it to that level. But people are paying. That is what we want them to do.

COUNCILMAN GREEN: What will it take us to get to the potential of listing of 1,200 to get to 600? How many dollars do we have to invest in that?

MR. RICHARDSON: I don't know how much it's going to cost collar-wise. Again, the more cases that co-councils are getting, they are solving now faster instead of going through the

sheriff sale process. Do I want to get to 600?
Not really. Do I want them to bring in more
money? Yes.
     COUNCILMAN GREEN: What is our plan to
expand the cases or to additional co-council?
     MR. DUBOW: Again, as Mr. Dubow has said,
we already have amended two contracts to work on
real estate collections right now on the current
time frames. And we are looking at bringing in
a couple of more collection agencies through RFP
processes right now that will work on earlier
cases for us as well because we don't reach that
group.
     COUNCILMAN GREEN: Okay. I'd like to
understand what that is going to cost and what
the revenue estimate is for that effort for next
year, because it doesn't appear to be reflected
in the budget at all. So, I would ask you to
provide an estimate of that to the Chair.
     So --
     COUNCIL PRESIDENT CLARKE: Councilman.
     COUNCILMAN GREEN: Thank you,
Mr. President.
     COUNCIL PRESIDENT CLARKE: I know you will
get him on the next round. Thank you.

Chair recognizes Councilman Oh.
COUNCILMAN OH: Thank you very much, Mr. President.
COUNCIL PRESIDENT CLARKE: You're welcome.
COUNCILMAN OH: So, I have like a simple statement. We kind of went through it. It was understandable and then it got a little confused as I was listening. So, I want to go back to another part of this.
The $94 million is that portion of the property tax that is anticipated to go to the School District based on the assessments that are anticipated regardless of AVI.
Is that a fair statement?
MR. DUBOW: The amount of increased revenue?
COUNCILMAN OH: Yes.
MR. DUBOW: It's -- the reason it's not completely accurate is that we've -- without AVI we have frozen assessments. So, if we didn't do --
COUNCILMAN OH: If we didn't freeze assessments -- in other words, there is new assessments --
MR. DUBOW: If we had been doing accurate

assessments over time and kept up with assessments, that would generate the 94 million, yes.

COUNCILMAN OH: So, it is not -- what it is not is that it's not an additional amount of money out of the general fund to give to the School District aside from the money that it is already getting from its portion of the real estate tax?

MR. DUBOW: Right. It's not an increased contribution from the City's general fund. That's correct.

COUNCILMAN OH: Okay. And it is -- so, it's not an additional amount. It's just the money that would be going based on the real estate taxes; is that correct?

Anticipated real estate taxes.

MR. DUBOW: Based on the growth we have seen over time. If we hadn't anticipated doing assessments over time, yes.

COUNCILMAN OH: Okay. The reason that I want to say that or clarify that is because, you know, there was some statement about the School District.

So, the School District and its performance is a separate issue. They get the money one way or the -- they just get the money regardless of the performance of the School District, they get the $94 million.

MR. DUBOW: I guess the -- for both the City and the School District, whatever amount they get is, you know, dependent on determinations that Council and the Mayor make. We've based what we think they should get based on where we think growth has gone over time.

COUNCILMAN OH: So, that is based on the property assessment and the tax. You are not creating another tax upon the people to throw in an additional $95 million specifically to bail out the School District?

MR. DUBOW: Right.

COUNCILMAN OH: Okay. So then, you know, separately the issue of whether the School District is doing a great job, a poor job is separate from the fact that there is anticipated revenues from the taxes for real estate?

MR. DUBOW: Right.

COUNCILMAN OH: Okay. So, just for the -- because we get these questions, and I would like to just make sure that I am clear and we're all clear here.

So, in the weigh and balance separate from the money -- so now going to the fact that whatever money went out regardless -- if the School District does not succeed, then it has a devastating effect on our city and property values and businesses and jobs and everything else, so that is a bad thing that we have to deal with here in City Council.

Now if there are increases in the property assessments that appear to be fair and accurate, then -- the issue of dealing with the School District to me is an issue of responsibility in terms of the viability of our City providing education and all that, but I don't see how it mixes into this issue of the taxes. I don't see that it's dependent good performance, bad performance. It's just money that comes from the real estate tax.

MR. DUBOW: Right.

COUNCILMAN OH: So then, where I do have an issue and where we discussed this, and I'm curious to know -- because if that is a case and the only place we are coming down to it, as I see it is, that you are basing the value of people's homes on the past five years from this year as opposed to, for example, the past ten years from this year.

Is that wrong or correct?

MR. DUBOW: I am actually -- I would have to check with Rich McKeithen to make sure I get this right. I know they are looking at sales over a period of time. But they don't just look at sales, but characteristics -- a whole bunch of things to look at.

COUNCILMAN OH: Right. And that's fine. The issue, and I probably won't get to it this round, but the issue then for me is this. Because many people feel that looking at the last five years is not accurate and not fair because of the very high spike in real estate values around the real estate purchases and sales that went up without an opportunity to go down because the economy tanked, they feel that in many neighborhoods they are getting stuck with very high assessments.

And I would like to hear from you how did your team or how did this team, you know, counter balance the fact of these very high -- this high real estate bubble so that it will be fair to people in terms -- I think people want confidence to know, number one, they are not paying for a broken school system. And separately, it's if going to get fixed, what's the real fix. So, they are not paying for the school system.

Number two, if you've considered, you know, how the real estate taxes are affecting, you know, so many people in our City that might get stuck with a high bill, how did you balance that out so that they are not unfairly stuck with that? I think if they knew that and if we knew that, that would be important in our deliberations.

MR. DUBOW: So, on the people getting hit, I think that's -- we are working with council President and Council members to make sure that doesn't happen. Because we know that's a really important issue, and we have to make sure that that is done right. So, we are working to make sure that we get to the right --

COUNCILMAN OH: I will give you more time for a better answer when we get back to it. But would you think about that? And I would like to know, like, in some detail given that scenario, I believe it was the last five years from this year.

MR. DUBOW: On that part, if you are looking at sales and you are looking at current sales, you are actually hitting the decrease, too. You are really getting -- if you looked at where sale prices are now, they're in the area you are talking about, it would be lower than where it was five years ago. It would be capture that as they looked at values now, so that's something you would catch.

What you wouldn't be getting is, you know, if there was a big spike six or seven years ago. You wouldn't be getting the peak of the market. You would actually be getting values from after that peak. You would be getting the lower values.

COUNCILMAN OH: I'm not clear on that, but I will leave that, because my time is up, for the next round.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

I have heard a lot of good questions by my colleagues today. Some of them dealt with collections, outstanding receivables on the books. Some of them dealt with smoothing, Homesteads, completion of the appraisal process, re-gentrification issues and even deferrals of the taxes due on this. These are all worthwhile questions. And I want to say that they deserve answers before we get to the heavy lifting.

One comment by my colleague Councilman Kenney, who I respect a great deal because of one thing. That I watched him in a tough year, a reelection year, actually take on taxes last year. And I will never forget that he had every reason to duck and hide, but he didn't and he stood up. And I want to give him credit for that in public and say that I saw him do that.

COUNCILMAN KENNEY: It was a little scary.

COUNCILMAN JONES: It was very scary election day/night, I would imagine. So I respect all of the concerns that have been raised. And I would hope that as you bear the burden of what the School Board -- some of these questions are yours to bear, but some of them are the School Board's to answer.

The point at the end of the day, we can try to mask this and call it a duck or call it something else, it is a tax increase. At the end of the day, one of our technical staff just raised to me that if the kids are worth what they are worth, then why mask what we are doing. If they deserve a good education, why are we masking that.

So it begs the last question I have, what are we going to get for the money we put up? What will the product be that we fund? Will there be less violence in classrooms? Will there be more commitment to shop, to electrical plumbing and things that young people can work with their hands to do? Will there be art and music in classrooms? I want to know what we are going to pay for and what the product we get.

It's going to be hard as all get out going out to certain communities and explaining to them why on the third year straight that we are committing to a school board that can't commit to us on accountability. Can't say that we will absolutely do the basic things that you've asked us to do three years straight. And I don't want to know about -- we don't even know who the new

CEO will eventually be. They may say that was fine that he said that, but we are not committed to that.

We need some assurances. We know it's doom and gloom over there. We are clear they are cutting approximately $300,000 a day just to deal with the deficit. But after all of the bloodshed cutting down to the bone, if we step up to the plate, what will we receive by way of an end product for future students, future work force in the City of Philadelphia?

Will people in parts of my district not have to pay the hidden real estate tax called tuition for private school or for Catholic school? I want to be able to assured of that. My grandkids go to public school, and I'm proud that they do. But what will the product be at the end of that experience? And I need them to speak to that after we get done cutting everything else, I want to know what we're getting.

I am sure my colleagues want to know that -- they are raising great questions about the actual value assessments, all of those things. But these kids are not poker chips.

They are the future of our city. The folk that are going to take all of our places. And I want to know that they are ready and prepared for a global market competition. If not, then why?

Why should we lift a darn penny of this if we don't know what the product we are getting ready to pay for. I need that answer brought before this Body before we do any heavy lifting. That is not a question. That is a statement.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: It's a tough one to follow. I agree with you Councilman Jones. Good job.

I want to go back to the bill that you oppose and the fact that if we have a bill that states the assessments will stay the same, we will lower our common level ration to 22 percent and our millage will go to 0.1375, that will in effect keep it sort of the same as it is this year. Enabling us not knowing what the STEBs are going to come in as a ruling, but we will probably have a good idea it will be around that area whether it's 18 percent or 20 percent. That would still be in the margin of error in order to keep the same common level ratio.

Now, if we do that and say that we can hold off AVI for a year, what would that do besides losing the $94 million added into the AVI bill?

MR. DUBOW: Well, I think -- I hear what you're saying. But I think you will still have a STEB risk because we don't know -- so, there is that risk of a financial impact. And we would have values that we weren't using. And we would still have a system that wasn't fair, understandable and accurate.

COUNCILMAN SQUILLA: I would agree. But would it be better to have a system that is still isn't, so-called, fair knowing that we are going to that direction and knowing at FY14 we will be there, knowing that we will have all the answers from the State according to what legislation is necessary, knowing that we can either lower our millage rate or not?

All that stuff will be done. All the assessments will be done. All the values will be done. Then we can sit and deliberate for a month or two to come up with the proper safeguards to make this work.

Wouldn't that be more fair?

MR. DUBOW: I understand everything you are saying. I just don't agree that that would be more fair. I think, you know, if we can get the values and we are on schedule to get them, we need to get them done.

COUNCILMAN SQUILLA: We are on schedule to get them, but we're not on schedule to get them before we implement our vote on that subject.

MR. DUBOW: But we are on schedule to have them before people get their tax bills.

COUNCILMAN SQUILLA: Is it possible to get -- and I mentioned this. Is it possible to get -- if we implement and somehow the AVI gets passed with a formulaic method, what happens if -- what is most likely will happen is we get sued because the State states that we need to have a millage rate in place by June 30.

MR. DUBOW: That is why the Bill has the failsafe rate in it. But, Councilman Green has asked the Law Department to give an opinion on those set of issues. They are going to have that by Friday. They will have that Friday.

COUNCILMAN SQUILLA: By Friday. So, we

will know -- that will be just their opinion on it.

MR. DUBOW: That is all they can give is their opinion.

COUNCILMAN SQUILLA: Right. What I am saying is you are saying there is a possibility of the STEB ruling coming in and the State changing some things. But we have a lot more possibilities of a lot of different things happening before the June 30 deadline that we have really no control of, and we don't know the answers to; but yet we are asked to vote on this AVI predeterminately and saying trust us it will work, and we will be able to protect the people that may need it the most. We may not be, but we are hoping that it works.

Then the following year after that, we are going to be jumping through hoops to try to make corrections and put amendments in to try to help people. It just makes more sense to me to wait it out, see what happens, get all the information in place first and then make conscious decisions on how we can do this. Because there is still a possibility, and maybe whether you think it's true or not true, that if the State House and Senate comes through with legislation that tells us it has to be revenue neutral, we would have to follow those guidelines anyway.

Is that true?

MR. DUBOW: That we would have to follow which guidelines?

COUNCILMAN SQUILLA: The legislation of the State who is proposing to make th AVI revenue neutral.

MR. DUBOW: Which hasn't moved. There is always a risk that legislature will introduce something. And it -- I mean, that risk is always there no matter what we do any year. There is always a risk that something will happen in Harrisburg.

COUNCILMAN SQUILLA: Well, I mean, we are waiting for certain things to go through Harrisburg on our behalf. Now it seems like they are introducing some things to try and stop us from doing things because maybe Council and the Administration is not getting together. I think it would be better for us to sit down in a room, work out some details how we can make this work, and really come out this -- come out on this together knowing that it would be a good way to protect the City residents and maybe move forward the following year and come up with different revenue basis and different ways to bring money into the School District if that is what the Council wants us to do. Just work on this together with Administration council to send a united message to the State House saying this is what we are going to do for this year. Let's -- work with us so we can make sure next year is a good way to go step forward and getting this AVI initiative.

Because I don't think anybody here is against AVI. Nobody I spoke to is against a fair tax system. I think it's just about we're forcing the issue now. We are doing it without the proper information. I think that it just makes it a harder sell, at least for me. I am having a hard time. Will have a hard time going along with this until, again, hopefully we meet several more times before the end of the month, and you are able to persuade me differently.

I do appreciate the time that you put in and your staff and meeting with us and trying to get us to understand it. I am just nowhere there at this point.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

MR. DUBOW: Just one point I want to before is that --

COUNCILMAN GREEN: Don't start my time, please.

MR. DUBOW: Please start his time. One point --

COUNCIL PRESIDENT CLARKE: It's a new move. Mr. Dubow.

MR. DUBOW: The CTO is here. So if at some point you want to ask questions about that part, he is here.

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

COUNCILMAN GREEN: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: We have reset.

COUNCILMAN GREEN: Just on a point of information and related to Councilman Squilla's questioning about how the formula is going to work and what is going to happen. You mentioned the savings clause that is in Bill 175, which is two and a half percent.

MR. DUBOW: Correct.

COUNCILMAN GREEN: You told me and City Council here today that you don't know what the aggregate value of real estate in the city is going to be.

MR. DUBOW: That's correct.

COUNCILMAN GREEN: The savings clause is two and a half percent of what?

MR. DUBOW: Savings clause will be two and a half percent of where assessments wound up.

COUNCILMAN GREEN: So, that's a big difference if it's 100 billion or 152 billion, isn't it?

MR. DUBOW: Yes. It is a big difference.

COUNCILMAN GREEN: Okay. So, let's just say it's what the -- the -- it's the number that you reported to PICA, which is about four times the 38 billion. That would be two and a half percent of $150 billion. Which is how much money?

MR. DUBOW: Based on the neighborhoods we looked at, we don't think it will be that high.

It doesn't look like that will be the change. It looks like it will be lower than that.

COUNCILMAN GREEN: Okay. So, let's just say it's 100 billion. How much -- which would be less than three times.

How much would we collect at two and a half percent?

MR. DUBOW: Of 100 billion?

COUNCILMAN GREEN: Yes. The savings clause. How much would the savings clause as written in Bill 175 collect?

MR. DUBOW: You'd have to actually do the smoothing calculation to figure that out.

COUNCILMAN GREEN: As written, smoothing would not be part of the savings clause. The savings clause is --

MR. DUBOW: Well, that was kind of the issue we talked about, and we needed some clarity from Law on that. Because our assumption was that that would be in there.

COUNCILMAN GREEN: As written, what would it be?

MR. DUBOW: We have a difference about how it's written means. So, I mean, that -- I think you really have to answer assuming smoothing.

COUNCILMAN GREEN: Assuming smoothing, which -- which -- which we don't know -- okay. Assuming smoothing everything else, at 100 billion, how much is it?

MR. DUBOW: Let me actually do the calculation on pen and paper. I don't want to answer it off the top of my head.

COUNCILMAN GREEN: I understand. I think the point is that if you don't know the aggregate value, you can't have a percentage as your savings clause. Because you are either going to raise a billion one, a billion seven or 700 million. And that doesn't seem to me to be a reasonable way to approach a savings clause given all of the uncertainties that appear to exist with various sections of the formulaic approach like smoothing.

MR. DUBOW: Well, as you know, savings clause would have to be millage rate. Because if what happens is Court says you need to have a millage rate by the end of the year, you need to have a rate.

COUNCILMAN GREEN: In order to have a millage rate, we have to know what the aggregate value is, would you not agree?

MR. DUBOW: In order to understand what the
millage rate will produce, yes.
COUNCILMAN GREEN: Yes. So the savings
clause based on not having the aggregate value
and your inability to provide it means that we
don't know what the savings clause would
produce.
MR. DUBOW: We don't know the exact amount
that it would produce. When we looked at that
set of neighborhoods, the rate that we wound up
with was about 2.4 percent based on how much
they had grown. But I think we want to get --
to answer you, you're looking for --
COUNCILMAN GREEN: We have to know the
aggregate value, which you say you can't provide
by the time --
MR. DUBOW: You actually asked a specific
question about three times growth and what that
would mean, so we need to get you that.
COUNCILMAN GREEN: Sure. But that's not
really the point of the question.
The point of the question is you testified
you won't be able to provide us with the overall
aggregate value. You just testified that
without knowing the overall aggregate value, we

can't predict what a percentage based approach to a savings clause will bring in. And that the savings clause is, in fact, a percentage based approach applied to an aggregate value. So what I'm suggesting is that that savings clause is the potential disastrous for taxpayers.

MR. DUBOW: I'm saying based on the neighborhoods we looked at, we don't think that is the case. And we will show you that.

COUNCILMAN GREEN: In your testimony earlier today, you said the neighborhood data has no reflection on what the aggregate value is.

MR. DUBOW: We said it wasn't a prediction of where it will be.

COUNCILMAN GREEN: Right.

MR. DUBOW: But it does show us for this sample where it wound up, which gives you some sense of kind of where it's -- you're saying it's going to be a disaster.

COUNCILMAN GREEN: If it doesn't --

MR. DUBOW: Doesn't give you enough sense to know it wouldn't be disastrous.

COUNCILMAN GREEN: If it collected a couple hundred million more from taxpayers then we've told them we're going to collect and we can't ever take back the School District portion of that, so that there is complete unaccountability, that seems disastrous to me.

MR. DUBOW: Well, I don't think -- again, we are going to show you. I don't think we'll wind up with a couple hundred more.

COUNCILMAN GREEN: Once again, all of that starts with knowing what the aggregate value of all real estate is in the City. And you already told us you can't tell us that.

MR. DUBOW: I think we are talking in a circle.

COUNCILMAN GREEN: But you agree with that statement, right?

MR. DUBOW: I agree. But I also am saying that I think you can get some sense of where it will be.

COUNCILMAN GREEN: Do you think having a sense of it is enough? Or do you think they should try to be accurate?

MR. DUBOW: You're talking about the failsafe. What we actually have put in the Bill, the calculation gets us to just a 9 percent increase. That is what the core of the Bill is trying to do.

COUNCILMAN GREEN: That is only if the aggregate value is X dollars.

MR. DUBOW: No. That's not how the calculation of the Bill works.

COUNCILMAN GREEN: It's two and a half percent.

MR. DUBOW: No. You're talking at the failsafe. I'm talking about what the core of the Bill does.

COUNCILMAN GREEN: I'm talking about the savings clause. That's the only thing I'm discussing is the savings clause.

MR. DUBOW: Yeah. But you're asking about whether the Bill should be precise. And I am saying in terms of the core of the Bill, which is that calculation, it is precise.

COUNCILMAN GREEN: I'm asking whether or not the savings clause should be precise?

MR. DUBOW: In the -- we obviously would rather have all the data now. We don't have that.

COUNCILMAN GREEN: Wouldn't a more appropriate savings clause be to stay with the current system?

MR. DUBOW: No. Because then in the current system people's taxes would go up if we just use the current millage rate.

COUNCILMAN GREEN: No. No. No. To do what Councilman Squilla is suggesting, change the STEB, change the millage rate but under the current system -- or agree that as a savings clause, the City will not send out tax bills based on the new value but will use our current system this year and work towards next year and say a savings clause we know will work will be the continuation of the current system one year.

So, we will give you AVI. But if AVI doesn't work, let's having a savings clause that will collect what we know we want to collect rather than the savings clause you just described.

MR. DUBOW: But I don't think we would be collecting what we want to collect if we stayed with the old assessments because we wouldn't be able to defend any of the appeals, so values would go down.

COUNCILMAN GREEN: We would change our common level ration.

I have used my time, Mr. President. I

think I made my point. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you. Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You're welcome, sir.

COUNCILMAN JONES: Trying to multitask. There are a lot of unknown variables. Some of them we do know.

We do know that there were police officers laid off from the School Board immediately, I think, it was -- the number was 90. And their charge is to safeguard the safety of those staff and students alike. There are some knowns that we do know. That in many of the cases there were over 46 nurses laid off of public school that were taken out of the schools. So if a kid has some type of scrape or something like that or some type of fever, the delay time before paramedics or anything can get to them is increased.

We do know that we are talking about the merger of some 40 schools possibly with class sizes as large as 40 kids per classroom. We do know that all of these impacts will have a negative outcome on our children's ability to learn. And when people talk about maybe we can wait a year and maybe figure it out and all that stuff, there is an urgency of now for those young people. They are not going to get first grade over again. They don't get do overs.

Either we have an environment where they can go to school and learn -- it's a proven fact, I think it was Councilman Goode that brought it up that if a child -- urban male by the time they are in fourth grade cannot read up to level, up to par, the planners of prisons know how many cells to build. So we don't have a infinite amount of time.

This is not a game that we are playing on. Maybe we will lose a generation or two, but it's okay, we can do it over. It's not like that. I understand that we have had to deal with people that have been less than forthright about how things would fall and how money would be spent, but we have to go forward with a new group of people and hope that they are -- have a little more integrity than the people that came before us last time.

I think what many members in here want more than any one thing, yes, we want to fix AVI. And yes, we want to take care of the kids; but we want an accountability as to what we are going to get for this money. If we don't do that, if we don't at least attempt to satisfy that with some type of vision that is coming from them that says, no, 40 students in a classroom won't happen, Councilman.

No, we will be able to get some security in the schools so that teachers and student alike don't have to operate in a learning environment full of fear, full of bullying and things like that. And yes every now and then when there is a scrape, there will be a nurse to take care of it. These are the things that we grew up on.

I went to public school, proud graduate of Overbrook High School. There was a nurse there. And I never got to use her, but at least it was comforting to know that she was there. These are things that young people deserve. These are young people that are our future citizens. These are young people that are going to have these things. So, we can figure it out today or we can figure it out tomorrow. But September is not moving away from now. And we can't do do-overs when it comes to whole generations of people.

I mean, at some point when the debating is done, we are going to have to not man up today Councilman, it's called personing up to the table and seeing where people are on public education. It's not one of those things that is easy, but you can make it easier by answering some of the questions and getting some of the unresolved issues resolved so that folks can vote their conscious. That is all I am asking.

MR. DUBOW: Okay.

COUNCILMAN JONES: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Oh.

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

Just on the issues of school, following up on Councilman Jones, I think somehow the school discussion is in here and is here. So, we do understand that people don't want for the fourth time a tax hike. But I think more than that they don't want to put their good money after bad.

Fundamentally, it may just fall upon you and the Administration to, at the end of the day, come in with something very substantial that is fundamentally different and accountable to the people in the City.

I do want to point out that I am aware as we all are the other side of this issue. That is if we don't provide the funds for the School District, ultimately we have bad consequences as well. No kids in school, staying home, no teachers. Our teachers will leave our city. We may not get them back if we do get the money. We won't have secretaries and security officers. We will have an entire work force that is gone. We will lose businesses, we will lose employers. We won't attract employers, we won't have jobs. We won't have the revenues that come from all those people working.

There is really dark consequences to us that is important for us to consider. And I do appreciate your being here and providing this information. We get -- many of us -- I have sat here and I don't know how many text messages or e-mails about people don't raise this or don't do that. It is important for us to make this decision, and we are going to make it.

So, I appreciate the information and the more accurate it is at the end of the day, we are going to vote. So thank you.

MR. DUBOW: I understand. Thanks.

COUNCIL PRESIDENT CLARKE: Thank you Councilman. Quick question, have we given up -- I should say, the Administration, I know some members, some of us think that the State should be a part of this equation.

Is there a strategy -- and I know the State's a tough nut to crack -- to get State support in the foreseeable future for our schools that you can talk about publicly?

MR. DUBOW: I think we are always looking for ways to try to get more support from the state. I think there is a strategy there.

COUNCIL PRESIDENT CLARKE: You can elaborate a little more. I mean, it's always -- is there like -- are we, like, lobbying? Are we talking about --

MR. DUBOW: We are talking a --

COUNCIL PRESIDENT CLARKE: Looking at the

School District, there are so many categories
where funding --
     MR. DUBOW: Right. We are talking --
     COUNCIL PRESIDENT CLARKE: -- come from the
State.
     MR. DUBOW: We are talking. The District
is talking up there. Obviously, it's a hard
environment now to be getting additional
funding. But I think the revenues are coming in
higher than anticipated. So, there may be some
movement on their budget, but --
     COUNCIL PRESIDENT CLARKE: Beyond the
Administration, I know you guys logged a lot of
miles running up to Harrisburg for a whole lot
of different issues. Then I am assuming do we
have lobbyists working on those particular
issues, or are lobbyists kind of all over the
place in crisis management with legislation like
this that can possibly hurt us or help us?
     MR. DUBOW: Yes. We have lobbyists to do
that. Then in addition to the Mayor going up,
the District goes up, members in the SRC, the
Chief Recovery Officer. They are up there
frequently, too.
     COUNCIL PRESIDENT CLARKE: All right. I

just, you know -- I know I am repeating myself. It's just amazing that the State is not a part of this conversation and given that that is their primary responsibility. And just we have to make that, even if in the out years, it's unlikely in all honesty that we are going to get anything this year.

As we move ahead in terms of a game plan for the restructuring of the School District and subsequently hopefully additional support financially, they should -- they really need to be a part of this equation.

Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

We heard testimony last night in the First and Seventh District at the Cardinal Bevilacqua Center Budget Testimony. And a single mother came and testified. She lives on the 1900 block of Howard Street. She bought her house for $45,000. She told us that the current value from OPA was a $130,000, and that it's probably worth $250,000.

She's a federal employee so she makes decent money, not enough -- so more than enough to qualify, but she fears a huge tax increase that will price her out of her house in terms of increasing her tax by several thousand dollars. While we were there, I did some quick back of the envelope math and applied the smoothing formula to her specific situation.

Based on the numbers she gave me, she would as a result of smoothing have a tax bill of $4,125 a year. After -- after smoothing is completed or if we didn't have smoothing, her tax bill would be $3,100 or over a thousand dollars less. So, the unintended consequences of smoothing on -- seems to be that we are going to hurt a lot of people that we are supposed to be helping as a result of this policy.

And that takes me back to Councilman Goode's initial question. That is, aren't we just exchanging with smoothing one unfair tax system for another?

MR. DUBOW: The second part of your question on smoothing. I think what smoothing is intended to do is to ease the sticker shock in some areas, which is a trade off on getting to -- getting to that accurate value. So, there is a trade off there. I think in terms of people facing the kind of issue that you're talking about with, you know, a rapid increase that could price them out of their home, that is what we are trying to work with Council President to look at ways to provide protections against that to make sure that doesn't happen.

COUNCILMAN GREEN: Right. But those measures are means tested. And based on what she told us, she wouldn't be eligible under any kind of means test. She is a single working mother. And she bought her house for 45,000 some time ago in a neighborhood that is improved, so she made a great decision.

It's not -- the point is really not about this particular situation, although it's a bad one. It's something we want to avoid although means testing won't avoid it in this case. It's a question of whether or not situations like this -- and we have no idea how many situations there will be like this because we don't have the data that would allow us to do that analysis.

So, why should we rush ahead and create a lot of unintended consequences and collateral consequences from one unfair system into another at least for the first three years unfair tax system rather than wait one year, have all the data and put in place a fully fair tax system with all the protections we need knowing in advance?

MR. DUBOW: I think this is the same conversation that we had a few minutes ago with Councilman Squilla. I think once we have the data, we should be using it. And I don't think we can, in an appeal setting, we can't defend using old, inaccurate data once we have new accurate data.

COUNCILMAN GREEN: But should we be making decisions without the data? I agree. Once we have the data, we should be using it. City Council should be using it. The problem is you are going to have the data after three years of planning one month after we pass our budget.

MR. DUBOW: Well, we will have that -- the data will be in hand before assessments go out and well before bills go out. I think once we have it, we have to use it.

COUNCILMAN GREEN: What do you say to people like the single mother I described about why the tax that you're moving to with smoothing is fair?

MR. DUBOW: Because the tax we are moving to is actually based on the value of her home.

COUNCILMAN GREEN: Why is it fair next year to her when she's going to be paying a thousand more dollars than she otherwise would?

MR. DUBOW: It's fair because, again, it will be based on actual value of her home. Now, I do think --

COUNCILMAN GREEN: It won't be.

MR. DUBOW: Can I finish?

COUNCILMAN GREEN: Sure.

MR. DUBOW: We do have to look at the types of protections to put in. And I think we do have to look kind of across board and we can do this with some of the scenarios that we look at on what smoothing means. And the way it's set up makes sense. I think that's a legitimate conversation to have.

COUNCILMAN GREEN: So, it's not clear that we've analyzed smoothing enough to know it's going to do more harm than the good that we intend with it.

MR. DUBOW: I think when we sit down and walk you through the scenarios, you will see we that we have done analysis of it and we can talk you through that.

COUNCILMAN GREEN: Okay. But fundamentally, you think what would happen to the single mother is fair?

MR. DUBOW: Again, I think using the accurate assessments is fair. And I think when we walk you through the various scenarios, we should talk about whether smoothing the way it is designed makes sense.

COUNCILMAN GREEN: Smoothing the way it is designed may not make sense.

MR. DUBOW: I think there are a variety of outcomes from it. We should decide whether that is what we want to have happen.

COUNCILMAN GREEN: We should accomplish all this in 30 days?

MR. DUBOW: Yup.

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

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Jones.

COUNCILMAN JONES: Since we are talking about single mothers, and that represents a large number of the constituents I have in the 34th and the 52nd, what do I say to the working mother that relies upon an afterschool program to provide that childcare so that she can work if we don't have the money to maintain that afterschool program? What should I say to her? That she should quit her job in order to take care of the child that she's trying to take care of based on the school program that allows her those extra hours to work with?

What should I say to her? Should we wait a year until we figure all this out? Maybe she should take a sabbatical or something like that? Is that something I should say to her?

That's a rhetorical question. Don't answer.

MR. DUBOW: Yes.

COUNCILMAN JONES: What do I say to the kid that goes into the school that used to have the NTA that kept the lunchroom straight that no longer has the lunchroom straight so when he goes back to school and gets bullied and decides I am going to take the rest of the year off until we get an NTA so I can travel safely to the bathroom, what should I say to them?

Don't answer that question. It's rhetorical.

The answer is that we have to walk and chew gum sometimes. That we have to step out on faith and get it right. If I have err on a mistake, it will not be on the backs of those children.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Hold on one second real quick.

To the public, first of all, thanks everybody for being here. You are witnessing, for those of who are not traditionally here, we are obviously running late which is what we normally do because we have a lot of questions and sometimes the answers, I will just say, probably more often than not, the answers are longer than the questions.

But we will do as soon as we finish our questioning of the Administration, we will go

straight into the public testimony so we can
accommodate you, okay? Thank you.

COUNCILMAN GREEN: One more question about
smoothing. Isn't the result of smoothing
essentially very varying effective tax rates for
different homeowners, so the tax rate as applied
to their actual home value will be different
because of smoothing?

So when you look at the percentage of
the -- you simply do the calculation of the
taxes you pay divided by the home's value, you
get a very different percentage across the City
as a consequence of smoothing which is a very
similar situation to the one we have today,
isn't it?

MR. DUBOW: You have a different -- I would
say it's slightly different. You have a
different assessed value from the actual
value -- from the assessed value you have after
smoothing is done when you get to the actual
value numbers. It means that you don't get to
actual value for three years.

COUNCILMAN GREEN: Right. What Councilman
Squilla is proposing is getting to it next year
with full on information.

MR. DUBOW: Well, if you are using old assessments, you have something that you can't defend. I mean, that's the issue that we've been discussing.

COUNCILMAN GREEN: Okay. But essentially everybody with smoothing, it is fair to say that the percentage of their actual value that people are paying is going to vary greatly across the city just like it does today.

MR. DUBOW: You don't really get to the actual value for a couple years. We are saying it differently.

COUNCILMAN GREEN: Saying the same thing differently. I appreciate that.

Can you update us on the status -- you have updated us on the status of the opinion that we will get Friday. I just want to make sure that I'm going to -- we are going to get the analysis that I am looking for which is using a formula to set a tax rate. The resultant rate not being set before the actual rate itself, millage not being set before July 1 start of the fiscal year, which under Mr. Angelo would mean that we would use the millage rate currently in place.

And the specific legality of smoothing

given the effective different tax rate and whether or not any of this violates the Uniformity Clause of the Pennsylvania Constitution. I don't expect you to answer that now. I just want to be clear on the opinion that we requested.

MR. DUBOW: Okay.

COUNCILMAN GREEN: With respect to -- let's see here. Excuse me for one second.

One of the policy issues under discussion in AVI is the relative real estate tax burden of residential versus commercial and industrial taxpayers. So, you provided us a sheet that has the formulaic approach.

What I would like to see from you is based on the 1.25 percent you told us, what your calculation of the aggregate value of all real estate tax would be. I'd also like you to based on the $58 million number you given us for $15,000 homestead objection, tell us what assumption has been made with respect to the distribution between commercial and industrial properties that results in that $58 million number being final?

MR. DUBOW: Just make sure I understand.

The first question is what 1.25 percent would mean in terms of a shift at all three participation levels we showed? We showed you a variety of participation. You wanted it at all those participation levels?

COUNCILMAN GREEN: I am just looking for what that means.

MR. DUBOW: Just the total assuming everyone applies and got it.

COUNCILMAN GREEN: Yes.

MR. DUBOW: Okay. And then the second question is what was the assumption about the -- I'm not sure how that related to the first question.

COUNCILMAN GREEN: It doesn't.

MR. DUBOW: Can you say it again?

COUNCILMAN GREEN: When you calculate the $58 million for homestead exemption costs at --

MR. DUBOW: One percent.

COUNCILMAN GREEN: That's at one percent?

MR. DUBOW: Yeah.

COUNCILMAN GREEN: That's one percent of --

MR. DUBOW: That is what we did in our heads for 1.25.

COUNCILMAN GREEN: By answering the first question you're --

MR. DUBOW: The first question I think would wind up being the 58 million we talked about for 1.25.

COUNCILMAN GREEN: No. I was asking how you got to the 58 million. In other words, what assumption you made as to what percentage of the whole was residential versus what percentage was commercial and industrial.

MR. DUBOW: It was -- we use census data that said there are 310,000 owner-occupied properties.

COUNCILMAN GREEN: You made no assumptions.

MR. DUBOW: We multiplied that by 15,000, and then did the assumed rate.

COUNCILMAN GREEN: You made no assumption about a distribution between commercial and industrial?

MR. DUBOW: You were just asking for the cost. That's all that sheet does is show the costs.

COUNCILMAN GREEN: It shows the cost because you're making the basic assumption which is probably correct that no home no matter what the distribution between commercial and industrial is will be worth less than 15,000 that people are living in.

MR. DUBOW: Yes. That's right.

COUNCILMAN GREEN: Got it. I also think you testified that residential taxpayers are currently account for 60 to 65 percent of real estate tax revenue.

MR. DUBOW: Residential, 56.

COUNCILMAN GREEN: Fifty-six percent of real estate tax revenue today?

MR. DUBOW: Of assessed value. 56 percent of assessed value is -- of taxable assessed value is residential; 42 commercial and the rest is -- they can -- other.

COUNCILMAN GREEN: So if we move to AVI tomorrow and we don't have homestead belief in place, the burden on residential taxpayers would increase or decrease as a percentage of taxes collected as a whole? Would it be greater than 56 percent or less?

MR. DUBOW: It would likely increase because commercial is probably closer to its -- closer being accurate than residential.

COUNCILMAN GREEN: Based on -- so where is residential compared to accurate today. Is it

35 to 40 percent of actual value?

MR. DUBOW: We don't know. That's the issue that we --

COUNCILMAN GREEN: Where do you think commercial and industrial is today?

MR. DUBOW: I don't know percents. Just kind of based on the discussions with people at OPA, I think that they kept up more closely than residential.

COUNCILMAN GREEN: Right. So the numbers that I think were in the Inquirer reporting were roughly 70 to 80 percent for commercial and industrial and in the 30s to 40s for residential given that 42 split, it seems to me that there could be a shift of several hundred million dollars in taxes from commercial and industrial to residential homeowners, so property owners are going to pay hundreds of millions -- residential property owners are going to pay hundreds of millions of dollars more as a consequence of the shift to AVI.

Is that a fair statement?

MR. DUBOW: I don't -- I think you are basing it on stuff that was in the Inquirer. And I don't know how accurate that is. I'm not sure that's accurate.

COUNCILMAN GREEN: Could that be right? Could it be hundreds of millions?

MR. DUBOW: I don't think so particularly if you do a homestead. Homestead will shift some of that.

COUNCILMAN GREEN: $58 million.

MR. DUBOW: If you did 15,000 and you're at 1.25 percent.

COUNCILMAN GREEN: Right. That's the question. If we have all the data, we would be able to adjust the homestead exemption so that for homeowners for residential properties who are keeping it in the aggregate at revenue neutral in terms of the distribution between commercial and industrial and residential, so that we are protecting residential property owners because of the level we set the homestead exemption at assuming we get homestead exemption from Harrisburg, which is a big assumptions; is that right?

MR. DUBOW: Is what right?

COUNCILMAN GREEN: That we could use the homestead exemption if we actually had the aggregate value and we knew the distribution between the two to make sure homeowners, residential property owners, don't pay more of the share of real estate taxes than they pay today?

MR. DUBOW: I think we can still use the homestead exemption to make that shift. We obviously won't have the exact -- the exact distribution when we are done, but we can use the homestead exemption.

COUNCILMAN GREEN: We can shift it 58 million to 15,000. We can shift it, you know, let's call it 100 million because some homes are going to be less than 30 at 30,000, et cetera. But we don't know --

MR. DUBOW: Well, there is a limit in what you can do. You can only go up to 50 percent of the median. I think the census information median is about 120. So, you can -- I think the most you can go up to is about 60, which would be about a 260 million-dollar shift.

COUNCILMAN GREEN: Okay. So we could go up to --

MR. DUBOW: Right.

COUNCIL PRESIDENT CLARKE: Councilman, I know you will come back.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT CLARKE: We would ask you to bring the individuals responsible for the IT so we can get that because I know they have to get back to work. We don't want to take any time because we want to get this information in a timely way. Just a couple real brief questions.

COUNCILMAN JONES: Are you cutting off the questions?

COUNCIL PRESIDENT CLARKE: I will come right back to you, Councilman. I just wanted to get these folks back to work.

MR. EBEID: Council President, Adel Ebeid, CIO.

COUNCIL PRESIDENT CLARKE: Good afternoon.

MR. EBEID: I also have with me Larry Saltzman who is my IT Director for OPA.

COUNCIL PRESIDENT CLARKE: Okay. Just quickly, if you can, just kind of walk us through the process from the technical side what you are doing because there is this issue about being able to have everything available as relates to the numbers in the time frame that the Administration has indicated. I mean, we obviously would like to have it now but we understand that is not going to happen. We want to make sure the person who is directly responsible can kind of communicate to us where you are with this and the mythology that we will get to where we need to be.

MR. EBEID: Great.

COUNCIL PRESIDENT CLARKE: Thank you.

MR. EBEID: Let me maybe just take you to a 30,000-foot level and talk about the major milestones between now and October 1. Then I'll ask Larry to do a deeper dive in each milestone.

COUNCIL PRESIDENT CLARKE: All right. Thank you.

MR. EBEID: Right now we have a working group that is focused on IT that will portion to a much larger group that kind of provides overall guidance for the project. In our working group we have divided the milestones into the first one that has to happen is for us to complete the inspections and the modeling data.

Second milestone is to create the actual value file. And then we begin the evaluation period Q&A. And then we have to have a sort of a timeout period of where we actually shut down so that we can produce a file.

COUNCIL PRESIDENT CLARKE: Bring the mic a little closer to you. Bring the mic a little closer to you.

MR. EBEID: Sorry. Then there is the IT shutdown and the -- to sort of freeze the data so that we can prepare a file for mail out. Then the actual mail creation, the distribution, then there is some back end customer service support. So those are the major six or seven milestones that have to happen between now and October 1.

So if there is a specific milestone you want me to do a deeper dive in let me know and I will have Larry jump in.

COUNCIL PRESIDENT CLARKE: Since Larry is here, let's have Larry jump in. I don't want to bring you over here for nothing.

MR. SALTZMAN: Thank you.

COUNCIL PRESIDENT CLARKE: You're welcome.

MR. SALTZMAN: On the first milestone, the process really as Mr. Dubow's talked about is collecting data and applying it into our IT systems or databases and so forth. That process is to bring all of the data for all 575,000 properties.

COUNCIL PRESIDENT CLARKE: Now, the data that you are collecting, is it related to characteristics or --

MR. SALTZMAN: Primarily, yes. This is data we asked the Chief Assessment Officer directs the evaluators out to inspect residential, commercial, industrial apartments condos and so forth. To have an on site inspection and bring that data back and enter it into our systems.

So the idea is very simple actually as you heard before, I believe, which is that the data is complete. That it's accurate and it's defendable relative to whatever final market value and assessments that we compute.

COUNCIL PRESIDENT CLARKE: You will get that data. When is your time line?

MR. SALTZMAN: We are working on a detailed time line right now to match the business time lines that Adel was talking about with all the efforts involved in the IT process. That includes the collection of data. That includes all the GIS modeling required for such things as the GMAs, which have to be significantly modified to the statistical modeling noting that it is a totally separate component to the process and the coding of adding such things as the Homestead Act, the smoothing and there are quite a few others that are not represented right in the software.

COUNCIL PRESIDENT CLARKE: Okay.

MR. SALTZMAN: So, it's not only the individual content, but it's the process that we have to go to in a specific order to accurately compute the ultimate assess value and as well apply the tax for the estimated tax.

COUNCIL PRESIDENT CLARKE: Is that the first portion -- the characteristics, is that being entered into the process concurrent to the collection of the other data? Right now, they said it's 95 percent complete. Are you moving that through the process? Or are you going to wait till you get to 100 percent of the data collected on characteristics before you enter into the system?

MR. SALTZMAN: While we're working on the models, we are waiting until all the data is collected. We report weekly to Rich McKeithen.

I believe, as of last Friday we were 83 percent complete in residential. I know that number is going up. He is driving to complete all the assessments absolutely as soon as possible. There is a detailed process that he has on the business side to do that.

We are working with them to ensure that the data gets in and gets in accurately and completely and timely.

COUNCIL PRESIDENT CLARKE: Okay. All right. I just wanted to personally hear directly from the individuals who are responsible. I know sometimes as a Council person I will say certain things, you know, and I don't really know because I don't answer the phones anymore like I used to when I was a staffer. I like to -- I feel real good about staff people if they are telling me they have a good handle on it.

All due respect to the "bosses", I feel a lot more comfortable when the staffers tell me that.

Councilman Greenlee, you had a question for these gentlemen?

COUNCILMAN GREENLEE: Thank you,

Mr. President.
     Thank you for coming here. I guess just so I'm clear, you say you don't really have a time line broken down on each of those, I think you used the word milestones; is that right? Is that going to be coming soon?
     I guess -- I don't mean this in any disrespect, you laid out so much there. It's scaring me that you are going to have it in time. I will admit, I don't know -- I am certainly not an IT person by any stretch of imagination. But all what you said worries me particularly when you don't have the time line down or specific time lines.
     MR. EBEID: Sure. I gave you milestones, and I would be happy to give you sort of dropdead dates for each one of those milestones. We certainly have them.
     COUNCILMAN GREENLEE: If you can just forward that. I mean, you don't have to give it.
     MR. EBEID: Sure.
     COUNCILMAN GREENLEE: I got the impression that we didn't have that yet. That is why I am asking that question.

MR. EBEID: In order for us to back into a -- to meet the October 1 deadline, it's actually even a few weeks before that, frankly. In order for us to meet the deadline, a lot of thinking has gone into when do we have to finish certain milestones. Our dropdead date internally might be as early as first week in August, frankly. Might be August 3 or something like that.

COUNCILMAN GREENLEE: You're making me feel better now.

MR. EBEID: Sorry?

COUNCILMAN GREENLEE: I said you're making me feel better now.

MR. EBEID: Good. Listen, I think you heard quite a bit. This is an extremely complicated process.

COUNCILMAN GREENLEE: We know.

COUNCIL PRESIDENT CLARKE: So is this?

MR. EBEID: It's a lot of moving parts. But we have our marching orders and we know what needs to be done. This is a top priority for us, and we are putting all the resources at it to get it done.

COUNCILMAN GREENLEE: Okay. Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you for coming over. Oh, Councilman Green.

COUNCILMAN GREEN: Thank you. Thanks for coming over. Good afternoon.

COUNCIL PRESIDENT CLARKE: Councilman, this relates to just these gentlemen?

COUNCILMAN GREEN: Yes. What probability would you apply to achieving all of your milestones with a resulting accurate tax bills going out in late September? You have got a bunch of variables, different milestones, each variable has a certain degree of probability, it's a combination problem.

When you multiply them altogether, what degree of probability do you assign to a successful outcome and mailing of accurate tax assessments?

MR. EBEID: At a very myopic level, the IT piece, I'm not sure -- that's not the approach that we are taking. We are not necessarily assigning a probability to each milestone and then multiplying out all the probabilities together to get an overall end-to-end probability. We are not necessarily taking a textbook approach to this one.

We know it's got to get done. Every week, every Thursday we spend almost two and a half hours with the group and we are inching closer and closer to accomplishing milestones. And the issues bump them up the chain of command so they can help us resolve conflict, appoint more resources. That is just the best way to manage a project like this, frankly.

I think if we get to the point where we feel that it's logistically impossible, we are all going to raise the flag, but we have not seen that yet. And I'm not sure that we're likely to see that. I think we understand it's a difficult task, and we are treating it as a number one priority throughout the City at least in the IT piece and I am sure every place else.

COUNCILMAN GREEN: Don't you think with something that is important as this, which is probably the most difficult detailed important thing that I have had to address since I've been in Council, we should be taking a methodical textbook approach as opposed to the nontextbook approach which you just described, which is not likely to result in us raising the flag?

MR. EBEID: I look at one thing in a project this complex: What is the critical path? And keep removing as many hurdles as possible that affect the critical path.

The critical path here is that we have to produce a value file as soon as possible so that we can get the mailing out. We do our best to try to make sure that we actually remove the City out of being part of that critical path. So if we need to go outside for contracts to try to help augment the staff, that is what we do.

So, that's kind of what I am looking at. I am looking at the critical path for this whole project. We would be happy to share that with the Council President.

COUNCILMAN GREEN: That's great. So when do you have to have values in your critical path?

MR. SALTZMAN: Excuse me. The business plan is to have it on or around the 15th of July or the end of July, within those two weeks. There are specific dates. Just as a point of clarification, we are driving to a next layer not only identifying -- we know what the critical path is, but really looking at the detail of exactly what we need to do and prioritizing it as well as putting on hold or eliminating parts of the process that have been done in the past that will not be necessary to be successful with this effort. And that's as important as what we have to do.

COUNCILMAN GREEN: So July 15 to the end of end of July is when the values will be ready. Walk me back from July 15 and tell me at what point -- we got some numbers from the Administration the other day. I don't remember the exact number.

But 56 percent, some percentage of the data that's been collected by the people in the field has been entered into the system; 50 percent of all the properties in the City as of last week had been entered into the -- it's the old BRT system that they are doing the data entry in.

Can you remind me the name of that?

MR. SALTZMAN: Yes.

COUNCILMAN GREEN: What's the name of that system?

MR. SALTZMAN: Commonly referred to as the old IBM VSAM System.

COUNCILMAN GREEN: BSAM?

MR. SALTZMAN: VSAM.

COUNCILMAN GREEN: VSAM System. That's it. So, 50 percent of the data has been entered into the VSAM System. And it's May 2, I guess. So when will all of the data in your critical path be entered into the VSAM System?

MR. SALTZMAN: I'm sorry. I don't know the date off the top of my head, but I can get that for you.

COUNCILMAN GREEN: Once all the data is entered into the VSAM System, no values have been created; is that correct?

MR. SALTZMAN: That is correct.

COUNCILMAN GREEN: Okay. So, after -- that is just gathering data about each individual property?

MR. SALTZMAN: Correct.

COUNCILMAN GREEN: Then you take the sales that happen over the past one, two or three years, 32,000 sales a year, and you develop algorithmic formulas based on those sales and you apply them to all the properties across the city; is that correct?

MR. SALTZMAN: That's correct. There is really two parts of the process. One is the GIS process. So we have to read -- there are 640-some odd geographical market areas. We have to redefine all those market areas to ensure that the sales values are applied properly. As an example, you can go from one block to the next where market values in one block went up considerably not unlike the example you gave and go a block farther where there is a major difference. We have to go through each one of those and redefine those boundaries. There is a whole series of steps in sales analysis and neighborhood analysis. Lastly, there is the whole statistical model.

COUNCILMAN GREEN: With respect to that step, not statistical modeling, is that happening concurrently with entry of data in the VSAM, or is it on a path that is after the entry of data in the VSAM.

MR. SALTZMAN: The creation of it is going on concurrently, but the actual application of it is creating the model.

COUNCILMAN GREEN: Redefining 640 GSA?

MR. SALTZMAN: GMAs.

COUNCILMAN GREEN: What is the date for that being completed in your critical path and what is the percentage completion on that portion of the project?

MR. SALTZMAN: We are currently working on the GMA's as we speak. And Adel actually as of today has assigned more resources to assist us in that process. We would -- our target to get that done is by May 28.

COUNCILMAN GREEN: May 28.

MR. SALTZMAN: That is the current target.

COUNCILMAN GREEN: What percentage of that is completed today.

MR. SALTZMAN: I don't know that number off the top of my head.

COUNCILMAN GREEN: If you can provide that to the Chair and then that is required also with all of the data entry to then apply the algorithm formulas. So if the critical path on that ends up being June 15 or June 30, just 30 days off after a three-year project, not highly improbable that would potentially delay the mailing?

MR. SALTZMAN: That's why we're driving into the next layer of detail in our planning is to understand how we can modify our project plans and our deliverables to not only meet milestones but to move them up. For instance, it was only last week I believe that we are notified that the notice date was no longer October 1 but was September 17. The two weeks is significant to us. So we are just -- that is one of the variables we are looking at to say how can we minimize the effort and still apply complete accurate and defendable data.

COUNCILMAN GREEN: So it's fair to say that an extraordinary amount has to be accomplished by OIT, OPA in terms of data entry, data collection and the application of algorithmic formulas and then confirming that they are correct in a very short of period of time, something that's unparalleled. There is significant amount of work.

MR. EBEID: There is a significant amount of the work.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT CLARKE: Chair recognizes Councilman Squilla and then Jones. And we're going to need a break, stenographer needs a break, before we start our public testimony.

COUNCILMAN SQUILLA: Thank you, Mr. President. My question goes back to -- I guess I will start off with the assessment process.

MR. DUBOW: Can we see whether they can go?

COUNCIL PRESIDENT CLARKE: Thank you very much for coming over.

COUNCILMAN JONES: I have question.

COUNCILMAN SQUILLA: Go ahead.

COUNCILMAN JONES: Let me ask you this. Let me ask you this. Algorithmic formulas aside, the process we had before you started, was it scientific? The assessment process from one block to the next block where you have values so out of whack 30, 40 percents, was that scientific in your mind?

MR. EBEID: I'm not sure what you mean.

COUNCILMAN JONES: What I mean by this --

MR. DUBOW: No.

COUNCILMAN JONES: You are correcting a system that was out of whack, yes?

MR. EBEID: We are correcting a -- this is the first time we are doing this, so yes we are correcting a system that's plagued by errors over the years.

COUNCILMAN JONES: So every sample you get in, every benchmark you reach, you move the needle a little closer to being fair, understandable to taxpayers that common people without attorneys and without mathematicians can come in and figure out what their taxes are, correct? Is that safe?

MR. EBEID: I'm not afraid at all. Yes. That's --

COUNCILMAN JONES: As we move this, we are taking something that was broken and we are actually in government trying to fix it, correct?

MR. EBEID: Yes.

COUNCILMAN JONES: Okay. So if we get to it -- if it's 95 percent complete, it's 95 percent more then what it was, correct?

MR. EBEID: Certainly a lot better than where we are, yes.

COUNCILMAN JONES: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You're welcome. Chair recognizes Councilman Squilla. You're up.

COUNCILMAN SQUILLA: Since you are there, I will ask one question to follow up. Follow up with Councilman Jones' issue is that we are heading in the right direction which is great.

It's so important to make sure we get it right in order to do it. If we do this incorrectly or only 90 percent correct or 95 percent correct, we have a big opportunity to hurt a lot of people in the City. Instead of collecting more revenue in the City and for the schools, we end up collecting less.

There is an issue out there that can be very, very detrimental to the City as a whole if we don't do this correctly. And my fear is that if we only do this to 90 percent more or 95 percent more, isn't there still a possibility to have 5 or 10 percent errors that we would need to fix in the future? Is it a possibility that we as Council have to come back with adjustments.

MR. DUBOW: I don't think they said or they testified they were going -- trying to get at 95 percent. I think they said they have milestones to make sure they get this done. That they are putting the resources they need to get it done, and that in fact they are looking at trying to move up some of the milestone. That is, if something goes wrong, they are a little slack in the system. I think that is what they were saying.

COUNCILMAN SQUILLA: My fear is when you rush things to try and get things done and pile things on top of people, a lot more opportunity for mistakes to happen. This is a big undertaking for the City of Philadelphia. And I fear that if we don't do it correctly this time, we are going to be lagging behind for years to follow. So that's my statement.

I would rather -- I would love to see it done and get done quickly, but to rush it to get done may be a major mistake.

MR. DUBOW: We are working to get it done, and we are putting resource in to get it done. And they have a plan to get it done.

COUNCILMAN GREEN: Point of information. Thank you. The problem -- I agree with everything Councilman Squilla just said. It's really not -- the problem is if the 95 percent results in things not getting mailed by October 1, we are all truly in deep trouble. It depends on what 10 percent or 5 percent go wrong even if we have the values right. Something else in the works could go wrong.

And it does -- it does seem when you pile on all the variables that have to absolutely all go right including decisions in the courts potentially and what happens in Harrisburg and our ability to complete all this stuff and OIT and the OPA, et cetera. There are a whole lot of variables out there that have the potential, each one of them, to not go in our favor. And that is a very large combination problem which results in a much less then 90 percent probability of success just when I add up all the possibilities.

But thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman. Thank you gentlemen. Please get out before they start up again.

(Mr. Ebeid and Mr. Saltzman exit.)

COUNCILMAN SQUILLA: As far as assessments are done, 95 percent of the, I guess, physical characteristics.

MR. DUBOW: Characteristics are 95 percent of the residential properties.

COUNCILMAN SQUILLA: They are done in the field, correct?

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: How do we know if

neighborhoods have been done or not? Besides giving us -- would people in the neighborhoods know their property has been looked at?

MR. DUBOW: They would know -- one of the things that OPA has done if they need more information, they put door hangers on asking for information so people would know if they had happened -- that people had been out. Other than -- no, they would not necessarily know A OPA had been through the neighborhood.

COUNCILMAN SQUILLA: I don't know if it was done on my property. I did see some numbers of where I live being presented. There is really no way to know. Nobody would knock on the door and say they would look at these property on this block or whatever?

MR. DUBOW: Right.

COUNCILMAN SQUILLA: And I guess the last thing is I -- my fear -- in my fear and everybody else when we vote on this, we will have a majority of information that you believe is necessary to vote on that. If not, you are going to give us algorithm of possible formulaic method of coming up to the solutions. If this method doesn't pass for some reason, is there an alternative?

MR. DUBOW: We have not devised an alternative. I am sure there are alternatives people could develop. We have not developed an alternative.

COUNCILMAN SQUILLA: Then if Council comes up with some alternatives, they need to be processed at the same time. I'm just wondering if the Administration had any other alternatives to this.

MR. DUBOW: We do not.

COUNCILMAN SQUILLA: That's it. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

For some reason I think before this is all said and done, you guys will be back. I want to thank you for today. Short follow up with some conversation later this afternoon and some issues.

Like to take a 15 minute break right now, then we will just go through straight to public testimony. Sorry for the delay. As you can see, your taxpayer dollars are at work.

(Public Hearing ends at 1:36 p.m.)

(Break taken.)

(Public Testimony begins 2:12 p.m.)

COUNCIL PRESIDENT CLARKE: Good afternoon, everyone. We are going to start our Public Testimony.

Today in our Public Testimony we ask that your testimony be related to the bills before us, the Budget Bills. I am sure seeing most of you seems like you have been here before, so you probably know the drill. We are going to ask that you limit your comments to between three and four minutes. I think Ms. Lewis has a timer to remind you if you don't. The purpose is to ensure that everybody has an opportunity. But as you have seen, I am somewhat flexible particularly when there is a discussion that gets relatively heated.

We want to, again, thank you so much. Apologize for the slight delay. As you know, there is a very important issue before us. We wanted to make sure that all the Members had an opportunity to question the Administration and get appropriate responses. Again, thank you very much.

Ms. Lewis, will you please read the name of the first witness that would like to testify.

MS. LEWIS: Jeannine Lisitski.

(Ms. Lisitski approaches.)

MS. LISITSKI: Good afternoon.

COUNCIL PRESIDENT CLARKE: Good afternoon.

MS. LISITSKI: I'm Jeannine Lisitski, Executive Director of Women Against Abuse. We appreciate the ongoing support of City Council in addressing issues concerning domestic violence. And we thank you for scheduling this public comment opportunity.

As many of you are aware, Women Against Abuse is the leading domestic violence service provider in Pennsylvania. We are funded through the intersection of a number of government line items as well as private sources. Philadelphia's Office of Supportive Housing has been fundamental in supporting our shelter and the Philadelphia Domestic Violence hotline as well as our transitional housing.

On the state level, we receive support through a number of Department of Public Welfare line items beyond domestic violence including County Child Welfare, Behavioral Health, Human Services Development Fund and Homeless Assistant.

The Women Against Abuse shelter was forced to turn away an all time high 7,705 requests for safe shelter this past fiscal year due to our 100 bed facility being at full capacity. These women and children who are turned away most often face homelessness or a return to the abuser.

The organization has experienced a loss of approximately half a million dollars from government sources over the past three years. In a recent hearing of the Public Safety Committee to investigate the shortage of domestic violence shelter the Office of Supportive Housing testified to experiencing a budget reduction of approximately $3.8 million since Fiscal Year '09 or a 4 percent reduction to their total budget at the time.

While Women Against Abuse's emergency shelter comprised 2.2 percent of OSH's total budget prior to this cut, we absorbed 8 percent of OSH's total cuts when it passed on a $300,000 cut to our shelter. This marked a staggering 11 percent reduction to our total shelter budget. In budget hearings this week, Council members were told that OSH has been able to preserve provider budgets, but unfortunately this was not the case for Women Against Abuse.

Currently at the state level we are facing a 20 percent cut in a number of our funding streams through the Human Services Development Fund grant. The City has expressed that if forced to sustain these cuts, it would translate them into cuts for supportive shelter and legal services for victims. Our city cannot afford in terms of lives lost to reduce life saving services to families seeking safety from domestic violence.

If Women Against Abuse is required to sustain these proposed cuts, we will be forced to reduce the number of beds in our emergency shelter as we would not be able to provide quality services with any fewer staff having already reduced staff due to the budget cuts that I spoke of. Further reductions will force us to shelter fewer women and children in a time when we are seeing an exponentially increase in demand. This will have a debilitating consequence on the systems at work in our city not to mention perpetuating the cycle of violence for our entire community.

We are urging you to preserve budget line items that support survivors of domestic violence in consideration of the need that we've been experiencing over the past few years. And we thank you again for your support and attention to this dire issue.

COUNCIL PRESIDENT CLARKE: Thank you so much for your testimony. I have a quick question.

I was talking to Councilman Greenlee and Councilman Johnson about this issue because I know they have been very involved. Not having a real sense of the housing opportunities for women that find themselves in this unfortunate situation where they need emergency housing or maybe to some degree transitional housing, as a Council person, I am involved in a lot of development.

I was saying that maybe we can come up with a strategy to build housing or some sort of -- take in a building that is not currently being used or whatever, do a development for purposes of housing women. And I was told by some people that part of the strategy is to have the women integrated into the regular community and not just be in a singular facility.

Can you clarify that for me? Is there a particular preference or is there --

MS. LISITSKI: Well, right now we have -- we went over this in some of the Public Safety Committee Hearings. But there is only 100 emergency shelter beds for domestic violence victims in Philadelphia. So, that is very low compared to other cities of our size. It's also low for our region of Pennsylvania when we did the analysis, significantly low.

So, we know we need more emergency shelters for victims of domestic violence to immediately escape. So, you know, that -- that would be our initial goal. Of course, we need affordable housing in our city. We know that the general city shelters also turning away families every day because they are so overrun. We need both. We don't need one, but we need both.

COUNCIL PRESIDENT CLARKE: All right. Okay. The reason I ask that is because, I mean, I guess you can't really gauge how long an individual need that housing because it clearly wasn't something that was projected. But the funding scenarios and the funding opportunities traditionally are for specific type of housing. And I didn't know if say, for instance, a number groups like Project Homes does a lot of things in my district.

And if you took a model where it was called transitional housing where women that needed a little more long term housing opportunities because of the history associated with their domestic abuse, could there be request for proposals put out by the City of Philadelphia under the current community development block grant model where maybe get some support from the City. And go to Harrisburg to get tax credits to help finance a development like that. I was just --

MS. LISITSKI: We have transitional housing as well. And we just raised funds through the sources you talked about --

COUNCIL PRESIDENT CLARKE: Okay.

MS. LISITSKI: -- to do a complete rehabilitation because the four buildings were crumbling and we would have had to leave and close.

In addition to that, we've been able to add a new building that will have three more units of transitional housing. Certainly, transitional housing is a need and we don't have enough, but we need emergency shelter because we have women who are calling us beat up from the hospital in cars with children afraid to go home.

One woman recently, her four children were taken away by Child Welfare because she had nowhere to go and our shelter was full.

COUNCIL PRESIDENT CLARKE: Right.

MS. LISITSKI: And the perpetrator was starving these four children. So, you know, DHS said if you have nowhere to take them, we are taking them away. This is what is happening every day for women who are abused. That's 7,705 people turned away. And these are with children in tow witnessing all of this.

So, we have a crisis of domestic violence shelter beds in Philadelphia. And I think that is our number one need.

Do I think there is a problem with affordable housing? Yes. It's a national issue. And it needs to be addressed through mainstream policies not just through the HUD McKinney Stream, which is way too small to accommodate affordable housing for everyone who needs it.

So with those monies, the McKinney Stream, I believe we should be prioritizing emergency shelter and other needs of people who are in crisis and will continue to be until we have affordable housing for all.

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

Councilman Greenlee.

COUNCILMAN GREENLEE: I think the key is -- and we found this in the hearing, and I visited the shelter that Women Against Abuse runs. I think it's important that there needs to be a separate facility for women that are suffering domestic violence. A lot do not want to go into the "regular shelters". Sometimes they are not really equipped with the personnel to help people in that immediate time.

And again, the time frame that you talk about, sometimes they have to stay a little longer. You know, it's a, I think, a really critical need. That that is a -- as Jeannine said, emergency is the priority. That emergency help where people can -- women can go with their children right away I think is really, really important. I know it all costs money, but I think that would be money extremely well spent. Thank you.

COUNCIL PRESIDENT CLARKE: From one development head on, sir. Okay.

Thank you, Councilman.

Thank you so much for your testimony.

MS. LISITSKI: Thank you very much.

COUNCIL PRESIDENT CLARKE: You're welcome.

MS. LEWIS: Shelly Yanoff. Shelly Yanoff.

(Ms. Balka approaches.)

MS. BALKA: Good afternoon. My name is Christie Balka. And I am testifying on behalf of Shelly Yanoff who had a time conflict.

I represent Public Citizens for Children and Youth. As you all know, we are a child advocacy organization that works to improve the lives and life chances of children in Philadelphia and the surrounding counties. I appreciate all of the careful thought you are giving to a difficult issue. The issue of moving to the Actual Value Initiative and raising additional funds for the School District of Philadelphia.

As advocates our job is to engage in working for the ideal. As government officials, your job is to balance the needs of various different interest groups and the city as a whole. In other words, to work in the world of the real, not the ideal.

I want to put myself in your shoes for a minute and imagine that my job now is not as an advocate but as a government official who has to balance the needs of different interests in the city.

The proposal to move to the Actual Value Initiative and raise $94 million for the School District is certainly not the ideal in many ways that have already been addressed here. But the reality of the situation is that our schools have been operating with more than 40 children to a classroom in fourth grade and above. They've been operating without electives, without sports, without arts and music. All things that keep students in school and on track to graduate. Schools have been operating without basic supplies, paper, magic markers. Beginning last September, my office was receiving calls from parents who said we have no paper.

I want to be clear that the Actual Value Initiative and the proposal on the table is not a luxury, it's a necessity. PCCY strongly supports it with the following protections.

First, we support the City showing good faith by putting a freeze on property tax abatements for the next two years except in selected neighborhoods, which was the original plan, in selected neighborhoods where it's essential to stimulate development. But in all other neighborhoods, a two-year freeze.

Second, we support increasing the City's efforts to collect delinquent taxes from property owners.

Third, we support circuit breakers to ensure that no low income resident pays above a certain income limit even if the overall increase is anticipated to be about 9 percent.

And fourth, we support the Homestead Exemption. And again, want to affirm that there is a provision in place whereby low income seniors can have their property tax rates frozen at current levels.

With those provisions, we very strongly

support the proposal that is on the table. And appreciate the careful thought that you and your colleagues are giving to that.

(Councilman Jones takes the Chair in place of Council President Clarke.)

COUNCILMAN JONES: Before you go, Ms. Yanoff[sic], you're an expert recognized in the area of public education. And we sincerely take into consideration all of your insights.

From what you can see coming from North Broad Street and the SRC is there -- I know there is doom and gloom about the cuts. But are some of the glimpses of the proposals that they are putting out offering any sense of hope?

MS. BALKA: Well, let me go back to the property tax issue because I think that is probably what underlies your question.

It was true before the restructuring plan was announced that the schools were strapped for funds. And that's traditional publics and charters will be experiencing cuts next year as a result of this whole situation. So that was true before the restructuring proposal was announced. It continues to be after the restructuring proposal. It doesn't change the situation.

I really think that there are two separate issues. They are interrelated, but my guess is that everyone of us in this room has a different opinion about the restructuring proposal. That doesn't change the fact that there is a need for additional funds to open the school doors in September.

My own organization believes there are -- there is some potential in this new proposal to give more authority to school principals and to the local level. It's something we've urged for a long time. It's consistent with best educational practices. It's very hard to do this without resources. It's very hard to do -- to make any changes without appropriate resources.

We think the -- we applaud a number of the changes that have been made over the last year to make the SRC more accountable. We understand and are hopeful about a search for a new superintendent completing the top level of leadership. There are many questions that have yet to be answered about the restructuring plan. And we, like everyone else in the room, are waiting for answers, holding out the hope that the plan really can make good on the promise to give more authority to the principals because the principals are leaders within their school. They set the tone. They set the expectations. And they should have the authority to make ground level decisions. So that's --

COUNCILMAN JONES: Similar to charter schools?

MS. BALKA: I think this move, as I understand it, will make the governance of traditional public schools and charters more similar than different with the role of 440 being -- ensuring that quality -- you know, that expectations are met for teaching and learning; quality and compliance for both charters and traditional publics.

COUNCILMAN JONES: So if this body does not act and we just ignore the problem, what is the outcome for the schools?

MS. BALKA: The outcome will be felt at the individual school level, and that is because there is no more room to cut in the Central Administration. They have paired everything down that they can possibly pair down without breaking the law. There are certain legal requirements.

But as I've been told, there are no more large programs that this money can save coming out of the Central Administration or for the District as a whole. It's going to come out of, you know, decisions that are made about whether to rehire a nonteaching assistant at the local level. I mean, it's going to look different from one school to the next. And as I said, there are pretty paired down even at the local school level.

To give you an idea of what's been paired down at Central Administration -- and I want to make clear that PCCY supports the most efficient and accountable School District. But to give you an idea of the dramatic nature of the cuts to Central Administration, and this is just one example, there were about 1,200 employees at 440 last year. There are about 650 this year. And it's envisioned that there will be 200 next year. That is with -- that is assuming that the 94 million is part of the budget.

So, you know, my understanding is that those 200 employees will mostly be responsible for ensuring that programs such as Special Education, which the District has a legal obligation to provide, occur. That's not the only program. But, you know, the distribution of Title One monies, other programs that come with certain legal requirements for the way they're administered.

COUNCILMAN JONES: Are there any other questions for this witness. We don't --

MS. LEWIS: This is speakers.

COUNCILMAN JONES: There may be questions. I'm allowed to ask them, right?

Are there any questions?

(No response.)

All right. Thank you.

MS. BALKA: Thank you, Councilman.

COUNCILMAN JONES: Next witness.

MS. LEWIS: Lauren Bornfriend or Fried.

(Next group approaches.)

MS. BORNFRIEND: Good afternoon, Members of Council. I am Lauren Bornfriend, the Executive Director of the Philadelphia Parks Alliance. And I am here with Shawnda Gilbert, intern with the Parks Alliance who is a student at Mastery Charter; Derek Freres, who is going to tell you all the different Park groups that he is affiliated with; and Tracie Blummer from the Parks Alliance who is going to be reading the testimony of Doris Gwaltney, who is the President of Carroll Park Neighbors. She couldn't be here today because of illness.

Together advocates, City Council and the Administration have made enormous progress over the last several years in reforming Philadelphia's Parks and Recreation. Council President Clarke and Councilwoman Blondell Reynolds Brown and the Mayor were instrumental in creating the very highly performing Department of Parks and Recreation. It has new standards of transparency and accountability. And it has a visionary leader.

Unfortunately, since 1970, Philadelphia's Parks and Recreation has suffered chronic budget neglect. And you've heard us all heard us say this. You know that in 2008, Park advocates fought to pass the Mayor's proposed parking tax increase which was promised as a funding source to increase the budget for Parks. And that the Department has not seen one cent of that money.

What you may not know is that in -- over the last four years Parks and Recreation have actually received 43 million less than what was originally promised in the Fiscal Year '09 to '13, five-year plan. And if left unchanged, the Mayor's current proposed budget for Fiscal '13 will be one of the lowest Park and Recreation budgets in the last ten years. In 1985, the Parks Budget alone of 12.6 million was more than it is today. And that does not account for inflation, and that's 1985.

The Parks Alliance has patiently understood the economic challenges of the last few years. And we haven't really -- we haven't said anything about the delayed increases, but our folks who are all across the city and every neighborhood who spend millions of dollars worth of sweat equity every year fixing the rec centers and their parks to try to make them okay for their children think that enough is enough. And they think as we've been saying in this room, a promise is a promise.

Thank you very much.

MS. GILBERT: Good afternoon, Council members. My name is Shawnda Gilbert. I am currently a sophomore at Mastery Charter

Shoemaker Campus. I want to thank you for this opportunity to testify.

The purpose of my testimony is to encourage you to restore the $8 million that was promised in the parking tax increase to Parks and Recs. Parks and Recreations are important to me because I am older sibling of two sisters and two brothers.

My younger siblings are very active and enjoy playing basketball at my neighborhood recreation center. I always try to get them away from the television, so I can take them outside to a park to exercise and have fun doing it. If we see parks that are in bad condition, we will walk right past them. I refuse to take my brothers and sisters to a park where there are broken benches, play sets and basketball courts.

One time I took my brothers and sisters to Haddington Parks/Recreation Center. I was inside playing basketball when my little sisters asked if we can go outside so they could get on the swings. When we got outside, they saw that the swings were broken. Their immediate response was, I hate this park, something is always broken.

Our neighbor parks are falling apart. This not only affects my brother and sisters but it affects other children in my community. Not only as a Philadelphia citizen but as an active teen, the maintenance of my neighborhood parks matters a lot. In order to maintain Parks and Recs, you must put money into Parks and Recs.

Please restore the $8 million to Parks and Recs. I would like to thank you again for your time.

COUNCILMAN JONES: I want to thank you for that comment. And that Shoemaker Campus you go to is in the Fourth Councilmatic District. The recreation center you just mentioned is in the Fourth District.

Do you know if they repaired the swings yet?

MS. GILBERT: No.

COUNCILMAN JONES: They have not?

MS. GILBERT: No.

COUNCILMAN JONES: We are going to make sure they get repaired for you and your sister, all right?

MS. GILBERT: Yes.

COUNCILMAN JONES: Take care of that.

MS. GILBERT: Thank you.

MR. FRERES: Thank you. My name is Derek Freres. And I'm a Board Member of the Philadelphia Parks Alliance. I also serve on the boards of several park groups including the Friends of Rittenhouse Square, Fitler Square and Proven Association and the Friends of Schuylkill River Park.

On these groups I and others work in strong partnership with the Department of Parks and Recreation, Commissioner DiBerardinis and Deputy Commissioner Slawson and Focht to help improve and maintain the parks I mentioned. The leadership of Parks and Recreation must be commended for their tremendous efforts stretching every cent they have to its maximum, leveraging alternative funding streams and partnering with the community to creatively maintain and improve their facilities and parks to the best degree possible with resources currently available.

Despite their model efforts, Parks and Recreation is one of the most underfunded departments in the city. And the ten thousand plus acres of land they oversee reflects these funding insufficiencies. While the average budget for all other city departments combined have substantially increased over the past decades, the budget for Parks and Recreation has not. Philadelphia spends just over $60 per resident on parks. San Francisco spends almost five times that. And Cleveland spends almost double. We are among the lowest in major U.S. cities in dollars spent per resident on parks.

In 1970, Fairmount Park was a force of 637 employees. In recent years, chronic underfunding has reduced that number to fewer than 200. In 1974, there were hundreds of rangers to keep our children safe in parks. Today there are fewer than 20.

Over the past decade recreation centers have lost over 100 employees. These are the places where our city's children go to stay safe after school and do their home work, to be outside on a spring day, and to have a summer experience in our camps and pools.

We also know that parks are more than nice places to visit. They are intimately tied to the City's economic development. People want to live where there is green space and areas of property values and associated tax income increase and crime decreases. Investing in parks and improving green spaces create a city in which people want to live and stay.

Let me provide just a few concrete examples of the important impact a small amount of additional funding could make to Parks and Recreation. Insufficient public funding has forced the Markward Recreation Center and Schuylkill River Park to close on Saturdays when children often need it most. More funding could keep recreation centers across the city open on weekends like they have been in the past.

Schuylkill River Park and many other places, graffiti and park property vandalism pervade what could be beautiful spaces. Parks and Recreation has need of the funds to prevent these acts via park ranger presence nor the funds to rapidly remove graffiti or fix what has been vandalized. Increased park funding could bolster our city's park ranger core, preventing many costly damage to park property and saving the City money over the longer term.

Park sites rely on SMAs or Seasonal

Maintenance Attendance to keep parks clean and maintained as spring and summer near and visitors drastically increase. But this force has been substantially cut and parks are no longer kept clean enough. Increased public funding could increase the number of SMAs substantially.

For Fiscal Year 2009, the Mayor recognized the chronic underfunding of Parks and Recreation and promised to increase our budget in that year via funding stream provided by parking taxes. That promise was broken. The currently proposed budget for Fiscal Year 2013 will be one of the lowest for Parks and Recreation in the last ten years.

On behalf of the parks with which I am associated, citizens and parks across the city, I call on City Council and Mayor Nutter to restore 8 million to Parks and Recreation. This will take is back to the budget passed by City Council for Fiscal Year 2009 and help us start to provide the quality of parks our city needs.

MS. BLUMMER: Good afternoon, members of City Council. I am Tracie Blummer. And I am testifying on behalf of Doris Gwaltney, Board

Member of Philadelphia Parks Alliance and President of Carroll Park Neighbors.

Unlike most parks in Philadelphia, over the years Carroll Park has benefitted from infusions of capital dollars. We are doing our part in this effort and we have been doing our part for 14 years. We host programs and activities for children and provide a clean venue for community organizations and churches for everyone else who desires to walk over and spend a moments doing nothing at all. But there is only so much that we can do to protect this investment and Carroll Park if the City doesn't do its part.

Carroll Park is testament to what a park can be and how investment in a green space can turn a neighborhood around. But our park also suffers from deferred maintenance. We pick up trash, smile at the dog owners who allow their dogs to run around off leash even though signs are posted about this on every corner.

The children from the neighborhood day care centers are a joy to watch as they play on our playground equipment. The laughter of happy children enjoying themselves is music to our ears. Sometimes the ten year olds come over alone with their buddies and play their games and have kid fun. Sometimes we take the time to sit and talk with a 13-year-old who is carrying the weight of his or her family challenges on young fragile shoulders. We are volunteers and we come back to our park every season because we want to. We want to make a difference in our neighborhood.

Four years ago, 8 million was cut from the Parks and Recreation Budget with a promise that it would be restored. How can we ask private investors to participate in funding our parks if the City doesn't keep its promises. These investors have no interest in picking up the slack of government. They are eager to partner with a government that does its part. We are only asking that the Mayor and City Council give us what was promised.

What a sad day it is that we must come now and entreat you to keep that promise. Without timely maintenance in Parks and Recreation Centers, our hard work is in vain.

On the Thompson Street side of Carroll Park, the family of a young man who perished in one of the Towers on 9/11 planted an oak tree in his memory. That tree is now 30 feet tall. On the 59th Street side of the park, a magnolia tree was planted in memory of a gentleman who was associated with a group that was cleaning Carroll Park in the 1950s.

No one can assess what Carroll Park has meant to our neighborhood throughout the years. Coming to Carroll Park doesn't cost a penny. Enjoying a spring breeze, looking at the blue sky and feeling the warmth of the sun on your face doesn't cost a penny. Parks are important. Parks transform a neighborhood. Parks are driving neighborhood revitalization.

A promise made must be a promise kept. It's as though you took money from your son's piggy bank and promise to put it back. Your son works hard, packing groceries at the corner store and saves enough money to buy a bike and then you tell him, well, mommy and daddy will have to find your money somewhere.

Politicians don't keep promises. Many people believe that, but I prefer to believe that the Mayor and City Council were remiss in addressing this issue. Ladies and gentlemen, members of Council, do the right thing. Restore the 8 million promised.

Thank you.

COUNCILMAN JONES: Thank you for fighting for a park in the Fourth Councilmatic District. That tree, I believe that was planted on the other side was Mr. Dunn's tree. Madelyn Dunn, who happens to be a staff person of mine, dedicated a tree to her husband. So, we appreciate what you do. And the shed that we just put out there that we paid for is a part of that, but it comes nowhere close to the $8 million that was taken away from Parks and Rec.

So, thank you for your comments.

Councilwoman Bass. Would you stay at the table for a minute.

COUNCILWOMAN BASS: Thank you, Mr. Majority Leader.

I just wanted to thank you for coming in for your comments today. As the Chair of the Parks and Recreation Committee, I know we have a meeting scheduled. I look forward to sitting down and talking about the issue and seeing what we can do.

As you are aware, we face a lot of challenges ahead in terms of this budget and how to work out so many difficult situations and what to do about AVI and schools and so forth. But I think that we cannot underestimate the importance of Parks and Recreation here in the City of Philadelphia. It's not something that can be funded as an option. It's not something that is luxury. It really is a necessity for our City. And I think that that is something that we need to go forward and have in mind.

I know that there has been an excellent suggestion that's been presented that we're in the process of flushing out in terms of getting a dedicated funding stream for the Parks and Recreation Operation. And so we look forward to exploring all the options.

If you have additional options or ideas, we want you to know that we are open to that. And I think overall you have a Council that is very much committed to working with you and finding ways and doing things differently, finding new and different and innovative ways in terms of what can we do to gather the funding that we need to make sure that we have the world class operation that I believe we should have here in Philadelphia.

So, just wanted to let know that. And look forward to meeting with you soon.

MS. BLUMMER: We're looking forward, as well.

MR. FRERES: Thank you. Looking forward to meeting, as well.

COUNCILMAN JONES: Councilman Green, did I see your light on? All right.

If there are no other comments or questions for this panel, can we call up the next group.

MR. FRERES: Thank you.

COUNCILMAN JONES: Thank you.

MS. LEWIS: Walter Marlin.

MS. BORNFRIEND: Walter went to testify at a neighborhood hearing instead.

MS. LEWIS: Brett Mandel.

(Mr. Mandel approaches.)

COUNCILMAN JONES: Mr. Mandel, who is the other witness with you?

MR. MANDEL: This is my expert on public education in Philadelphia, Rose Winebaum who also has testimony that can be handed out.

Good morning. My name is Brett Mandel. I'm a citizen of Philadelphia.

We need to be doing all we can to establish fairness, legitimacy and legality in real estate taxation. Instead Mayor Nutter's proposed legislation to alter real estate taxes would make permanent two years of tax increases, raise another $90 million in taxes for the School District, and do it all without us understanding how these changes will effect Philadelphia's homeowners. This backward approach could be devastating to your constituents.

It's important to put these proposed changes into context and understand how the need for additional tax revenues and the need for real estate tax fairness fit into a larger issues of taxation in Philadelphia.

In 2003, I served on the voter established Tax Reform Commission where I chaired the real estate tax working group. The Commission firmly established three major themes of tax reform in Philadelphia; Philadelphia tax is too much, we tax the wrong stuff, and we tax unfairly. Compared to other cities in the surrounding jurisdictions our tax burden is higher, which encourages some firms and some families to choose to locate elsewhere.

While most other local governments generate most of their revenues from taxes on the value of real estate, Philadelphia's high taxes on those earning wages and operating businesses put the City at a competitive disadvantage.

Finally, when it comes to real estate taxation, similar properties are not being treated similarly so some pay too much while others do not pay their fair sure.

The Tax Reform Commission recommended that Philadelphia reduce the wage tax, phase out the business privilege tax and make real estate taxation fair and understandable. Those recommendations fit together to preserve and expand City revenue. If high and unproductive taxes are harming our economy, then reduced and reformed taxes should help attract and retain neighbors and employers to generate the tax dollars necessary to keep our budget whole.

Most specifically, if we can reduce the cost of doing business in Philadelphia, we can increase the value of commercial properties. And if our system of real estate taxation works in a fair way, than the City will capture that increased value with increased real estate tax revenues. If our system of real estate taxation works fairly and legally, then reducing and reforming our taxes on business and wage earners makes great economic sense. Most important, such a plan generates the budgetary resource necessary to preserve and expand City services.

The Tax Reform Commission determined that fixing real estate taxation must be about resetting base values and working to ensure there is a smooth transition to a fair system. We established that values should be set before tax rates are determined to ensure City Council affirmatively votes to establish tax rates only after they understand how those tax rates would affect their constituents. Doing it any other way will result in confusion and could unnecessarily and unintentionally result in certain homeowners enduring increases in their tax bills by hundreds of percent.

Council may get one chance in this generation to fix decades of inequity and real estate taxation. I urge you to do it right. Reject the cart before the horse approach proposed by the Administration and instead begin the process to educate property values about the coming transition to a fair system, carefully scrutinize the actual values put forth by the assessment bureaucracy to be sure it's legitimate, and consider which policies are necessary to ensure a smooth transition to actual value. Only then should Council consider the new and revenue neutral tax rate.

If Council takes these steeps, not only will we establish a fair system of real estate taxation, we will have a legitimate system to capture the growth and property values that occur when tax forms reforms are implemented in future years.

Thank you so much. And for those of you who want a souvenir, I include these.

COUNCILMAN JONES: Is she going to testify? Would you like to testify?

(Ms. Winebaum shakes head no.)

Okay. Councilman Oh.

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

Good to see you, Brett. And I have certainly followed along with some of your tax ideas and things over the years. I think we are pretty much with you on the general concepts that you are taking about.

In this particular case, and I'm not contradicting you, but I would like to get from you your thoughts. Everything you say is true. However, if the schools do not have the funds to operate, they cannot raise the revenues to operate the schools, do not offer an education to children in this city. That would also adversely affect employment, jobs, economic growth, opportunities. It would have a lot of adverse effects.

So, in light of what you're saying, not the horse before the cart and the issue that we're looking at, what are your thoughts?

MR. MANDEL: Certainly, as someone who has three public school students in the public schools, I am absolutely aware that we need resources. We need more resources. I coached teams in my daughters' schools because we couldn't afford to have a coach. We have fund raised for our schools because, well, the schools need more money.

The choice before you, though, is not the schools -- either we fix the real estate problems through the Actual Value Initiative proposed by the Administration or the schools get no more money. The choice before you is to fix real estate taxation this way or to fix it correctly. And then separately, should the schools be given more money. And if so, obviously, you can grant the schools more money from the budget. You can raise a different tax. There are different taxes that go to the School District. You can have the State give more money to the schools. After all, well, they run our schools.

So, there are two separate and distinct issues. Should we fix our real estate taxes? Yes. Absolutely. And we should do it right. If we don't do it right, there could be chaos in the marketplace which, well, that's not good for anybody. And then, should we give the schools more money? Maybe so.

Last year this body was asked to give the School District more money and told if you give the School District more money, then Harrisburg will give it even more money. And isn't that a great thing. Well, this Body step forward and gave more money. And we took more money out of our pockets for schools. The State cut the schools more. So, I would like to see the schools have a firm plan to fix what's wrong with the schools and separate that from fixing what's wrong with real estate.

COUNCILMAN OH: I think that is something that we very much desire to see done. So thank you very much. Thank you, Mr. Chairman.

COUNCILMAN JONES: Thank you, Councilman Oh. Any other questions, comments?

(No response.)

Thank you for your testimony.

MR. MANDEL: Thank you.

MS. LEWIS: Karetha Reid Lloyd. Karetha Reid Lloyd.

(Ms. Lloyd not present.)

June O'Neill.

(Ms. O'Neill approaches.)

COUNCILMAN JONES: Good afternoon.

MS. O'NEILL: Good afternoon.

COUNCILMAN JONES: State your name for the record and proceed with your testimony.

MS. O'NEILL: I'm June O'Neill. And I'm the Manager of the Philadelphia Cultural Fund. Thank you for giving me a few moments today. I appreciate it.

The Philadelphia Cultural Fund was

established in May 1991 with the passage of Bill No. 1424 authorizing city officials to file articles of incorporation for the creation of the fund. It was one of the first acts of newly minted Mayor Ed Rendell and newly minted Council President John Street. The fund was incorporated as a nonprofit. And the first grants to arts and culture organizations were made in the Spring of 1994.

Fiscal year 2013 marks the Fund's 20th year. The 20th round of grants to support Philadelphia's Arts and Culture Community. As part of our 20th Anniversary, the Board of the Fund has embarked on a strategic planning process. And included in the strategic planning process is a survey that we did with the granting community. And I will just share a few points of that survey with you.

Fifty-two percent of the applicant pool are organizations with budgets of less than $250,000. These are the grass roots organizations that are working in Philadelphia's neighborhoods. They provide arts education. They provide afterschool programs. And more and more they are filling in the gaps left by every decreasing budgets in our schools and social service agencies.

We have a number of arts organizations in various neighborhoods in the City that are working on the ground doing not only what their organization was incorporated to do, for instance, if it's a theater company, well, they do produce theater. However, as I mentioned, they are also providing very important arts education and afterschool opportunities.

Members of the Arts and Cultural Community serve as peer panel reviewers for the Cultural Funds Grants process. This is a process that the Fund has been using since the beginning. Peer panels are made up of professionals in a particular artistic discipline.

For example, in the theater panel, all the applications from theaters are reviewed by professionals in the theater community including actors, directors, producers, administrators and theater educators. This is a valuable process because it ensures that the community owns the process. This past year we had 260 applicants to the Fund and 130 peer panelists participated in the process from all different artistic disciplines and from all areas of the city representing organizations large and small. They participated in the peer process to help review these grants.

I have invited two people to be with me today. One of them is here. One of them is not here yet. They have not only served as panelists for the Cultural Fund's review process, but also are executive directors of grantee organizations.

So, I would like to first introduce you to Veronica Castillo-Perez, who is from Raices Culturales Latinoamericanas. I will turn this over to Veronica at this moment.

COUNCILMAN JONES: Good afternoon.

MS. CASTILLO-PEREZ: Good afternoon. Thank you. I'm just running up from the Mayor's reception and Secretary Solis on the Second Floor. So, I apologize, June, for being a little late.

But Honorable City Council members, thank you very much for giving me the opportunity to address our concerns regarding our funding during these challenging economic times. My name as June said is Veronica Castillo-Perez, Executive Director of Raices Culturales Latinoamericanas, Inc, a local nonprofit art and culture organization founded in 1991 to preserve, promote and support the beauty and diversity of Latino culture through the performing and visual arts.

Raices means roots in Spanish. And Raices Culturales Lationamericanas translates to Latin American Cultural Roots.

Until last summer our offices were located at 2757 North 5th Street in the Central De Oro Business District at 5th and Lehigh, the heart of the Puerto Rican community. For the last several years we have been co-partners with Taller Puertorriqueno Associan Congreso to produce Feria del Barrio in September where we draw thousands of neighborhood residents to that festival.

For those that do not know, Philadelphia is the third largest U.S. city outside the main island of Puerto Rico followed by New York and Chicago with the largest number of Puerto Ricans. 70 percent of the Latino population in Philadelphia is of Puerto Rican descent. So naturally, our main constituency made up of artists and audience members is going to be Puerto Ricans living in the 19133 ZIP code area.

Statistics show that in the 19133 ZIP code area, 50.84 percent of its citizens are living in or below the poverty line. It ranks 210th of the nation's most poverty stricken communities. Many of the individuals are organizations that we serve in the past 21 years through our programming are from this area. It is through this funding through the Philadelphia Cultural Fund that we've been able to do various activities in this area of art and culture.

Through our artistic programming and community involvement, we allow artists in that area to rehearse and perform as well as families to participate in our multidisciplinary year round programming. Our move into a new space located at 1417 North 2nd Street in the Crane Old School has extended our reach to include the 19122 ZIP code area. And we have formed new partnerships such as our three day Latin Roots and Rhythm Festival at the Settlement Music School in South Philadelphia where there is a large growing Mexican community.

On a national level, Mexicans make up the largest Latino population. It's only fitting that we serve on the local host committee of the National Association of Latino Art and Culture to bring NALAC's National conference to the East Coat for the first time on October 17 through 21 of this year at the Loews Hotel, bringing much needed revenue to the City and tourism dollars. This national convention will place Philadelphia as a Latino political hotspot just one month prior to our National Presidential election.

Last week Mayor Nutter addressed recipients and guest like ourselves of the Knight Foundation at the Philadelphia Art Museum. He reminded us of the correlations that exist between art and academic success. I am very proud to say that we recently hired a Temple graduate, Jasmine Dottin, as program manager. She is one of a growing number of students making Philadelphia their home by staying after graduation.

Our organization employs three full-time staff members and pays insurance benefits and employment taxes which contribute to the economic development of the city. We are not asking for financial bailout or handouts, but rather firm handshake that will commit financial dollars to create partnerships across the city, to increase tourism dollars while serving our economically strapped constituents.

For example, during the upcoming Memorial Day Weekend, we will be partnering with the Delaware River Waterfront Corporation to bring two days of Latino artistic explosion activities to the Race Street Pier for Philadelphians and tourism alike. Please join us and discover the beauty and diversity of Latin America or visit our website at raicesculturales.org.

And just to finish, I'd like to give you a synopsis of what we do at Raices. In 1907, a 70-year-old artist was murdered in his home just blocks from our organization. We held a service for his death. He was untimely killed. The musicians and dancers came and performed. After the ceremony in his honor, one of his grandchildren came up to me, he was 14-year-old kid. He said I grew up listening to the music, but I didn't understand what it really meant. And having the roots of his culture brought back up gave him a sense of belonging to the community.

So, I'm here to say thank you very much. And thank you to the Philadelphia Culture Fund.

MS. O'NEILL: Veronica is just -- and Raices is just an example of the many, many institutions that benefit from the support that comes from the Cultural Fund. And the Fund, as you know, receives its allocation from City Council.

There are organizations in every Council District working in every neighborhood in the city, all -- many, many of which could bring you testimony and a story like Veronica has just shared with us. And you can see from what Raices does, it's a very small organization. She's talking about three full-time staff. Three. And you know there's just such a myriad of things that they are able to accomplish. And I'm just here to tell you that the arts community can do a lot with a little. We have been. We will continue to do so, and we are very, very grateful and thankful for the continued support that we get from City Council.

Thank you very much.

COUNCILMAN JONES: One of the reports you generate every year even though these types of programs know no boundary, people from around the region participate in events like yours. But you do break it down by Councilmatic District. And it is amazing to see some of the diversity at work in our city. It's -- it is analogous to the spices on food. Without it, Philadelphia would be a bland place to live.

So, we thank you for what you do.

MS. O'NEILL: Absolutely. As I said, we had 260 organizations make application this year. 260 in a city the geographic size of Philadelphia. That's amazing. And it does speak to the cultural diversity and the very rich cultural arts that we have here in the city. We are very fortunate.

COUNCILMAN JONES: Thank you so much for what you do.

MS. O'NEILL: Thank you.

COUNCILMAN JONES: When we open that square up in the Seventh District, we will make sure we get some of those acts down there, Maria? That square we're going to do?

COUNCILWOMAN SANCHEZ: Absolutely.

COUNCILMAN JONES: All right. Thank you.

MS. O'NEILL: Thank you very much.

COUNCILMAN JONES: Next.
MS. LEWIS: Reverend Anthony Floyd. Anthony Floyd?
(Reverend Floyd not present.)
Sherrie Cohen.
(Group approaches.)
COUNCILMAN JONES: Good evening -- good afternoon still.
MS. COHEN: Yes. We have a panel here today, Councilman. And Anne Gemmell is going to begin.
COUNCILMAN JONES: Good afternoon. State your name for the record and submit your testimony.
MS. GEMMELL: Good afternoon. My name is Anne Gemmell. I'm the Political Director at Fight for Philly, public school parent, committee woman in the Second Ward.
I am here in my capacity as a coalition member of the Fair Share Coalition. We have some ideas that we would like Council to consider during this revenue crisis. And that's really what it is from my standpoint. We spend more money than we bring in. It's a -- it's more -- the attention is more heightened than

ever because of the Mayor's difficult and false choice that he's presented to the public. It's literally, I think, serving to pit seniors and homeowners against families that really want to stay and use some sort of public education in the city.

After all, power -- power is ultimately about controlling public dollars and prioritizing spending. So, we thought that the Fair Share Coalition should form. It was very rapidly put together. It consists right now and it's growing every day of AFSCME DC 47, District 1199C, SCIU 32 BJ, Project Home, Philadelphia Unemployment Project. To my left here, Philadelphia Now, Pathways PA, Fight for Philly, United Neighborhood Networks, Americans for Democratic Action, Community Legal Services and Philadelphians Allied for Responsible Economy.

(Councilman Greenlee now sits in for Council President Clarke as Chair.)

Philadelphia is forced to face quite a difficult table of pretty mean sharks. We have massive state level safety net cuts, a great recession that will not die, a school system still reeling over a billion in cuts since 2010.

I can personally speak to how bare bones Meredith is running at the moment.

Mayor Nutter's call for $90 million for the schools is a relatively small chip in the scope of the budgets that we're talking about. And I think it's time now to stop thinking about money for the School District as some sort of black hole. In Mayor Nutter's effort to privatize the public schools, let's take a benefit from this and say that it's time to change our thinking about money for the District.

The District is no longer there. The District was once referred to as 440. And I used to rail at it, I still do rail at. But it's not there anymore. It's now 220. And this morning it looks like it's down to 110. So, it's just not there. We need to think about the School Districts as a whole bunch of schools that serve our constituencies. They are charter schools. They are diocesan schools apparently and they're also neighborhood public schools.

Homeowners are sadly in Mayor Nutter's proposal, homeowners are the only ones being asked to throw money into the pot during one of these messy -- one of the messiest budget years in memory. However, homeowners pay while the corporate community and the wealthy are scheduled for tax breaks. Mayor Nutter really needs to ask everyone to throw into the pot.

Yes, Actual Value Initiative is long awaited and no doubt we need to replace the corrupt unfair real estate assessments. AVI could give Philadelphia in some confidence in property tax collections. And in an ideal world it would be great to have the horse, then the cart, everybody takes their time, we know where we're going. We're not in an ideal situation. Sometimes you have to hurry up and fill the cart before the horse might not be ready.

Where the Nutter Administration goes really wrong is asking only homeowners for help. Families, we need to raise the Homestead Exemption and -- to 75,000 instead of 15,000. And this would reduce the tax burden on low income and moderate owned family and ask commercial property owners to pay some more. These modifications may reduce the amount of new revenue brought into the property tax, so the city can make up the difference by increasing the gross receipts tax.

Before you throw down and start yelling that I'm killing jobs, we need to really think about how to break free of the GOP mythology that making tax breaks creates jobs. That is not what we have seen on the national level. It's simply not true.

The GRT is paid on services and goods at a very low rate but it raises a lot of money. While the GRT can create a burden on some small business, we can raise the exemption on small businesses as many people have suggested here in the past. And then the burden would fall on large corporations that benefit from our very healthy retail base and our great consumer base here in the city.

Even Paul Levy says in his Center City District report that our city is growing based on rising gas prices and a strong retail economy. But we are not capturing any of the profits that corporations are winning from that. It's a complicated issue. And I think that all of you are doing great diligence on it in looking at this in all ways. But I think that it's clear that there is a crisis that needs to be met. And rejecting Mayor Nutter's false choice of it's schools or property taxes is the way to go. And one option of doing is saying let's ask more people to contribute to the crisis at hand whether it's the safety net or the schools or the myriad of other things that we need to fund -- of basic things we need to fund out of city revenues. Thank you.

MS. COHEN: Good afternoon.

COUNCILMAN GREENLEE: Good afternoon.

MS. COHEN: Council members and my congratulations to all new members of City Council who were slightly more successful than I was in elections about a year ago. I'm here to today as a member of the Fair Share Coalition. And asking you to save one of the last great legislative achievements of my father, the late Councilman David Cohen.

The only measure of progressive taxation ever added to the city's regressive wage tax in its own 100-year history and a concrete benefit to low income Philadelphians is within the power of the city to provide if the majority of you agree to do so. In fact, we are not only here to argue against the repeal of a Cohen Wage Tax Credit Law which the Mayor has proposed, but to urge that it be postponed no longer. And that instead be implemented in Fiscal Year 2014 in place of the across-the-board wage tax cuts announced in the Mayor's Five Year Plan.

First, I have a question. When is the law not a law? Apparently, when it is a benefit for low income Philadelphians. By seeking to repeal an existing law, the Cohen Wage Tax Credit Law, the Mayor is targeting only low income Philadelphians for a tax increase. Yes, through Bill 120174, the Mayor would be raising taxes on low income Philadelphians only.

The Cohen Wage Tax Credit Law passed in 2004 provides a rebate to all low income Philadelphians who are eligible for the Pennsylvania Tax Back Program. However, this law has not yet been allowed to take effect. The effective date has been delayed a number of times since the Bill became law. In fact, the law has already survived Mayor Street's effort to repeal it when Councilman Kenney shouted the Mayor is smacking David cohen in his grave, and Mayor Nutter's previous attempt to repeal it. This law has refused to die thanks to the members of City council.

What is a Cohen Wage Tax Credit? The Cohen Credit mirrors the State's Tax Forgiveness Program providing a graduated wage tax rebate to families based upon their income and family size. For example, a single parent earning 25,500 a year with two children would be eligible for a tax refund as would a married couple earning 34,250 a year with two children.

What does this credit cost? Over the next five years the credit cost less than the across-the-board wage tax cut the Mayor proposes in his Five Year Plan to resume at Fiscal Year 2014. The Administration claims the Cohen Credit would cost 9 million in its first year, 20 million in the second year, and 25 million thereafter for a total of 54 million in this Five Year Plan. Yet the across-the-board wage tax cut included in the Five Year Plan would cost $80 million. These figures I just got from Rob Dubow when he was here today.

However, the Cohen Credit would cost far less than what the Mayor projects. The Mayor's estimate is based upon a 100 percent take up rate. That is the rate of people who actually apply for and receive the rebate. The actual participation rate would be far less. According to the Pennsylvania Budget and Policy Center based on its analysis of participation rates and the federal earned income tax credit program, only after four or five years of implementation would the participation rate rise to 67 to 78 percent because people have to apply for it. You have to take an affirmative step to apply for the refund. It's not just a cut that's figured into your taxes.

The rational of a Cohen Wage Tax Credit is tax equity. Both the Federal and State Governments provide an income tax credit to low income Philadelphians. And my father believed that our city must provide at least the same help to our working families. This law is the only measure a progressive taxation that has ever been introduced into the City's regressive wage tax in it's almost 100-year history.

The purpose of the Cohen Wage Tax Credit is to help people who work hard yet cannot make ends meet. As my father would say, there is no dignity to work if your work doesn't produce enough income to provide the basic necessities for your family. Working class families living below about 150 percent of the poverty level would be helped by this law. As our partner in the Coalition, Pathways PA has shown families need an income of about 250 percent of poverty to make ends meet.

The benefit of the Cohen Rebate goes to each family that qualifies to their neighborhood and to the city as a whole. The Rebate helps move working families out of poverty and towards economic self sufficiency. According to research City Council paid for in 2004 to compare the benefits of a general across-the-board wage tax cut to that of a Cohen targeted rebate, $0.66 of every dollar from the Cohen Rebate would be spent in the city versus only $0.25 from across-the-board wage tax reduction. And $0.86 of every dollar from the Cohen Rebate would go to Philadelphian residents versus $0.63 from the general wage tax cut. Therefore, a dollar of the Cohen targeted tax relief boosts consumer demand by an estimated 2.6 times as much as a dollar of across-the-board tax relief.

Finally, this is no time to repeal the Cohen Wage Tax Credit. Our city is in crisis.

Our Governor has declared war on poor and low income people. And the Mayor and City Council must not seek to increase the hardship of low income Philadelphians especially now when we have a governor -- I won't go into everything, but I think everyone knows that the asset test that is going to put food stamps at risk for 474,448 Philadelphians, the austerity that the Government is forcing on the School District, that 25,000 children were kicked off Medicaid from Philadelphia alone because their paperwork was not up to date.

He terminated adult basic health insurance for 6,100 working poor Philadelphians. He eliminated, HEMAP, the Home Emergency Mortgage Assistance Program which had rescued 46,000 homeowners statewide from foreclosure over 26 years. And we know he's pushing as of July 1 to slash medical assistance for people in general assistance. Cut 20 percent of funds for --

COUNCILMAN GREENLEE: Sherrie, if I could ask you because you are way past your time. If you can just wrap up, I'd appreciate it.

MS. COHEN: All right.

COUNCILMAN GREENLEE: Thank you.

MS. COHEN: To wrap up.

COUNCILMAN GREENLEE: Because we do have a lot of other people that do want to speak.

MS. COHEN: Okay. Sorry. Mayor Nutter, it is an outrage that your are targeting low income Philadelphians to raise their taxes by seeking to repeal this wage tax credit law.

City Council members, I ask you to honor the legacy of my father and honor your constituents by keeping the promise of a progressive wage tax for low income working Philadelphians who reside in each and every district of our city. Thank you.

COUNCILMAN GREENLEE: Thank you.

MR. SHAPIRO: Council members, good afternoon. We've talked a lot about the School District. It's got terrible problems, I want to also take one paragraph out of the Mayor's Five Year Plan and be sure that -- remember this.

COUNCILMAN GREENLEE: Stan, I'm sorry. Just for the record, could you say your name.

MR. SHAPIRO: I'm sorry. My name is Stan Shapiro. I'm the Vice Chair of Neighborhood Networks of Philadelphia and Co-Chair of the Move on Philadelphia Council.

The Mayor's Five Year Plan tells us that the corporate budget means a loss of bed and services for those of mental health and substance abuse issues affecting nearly 12,000 individuals. A loss of community support services for more than 3,000 people with intellectual disabilities. Loss of housing support services for 115 families involved with DHS and loss of case management for 1,000 people who are homeless.

The cuts will directly result in the increase in the homeless population and the degradation of the City's ability to serve them, a 50 percent increase in the number of people living on the street. More families without shelter, an increased number of people with untreated mental illness and substance abuse, an increase in jail population and institutionalization, higher deman for emergency services in hospitals, an increase in children placed out of the home and reduction in the number of families reunified. That's a little piece of the tsunami that's headed towards Philadelphia wholly apart from what is going on with the School District.

Against this background, it's simply unacceptable that the City not raise additional revenue. This statement should not be construed in any way to excuse the State's responsibility for its cutbacks to this City, and we must fight them. But that also doesn't detract from the City's responsibility to look reality in the eye.

The reality is that even if there are slight restorations of funding in the final State budget, there is a tornado headed our way and will mostly fall on the heads of those least able to defend themselves, the poor, the elderly, the addicted and the homeless.

Fortunately we have a relatively painless way to raise tens of millions of dollars. That would be to roll back the rate of the gross receipts tax to its 1996 levels of 3 mils or three tenths of one percent. In our estimation, that would raise approximately $80 million a year even with the exemption for small business that have now been made a part of that tax.

The GRT, it's hard to really wrap your mind around this because there's been so much disinformation about it. It's a tiny tax. It's rate is now $0.14 on every hundred dollars of sales. It's like a sales tax. If we were talking about the dollar and you wanted to buy something with a dollar, the rate of it would be one-tenth -- barely one-tenth of a cent. You could not pay a sales tax on a dollar because you'd have to divide your penny into ten pieces. That is how small it.

Furthermore, some manufacturers, retailers and wholesalers gets to pay an even lower rate after deducting a variety of expenses. For corporations filing federal tax returns, the net tax is smaller yet because it's a deductible expense. The tax, furthermore, is largely paid out of -- by out-of-city businesses that sell products and services into the city. It does not encourage businesses to lead because, A, it is small; and B, because it must be paid regardless of where corporations are located if they sell into the city.

This small tax raised $96 million in 2006. We believe it is estimated to raise the same amount in Fiscal Year 2013. For most businesses, it's merely a nuisance tax. Yet for many businesses it may well be the only tax they pay because they are so skillful in evading payment of the net income tax. We don't know the exact extent of the evasion, but we can infer from studies of State taxes how well many of our big corporations evade payment of the net income tax.

For instance, Citizens For Tax Justice, the Washington DC think tank founded of some 280 profitable Fortune 500 companies they studied, 265 of them disclose their local and state income tax payments. And about a third of them paid zero taxes, state income taxes. And 68 of these companies manage to pay zero tax despite reported profits of $117 billion. Among the companies you will be interested to learn that paid no state income tax in 2010, were Verizon on earnings of $11.1 billion and Comcast on earnings of $5.1 billion. I doubt that they paid anything to the City of Philadelphia either, but we really don't know because Revenue won't tell us.

It should also be noted that this city has cut taxes every year between 1996 and 2008, but GRT itself has been cut 56 percent from its peak rate in 1995. There has been no discernible benefit in reducing our unemployment rate compared to the rate of our surrounding counties despite this repeated cutting of this tax. The gap as it remains is deep.

For instance, in December of last year, Philadelphia's unemployment rate was 10.1 percent. That was fully 3.5 percent higher than Delaware County, 4.2 percent higher than Bucks County, 4.4 percent higher than Montgomery County and 5.3 percent higher than Chester County. The group called SF Made, an organization representing 230 small San Francisco manufacturers has said that if there is a connection between higher taxes and cuts in small businesses investment, "we haven't seen it."

The Central and Budgeting Policy Priority in Washington has stated that corporate tax cuts, "do not pay for themselves", and, "could adversely affect long term growth by leading to cut in public services".

As we know no one wants to pay taxes.

COUNCILMAN GREENLEE: Stan, if you can just --

MR. SHAPIRO: I am wrapping up. Two

sentences left.

COUNCILMAN GREENLEE: Okay. Great.

MR. SHAPIRO: Choices have to be made. In a context in which services are the most vulnerable in our city or are on the verge of being gutted, it is clear that this Council must raise the gross receipts tax. Thank you.

COUNCILMAN GREENLEE: Thank you. Andre, if you just identify yourself for the record and proceed, please.

MR. BUTLER: Yes, thank you. My name is Andre Butler. I am the Vice Chair of the Board of Directors of the Philadelphia Unemployment Project.

COUNCILMAN GREENLEE: Thank you.

MR. BUTLER: Thank you. And I am also a member of the low wage working class this great City of Philadelphia.

And on behalf of all of them, I would like to say that we want our money and we want to be able to keep our money. When we put in our hours a week, whether part time or full time, we serve not only the God that we serve but we also work for ourselves, our families. And we also work for the businesses that employ us. And we're the main ones responsible for the businesses being where they are. However profitable they might be, it's on the backs of most of us that are at the ground level working for them.

And we are part of the Fair Share Coalition because we believe it's fair for us to keep most of our money just like the Mayor wants to committee to keep most of their money, so something has to give. And in fairness, everybody should be made to pay their fair share as opposed to making the working class pay more than their fair share. Especially in the sense of what's coming down the pipe with the federal and state budget cuts, which are on the backs of the working class people of this city.

So, from a personal standpoint, the workers -- nobody is complaining on this end about paying taxes. We just want to be made to pay our fair share and don't want to see others pay less than or none of their fair share. And Sherrie raised a point about $0.66 of money going to the City. Let me give you an example of something.

I owe a phone bill yesterday of $150.80.

It was due yesterday. I didn't have the $0.80 yesterday. I had to be on the phone with T-Mobil for three and a half hours through six levels of management to give me a day to pay $0.80. I did not have $0.80 yesterday. I didn't have the $0.80.

So we as low wage workers need as much of our money as we can keep to keep ourselves functioning and to keep society functioning because everything builds on us. Everything goes on consumer spending, what we as consumers spend. Seems like the whole global economy is based on consumer spending. And we are the workers that ones that actually spend. We don't have it to spend. Everything seems to topple from the top down, and it's because nobody wants to spend money.

So we are asking and I'm asking City Council to -- especially those that voted for this Cohen Tax Credit years ago, to keep the same vote, not allow Mayor Nutter to come and steamroll the working class into submission.

Thank you.

COUNCILMAN GREENLEE: Thank you very much. Thank you. Thank you all for coming down.

Next please.
MR. STITT: Jonathan Stein.
MR. SHAPIRO: He's not here right now but he'll probably be back later.
MR. STITT: Jeff Hornstein.
(Group approaches.)
COUNCILMAN GREENLEE: We're coming up in groups now. I can see how we're operating.
MR. HORNSTEIN: Yeah. Just be more efficient because we're all on the list and it'd just be more efficient.
COUNCILMAN GREENLEE: Okay. Be a politician, Jeff, go ahead. That's all right.
(Laughter.)
MR. HORNSTEIN: Not my chosen profession.
Esteemed members of City Council, my name is Jeff Hornstein. I'm President of Queen Village Neighbors Association.
I want to begin by saying that I love my neighborhood and I love this city. I believe that we are on the rise, as the Mayor is fond of saying. In order to stay that course, we need to make sure our city government and our school District have the revenues they need to function. I and many of my fellow Queen village

resident are willing to pay our fair share even if that means increased property taxes for those of us that can afford them. I personally have seen my property taxes go up from $1,300 a year when I bought my house in 2005 to over $2,100 last year.

When AVI is implemented, and I say when because I believe that implementing the Actual Value Initiative is not only required by law but is the right thing to do, taxes on my house will climb to $3,600 per year assuming the millage rate is set at one percent. A nearly 300 percent increase in less than a decade. I'm fortunate that my wife and I can absorb that increase.

What about my 70-year-old neighbor who moved onto Queen Street when her house was one of the few that was not abandoned? How will she afford to pay taxes on the actual value of her house?

AVI must be done right, not recklessly. We need to see the assessment figures before we can support giving City Council the right to set a new tax rate. In our neighborhood, we are blessed with two great schools and principals who have the full, faith and support moral and financial of our community. But I have found the Administration's tone, either you support the implementation of AVI our way now or you are against school kids distasteful to say the least.

Can't the City borrow $94 million to close the gap for the School District? Seems to widen everyday anyway rather than implement a permanent school tax based on numbers we haven't seen. Come out to the neighborhoods, Mayor Nutter. Explain to us why you want us to support this policy. Discuss it with us. Educate us. Lead us.

Same message to School District Chief Tom Knutzen. First, tell us how you are going to protect vulnerable homeowners like my 70-year-old neighbor. We suggest a homestead exemption at the maximum level allowed by law around $60,000 I'm told so that people of low and moderate incomes have some relief. Fix the deferral policies so it's not charging 6 percent interest in a mortgage market that is three and a half percent.

Second, make the system fairer by shifting the burden onto commercial property. Philly's property tax burden is born disproportionately by homeowners. A substantial homestead exemption will help shift the burden.

Third, find other sources of revenue. Here are some suggestions.

One, collect taxes on the tens of thousands of chronically tax and delinquent properties. We applaud the Administration's effort to increase sheriff sales, but that is a very weak form of medicine. If we had a land bank, the City could have the power to sell and take delinquent properties, or we could simply put the PPA in charge of collecting delinquent taxes.

Number two, sit down with the major heads of tax exempt universities and hospitals and negotiate new pilot agreements as Boston and Pittsburgh have recently done to capture additional revenue.

COUNCILMAN GREENLEE: Okay.

MR. HORNSTEIN: End tax abate -- let me just wrap up.

COUNCILMAN GREENLEE: Sure. Go ahead.

MR. HORNSTEIN: End tax abatements for new construction. Their time has passed. On behalf of QVA and the group of 20 civic associations that have been meeting under the banner of the Tax Fairness Coalition, we urge you to do AVI right, not recklessly. Figure out a way to help the School District with some shortfalls in the short term.

When the assessment numbers are available, share them with us so we will have some idea of what our individual tax will look like. Then I promise you, we'll wholeheartedly support AVI.

Thank you.

COUNCILMAN GREENLEE: Thank you, Jeff.

Please identify yourself and proceed.

MS. APPLEBAUM: My name is Judith Kaplow Applebaum. Thank you Council people who are here. It's disappoint to the communities that are here and have sat here since early this morning that more Council people are not here to hear us.

COUNCILMAN GREENLEE: In fairness, there are a lot of people listening in their offices. But, please, go ahead.

MS. APPLEBAUM: As I said, my name is Judith Kaplow Applebaum. For ten years I was

President of the Washington Square West Civic Association and currently Chair of its Governmental Affairs Committee.

Wash West runs from Fourth -- from Seventh, sorry, to Broad and from South to Chestnut Street. Wash West is the home to the gayberhood and to Midtown Village. It is a unique and diverse neighborhood. And it is my home and has been my home since 1998.

I was a teacher for 25 years, so I get it. Schools need money. But I have spent my 25 years in math education teaching my students not to rush to judgment. I teach them to take the time to understand all aspects of the problem. I tell them do your research, ask all the questions needed to find out as much as you possibly can, and then and only then act.

You members of Council do not have the information to make an informed decision. Please do not act precipitously and do not punish many of the people who worked long hours over many years to improve their neighborhoods with tax bills impossible for many to pay. Do not evict -- and I do mean evict. Do not evict those who clean their streets, planted the trees, started the gardens, formed town watches and committed time, energy and money to improve their neighborhood schools. Do not evict the very people whose efforts have been responsible for the resurgence of their neighborhoods.

We are not against paying our fair share. We are only asking for a fair and open process, one where everyone has all the facts, and final decisions are made to create an AVI system that will do the least harm and the most good for all Philadelphians.

Thank you.

COUNCILMAN GREENLEE: Thank you. Please identify yourself and proceed.

MS. WEEKS: My name is Helma Weeks. And I am here on behalf of the Powelton Village Civic Association. Our small West Philadelphian neighborhood is adjacent to and intertwined with Drexel University's campus. Mantua is our neighbor to the north and Penn's campus is neighbor to the south.

We agree that the system to determine property taxes in the city is in immediate need of fixing. We support the goal to fairly assess all properties and to correct the current inequalities of the system where similar properties have different property taxes.

Ours is a residential neighborhood. However, we have one of the lowest rates of owner-occupied dwellings in the city, just around 14 percent. The majority of houses in Powelton are owned by absentee landlords who frequently have converted the buildings into student housing, often even illegal boarding houses or multi-occupied apartment with rents above $700 a bedroom. As these places are not assessed at their commercial value, they generate little in taxes. They have driven up the value of surrounding properties dramatically over the last ten years.

When the City assesses the properties in Powelton, these increased values will effect homeowners many of whom have lived here for two and three decades and are now senior citizens. These people have kept the neighborhood stable, started new businesses and invested in their homes and are now threatened by the reassessment. We don't want them to move because they can't afford to pay the taxes. Then more speculators will move in and Powelton will be no more.

It is unfair for homeowners to take the burden of increased assessment when landlords are the ones making money off their properties. I repeat, we are not against the fair reassessment of all properties in the city. However, we feel that this has to be phased in gradually so that people are not subjected to sudden huge increases in property taxes.

Allowances must be made for long term owners whose properties have increased in values. There has to be a bigger tax contribution by the commercial property owners, otherwise raising revenues or cutting costs need to be considered. Collecting payments in lieu of taxes from universities, hospitals religious institutions and other nonprofit organizations is one option. Our neighborhood is surrounded by them.

The city must devise a system whereby delinquents are identified quickly and whereby revenue is collected within a short time. All outstanding real estate taxes need to be collected, and you need to be firm and make no deals. When the new property tax is considered, the powers need to look at the overall tax burden of a Philadelphia resident, property tax, wage tax, sale tax and compare it to the individual tax load in the surrounding communities.

For the city to retain its residents and to attract new ones, the tax expenses can not be higher than in the surrounding area.

Thank you.

COUNCILMAN GREENLEE: Thank you. Identify yourself for the record and proceed please.

MR. LITTLE: Thank you. My name is Sam Little. I'm President of the Logan Square Neighborhood Association. And the Logan Square Neighborhood Association covers a part of the community that's over the northwest quadrant of Center City. It's large, diverse about 6,000 people of different backgrounds, housing and economic condition. Although, we've generally benefitted quite a bit from the economy of the city, we also have people who are -- have been left behind by. So we aer sensitive to this.

The property tax is a running sore for many of our neighborhoods as wildly varied. It's confusing. There is no logical pattern. And some people know that they have lucked into a good deal, but others know that they haven't. But everybody understands it to be unfair. Our Logan Square Board has a sense the sentiment is that tax fairness, and I use the word fairness specifically, is critically important to our neighborhoods as well as the City as a whole. We don't presume to know the details of taxation policy or programs. We are also not of identical views.

But we do urge, and specifically City Council, to work towards a system that shares the burden equitably. That is not just simply equally, but equitably between individuals on blocks and streets and in neighborhoods, but also between residential, commercial and nonprofit for property owners.

But above everything, I go back to the word fairness. We think it's not only a nice phrase, but it's really a building block for reestablishing a trust and reducing a skepticism which is really important to make things work better between those who run Philadelphia and those who live in Philadelphia. We urge you as the most politically sensitive part of city government to see that this fairness and equity is just right.

Thank you.

COUNCILMAN GREENLEE: Politically sensitive. That is a lot better than we've been called in other things. Thank you. I didn't mind that one.

Matt.

MR. RUBEN: My name is Matt Ruben. I'm the President of the Northern Liberties Neighborhood Association. Northern Liberties, as you all probably know, is located on the Delaware River just north of Old City, roughly from Callowhill up to Girard on our western borders and on our eastern borders the River.

I want to thank you for this opportunity to testify today. I've been a homeowner in Northern Liberties since the year 2000. I've not seen a property tax increase on my home of 40 percent. I have not had a 75 percent increase. My property taxes are 250 percent of what they were when I moved in, and I never appealed the increases that I have had because I understand how important it is to pay a fair share not only to the schools but to the general fund. And I also understood the reality that a neighborhood with appreciating property values means you pay higher taxes.

Honestly, it's financially a struggle for me every year to pay that tax bill but I pay it on time in full every year. And I understand my responsibility as a citizen to do that.

I want to say that because there is too much demagoguery in the public's fear that attempts to pit some Philadelphians against others in a false dichotomy. We all want to pay our fair share and understand that no one should be getting a benefit in their property tax on the back of other people who pay more than maybe they should have to pay. So we want a fair system and we want AVI.

But specifically, what I want to recommend to you and what I want to urge you to do is support Councilman Squilla's proposal or a version of it which would implement the AVI with the new assessment values next year, not this year because you do not have the assessed values. And I was frankly stunned by the Administration's seemingly casual attitude that you as our representatives don't need the values because, we as homeowners will get them hopefully by the end of October. And we as the residents of this city don't need the charts or the formulas apparently they have been sharing with you to actually give a sense of what might actually happen.

To me it seems like a shell game. We need both pieces. We need to understand the rational behind the proposed tax rates and we need to see what the values are. All the issues people have been talking about, nonprofit, tax abatements increase values, we will not be able to rationally assess what is going on with that until we see what the new home values are.

It is unconscionable to change the tax system in a fundamental way without seeing what the new values are. And that's why Councilman Squilla's bill is one that I believe or a version of it that this Council should ultimately support to delay the actual implementation by one year.

Secondly, any Homestead Exemption -- by the way, I hope it happens. But Homestead Exemption is not yet legal at the state level, another reason that it was insanity to institute this now before you know.

And I will finish within 30 seconds.

Maximize the Homestead Exemption to give relief and shift proportionate reasonable tax revenue burden onto commercial properties like every other city does, and you have to lower that smoothing rate. If your assessment increases by anywhere from 75 to 300 percent, which is almost everyone in the city, the so-called smoothing rate will give you a temporary extra increase for two years before it goes back down after AVI and that's just insanity.

Thank you so much for your time. And we'll take any comments or questions.

COUNCILMAN GREENLEE: Thank you. Just stay there a minute.

Councilman Green.

COUNCILMAN GREEN: Thank you. I'm just curious, if that happens in Northern Liberties or other neighborhoods in the city where a significant number of properties end up having a extra high temporary tax increase higher than they would pay if we just had one flat fair rate applicable to the City, do you anticipate that there be would be any kind of litigation related to that?

MR. RUBEN: What I anticipate is that people throughout our neighborhood would after they were finished doing their volunteer work at our community owned parks and gardens, after they were finished doing the bake sales and making donations and volunteering at our local public schools, they would then go home and change their clothes and go down and everyone would appeal their new assessments. And if that would fail, everyone would join in a class action lawsuit and sue the City for this scheme, which in the name of smoothing in this particular case would give everyone an extra increase. And as far as I know, we would have an excellent case.

We don't want to do that but that is what people would do. We are an organized neighborhood. After we finish supporting our parks and schools as we always do everyday, we'd go after this.

COUNCILMAN GREEN: You think you'd have an excellent case because it violates the Uniformity Provision of the --

MR. RUBEN: That's my understanding. I mean, I can't imaging a judge not sitting there and just -- it beggars common sense that something called a smoothing rate gives you an additional increase.

COUNCILMAN GREEN: Which would leave us with the savings clause you heard testified about today?

MR. RUBEN: Yes.

COUNCILMAN GREEN: Any comments on the savings clause?

MR. RUBEN: Again, if you have -- it's impossible to understand what the savings clause would do if you don't have the assessed values in front of you. And any reasonable person, I think, would agree that you need to look at the I assessed values.

And I would only add one thing, that doesn't get nearly enough attention. Neighborhoods like Queen Village, Northern Liber -- anywhere basically in Center City or immediately north or south of Center City, you have a tremendous number of abated properties. And the line about tax abatements is, oh, it's unfair because those people don't pay higher taxes and everyone else has to pay more. But there is a time bomb here that effects not only nonabated owners but abated owners.

What that is, is everyone knows your monthly payment is your mortgage and your property tax. What the tax abatement does is it lowers the monthly payment by somewhere between 3 and 700 a month for your market-rate housing. Which means that people can afford to buy houses for higher prices then they otherwise could. What that means is that housing values are artificially high because the abatement is going to end. If the reassessment is done using comparables that are artificially boosted by abatement, which is by definition temporary, that opens major questions about the validity of assessments.

This is one of many, many questions that we as a city will have to discuss. And we will not be able to do that if this Mayor's proposal goes in before the new assessments are even out.

COUNCILMAN GREEN: We certainly can't do it in the next 30 days.

MR. RUBEN: Absolutely not.

MR. HORNSTEIN: If I can just add one bit to that, there are 20 civics have been getting together couple times in the last few months to discuss this issue. We are united around the set of general principles. And one of them is that this needs to be done right not recklessly. And these are civics from all over the city.

Last meeting West Mt. Airy was there, Powelton Village, Passyunk Square, Queen Village, Society Hill, Logan Square, Northern Liberties, Pennsport, Whitman, Spring Garden, Dickenson Narrows. I mean, it was a very, very broad group all basically united around the same idea that this -- general support of Councilman Squilla's general idea. We need to do this right, not recklessly. Let's slow this down, let's figure out a temporary fix for one more year and get this right. It's a generational chance, and we need to take it.

COUNCILMAN GREENLEE: Thank you. One more minute. Councilman Oh.

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

What would a temporary fix be, for example?

MR. HORNSTEIN: I think Mark made a very interesting suggestion that we do what we need to do with the common ratio level to make sure that we don't get ourselves into trouble with the State. And raise that millage rate temporarily so that we can capture some revenue.

I am sure our neighbors understand the financial crisis both the School District and the City face. We've been asked to put up nearly 14 percent more in property taxes over the past two years. If the Mayor were to use his bully pulpit and explain to us and treat us like adults, not children, come to the neighborhoods, come to a civic meeting, come to one of these tax fairness meetings and say here is what we want to do and here is why, I think you would undercut some of the cynicism that people are feeling right now.

There are other ways to do this temporarily. You have the power to change the millage rate and the common ratio level, you know, without going to Harrisburg as far as I understand.

COUNCILMAN OH: Yeah. I think -- because as my colleagues know, I've expressed much of what you expressed, great concerns and these type of things. And I understand Councilman

Squilla's bill.

But in fairness, the issue that is the one that we got to consider is getting your homework in on time. And the time is that we have a short period of it, and we have to consider that if the School District were not able to raise the funds to sustain itself, that that too would have a adverse effect on neighborhoods and homeowners and businesses, as well. It's a question of whether I think people believe that there is some alternative way of raising the funds that still, even with $94 million as -- the School District is still $218,000 in debt.

And I'm not taking, you know, saying that you're incorrect. I just am certainly saying that it's a difficult issue for us to deal with. And I understand, you know, the concerns and perspectives. Any suggestions or ideas that you have that we may not be considering in our discussions, because I believe you gentleman follow us pretty closely in this area, please don't hesitate to throw some ideas out there, as well. I think we are trying to cover as much ground as we can.

MR. HORNSTEIN: Well, we just threw a

couple out. I mean, Pittsburgh just threatened to raise gross receipts tax on college tuition. And that got the universities to the table pretty quickly to talk about pilots. As far as I understand things, the entire nonprofit sector paid $900,000 in property taxes last year. That was almost all paid by one Catholic institution. Penn, Drexel, I don't think they pay a nickel in property taxes.

I understand the City no longer has the leverage it once did in the Rendell years to force the issue, out of goodness -- out of the citizenship feelings that Penn and Drexel should have for them -- picking on them. I could pick on Jefferson also, more closer to my neck of the woods where they are expanding like mushrooms, taking up some of the best property in the city and making it tax exempt is a bit of an issue. Boston just did something similar.

I think there is an opportunity for leadership here. I will repeat what Brett Mandel said earlier. I know I'm getting older and wiser because I'm starting to agree with Brett more.

COUNCILMAN GREENLEE: That's scary, Jeff, to be perfectly honest with you. I'm starting to worry about you already.

MR. HORNSTEIN: Thanks. So, these are two separate issues. The School District needs money. The School District always need money. A gun should not be held to the heads of the taxpayers saying either you are with us on AVI now or you hate kids.

My neighborhood bust its butt like Matt's does like everybody else's does to raise money for schools. We raised $45,000 in one night for Meredith at the Meredith Auction. We have -- we are doing what we are supposed to do as citizens. We are cleaning up our parks. We are keeping our neighborhoods safe and doing all the things we are supposed to do. You know, I think the School District also has an obligation to come out and talk to us about their plans instead of just floating thing in the media. They need to come out and actually organize us.

COUNCILMAN GREENLEE: Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. Chair. So really what you're saying is there is a difference between AVI and school funding. And you can have a conversation about school funding and whether or not it's appropriate to increase taxes under whatever tax system you have for schools, whether it's through increasing use and occupancy which goes directly to the schools or liquor by the drink tax which goes directly to the schools or other measures or you just, under the current system, provide more millage to the schools or whatever the case is, AVI is what you're saying that we should slow down and have full information for. You are not for or against funding of the schools.

Am I characterizing that correctly?

MR. HORNSTEIN: I am for funding the schools. I'm just not -- I think it's a pernicious political move on the Administration's part to tie these two things together. There is other ways to raise revenue. Let's figure them out. Let's be creative. Explain it to us. We will sell it to our neighborhoods if it makes sense.

MR. RUBEN: And if I might add, personally, I am absolutely for funding the schools. While I'm skeptical of how they come up with 94 million, it seems like that is the number. Let's do it. We know that it's possible to give extra money to the schools without going to a whole new property tax system because we've done it for the last two years. I don't think we have to raise the liquor by the drink tax, but just collect it more consistently. Apparently, there's tens if not hundreds of millions of dollars out there of uncollected liquor by the drink tax.

Maybe someone should talk about a temporary emergency increase in the gross receipts tax. No one hesitates to talk about a temporary emergency increase in the property tax. Temporary increase in gross receipts, if that doesn't go to the School District, just change the property tax, you know, ratio so that the resulting revenue increase goes to the School District.

So I think, and as Councilman Green was saying in his question earlier, the enforcement of delinquent property taxes, that could be done more. But through a patchwork of stepping up property tax delinquency enforcement, increasing enforcement of liquor by the drink and other taxes, collection of those and perhaps temporary increases of at least considering a temporary tax increase of anything besides or in addition to property tax, you can figure out a way to meet this for this year and then we can put in AVI next year.

But going to AVI doesn't solve the funding problem of the schools.

COUNCILMAN GREENLEE: Councilman Oh, I didn't -- I had no doubt they would come up with some ideas.

COUNCILMAN OH: It's always good to get some additional ideas. I will just put out that I appreciate your ideas. We have and do talk about these ideas. We have differences of opinions. And at the end of the day, we are going to see how this plays out.

COUNCILMAN GREENLEE: It will be coming soon, timewise.

COUNCILMAN GREEN: Can I --

COUNCILMAN GREENLEE: I think Councilman Squilla has -- cause we still have some people that want to.

MR. LITTLE: Just very quickly. The thing about delinquent tax, I remember back when there were junker cars on the street and how quickly the City could get them off. It was a focused political issue. And I wonder if there are certain kinds of incentives you can think about, particularly on the delinquent taxes because that seems the most unfair thing of all to people. Thank you.

MR. HORNSTEIN: Let the Parking Authority do it. They are really good.

COUNCILMAN GREENLEE: Councilman Squilla.

COUNCILMAN SQUILLA: Yes. My question to you is, do you think it is worth challenging the State to buck up more dollars? Do you think it's worth having organizations as teachers and children's and political people and police go up to the state to say, you know, the State did take over the School District, SRC actually controls it. They do give us some money, but since they are controlling it, could we ask them for more money and actually making a big pitch to them.

We have issues up now in Council -- in the State House that have threatened to do legislation in the House to make it revenue neutral. Would you be willing as residents or people out there to organize and be able to do something like that?

MR. RUBEN: We would love for -- I mean, anyone, Council, but specifically, it would be great if the City in the terms of the Mayor and the Administration reached out to a lot of the civic groups and the other organizations that have testified today, you know, rent buses for us, bring us up there and we will make the City's case. All due respect, would have to be made better than the Administration makes it in Harrisburg.

So we would love to do that. And it's a mystery to me why the Administration hasn't leveraged the tremendous human resources of our communities, our school children, our nonprofit arts and parks organizations to go up there and make the case directly. Why not use us, work with us. We would be thrilled to do that in an organized way under the banner of the City instead of having to go up piecemeal ourselves.

Why not do it together.

COUNCILMAN SQUILLA: I agree. Maybe that is something we can look to as Council. If they're willing to do that, maybe we can ask the Administration if they would be willing to leverage our voter base, our communities. We have strong representatives. We know how passionate the people are here in the city. And I think it can only help maybe with our delegation up in Harrisburg, get them on our sides and go up as united force saying we need Harrisburg to chip in here and help us out.

I think if we do that, we have to separate, first of all, the issue between the real estate tax and the school. But we have to go as a unified force with the Administration, with Council, with the people of the City, with our city delegation and the Senate and the House and make it show that we really care about this. I would be willing to step in and try to organization that.

I would like to meet with the Administration maybe to see if we can do that. Maybe if we get a willingness from the Council to do something like that. I think it can only help. It can't hurt. We are not getting anything anyway.

That was my question. Thank you for your support.

MR. RUBEN: Thank you.

COUNCILMAN GREENLEE: Thank you,

Councilman.

Councilman Green.

COUNCILMAN GREEN: Just, Matt, if you can kindly reiterate for the benefit of Mr. Graham your response to my question about whether or not you thought that it would result in litigation, the smoothing piece in the wonderful way you just did about what your neighborhood would be doing prior to moving to that.

COUNCILMAN GREENLEE: In other words, he wants to make sure it's in the Inquirer tomorrow.

(Laughter.)

MR. RUBEN: Well, you know, it's never as good the second time you say it. Yeah.

As I said before, our neighborhoods would come home from working in our park and volunteering at the school and writing their unsolicited private donations to the school and everything else they do, they changed their clothes and, you know, they would go see the attorney to be part of the class action lawsuit for a tax system which would not give them uniform rates and would wind up giving them an additional increase for two years before it went down to the permanent increase of AVI. Particularly, the perversity of a smoothing -- something that's called smoothing which would actually create a bump for anyone who is experiencing a 75 to 300 percent increase in their assessment, which I would be shocked if that is not the majority of the City.

COUNCILMAN GREENLEE: Thank you. Thank you all very much. Thank you for all that you offered here.

MR. STITT: Joshua Vincent.

(Mr. Vincent approaches.)

COUNCILMAN GREENLEE: Who else is here to testify? Anybody else here to give comment? Okay. Mr. Vincent will be the last one. Thank you.

Thank you for your patience. I know you've been back there a long time. And I know you've been here before so you know how we work.

MR. VINCENT: Absolutely.

COUNCILMAN GREENLEE: Please, identify yourself and proceed.

MR. VINCENT: Very comfortable chairs. I love it back there.

COUNCILMAN GREENLEE: You think so? Okay.

MR. VINCENT: Yeah. Good afternoon. I'm Joshua Vincent. I'm the Executive Director for the Study of Economics. We worked extensively throughout the Commonwealth and internationally on issues of property taxation and also assessment. I wrote a novel today as far as testimony, and luckily I stripped it back to just three pretty main points. And I would like to talk about the Actual Value Initiative.

I think we will be discussing this throughout the spring and early summer, so I am sure I will be back. It's an interesting situation in my 20 years of working in property tax and assessment where a budget is presented without values. It's unique as far as I know.

In Ireland, they introduced a nationwide property tax on January 1. They didn't have values, so they put a flat fee on each parcel. If we are going to be moving towards AVI, a lot of steps have to be taken. I've worked with Allegheny County over their past two assessments. Values were dropped on the citizens within four to five weeks before the appeals process started.

Right now City Council has to take

corrective action to prevent a massive property tax appeals that are going to happen as soon as these values hit houses in the autumn because there hasn't been that prep time. In Allegheny County they started the process, which I would suggest now, of informal appeals and informal hearings extrajudicial, if you will.

Sixty percent of property owners got a value reduction. There were about 10,000 informal appeals. And out of 500,000 properties in Allegheny County as of April 15, 120,000 are in the appeals process. And that is with values being presented ahead of time, not much ahead of time but ahead of time. So as of April, we have got about 120,000 out of 500,000 parcels under appeal. That is a huge administrative burden and cost to Allegheny County.

I would hope that we could explore in Philadelphia an anti-windfall provision, which is available under the General County Assessment Code. Allegheny County adopted a 5 percent windfall limitation. And by making it a universal limitation rather than for each individual parcel, it would be much easier to administer and to implement.

Finally, we have been talking about Homestead Exemptions. We believe of course City Council should adopt a differential rate on land and buildings simply because the exemption that would be -- that could be up to half the median assessed value of residential properties could be on buildings only. And for residential property owners, most of their equity is again in the building. And Matt Ruben I think stole my thunder, so I can pretty much close and meet the bell.

And on the tax abatement issue, reassessment AVI will have -- will wreak havoc on all these properties that are now starting to come off assessment and will be pretty much done by 2016.

So thank you very much.

COUNCILMAN GREENLEE: Thank you.

MR. VINCENT: For your attention.

COUNCILMAN GREENLEE: Thank you very much. Thank you for your patience. It's been a long day, I know.

Is anyone else here to testify on these bills?

Seeing none, thank you very much for

everyone being here. This Committee will stand in recess until Monday May 7, 2012 at 11:00 a.m.

Thank you very much.

(Committe of the Whole Recessed at 4:08 p.m.)

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