COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Monday, April 4, 2011, 10:30 a.m.

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RES. 110161 - Five-Year Plan
BILL 110135 - Capital Program 2012 through 2017
BILL 110136 - FY 2012 Capital Budget
BILL 110137 - FY 2012 Operating Budget
BILL 110138 - Wage Tax Bill

COMMITTEE MEMBERS PRESENT:

Anna C. Verna, Chair
Marian B. Tasco, Co-Chair
Jannie C. Blackwell
Blondell Reynolds-Brown
Darrell L. Clarke
W. Wilson Goode, Jr.
Bill Green
William K. Greenlee
Curtis Jones, Jr.
Donna Reed Miller
Frank Rizzo
Maria Quiñones-Sanchez

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

The Chair recognizes Mr. McPherson.

MR. McPHERSON: This is a continuation hearing of:

Resolution 110161, the City's Five-Year Plan.

Bill No. 110135, Capital Program for Fiscal Years 2012 through 2017;

Bill No. 110136, the Capital Budget for 2012;

Bill No. 110137, the Operating Budget for 2012; and

Bill No. 110138, the wage tax bill.

Today we're taking testimony on Bill No. 110137, and our first witness today is the Revenue Department.

(Witnesses come forward.)

COUNCIL PRESIDENT VERNA: Good morning, everyone.

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PANEL MEMBERS: Good morning.

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

COMMISSIONER RICHARDSON: Yes. Good morning, Council President Verna. Keith J. Richardson, the Revenue Commissioner for the City of Philadelphia.

Again, good morning to you, Council President Verna and members of the Committee of the Whole.

Today, with me, I have on my right Deputy Water Revenue Commissioner Michelle L. Bethel; to my left, Deputy Commissioner Tax Bureau Frank Breslin; and our new member, Chief Counsel for the Revenue Tax Unit, Frances Ruml Beckley.

We will be here to present and discuss with you the proposed FY 2012 Operating Budget for the Department.

Most essential to the Department of Revenue is the timely, courteous, and prompt collection of all revenue due to the City of Philadelphia and all tax revenue due to the School District of Philadelphia. The Water Revenue Bureau has the mission of billing and collecting water and sewer charges, ensuring that the financial resources needed to support the Water Department's mission of providing quality water and efficient waste water management treatment system.

The Department of Revenue's FY '12 General Fund appropriations were increased by $4,361,706 to $19,899,715 from Fiscal Year '11's estimated obligations of $15,538,009. The increase is due primarily to the net effect of the transfer to the Law Department's Tax Unit function, including funding for 64 employees, professional services, and other rate expenditures of $4,599,616, and funding for the E-Tides tax filing implementation and maintenance at $250,287.

The department is requesting

$15,563,214 in Class 100 personal services to fund 299 full-time positions; $3,815,439 in Class 200 for purchase of services; and $521,062 in Class 3 and 400 for materials, supplies, and equipment.

The FY '12 Water Fund appropriation request for the Department is $15,850,626. This is an increase of $846,582 from FY '11's estimated obligations of $15,004,044. This increase includes the funding of the transfer of six employees from the Law Department for $240,135; funding to support annual personnel requirements of $552,177; and a difference of $54,270 to fund potential increases in professional services contracts and anticipated price increases in the office supply and equipment contracts.

The Department is requesting $11,092,316 in Class 100 personal services to fund 270 full-time positions; $3,852,510 in Class 200 for the purchase of services; and $902,800 in Classes 300

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and 400 for materials, supplies, and equipment; and $3,00 in Class 500 for contributions.

The FY '12 Grants Revenue Fund appropriations requests $21 million, which is proposed to be transferred from the Law Department to the Department of Revenue. This funding is needed for the Commission to collection agencies contracted to collect delinquent taxes, fees, fines, and charges on behalf of the City.

Through a Memorandum of Understanding, the Law Department and the Department of Revenue have agreed to a closer working relationship between the Law Tax Unit and the Department of Revenue for the express purpose of streamlining the City's tax and water/sewer charge collection process.

Effective at the commencement of FY '12, approximately 70 Law Department employees consisting of attorneys, legal assistants, tax analysts, collection customer representatives, and clerical staff will physically transfer to the Department of Revenue. The Department of Revenue will assume day-to-day supervision of all collection activities, while the Law Department will continue to handle all legal matters.

Chief Counsel Frances Ruml Beckley has responsibility for providing oversight of the combined tax collection process and will have a dual reporting relationship to the Revenue Commissioner and City Solicitor.

The Department administered the City's first Tax Amnesty program in over 22 years, from May 3, 2010, through June 25, 2010. Over 21,000 taxpayers took advantage of the amnesty program and received waivers of a hundred percent of accrued penalties, 50 percent of interest and certain fines.

We anticipated that this initiative will would generate $30 million in revenue; however, the revenue generated far exceeded our expectations. A total of $72.8 million in gross revenue was collected, including: $48.9 million, for the City of Philadelphia General Fund; $22.9 million for the School District of Philadelphia; and almost $1 million for the hotel room-rental tax fund.

Additionally, more than 1700 new filers were identified and added to our Taxpayer Information System (TIPs).

Since the end of amnesty, the Department of Revenue has continued the process of enhancing its collection efforts. In the first quarter of FY '11, the Department of Revenue started a pilot campaign to increase outbound calling efforts to delinquent water customers. $228,000 has been collected to date from contact made with water customers.

The Department simultaneously started an outbound calling campaign to delinquent taxpayers. The taxpayers who remit returns but have not paid did not participate in the City's Tax Amnesty program and, most recently, have not yet paid their 2010 real-estate taxes have been contacted to settle their debts or make payment arrangements.

Last October, the Department of Revenue launched a delinquent account website. In addition to publicizing business-tax judgments, this website also highlights delinquency over real-estate taxes and water and sewer payments. Each quarter, a different set of delinquent taxpayers and water customers will be featured.

"The Executioner," Bernard Hopkins, showed community support and loyalty by allowing the City to associate his name and face with the City's delinquent collection effort. Again, you could find our website at philadelphia.gov/revenue/delinquencies.

We continue to enhance our audit and enforcement functions by increasing audit staff and expanding enforcement activities such as the Parking Lot Compliance Initiative. In Calendar Year 2010, the Department hired five additional auditors. In Fiscal Year '11 through the end of February, examiners conducted more than 450 audits, resulting in $18.6 million in assessments, including $2 million from parking lot operators.

In addition to proactively conducting random audits and auditing the individuals and businesses that submit questionable tax returns, assessments of $2 million has been made in taxes due from parking-lot operators since the initiative was implemented two years ago.

Beginning January 1 of 2011, payroll services remitting wage tax on behalf of their clients and any taxpayer that remits an average of $20,000 or more per month for any tax are mandated to file the tax return electronically and remit the tax payments by electronic funds transfer, using automated clearinghouse (ACH).

Any taxpayer who fails to comply with the mandatory electronic filing and/or the electronic payment requirements is subject to additional penalties. This initiative will reduce the time needed to manually process returns and payments. On the first day of mandatory ACH payments, the City collected $42 million, which is the largest one-day collection to date.

An informal hearing process was implemented in the beginning of Fiscal Year 2011 for water/sewer bill customers under the auspices of the Administration Division of the Water Revenue Bureau. This process allows customers who are dissatisfied with the response provided to their initial inquiry the ability to seek the new escalated level of appeal. If, after receiving a written decision from the informal hearing unit, the customer remains dissatisfied, they may seek the next escalated level of appeal, which is the Tax Revenue Board. 331 hearing requests have been submitted since July 1.

The Department's Audit Unit teamed up with the Law Department's Major Tax Unit to establish the legal prosecution guidelines for recent audits and a system to track the effectiveness of accounting selection.

In coordination with the Streets Department, the Department of Revenue established billing for the new annual commercial trash fee that was effective July 1 of 2010. Revenue continues to follow up with delinquent notices to those who have not yet paid.

In partnership with the Department of Licenses and Inspections, the Department of Revenue created an online tax clearance system. Effective January 1 of 2011, all persons going to the Zoning Board of Adjustment must be compliant on their taxes. Approximately

350 properties have been submitted through the online system for tax clearance for the ZBA.

Investigators from the Tax Bureau and Water Bureau are teaming up with Licenses and Inspection inspectors to visit various business corridors for tax and water/sewer enforcement purposes. Representatives from both departments will meet quarterly to develop and execute future enforcement endeavors.

Mayor Nutter signed an executive order on July 26, 2010, requiring board members appointed by the City to serve on City boards and commissions to be current and compliant with financial obligations due and owing to the City and Philadelphia Gas Works. The Department has performed over 140 clearances to date for board and commission nominees.

The Department's Water Revenue Bureau continues to participate in outreach events sponsored by State representatives and City Council offices. These events educate water customers on the resources available for low-income homes. In anticipation of the 9.9 percent tax real-estate increase, the Department extended the deadline for low-income senior citizens to apply for a tax-rate freeze. Currently, more than 15,000 low-income citizens benefit from this program, with more than 3,000 entering the program since June of 2010 when, the real-estate tax increase was announced.

The City entered into an interagency agreement with the Commonwealth of Pennsylvania's Department of Revenue to include Philadelphia taxes into their E-Tides system. This system will allow the City to collect tax revenue more quickly, reduce processing errors when returns and payments are remitted, increase tax compliance, and reduce the amount of coupons, returns and envelopes purchased and mailed to taxpayers. Phase I will begin in the first quarter of FY '12 and will allow for the City's wage, parking, valet, and liquor taxes to be added to the Commonwealth of Pennsylvania's system.

The Department of Revenue's payment processing operation is presently functioning with significantly outdated equipment and technology. The Department worked with LECG, which is now (indiscernible), a consultant brought onboard by the Division of Technology, to conduct a cashiering and settlement processing automation reengineering assessment.

The assessment is complete; however, the next phase of the project will evolve over the next fiscal year and will include the preparation of an RFP to replace the existing hardware and software as their life cycles end.

More long-term planning is being done to automate and transform payment processing, settlement, and accounting functions. Some of the specific goals include: lowering operational costs, optimizing performance, and improving customers service.

The Department will expand its tax clearance initiatives to create a new Tax Clearance Unit to handle the City's growing need to automate and dedicate resources to tax compliance initiatives.

Currently, the Department of Revenue's Investigation Unit and the Administrative Support Unit in the Water Revenue Bureau handle compliance of water/sewer payments, checks for all new hires, boards and commission candidates, City and School District vendors, government and quasi-government agencies, and Zoning Board of Adjustment.

Both units have been conducting compliance checks for the last two years, and to date, have checked approximately 1200 prospective new hires and more than 140 commission and board nominees for tax and water/sewer payment clearances.

Last fiscal year, many of the department's professional services contracts were transferred to the Division of Technology. As a result, one of the three remaining contracts this fiscal year (Peripheral Systems, Inc., Prime), is a one hundred percent DBE contractor in the amount of $145,000.

In FY '12, several Law Department professional services contracts (General and Grants Revenue Funds), including collection agency contracts, will be transferred to the Department of Revenue.

When contracts with both the Law Department and the Department of Revenue are combined, 8.83 percent of all General Fund contracts, approximately $1.7 million, will be with MBE and DBE firms.

Grants Revenue contracts represent a total of $5.7 million, and 21.61 percent are MBE participants.

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Of all professional service contracts, including Grants Revenue contracts, approximately $7.4 million, 16.71 percent, are with MBE firms, and 1.96 percent are with DBE firms.

The Department of Revenue's projected participation goal for FY '12 is 15 percent and in relates to General Fund contracts only. We will continue to seek opportunities to continue to work with certified MBE and WBE firms in the upcoming fiscal year.

This concludes my testimony. Thank you, Council President, for the opportunity to address you and the members of City Council's Committee of the Whole, and we're available for answering any questions that you may have of us.

COUNCIL PRESIDENT VERNA: Thank you, Commissioner.

On page 1 of your testimony, you mention that the Law Department will be transferring its tax unit to the

Revenue Department. What are the efficiencies to be realized by this transfer?

COMMISSIONER RICHARDSON: Well, one, with the Law Tax Unit coming over into MSB, some of the efficiencies that we will continue to move forward on are our collection efforts, most importantly.

We know, from years of experience that taxpayers will come to us looking for some kind of relief, and we may not provide them through our guidelines, and then try to go to the Tax Unit to get a better deal.

So we want to make things more smoothly with us providing the same open transparency to a taxpayer. You're going to get the treatment no matter what. There's no shopping around now to get a better deal for somebody.

It will be an opportunity now. As I said in my testimony, the Law Tax Unit and the Audit Department of Revenue are working together now, and there's more cohesiveness. So if we have an audit case that's going in front of the Tax Review Board, we will be well prepared when we go to the Tax Review Board on both sides.

COUNCIL PRESIDENT VERNA: Thank you.

What is the E-Tides tax filing system, and when will it be implemented?

COMMISSIONER RICHARDSON: The E-Tides is a tax system that was created in Commonwealth of Pennsylvania back in 2004, 2005. It requires all businesses in the Commonwealth of Pennsylvania to file their sales and employer taxes through that system electronically. The Commonwealth got away from coupons, making everyone file through the system.

It's a benefit for us because majority of the taxpayers in Philadelphia are using that system, or their practitioners, so it will be much more efficient for them to do their Commonwealth taxes do ours at the same time.

We are hoping that the system will probably be up and ready sometime by the fourth quarter of FY '12.

COUNCIL PRESIDENT VERNA: So you feel that this system will benefit the City and its collection efforts?

COMMISSIONER RICHARDSON: Oh, it mostly definitely will.

COUNCIL PRESIDENT VERNA: On page 2 of your testimony, you state that you're requesting that $21 million in the Grants Revenue Fund be transferred from the Law Department to your office for collection-agency activity, and this is reflected on page 72 of your detail.

What collection agencies will you be contracted with?

COMMISSIONER RICHARDSON: Well, we have contracts currently in place with Linebarger. We'll be using the Revenue Collection Bureau, which is a minority sub. We'll continue to work with GRB Muni Services, a collection agency that's

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under contract --

COUNCIL PRESIDENT VERNA: I'm sorry. What is that?

COMMISSIONER RICHARDSON: Muni Services is another agency currently under contract with the Law Department as well.

So the current agencies that are working with the City through the Law Department's Tax Unit will be continuing to work with us in the Revenue Department.

COUNCIL PRESIDENT VERNA: What are the criteria that you use in selecting these companies?

COMMISSIONER RICHARDSON: Right now, we haven't started to select any companies. When the contracts are probably up in the next years or so, the criteria again will be that we're looking for any company that has the savvy, the know-how, the technology to do collections for the City. That is part of our preference.

Again, we will always look at a minority subcontractor or a agency as well to be a part of that process.

COUNCIL PRESIDENT VERNA: Do you know how much the Commission, they are paid, for their services?

COMMISSIONER RICHARDSON: Currently, right now, for our first placement agencies, we're paying about 18 percent.

COUNCIL PRESIDENT VERNA: I do have a number of questions. However, there are a number of Councilmembers that would like to be recognized.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good Morning, Commissioner.

COMMISSIONER RICHARDSON: Good morning, sir.

COUNCILMAN GOODE: You may have just answered these questions from a different perspective, but what is the largest contract that you will award in Fiscal Year '12 under any of the funds, the General Fund, the Water Fund, or Grants Revenue Fund?

COMMISSIONER RICHARDSON: The largest contract that we will have in place for next fiscal year will be for Philly Writ Services, which is a $1,070,00.

COUNCILMAN GOODE: What's the amount?

COMMISSIONER RICHARDSON: A $1,070,000.

COUNCILMAN GOODE: And what's the name of the firm?

COMMISSIONER RICHARDSON: Philadelpha Writ Services, Inc.

COUNCILMAN GOODE: Okay. And is that a renewable contract?

COMMISSIONER RICHARDSON: Yes, it is a renewable contract.

COUNCILMAN GOODE: And how many years has that firm held the contract?

COMMISSIONER RICHARDSON: I

could get back to you. It's a Law contract currently, so we're working to transition.

COUNCILMAN GOODE: Please submit that information through the Chair. And when was the last the contract was bid?

COMMISSIONER RICHARDSON: We can need to get back to you, sir, because it wasn't a contract of (indiscernible).

COUNCILMAN GOODE: And can you briefly describe the contract requirements?

COMMISSIONER RICHARDSON: Sure. We can get back to you with that.

COUNCILMAN GOODE: You can't briefly describe it at all?

COMMISSIONER RICHARDSON: Because it's a contract that was not within the Department; I cannot give you the requirements of what the process was.

COUNCILMAN GOODE: Okay. Is the firm a certified disadvantaged business?

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COMMISSIONER RICHARDSON: The firm is not certified, and we are working with OEO to get them to be certified.

COUNCIL PRESIDENT VERNA: Excuse me. I believe Shelly Smith is here; perhaps she could respond.

(City Solicitor Shelley Smith comes forward.)

CITY SOLICITOR SMITH: Good morning --

COUNCIL PRESIDENT VERNA: Good morning.

CITY SOLICITOR SMITH: -- Madam President. Good morning, Councilman Goode.

COUNCILMAN GOODE: Good morning, Solicitor.

CITY SOLICITOR SMITH: Philadelphia Writ Service has been under contract with the Law Department to serve writs related to tax collections for several years; I don't know how many years, but several years preceding this administration.

And the contract was last bid last summer, the end -- Julyish, last summer. I think it was ultimately awarded in September.

You asked the criteria for the selection? Did you ask that?

COUNCILMAN GOODE: The contract requirements.

CITY SOLICITOR SMITH: The contract requirements. The contract requirements generally were the volume, the capacity to serve a large number of writs in relation to the number of sheriff sales that we wanted to conduct, so they needed volume capacity.

And we got, I think, if I recall, we got three or four responses. Philadelphia Writ Services, by far, had the greatest capacity to meet the demand for writ service that was required under the numbers.

COUNCILMAN GOODE: So it is not currently a certified disadvantage business?

CITY SOLICITOR SMITH: It is not currently certified.

COUNCILMAN GOODE: All right. Does it subcontract with any disadvantaged businesses?

CITY SOLICITOR SMITH: But it is female-owned, and we'll be working to get it certified.

COUNCILMAN GOODE: All right. Does it subcontract with any disadvantaged businesses?

CITY SOLICITOR SMITH: I'm not sure. I don't believe it does.

COUNCILMAN GOODE: Was there a DBE participation goal in the RFP?

CITY SOLICITOR SMITH: That we'll have to get you; I'm not sure. I don't recall that.

COUNCILMAN GOODE: Okay. Was there a DBE participation goal in the contract?

CITY SOLICITOR SMITH: I don't recall. We'll have to get that to you as well.

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COUNCILMAN GOODE: Okay. How have participation goals changed for that contract, under your tenure?

CITY SOLICITOR SMITH: How have participation goals changed?

COUNCILMAN GOODE: In that contract, under your tenure.

CITY SOLICITOR SMITH: I'll have to -- in terms -- for any question you have about the participation goals, I was actually going to be prepared to answer these in my testimony.

COUNCILMAN GOODE: Okay.

CITY SOLICITOR SMITH: So I'll be prepared to do that when you -- when we come at the end of the month.

But I can get the numbers for you -- I can get that information for you in the meantime. I don't have it handy. I did know the general information about --

COUNCILMAN GOODE: And so that would also be the largest contract of the Law Department?

CITY SOLICITOR SMITH: No, no. Our largest contract is --

COUNCILMAN GOODE: Well, I'm just going to go through the questions, and I'll actually take those answers in writing rather than wait till the Law Department comes.

CITY SOLICITOR SMITH: Okay.

COUNCILMAN GOODE: Next question is: What subcontracting opportunities exist in the contract?

CITY SOLICITOR SMITH: I'm not sure that any exist in that contract because it really is straight writ service. It wouldn't really be -- it wouldn't be efficient or cost-effective for them to contract out.

We historically used an additional firm, Tyler, which was a DBE firm. I believe they are still under contract with us for a smaller amount of the work which was, again, related to their capacity to handle the work.

I don't recall, but we'll get

you the amount. Okay, I don't recall but we'll get the you the amount of that contract, and that was a DBE.

COUNCILMAN GOODE: I'm not totally sure why there aren't subcontracting opportunities.

COMMISSIONER RICHARDSON: There were no requirements for that contract for DBEs.

COUNCILMAN GOODE: The question is more so, are there opportunities?

COMMISSIONER RICHARDSON: Are there opportunities?

COUNCILMAN GOODE: Yeah. Are there subcontracting opportunities?

MS. BECKLEY: No, because -- there aren't really because we do service under this contract --

(Indiscernible; parties talking over each other.)

COUNCILMAN GOODE: "They are not really" is not an appropriate answer.

COUNCIL PRESIDENT VERNA: You have to identify yourself for the stenographer.

MS. BECKLEY: Excuse me. I'm Frances Ruml Beckley; I'm the new chief counsel for the Revenue Department.

And we do service under this contract, not just for our sheriff sales but on (indiscernible) our Municipal Court actions, which we file in bulk electronically.

And those servers have to be incredibly cheap in order to make it cost-effective for us to bring those cases. I believe it's somewhere around $27, $25 a service.

So if you were to subcontract that and add another layer on, it just wouldn't be cost-effective.

COUNCILMAN GOODE: Not if you put that requirement in the RFP. If you put a code within the RFP, you're still going to get the lowest responsible bidder with subcontracting opportunities within the contract.

So my question is really,

department-by-department, to go through the largest contract and to see if there are actually opportunities for businesses owned by women and people of color to do the work. Are there qualified vendors to do the work, even if subcontractors?

And I think the answer to that question is yes. And if you choose not to do it because you think it's more cost-effective, then you can say that you choose not to because you believe it to be more cost-effective.

But at the end of the day, I'm not going to agree with that position, because if you bid it with goals, then essentially someone has to respond with goals, and that's what will make them a more responsible bidder or not a responsible bidder.

The second thing is, why it may be cost-effective. It still does not serve the overall economic goal of growing minority- and women-owned businesses. And as we go through the largest contracts in each of these departments and we identify subcontracting opportunities that are not being pursued, then we realize that it's not a lack of capacity; it actually is a lack of utilization.

COMMISSIONER RICHARDSON: To your response, Councilman Goode, we will look into this. Again, as I said earlier, we are working with the Office of Economic Opportunity to get this company certified to be a WBE with the City as well.

COUNCILMAN GOODE: Okay. Well, the last question on the issue: Is the firm currently in compliance with the City's living-wage-and-benefits standard?

COMMISSIONER RICHARDSON: We'll have to get back to you, sir, as I'm not sure about that.

COUNCILMAN GOODE: And will they be required to be in compliance?

COMMISSIONER RICHARDSON: We will talk to them about the compliance of that code.

COUNCILMAN GOODE: And who will be directly responsible for monitoring that within your department?

COMMISSIONER RICHARDSON: It will be with Ms. Beckley and myself, starting FY '12.

COUNCILMAN GOODE: Okay. Thank you, Commissioner.

COMMISSIONER RICHARDSON: You're welcome, sir.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GOODE: I'm sorry.

COUNCIL PRESIDENT VERNA: Oh, I'm sorry.

COUNCILMAN GOODE: I'm sorry. I had two more quick questions.

The CDC Tax Credit Program, the first ten-year partnerships expire next year. The simple question is: Are you proposing changes before the new ten-year agreements are done, and what might those changes be? And if you know offhand, please tell me offhand; if not, please submit them in writing.

COMMISSIONER RICHARDSON: We will get back to you, as we haven't (indiscernible) down yet with that process yet, but we will get back to you in writing.

COUNCILMAN GOODE: Thank you, Commissioner.

COMMISSIONER RICHARDSON: You're welcome, sir.

COUNCILMAN GOODE: Thank you Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

This is more of a comment than a question, but feel free to respond if you wish. I'm going to move this

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(referring to microphone) so I can see you, sir.

I'm not sure I understand what capacity is in the context of issuing writs, which requires very little training and knowing where to go find somebody. So to, I think Councilman Goode's point, I'm not sure what capacity constraints mean.

And also, when you're the incumbent, it's easy to have the capacity for the work because you've been doing it. And providing opportunities for other firms means, you know, allowing people time to grow into things and stuff like that. So I also want to make that point.

And, finally, the Sheriff's Office has been talking on CJAB and other places about taking over some of the civil-service stuff. And have you explored spending the million dollars with the Sheriff's Office to increase -- to allow them to serve these writs rather than going to an outside service provider?

COMMISSIONER RICHARDSON: We have not talked to the Sheriff's Office, but we appreciate your comments. Also we're looking at, do we really need to do a writ service, period, to do this work.

Again, I come from the world of just liening everybody and making that lien a public record. And if you want to procure it, to make it a judgment. That's my mindset.

But, again, it's something that, as the Law Tax Unit is coming over to us, we have to strategically sit down and plan and look at this and think about that.

COUNCILMAN GREEN: So really what you're saying is, in the past, we have been wasting a million dollars a year.

COMMISSIONER RICHARDSON: I can't say that in the past because that wasn't my lien to make a decision on it, but it's something I'm looking at as we move forward.

COUNCILMAN GREEN: Well, I don't know if you're aware of the politics behind this or who actually owns this firm but --

COMMISSIONER RICHARDSON: I'm aware who owns the firm.

COUNCILMAN GREEN: -- I'm very surprised by some of your responses.

Okay. In page 3 of your testimony, you mentioned that you were hiring five additional auditors, which I was very pleased to see. You may recall that as part of the Freshman 15 and consistently for the last three years of budget hearings, we have suggested that additional auditors be hired.

In response to a budget question last year, you noted -- in a 3/19/10 letter to President Verna, you noted, "Each auditor continues to generate more than $600,000 annually," and I think the average salary for a revenue examiner is about 50,000; with benefits, let's call it 65 or 70,000.

Why aren't we hiring twenty people?

COMMISSIONER RICHARDSON: Again, they are generating assessments. That does not guarantee that that will be revenue, because they can take that case to the Tax Review Board, and they may win their appeal.

So, again, it's not assessments or not guaranteed generated revenue.

COUNCILMAN GREEN: Well, that's not what your letter said. It said "generating more than $600,000 annually."

COMMISSIONER RICHARDSON: They can generate the revenue, but you got to understand, they are doing probably a million dollars or so in assessments, so that could be what they have done for the last year or two.

This year, it could be a different change. We don't know what the mindset could be. When we take that case to the TRB, we could lose that case.

COUNCILMAN GREEN: So the --

COMMISSIONER RICHARDSON: Again, as I would say to you in the past, auditors are great, and I've said this to you before: I'd rather have more collectors that are going to generate more money for me than auditors all the time.

COUNCILMAN GREEN: Okay. So how much do we actually collect based on what is assessed on an annual basis per revenue auditor?

COMMISSIONER RICHARDSON: I can get back to you on what the annual basis number may be 'cause it may fluctuate year-by-year.

COUNCILMAN GREEN: But we have to have an average over a two-, three-, four-year period that we look at.

So when you made the decision to hire these five people, is that based on planned retirements and training, or is that actually intended to add to your capacity?

COMMISSIONER RICHARDSON: That is to add to our capacity 'cause we recognize -- again, for many years, we got away from doing a lot of travel audits. And when I'm saying "traveling," I'm talking about going across the United States to do audits.

We know there's a lot of opportunities; i.e., with parking taxes, and we've been doing things of that nature, and a lot of other industries we haven't been touching.

So we recognize the increased staff will continue to make us grow, which will stimulate compliance because individuals will start saying, "The Revenue tax auditors were here to see me. Did they come to see you yet?"

So it will help increase stimulating compliance for us as well.

COUNCILMAN GREEN: But you didn't do a return on investment for each of the five people you hired?

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COMMISSIONER RICHARDSON: We did do a return on investment. As I said to you, we know --

COUNCILMAN GREEN: And what do you expect each auditor to return?

COMMISSIONER RICHARDSON: We expect each auditor to assess and create new assessments for the City, anywhere from 750 to $1 million.

COUNCILMAN GREEN: Okay. How much do you expect us to collect of that 750 to $1 million?

COMMISSIONER RICHARDSON: Again, on a given year, we would probably say about $600,000, but it could fluctuate year-by-year.

COUNCILMAN GREEN: Okay. So it is 600,000, as is in the letter last year.

COMMISSIONER RICHARDSON: It could be. This year, it could be lower, sir. That's why I'm saying --

COUNCILMAN GREEN: Okay. But if it's 300,000, shouldn't we be hiring twenty -- in other words, we have not yet reached our diminishing point of return.

(Indiscernible; parties talking over each other.)

COUNCILMAN GREEN: Is that --

COMMISSIONER RICHARDSON: I can hire a collector, or if we had a phone system to make more money on the phone faster than someone going out and doing an assessment.

I can assess "Green Incorporated" today. You may not have your appeal process for six months from now. So --

COUNCILMAN GREEN: I understand, but don't we need both?

COMMISSIONER RICHARDSON: We do need both.

COUNCILMAN GREEN: I mean, in other words, if we can actually generate that kind of return, $600,000, because it's been assessed and now we have a collector outgoing and collecting it, we should be hiring twenty new assessors and forty new collectors. And we should know what the diminishing level of return is.

I mean, I don't understand why you're not asking for more, given your testimony.

COMMISSIONER RICHARDSON: Well, given my testimony, I want more, but not more auditors.

Again, as we said last year to you, there is an opportunity that it's going to be diminishing returns. I'd rather have a collector that can be on the phone right now, calling the delinquent receivables we have on the books than going out there and creating new assessments.

So you got to understand you're creating a new assessment that may not be legitimate. We may see it on the books that way. Again, the TRB has a final say-so, or going to the next appeal process.

But I can have somebody come

in, learn how to pick up the phone, and make those phone calls. That's going to generate more money than auditors over time. And, again, the more auditors you hire, it's going to be diminishing returns with that.

COUNCILMAN GREEN: Well, but it sounds like the return, based on the testimony you just gave and your letter of last March, it's $600,000. Okay, that's a pretty good return for a $70,000 investment.

So haven't reached that diminishing level. Even with five new, it doesn't seem like we're going to reach that diminishing level.

So my question is simple: Why haven't you requested appropriations for more auditors, and, I will add to it, more collectors if you believe that will help you raise the City more money in the next year?

COMMISSIONER RICHARDSON: Well, again, what I would like to see us have in the next fiscal year are more investigators on the streets, more collectors, the creation of a tax clearance unit that will help us to continue to generate more revenue.

You have five new auditors, and we have to train them. Right now, a new auditor may generate on assessments 3 to $400,000. They have to learn how to do their job to get to that level.

COUNCILMAN GREEN: How many additional investigators did you request?

COMMISSIONER RICHARDSON: There is nothing in the numbers in our budget that shows what we've requested, but we would like to hire five more investigators to be out on the streets.

COUNCILMAN GREEN: I'm confused. Have you requested appropriation for additional investigators?

COMMISSIONER RICHARDSON: There's not -- no. There's nothing in the appropriations for that.

COUNCILMAN GREEN: Okay. So I remain confused. If you believe that additional auditors, additional collectors, and additional investigators will result in a positive return on investment, why aren't we -- why have you not made an appropriations request for that personnel?

And I will add a second part. If we were to appropriate --

COMMISSIONER RICHARDSON: Mm-hmm.

COUNCILMAN GREEN: -- additional investigators and collectors and auditors, what number would you think you'd be able to absorb in the coming year and still have a positive return on investment?

COMMISSIONER RICHARDSON: With regard to investigators, we believe four to five investigators right now would be good for us to start with. Again, with more collectors, we would love to see ten more collectors to come onboard for the department.

COUNCILMAN GREEN: And were they requested also, the collectors?

COMMISSIONER RICHARDSON: We have talked with the Budget Office. As you know, Mr. Dubow is aware of what our needs are, what we would like.

We also believe that we need more research group, because a research group can help create what we need to do for compliance purposes.

COUNCILMAN GREEN: Did you request appropriations for a research group?

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN GREEN: And it's part of the budget?

COMMISSIONER RICHARDSON: It's not in the budget. They know what our wish list is; let me say it that way to you.

COUNCILMAN GREEN: Okay, okay. And it is your testimony that if we were to provide you with additional research group additional, additional collectors, additional investigators, and the additional auditors you've already requested, that you would be able to have a positive return on investment and increase the amount that we collect over the next couple of years as a result of those new hires; and, essentially, they would more than pay for themselves?

COMMISSIONER RICHARDSON: Most definitely.

COUNCILMAN GREEN: By a ratio of 3-to-1, 4-to-1?

COMMISSIONER RICHARDSON: Oh, wow. 5-, 6-, 7-, 8-to 1.

COUNCILMAN GREEN: 5-, 6-, 7-, 8-to 1. Okay, thank you.

COUNCIL PRESIDENT VERNA: I believe that Mr. Dubow is coming up to the table to defend himself.

(Laughter.)

(Mr. Dubow comes forward.)

MR. DUBOW: I just wanted to add a couple of things, and the

Commissioner touched on this.

I mean, there are already a fair number of new resources that are going into the Department. There's a period of kind of adjusting to that, of training people.

So, I mean, I think part of what we were looking at centrally was the need to adapt to having all of the Law Department people over, they have the new E-Tides system, they have new auditors. So there's a lot of new stuff going on in here.

We want to see how all that works before we make additional investments, but this is one of the departments into which we've been investing over the last couple years, 'cause we understand, you know, the importance of investigating in the Revenue Department.

COUNCILMAN GREEN: Okay. I mean, I don't really have any questions about it. I think the Commissioner's testimony was clear, that we get a 5-, 6-, 7-, 8-to-1 investment for hiring additional people.

And, you know, I just -- I'd like to actually request that the Commissioner's request to the Budget Director for the positions that he just discussed forwarded to the Chair so that we may consider them.

MR. DUBOW: Sure, we can provide that.

But, again, I mean, that return assumes that everything is -- that all the new investment is, you know, figured out, is assumed into the Department. And that's a lot of work that has to be done.

COUNCILMAN GREEN: I hear. I'm convinced the Commissioner can walk and chew gum at the same time.

MR. DUBOW: This is a lot more --

COUNCILMAN GREEN: I have great confidence in him.

MR. DUBOW: This is a lot more

than that. It's more like walking on water and chewing gum at the same time.

(Laughter.)

COUNCILMAN GREEN: Okay, fair enough. I just don't want to leave money on the table, as we are apparently doing, through a lack of investment.

So I had a bunch of questions about unfilled positions, which I will now not ask you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

Good morning.

COMMISSIONER RICHARDSON: Good morning.

COUNCILWOMAN SANCHEZ: First, I wanted to personally thank the Commissioner and his team for their work with us, not only in the BPT, but in some of the collection efforts. And I want to thank you. It's really been a pleasure working with you folks, and I want to say that for the record.

I wanted to ask you a little bit about the reorg and the efficiency. One of the complaints that we get as it relates to the collection piece is when people want to settle up several accounts -- and I think this came also post-amnesty, when people had several different accounts and securing that they were able to pay with one check, let's say, ten accounts and stuff.

Can you speak to -- 'cause in your testimony, you talk a little bit about the automation system still not being there. Can you speak to your improvements and how we're going to make sure that when someone wants to hand us a check for ten different accounts, we could take it?

COMMISSIONER RICHARDSON: You're talking more about this payment processing issue?

COUNCILWOMAN SANCHEZ: Yes, mm-hmm.

COMMISSIONER RICHARDSON: Any time someone's handing over one check for several things, they need to have coupons with them, the stub they have.

COUNCILWOMAN SANCHEZ: Mm-hmm.

COMMISSIONER RICHARDSON: If they don't, they have to get online to get those stubs.

But we are doing a better job with getting that through the process. In fact, in our concourse downstairs, in the MSB Building, we have gone now to only about five or six transactions per person.

COUNCILWOMAN SANCHEZ: Mm-hmm.

COMMISSIONER RICHARDSON: Because, for example, on February 28th, the last day of the 1 percent discount on real estate, we have people in line that want to do twenty and thirty transactions; we can't do that. For one, it takes away from customer service.

But we are moving forward and doing a better job with taking that one check for several properties or things of that nature.

Again, if you know someone who has that that you're coming across, just call us and let us know in advance as well.

COUNCILWOMAN SANCHEZ: As we talk about this -- one of the issues around post-amnesty, some people have gotten notices post-amnesty about the posting of information.

How are we with the collection rate of that and then clearing some of that stuff up post-amnesty?

COMMISSIONER RICHARDSON: In the report that we sent to you on January 17th of this year, we had about 3,000 accounts that we were still working on. We're down to about 2500. It's a manual process.

We have a group that will be

starting, I think, next Monday or so who will be doing it and looking at all of those cases on a manual case-by-case basis.

So, yes, the money may be in on a lot of cases. In a lot of cases, people may not have done everything to the letter to receive the amnesty benefits, so we have to research that as well and get back to some of those people.

COUNCILWOMAN SANCHEZ: Mm-hmm.

COMMISSIONER RICHARDSON: So a lot of times, it's just information from the vendor didn't come across to us.

COUNCILWOMAN SANCHEZ: One of the things that I'm looking forward to, the consolidation of this, is being able to settle up multiple accounts when we're working with people, so I'm really looking forward to testing that with you guys.

COMMISSIONER RICHARDSON: It will work well.

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COUNCILWOMAN SANCHEZ: I want to talk a little bit about the water debt 'cause I think this efficiency allows us now to look at what do we do with the huge water debt that exists, and it's a conversation you and I have had several times.

The Seventh Councilmatic District has 20 percent of the water debt, yet is 10 percent of the City.

Do you have any thoughts about what we want to do with that to improve the collection rate and, at the same time, keep people in their houses? Have you given any thought about what we want to do with that number?

COMMISSIONER RICHARDSON: One, I'll say your district is now 12 percent, not 21 percent, so we appreciate you working with them to get money into us.

Again, we talked to you last fiscal year. The thing is that if people have money that is upfront and they want to come in and made payment arrangements, we want to sit and work with them on that.

COUNCILWOMAN SANCHEZ: Mm-hmm.

COMMISSIONER RICHARDSON: Again, I know you want to do certain potential things.

But most of the times, what people owe us is the really the principal; it's not a lot in late fees and penalties. We are willing to sit down, we are willing to talk people about our (indiscernible) program.

COUNCILWOMAN SANCHEZ: Mm-hmm.

COMMISSIONER RICHARDSON: As you know, we've been out to your district to several events. We can continue to have that dialogue with people.

COUNCILWOMAN SANCHEZ: Mm-hmm.

COMMISSIONER RICHARDSON: We want to have that rate decrease to help us with our efforts.

But, again, I would also say, a lot of situations -- we get it from your side to help us, but then we, unfortunately, sometimes get some hindrance because we had to do certain things for people who may call at the eleventh hour, right before shutoff.

COUNCILWOMAN SANCHEZ: Right.

COMMISSIONER RICHARDSON: So we're always willing to try to work.

Again, the appeals process is in place now. As Ms. Bethel can tell you, we have over 330 potential appeals that are coming into us internally before they go to the Tax Review Board.

COUNCILWOMAN SANCHEZ: Mm-hmm.

COMMISSIONER RICHARDSON: But, again, we're willing to work with you.

COUNCILWOMAN SANCHEZ: Well, thank you. I'm glad to hear that my rate is down to 12 percent.

I like to think that all of the stuff we're doing together is helping with that. As you know, you know, I do the best that we can to educate folks on this stuff.

Can you explain to me with the

appeal process, what are the types of accounts you want to see going through that process?

DEPT. COMM. BETHEL: Good morning. My name is Michelle Bethel. I'm the Deputy Revenue Commissioner.

As far as the appeals process that the Commissioner was speaking about, it's our informal hearing process. So people who are disputing their bills, anytime they go to either a satellite office or deal with our call centers or our intake unit, where their question is not answered to their liking, where they feel that perhaps maybe they need some additional explanation --

COUNCILWOMAN SANCHEZ: Do we have a threshold around what people owe or --

DEPT. COMM. BETHEL: No.

COUNCILWOMAN SANCHEZ: No? Okay.

DEPT. COMM. BETHEL: No. If you dispute your bill, you can come in and talk about that through the informal hearing process if you are dissatisfied with your initial inquiry at one of our first-line offices.

COUNCILWOMAN SANCHEZ: Okay. Thank you. And thank You, Commissioner Bethel. I know when we do call you at the eleventh hour for a shutoff, you always responds, and I greatly appreciate it.

Going back to -- there was an issue around the collection rate for the audits that are generated. Do we have a sense of what that collection rate is? Are we at a third of what we post? Do we have an idea, or is it just so varied by account?

COMMISSIONER RICHARDSON: It's varied, and we keep an analysis of what we've collected from certain audits but not the entire pool because, again, by the time the case goes before the Tax Review Board, it could be six or seven months from now, and we're not really tracking all of that all of the time.

COUNCILWOMAN SANCHEZ: Okay. Well, thank you. I look forward to the reorg process and working with you to get more money in. So thank you. Thank you, Commissioner.

COMMISSIONER RICHARDSON: Thank you, Madam.

COUNCILWOMAN SANCHEZ: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Clarke. Councilman Clarke?

COUNCILMAN CLARKE: Thank you Madam President.

Good morning.

COMMISSIONER RICHARDSON: Good morning, sir.

COUNCILMAN CLARKE: I have a couple of questions not necessarily related to your testimony but related to revenue issues.

Can you tell me -- and I

actually may need Law to kind of respond to it. What latitude do we have as it relates to our ability to implement a tax credit or utilize a tax credit for purposes of job creation?

I know Councilman Goode has done extensive work. Are we in a position to implement a tax credit relating to a geographical area?

COMMISSIONER RICHARDSON: Well, you've had that in place with the KOZs. Those are geographical areas.

COUNCILMAN CLARKE: I'm sorry, the K-what?

COMMISSIONER RICHARDSON: The Keystone Opportunity Zones --

COUNCILMAN CLARKE: Correct.

COMMISSIONER RICHARDSON: -- that have been in place for many years. So that's a geographical area.

COUNCILMAN CLARKE: Right. But that's State-authorized.

COMMISSIONER RICHARDSON: Right.

COUNCILMAN CLARKE: Do we

have -- my question is essentially: Locally, can we ourselves implement a tax credit for a geographical area without State authorization?

COMMISSIONER RICHARDSON: I would say, let us get back to you and research it and talk to Ms. Beckley about that legally.

COUNCILMAN CLARKE: You want to talk to Law about that?

COMMISSIONER RICHARDSON: We'll get back to you, yeah.

MS. BECKLEY: We'll get back to you on that.

COUNCILMAN CLARKE: All right.

COMMISSIONER RICHARDSON: We'll get back to you.

COUNCILMAN CLARKE: All right, that's fine. We do have the City Solicitor here. I was thinking...

COMMISSIONER RICHARDSON: She's engaged in conversation, so...

COUNCILMAN CLARKE: That's pretty high up in the law department.

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(City Solicitor Shelley Smith comes forward.)

CITY SOLICITOR SMITH: I apologize. I was transacting other business.

What is the question?

COUNCILMAN CLARKE: The question is, there have been instances where tax credits have been used for purposes of job creation, and I spoke of Councilman Goode's extensive work as it related to that issue.

What I'm trying to find out: Can we apply a tax credit based on a geographical area, not necessarily per individual or per business.

MS. BECKLEY: (Addressing Ms. Smith.) And specifically, do we need State authorization to make the credit geographical?

CITY SOLICITOR SMITH: Right. We will have to get back to you, but we'll look into that.

COUNCILMAN CLARKE: All right.

Well --

CITY SOLICITOR SMITH: I'm not sure that we've looked into that issue specifically with respect to geographic location, but we'll look into it.

COUNCILMAN CLARKE: All right. And while you're looking into that, can you also tell me the degree to which we can apply the eligibility standards for that tax credit?

CITY SOLICITOR SMITH: Sure.

COUNCILMAN CLARKE: If we want to do, say, local job creation or Philadelphia --

CITY SOLICITOR SMITH: Yes.

COUNCILMAN CLARKE: -- or participation goals related to that?

CITY SOLICITOR SMITH: Sure.

COUNCILMAN CLARKE: Okay, thank you.

CITY SOLICITOR SMITH: Mm-hmm.

COUNCILMAN CLARKE: The second one is: What is the official policy on pilots of payment in lieu of taxes in the

City currently?

CITY SOLICITOR SMITH: So the State law does not -- there was uncertainty for many years in State law about whether we had the authority to impose taxes on charitable organizations. We were able, by virtue of that uncertainty, to negotiate pilot agreements with people whose tax liability was uncertain.

COUNCILMAN CLARKE: Right.

CITY SOLICITOR SMITH: The law was clarified --

COUNCILMAN CLARKE: When you say the liability is uncertain, what --

CITY SOLICITOR SMITH: I mean people who, because of the uncertainty in the law, were not sure what their tax obligation might be.

COUNCILMAN CLARKE: Okay.

CITY SOLICITOR SMITH: So we were able to enter into pilot agreements with a number of those entities.

There was a court decision --

and I don't, as I sit here, remember the year of it now, but I think in the mid-2000s, if I'm not mistaken -- that clarified that and, to some extent, lessened our ability to use the potential tax liability as leverage.

We did, though, have existing pilot agreements which carried over, which extended beyond that time. And we may have some existing --

MS. BECKLEY: We have several --

CITY SOLICITOR SMITH: -- pilot agreements in place. And we still look to try to enter into agreements with large institutions in the City to try to get the benefits of a pilot agreement where we can, where they're willing to negotiate, even though we don't have the tax liability issue itself.

So where there are other fees or payments due to the City for whatever reason, we look to try to use to negotiate with those entities to try to get the equivalent of pilot agreements.

COUNCILMAN CLARKE: Mm-hmm. Do we --

CITY SOLICITOR SMITH: But we don't have the same --

COUNCILMAN CLARKE: But we don't have --

CITY SOLICITOR SMITH: -- leverage that we used to have.

COUNCILMAN CLARKE: -- really have leverage to enforce that agreement.

CITY SOLICITOR SMITH: Correct.

COUNCILMAN CLARKE: Are we looking at opportunities from a legislature to give us some level of authority, given...

CITY SOLICITOR SMITH: No, I don't think we have been -- do you want to answer?

MS. BECKLEY: What is a purely public charity is defined by statute and by case law, but the exemption of a purely public charity is in the Pennsylvania Constitution, so it's not --

that's not going to be -- there's no opportunity there.

COUNCILMAN CLARKE: All right. Last one, a more detailed question.

Last year, we passed a law authorizing collection on smokeless products. And how are we enforcing that, or how are we implementing that, that tax?

COMMISSIONER RICHARDSON: The deadline to file for the return was January 31st. However, we are waiting until April 18th, 'cause a lot of businesses will probably file that return as long as they're a BPT MPT package.

Once we have an ideal by (indiscernible). So if in fact that was done by those businesses or not, we will start a compliance effort to start reaching out to the various businesses in the City who did not file for that tax.

COUNCILMAN CLARKE: Okay. In your estimation, what degree are we attempting to impose that tax? 'cause I keep --

(Indiscernible; parties talking over each other.)

COMMISSIONER RICHARDSON: (Indiscernible.)

COUNCILMAN CLARKE: When I talk to members of the Administration, they only reference smokeless tobacco; i.e., chaw, or whatever you want to call it.

But the law was significantly broader than that, talked about other smokeless products.

COMMISSIONER RICHARDSON: Mm-hmm.

COUNCILMAN CLARKE: I.e. cigarette papers that most people -- well I don't know what most people use it for, legal products or illegal products.

But there were other things associated with the bill, and I never heard a reference of us imposing that tax on those particular products that are, frankly speaking, sold in a lot more broader locations than smokeless tobacco.

Do you -- are you familiar with what we actually put on the --

COMMISSIONER RICHARDSON: Yeah, we're familiar with what was the law.

COUNCILMAN CLARKE: But the whole --

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN CLARKE: All of that twenty --

COMMISSIONER RICHARDSON: Right. That all went into effect on July 1, and we got it out to about 25,000 retailers in the County that the paper, the chew, sniff, things of that nature, so --

COUNCILMAN CLARKE: All of that.

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN CLARKE: Okay, all right. So we won't have an accurate sense of whether or not --

COMMISSIONER RICHARDSON: We --

COUNCILMAN CLARKE: -- what the revenue --

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COMMISSIONER RICHARDSON: Right.

COUNCILMAN CLARKE: But we are currently just estimating approximately what, a million dollars --

COMMISSIONER RICHARDSON: Uh, yes.

COUNCILMAN CLARKE: -- less?

COMMISSIONER RICHARDSON: We won't know currently --

COUNCILMAN CLARKE: Okay.

COMMISSIONER RICHARDSON: -- for a little bit more time at the following tax season.

COUNCILMAN CLARKE: Okay, all right. Great. Thank you.

And you'll get back to me on the other information, right?

CITY SOLICITOR SMITH: Yes.

COUNCILMAN CLARKE: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Good morning.

COMMISSIONER RICHARDSON: Good morning.

COUNCILWOMAN TASCO: Has your system improved now to ID all property owners who own delinquent property or whatever?

COMMISSIONER RICHARDSON: When you're saying "our system," what do you mean, "our system"?

COUNCILWOMAN TASCO: Can you -- if there's a house that's vacant -- or a house -- do you know every property owner in the City of Philadelphia?

COMMISSIONER RICHARDSON: We know the delinquent priorities in the City, yes.

COUNCILWOMAN TASCO: Okay.

COMMISSIONER RICHARDSON: The owners may not be here, but we know the properties.

COUNCILWOMAN TASCO: You know the properties, but do you know who the owners are?

COMMISSIONER RICHARDSON: I say we pretty much do. But, again, if there are some delinquent, we have skip tracing abilities to try to reach out to them as well, so...

COUNCILWOMAN TASCO: Okay. So if we have a vacant or if we have a nuisance property in a neighborhood, and we want to identify the owner, we can get that information from you?

COMMISSIONER RICHARDSON: You go onto the Office of Property Assessments website or our website and look at that property; it's public information.

COUNCILWOMAN TASCO: Mm-hmm. Now, one of the problems we've had is that a lot of property owners will use the property as their address, but the property is vacant or they're renting the property.

COMMISSIONER RICHARDSON: Mm-hmm.

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COUNCILWOMAN TASCO: So we've had problems getting communications to the owner. Have you thought about how to address that?

COMMISSIONER RICHARDSON: Again, we address it by doing skip tracing and a national change of address as well, so we do seek to look for those delinquent taxpayers.

COUNCILWOMAN TASCO: Okay, thank you.

COMMISSIONER RICHARDSON: You're welcome, Madam.

COUNCILWOMAN TASCO: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good morning.

COMMISSIONER RICHARDSON: Good morning.

COUNCILWOMAN BROWN: I know that we as a city do not have the ability to tax nonprofits. It is also my understanding that -- well, we all know that there are many nonprofits that have for-profit ventures. What is our ability to tax those that have for-profit ventures?

MS. BECKLEY: If you have what's called "unrelated business taxable income," under federal law, it's subject to business-privilege tax.

COUNCILWOMAN BROWN: Would you repeat what you just said? If what?

MS. BECKLEY: If you are a, say, a hospital and you have an unrelated gift shop, you make income that is taxable under the Federal Income Tax Code. That's called unrelated business taxable income, or UBIT. That's subject to BPT in the City.

COUNCILWOMAN BROWN: Okay. What is your compliance rate, given that fact?

MS. BECKLEY: I'd have to get back to you on that.

COUNCILWOMAN BROWN: And so, there's some internal infrastructure in place that signals the City of the instance, the type of instance, you just mentioned? There's some red flag or some green flag in your --

MS. BECKLEY: I don't know that we've singled that out. I know that we do do information-sharing with the federal tax system.

COUNCILWOMAN BROWN: Okay. The only reason -- well, I bring it up for a couple of reasons, but if we factor in some of the concerns raised by Councilman Green, the prevailing question is, not only how well are we doing at collecting those taxes, but if we're not doing well, why, and what can we do to fix it? You follow me? And it speaks to the question of compliance rate.

COMMISSIONER RICHARDSON: You're talking about a nonprofit that may have a for-profit venture?

COUNCILWOMAN BROWN: Yes.

COMMISSIONER RICHARDSON: First of all, we need to look at federal data.

COUNCILWOMAN BROWN: Okay.

COMMISSIONER RICHARDSON: Secondly, most businesses in the City that are registered, even, if they, as she said, in a hospital, they are probably registered with the City and are paying or being compliant.

COUNCILWOMAN BROWN: Okay.

COMMISSIONER RICHARDSON: What are you specifically looking for?

COUNCILWOMAN BROWN: Just that, universities that have all of these --

COMMISSIONER RICHARDSON: It may not be under the name of the university.

COUNCILWOMAN BROWN: Uh-huh.

COMMISSIONER RICHARDSON: So it would be -- you would be the University of Pennsylvania, but it could be "Reynolds Brown Food Store," so it may be not be the name of the university.

COUNCILWOMAN BROWN: Mm-hmm, okay.

COMMISSIONER RICHARDSON: So that's why I would need to know more what you're trying to look for.

COUNCILWOMAN BROWN: Okay, okay. So I'll look forward to that information, all right?

COMMISSIONER RICHARDSON: I can't really provide you information. If you're just looking at nonprofits that may have for-profit ventures, because we may not know -- it may not be under the name of the nonprofit; that's what I'm saying.

It's the University of Pennsylvania Hospital, but if you run the food services in there, it's not University of Pennsylvania.

COUNCILWOMAN BROWN: No.

COMMISSIONER RICHARDSON: It's under your name. I don't know.

COUNCILWOMAN BROWN: Got it.

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Is it --

(Mr. Dubow comes forward.)

COUNCILWOMAN BROWN: Okay.

MR. DUBOW: Councilwoman, are you asking kind of the broad question of what do we do in terms of enforcement in general for not-for-profits that have for-profit --

COUNCILWOMAN BROWN: Yes.

MR. DUBOW: Okay. So you're just looking at the broad question.

COUNCILWOMAN BROWN: Mm-hmm.

COMMISSIONER RICHARDSON: We've done initiatives looking at nonprofit agencies that have for-profit ventures, so we continue to do that and we canvass nonprofits that may have some --

COUNCILWOMAN BROWN: And the yield of that is what? Have you had any major findings or discoveries that point to the fact that those -- I mean, what happens with that research once it's collected? Does it inform any future action or future decisions?

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DEPT. COMM. BRESLIN: I'm Frank Breslin, Deputy Revenue Commissioner.

COUNCILWOMAN BROWN: Good morning.

DEPT. COMM. BRESLIN: We have done audit and investigations of nonprofits, and we also do routine audits of nonprofits for wage tax. When we do the audit for the wage tax, we look at their federal tax returns to see if they have any UBIT, unrelated business income tax.

COUNCILWOMAN BROWN: Okay.

DEPT. COMM. BRESLIN: And our auditors will pick that up-- because that is taxable -- if it's not being reported. We also use investigators that will go out to nonprofits and look for taxable activity.

As the Commissioner said, sometimes it's not the nonprofit that is operating the business venture. It may be a company, a for-profit company, who is actually just paying rent to the nonprofit and operating the business.

COUNCILWOMAN BROWN: I see.

DEPT. COMM. BRESLIN: In which case, we'll look to see that the for-profit venture is registered and payings taxes. And if they're not, then we'll get them set up.

So we haven't done it as a specific initiative, where we've captured the data, so I don't have a report that I can give you.

COUNCILWOMAN BROWN: Okay.

MR. BRESLIN: But over the years, we have done that, and we continue to do that.

COUNCILWOMAN BROWN: Okay, all right. That's helpful. So is it safe to assume there are no egregious violations, if you will, particularly of that community when it comes to what you call "the audit investigations"?

DEPT. COMM. BRESLIN: We've found that overall to be fairly compliant.

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COUNCILWOMAN BROWN: Okay.

DEPT. COMM. BRESLIN: Yeah. And, you know, sometimes it is an oversight or an event or an activity they weren't sure maybe how it should be treated for City tax purposes.

COUNCILWOMAN BROWN: Okay. That's helpful.

Based upon the FY '12 Operating Budget, "Tax Unit consolidations will cause a $24 million increase in the budget of the Revenue Department." What is the initial stated purpose behind the consolidation? You know, is it cost efficiencies or whatever?

If cost savings is one of the goals, in what measurable ways was it achieved through the reorganization or the consolidation?

COMMISSIONER RICHARDSON: Do you want to do it?

MS. BECKLEY: It's up to you. Do you want me to do it or --

COMMISSIONER RICHARDSON: The

$24 million increase -- first of all, the $21 million is the Grants Revenue for the collection agencies' purposes for the commission. We pay them.

COUNCILWOMAN BROWN: Okay.

COMMISSIONER RICHARDSON: The next is about $3.4 million, which deals with salaries for the 70 employees plus the contracts that are coming over to the Department.

COUNCILWOMAN BROWN: Mm-hmm.

COMMISSIONER RICHARDSON: We believe that within the -- you go to most municipalities or states, the Department of Revenue has a law unit inside of its operations.

COUNCILWOMAN BROWN: Okay.

COMMISSIONER RICHARDSON: And so, we know also from years of experience and from just my little short time here, folks will come to see us to make a deal. If they don't like it, they'll go to the Law Department.

We want everything to be more

cohesive.

COUNCILWOMAN BROWN: Okay.

COMMISSIONER RICHARDSON: Amnesty has gone by, and there's post-amnesty. We want to continue to tell people we mean business that there's no more shopping around, this is the number you got to deal with, don't go looking for someone else to try to help you out.

COUNCILWOMAN BROWN: Mm-hmm.

COMMISSIONER RICHARDSON: And pay your fair share that's owed to the City.

So we believe that it will be more cohesive, we'll all be in unison and continue to move forward on doing things together.

COUNCILWOMAN BROWN: So this is a new infrastructure development, if you will?

COMMISSIONER RICHARDSON: Yes.

COUNCILWOMAN BROWN: A year old?

COMMISSIONER RICHARDSON: No. It won't start until July 1.

COUNCILWOMAN BROWN: Oh, okay, then. When a buyer purchases a property with delinquent taxes, they are often entitled to a tax clearance so that they don't have to pay tax -- pay back-taxes.

In last year's testimony, Councilman Rizzo raised a question with Commissioner Breslin, Deputy Commissioner Breslin, that it indicated that a list would be created to expedite the process of identifying delinquent properties that receive the tax clearance.

Has that new process started yet?

COMMISSIONER RICHARDSON: It started January 1.

COUNCILWOMAN BROWN: And what are your preliminary findings or observations?

COMMISSIONER RICHARDSON: We've had about 140 individuals go through the system to get a clearance. Things have been working pretty well. We haven't had any concerns or comments from the Zoning Board about it.

COUNCILWOMAN BROWN: You haven't had any...?

COMMISSIONER RICHARDSON: We haven't had any issues or anything from the Zoning Board for taxpayers providing the clearance because they have to make sure they're in compliance with their taxes.

COUNCILWOMAN BROWN: Okay. I thought I heard someone else might want to comment on that.

Since the end of amnesty, the Department of Revenue has continued the process of enhancing its collection efforts. In what ways have you -- what are your observations or findings now that amnesty has ended?

COMMISSIONER RICHARDSON: I would say, one, as in the testimony, we created the website to start posting not just tax delinquents but also water customers.

We are working with the District Attorney's Office now to start prosecuting trust fund taxes like the wage tax.

We're continuing our efforts with the Licenses and Inspections, as I said in the testimony, going out on a quarterly basis with them, looking at various business corridors to see taxpayers who may not be compliant with us as well.

And, again, with the new tax Law Tax Unit within the Department, again, it's telling people that we're not going to be cutting deals anymore as it was done in the past. So we're trying to be more proactive and progressive.

As you know, in the testimony, we started in the fiscal year making outbound calls. We lost the outbound calling system that we had back in 1999.

So if you're first to the phone, making that phone call, someone may pay 'cause they don't hear from the City right now. So we're trying to be more proactive in doing that.

2010 taxes that were due for real estate, we started reaching out to those people who had not paid yet, so they get the phone call.

COUNCILWOMAN BROWN: Mm-hmm.

COMMISSIONER RICHARDSON: Because January 1, they're going to get a lien on their property and the now interest and penalties is going to be rolled into the principal.

COUNCILWOMAN BROWN: Mm-hmm.

COMMISSIONER RICHARDSON: So we're trying to be more proactive on doing things that way instead of being reactive.

COUNCILWOMAN BROWN: Oh, I see. Okay, thank you.

COMMISSIONER RICHARDSON: You're welcome.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

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COUNCILWOMAN TASCO: Thank you, Councilwoman.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

With respect to amnesty, I think the Administration's estimates were that the General Fund would receive something around $30 million; many on Council suggested it would be far more than that.

Can you tell us what amnesty brought in last year?

By the way, I want to commend you on your report on it. I'm just looking for the answer. For the record, that was an excellent report that you did --

COMMISSIONER RICHARDSON: Thank you.

COUNCILMAN GREEN: -- on the amnesty program.

COMMISSIONER RICHARDSON:

Again, as we said in the testimony, we did $72 million in gross collections; 48, 49 million went to the General Fund, and 21 million went to the School District, and a million for hotel tax.

COUNCILMAN GREEN: Most amnesty programs had a provision, which ours didn't have, which is -- and it was something that really Councilwoman Sanchez has been asking for since 2008, and that is the ability to enter into an agreement with respect to a balance if you agree to pay off the entire principal; whereas, our amnesty program did not permit people to take advantage of amnesty if they could not pay off the entire balance.

And we have heard from constituents that basically say, you know, I had a very large liability. I didn't have all of it and, so, I wasn't able to participate in amnesty. And now, you know, my bill is so high that I'm never going to be able to pay it.

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And I'm just wondering how much you think we left on the table through the absence of that provision, if any, and if you think it would be worthwhile doing a limited amnesty for that purpose, to allow people to enter into agreements.

COMMISSIONER RICHARDSON: I would say to you no, I don't think agreements is a good thing. Some states do amnesty programs for 90 days or more and give taxpayers a longer time for payment agreement.

I think a lot of taxpayers in situations like that could have hardships and come and spoken to us about it. That might have been a option for them. I don't know if they discussed that with our vendor or not.

I believe, if you're going to do a amnesty, it's all or nothing. It's a certain time frame, this your opportunity to take advantage of it or not.

Again, if they have a situation

of a large tax balance now, they need to come in and talk to us about working on the tax balance now to bring it down and help them out.

DEPT. COMM. BRESLIN: Can I add to that also that we did speak to our amnesty vendor, General Revenue Corp., about that early on, and they did -- for the record, they did the New Jersey program, a highly successful program.

COUNCILMAN GREEN: Which allowed what I'm discussing.

DEPT. COMM. BRESLIN: Yeah. And their recommendation actually for us was, you know, not to accept the payment agreements, that they thought it would be a more productive program for us as we ran it.

Now, we did allow for hardship agreements, meaning that if a taxpayer came in and could not pay all of it, they could get amnesty treatment for the portion of the liability that they wanted to pay and then could enter into a payment arrangement for the balance.

They wouldn't get amnesty terms on the balance, but we did work with taxpayers to get the balance of the liability, you know, to some type of workable terms for them. And we did have taxpayers take advantage of that.

So it's hard to answer the question of what was left on the table, but based on the amnesty vendor and the results of the program, we felt that it was -- you know, it was very successful, and we were able to accommodate many taxpayers in that situation.

COUNCILMAN GREEN: Okay, I mean, fair enough. It was a judgment we made, and it was obviously a very successful program compared to the Administration estimates, and we were all pleased to see that.

So with respect to that, the thing that I think Commissioner Richards mentioned in the testimony previously and what you just alluded to, our fees and our fines are very, very high compared to, say, the State, other municipalities, et cetera. And that makes it very difficult, once someone gets in the hole, to get out of the hole, and it's hard to negotiate solutions.

One of the things that I am personally considering is having our fees and fines match the State going forward and permitting anybody who wants to, to be -- to have the right to either pay off their outstanding obligation to the City, as if the State rate applied the entire time, or enter into an agreement, as long as they put up a certain percentage of the money, as if the State rate applied, and will continue to apply, to any outstanding balance.

Do you have any thoughts on that, about whether or not it would likely result in increased receipts in the short or medium term? And I'd just like your general comments on that as a change in policy for the City.

COMMISSIONER RICHARDSON: We hear your comments and concerns, and this is something we have been creating a working group to look at.

Again, we would like to be at what the LIBOR rate is, what all the states are that change their rates, I think, quarterly or yearly, because the interest and penalty is very high, and today's rates should be much lower, 5, 6 percent.

So we are looking at that and we are studying that to try to work on a policy by changing the regulations, I thin, internally to do that.

COUNCILMAN GREEN: Can you do that by regulation, or wouldn't that require legislation?

COMMISSIONER RICHARDSON: We need an ordinance for that.

COUNCILMAN GREEN: You'd need an ordinance.

COMMISSIONER RICHARDSON: So we'll be talking about that.

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COUNCILMAN GREEN: Well, I'd like to work with you on that. I mean, it's legislation I'm working on, and it's something I think we -- you know, we need to do as the economy recovers, and we want our businesses to be able to come back with a clean slate that owed us money and make it easy for them to not have to spend a lot of time or money negotiating if we just say upfront: If you agree to sort of go back to what the State is, pay us off, or pay 50 percent, and then enter into an agreement to pay us off at the State level, that like it's automatic. It's automatic for us, it's automatic for them, very simple, straightforward, you know.

So, you know, I'd like maybe if we could work on something for the fall. I'd like to work with you on that.

COMMISSIONER RICHARDSON: Sure.

COUNCILMAN GREEN: You mentioned -- I think in a 2008 memo actually from Commissioner Richardson, and then, as was noted and highlighted in the Freshman 15, and it was mentioned by Councilwoman Brown, you basically said regulations have been written that will more clearly define activities that are deemed taxable for nonprofit entities, and that you anticipated implementing the regulations at the start of FY '11.

Could you update us on the status of these regulations?

COMMISSIONER RICHARDSON: I'll get back to you on that. I don't recollect off the top of my head.

COUNCILMAN GREEN: Okay. It's a June 13, 2008, memo from you to Rob Dubow, and it deals specifically with unrelated business activities of nonprofits and changing the regulations to make them more collectible.

Have we propose such regulations?

COMMISSIONER RICHARDSON: We proposed those regulations. We are still working right now with nonprofits and their counsels on that regulation.

COUNCILMAN GREEN: Okay. With respect to sort of -- I think I heard your testimony very clearly, and I'm sorry I forget your name, Chief Counsel.

MS. BECKLEY: Frances Beckley.

COUNCILMAN GREEN: Frances -- Ms. Beckley, sorry.

I think your testimony was that we cannot tax a nonprofit if they're defined under the Constitution for -- even if it's a business activity like, for example --

MS. BECKLEY: No, no, no. That's not -- that's not true. It's -- it's -- if there is -- if it's unrelated business taxable income, that's clearly permitted.

And it's a question -- and I'm glad you gave me a chance to clarify. The State Constitution says that we may exempt nonprofits; it doesn't require them to do that. State law has exempted them.

We would have to get something from the General Assembly to approach taxing them, and I don't think anybody is interested in taxing the core functions of nonprofits.

COUNCILMAN GREEN: Well, for --

MS. BECKLEY: What we already do, as I said, is impose CPT on the unrelated business.

COUNCILMAN GREEN: Well, so, for example, we have some for-profit hospitals in the City; I think Hahnemann may be one, St. Christopher's, et cetera. And we have, quote/unquote, not-for-profit, which are, you know, I don't know, 250 million, half-a-billion-dollar businesses for which we provide a lot of service and receive no revenue, because they're a not-for-profit with executive directors earning 4 million a year and, you know, CEOs and the whole sort of -- you know, they just don't have shareholders, but a lot of people are making a lot of money related to these activities.

My question really was: Without a change in State law, we can't charge a -- can we charge our gross receipts on their business activities on sort of hospital activity or on, you know, other activities like that --

MS. BECKLEY: No.

COUNCILMAN GREEN: -- without a change in State law?

MS. BECKLEY: No, we can't without a change in State law. However, one of the five --

COUNCILMAN GREEN: And we could with a change in State law.

MS. BECKLEY: Possibly.

COUNCILMAN GREEN: Okay.

MS. BECKLEY: One of the five prongs of the current State tests under hospital utilization projects is that there be no what's called "private inurement."

So if you were able to show that somebody really was basically skimming money from a nonprofit, that nonprofit would not be exempt under Pennsylvania State law.

So, you know, if there truly were a situation where people were, for example, contracting with their relatives or doing inappropriate things that you could show siphoned profit away from the enterprise, they would lose their exempt status.

COUNCILMAN GREEN: Well, I have to tell you, that applies to many not-for-profits in the City, probably hundreds, where the bulk of the money goes to salaries, and very little gets -- you know, maybe -- all right, you know, tens, tens of not-for -- where the bulk of the money ends up going -- and the City even contributes to some of these not-for-profits, where the bulk of the money ends up going in executive director and other salaries, often of related people.

Do we have an audit staff that

specializes in not-for-profits or unrelated business profits? Or is that a --

DEPT. COMM. BRESLIN: We do not have a dedicated audit staff. We do audits of nonprofits. And at that time, as I stated, we would look for nonbusiness income.

We would look to see that their not-for-profit status has not been revoked. If it is revoked, then we would change that status in our system, and we would tax them accordingly.

COUNCILMAN GREEN: Okay. In the cashiering and settlement processing automation reengineering, my question really just is: Are we looking at the workflow processes that currently exist as a part of the implementation of that, or are we simply replacing legacy systems with new systems that require people to do the same sort of thing?

COMMISSIONER RICHARDSON: We looked at both.

COUNCILMAN GREEN: We're looking at both.

COMMISSIONER RICHARDSON: We looked at both.

COUNCILMAN GREEN: And so, there should be some efficiencies --

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN GREEN: -- as a result of this new system.

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN GREEN: And there's a clear audit trail within this new system?

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN GREEN: So nobody can -- we won't just know whose -- we won't just know which computer accessed it; it will know the individual that accessed it and made a change or a payment in the system?

COMMISSIONER RICHARDSON: Payment processes is not making any changes into the payments. They're getting the money, they're processing the money to get to the bank faster. That's all they're doing.

COUNCILMAN GREEN: So the cashiering and settlement processing, there was testimony that part of the reason that there's been a lot of fraud in this area in Water Revenue and other places is because they could tell -- like somebody would come in and make cash payments, and it simply wouldn't get recorded.

COMMISSIONER RICHARDSON: That was the testimony from the IG, not from me.

COUNCILMAN GREEN: That was from the IG, right.

COMMISSIONER RICHARDSON: Right, not from me.

COUNCILMAN GREEN: Right. So you don't disagree with the Inspector General?

COMMISSIONER RICHARDSON: With regards to -- again, that's past practice, before we were here.

There are checks and balances that we do have in place. We've worked with her office on some things as well. But, again, a new system is just needed because we have an antiquated system that's twenty years old.

COUNCILMAN GREEN: So it doesn't -- it would not take care of items like that, where someone's taking cash and simply not putting it in the system.

COMMISSIONER RICHARDSON: That is the cashiering system upfront. The cashiers' drawers are checked. They have checks and balances on making sure they review and cash -- they check their drawers as an audit on a daily basis so we know there's nobody taking a check from the back room, as it was in the past and cashing out for -- no, that's past practices. No.

COUNCILMAN GREEN: Okay. That's all I have. Thank you very much for your testimony.

And I just want to say that it's been great working with you and your staff. You have a great team. Thank you.

COMMISSIONER RICHARDSON: Thank you, sir.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you.

Commissioner, I don't have anything other than to tell you that for many years, we've gone back and forth prior to your being the Commissioner, but maybe I have discussed this with you before.

I sent you a message -- I hope you got it -- that I paid my real-estate tax a little bit early this year. And normally, that check sat and sat and sat. Three weeks went by, four weeks sent by, still not cashed.

COMMISSIONER RICHARDSON: Mm-hmm.

COUNCILMAN RIZZO: Well, you've

done something because it got cashed in two days this time.

COMMISSIONER RICHARDSON: Mm-hmm. Well, first of all, we know your check's coming in.

(Laughter.)

COMMISSIONER RICHARDSON: Secondly, again, as I said to you, when you do your check online banking, there's no coupon with it, so it goes into our area that has to do with a special coupon for you.

We have thousands of other people who that do that also. Just in the last two months, there's been 38,000 individuals or people who have sent checks in without the coupon, so we have to take it to our special section to look at that.

So that's why we always encourage people: Send your coupon in with the check.

But when it comes to you, Councilman, we're on top of it.

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COUNCILMAN RIZZO: Well, you know, times are changing, Commissioner. People are using online banking. I did send a coupon in this time.

COMMISSIONER RICHARDSON: Right.

COUNCILMAN RIZZO: I did not do it that way just for that reason.

COMMISSIONER RICHARDSON: Right.

COUNCILMAN RIZZO: But, you know, down the road, people -- my bank told me that the checks people write are just -- there's not many people writing checks anymore.

COMMISSIONER RICHARDSON: We agree.

COUNCILMAN RIZZO: You know, the older folks are writing checks, but the younger generation, everything's online. So if you haven't adapted to it, you got to figure out a way to do it.

COMMISSIONER RICHARDSON: Mm-hmm.

COUNCILMAN RIZZO: But I can tell you, this time, using the envelope with the stamp and the check and the coupon, it worked.

COMMISSIONER RICHARDSON: Well, we're on time with payments that way. Again, as you saw from the E-Tides testimony, we're trying to do more things with the electronic world. We're trying to come into the 21st century.

COUNCILMAN RIZZO: That's terrific. If not, they're going to drag you into it.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

Any more questions? Any more questions?

(No further questions.)

COUNCILWOMAN TASCO: Thank you very much for your testimony. We appreciate it.

COMMISSIONER RICHARDSON: Thank you, Councilwoman Tasco. Everybody have a great day.

COUNCILWOMAN TASCO: Thank you.

MR. McPHERSON: The next

department is the Sinking Fund Commission.

(Witness comes forward.)

COUNCILWOMAN TASCO: Good morning.

MR. JONES: Good morning, Madam Chair and members of City Council. I'm Charles Jones, Executive Director of the Sinking Fund Commission, and I'm here to testify on behalf of the Commission on our Fiscal Year 2012 Operating Budget request.

The Sinking Fund oversees the investment and monies needed for the repayment of bond principal and interest and ensures that those debt payments, as well as lease obligations, are made in a timely manner.

The Sinking Fund Commission currently holds one personal service contract for $4500 with Digital Assurance Certification, a female-owned company. DAC is a certified disclosure-disseminating agent, and, as such, posts on its website the financial statements for the City and its related authorities, the Water Department and the Philadelphia Airport, as required by the Securities and Exchange Act of 1934.

The Sinking Fund Commission is committed to supporting the Administration's goal of 25 percent minority-, women-, and disabled-owned business participation in City contracting. The Sinking Fund Commission's Fiscal Year 2012 participation goal is hundred percent.

The Sinking Fund Commission budgets for debt service for the following funds: General, Water, and Aviation, and car rental tax. I'll discuss the highlights of each.

The total budget for the Sinking Fund Commission for Fiscal Year 2012 is $556 million, a 4.4 increase over the last fiscal year budget.

First, the General Fund. The General Fund portion of this request for

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Fiscal Year 2012 totals $223.9 million. It includes $93.2 million for capital leases and $130.7 million for debt service and other debt-related expenditures.

The Sinking Fund Commission is managed by staff of the Treasurer's Office; and it, therefore, receives no Class 100 funds.

The Class 200 request enables lease payments for facilities such as the Municipal Services Building, the One Parkway building, and certain correctional facilities. This line item also provides for stadium lease payments as well as principal and interest payments on both the Neighborhood Transformation Initiative and the Cultural and Commercial Corridors Program.

The 200 Class combined request reflects a $3.5 million increase from Fiscal Year 2011 estimated obligations due mainly to increased costs relating to remarketing and liquidity fees for letters of credit for the variable-rate stadium bonds.

The requests in Class 701 and 702 total $114.6 million and provide for the General Fund's portion of the interest and principal payments on the City's General Obligation Bonds.

These two classes combined reflect an increase of $8.6 million from the previous fiscal year, mostly due to a $3.4 million increase in budgeted interest expense and a $5 million increase in budgeted principal payments, both due to a proposed new issue this month of approximately $136 million of new money.

In order to meet the City's annual temporary imbalance between the payment of obligations at the beginning of the fiscal year and the receipt of taxes and other revenues early in the calendar year, it is expected the City will issue tax revenue anticipation notes early in July 2011. These notes would mature prior to June 30,2012.

The request in Class 703 of $11 million provides for the payment of interest on anticipated $250 million of short-term borrowings.

The Sinking Fund Reserve Payments, Class 704, provides for payment of guarantees on economic-development bonds of quasi-governmental entities. The Fiscal Year 2012 request of $1.3 million in this line item provides for payments for the Philadelphia Parking Authority Series 1999A bonds.

Next, the Water Fund. The Sinking Fund Commission request for the Water Fund for the Fiscal Year 2012 totals $196.2 million, all in Class 700, for payments of debt service on Water and Sewer Bonds. This represents a modest $1.1 million increase over the request for Fiscal Year 2011. A $5.9 million increase in expected principal payments is partially offset by a $4.8 million decrease in interest expense.

Next, the Aviation Fund. The Commission request for the Aviation Fund for Fiscal Year 2012 is $130.8 million, all Class 700, for principal and interest payments on the Airport Revenue Bonds. The increase of $9.6 million over the Fiscal Year 2011 is due to the provision for a full year's debt service on new Airport borrowings issued in Fiscal Year 2011 to fund improvements at the Airport. The total amount of these borrowings was $273 million.

The budget also includes $6.7 million of interest expense on a new issuance of bonds in Fiscal Year 2012, totaling approximately $200 million.

And, finally, the Car Rental Tax Fund. The Commission's 2012 request of $5 million in the Car Rental Tax Fund is to provide for lease revenue bond payments on the sports stadiums from vehicle-rental tax revenues.

This concludes the written

portion of my testimony. I'll be glad to answer any questions that Council may have relative to this budget.

COUNCILWOMAN TASCO: Thank you.

These questions are from the Administration -- from the Council administration.

What is the total outstanding debt of the City's General Fund?

MR. JONES: It's $1.2 billion approximately. We just calculated that. As of February 28th, it was $1,247,000,000, General Fund.

COUNCILWOMAN TASCO: In your testimony, you mentioned that you are requesting in an increase of $3.5 million for stadium-related cost increases for remarking and liquidity fees. Can you tell why these costs are going up?

MR. JONES: The Letters of Credit that these fees apply to were all issued in 2008, during the credit crunch, and they're all expiring in the next fifteen months or so. We expect -- and they total close to a billion dollars' worth of Letters of Credit. So we expect an increase by the issuers in order for them to maintain those Letters of Credit.

So on a billion dollars' worth of Letters of Credit, this is, I think, a relatively small increase here. The numbers that have been bandied about by the investment banks or anywhere from a jump of 50 to 100 basis points in the liquidity fees.

COUNCILWOMAN TASCO: Thank you.

You had something to say, Miss? Would you identify yourself for the record, please.

TREASURER WINKLER: Hello. I'm Nancy Winkler, the City Treasurer.

Just to clarify a point that Mr. Jones just made with respect to the stadium bonds, there's $289 million' worth of variable-rate debt, which is a portion of the approximate $1 billion of variable-rate debt, where we have the Letter of Credit facilities renewing, and we are anticipating a very significant increase in the cost of the Letters of Credit for the stadium bonds due to the fact that the Letter of Credit market has become far more costly in the last several years, with the -- really, with a number of Letter of Credit banks existing the market.

This is also a year in which there's just a very large number of facilities that are renewing, which is putting upward pressure on pricing.

COUNCILWOMAN TASCO: Mr. Jones, you mentioned that the City will be issuing $136 million in new money. When do you expect to go to the market, and what is your interest rate assumption?

MR. JONES: We expect to go to the market tomorrow, as a matter of fact.

COUNCILWOMAN TASCO: Mm-hmm.

MR. JONES: And the interest rates are... I wrote this down a minute ago. They're anywhere from 2.5 percent on the short end, up to 6.25 percent on the long end.

COUNCILWOMAN TASCO: Is that good or bad?

MR. JONES: That's -- that -- they're the market rate right now, Madam Chair.

COUNCILWOMAN TASCO: Mm-hmm, okay.

MR. JONES: We've been working with a host of investment bankers, and they're zeroing in on that, and we'll know those numbers by Wednesday. We go to the market tomorrow.

It's a two-day order period, so we'll know exactly where those bonds are priced after that.

COUNCILWOMAN TASCO: Okay. What are the other projects that are to be funded?

MR. JONES: I would ask my boss to talk about it.

TREASURER WINKLER: Hi. We've due-diligenced projects that were authorized in three different ordinances.

And forgive me if I'm not referring specifically to the right legal terms, but 2008, 2009, and 2010 projects are all reviewed to be included.

And this is -- there's really a very broad range of projects. We can provide you the specific list.

COUNCILWOMAN TASCO: These are the Capital Budgets --

TREASURER WINKLER: The Capital Budget.

COUNCILWOMAN TASCO: -- that we will be funding that with Capital Budgets we've passed --

TREASURER WINKLER: Yes.

COUNCILWOMAN TASCO: -- and voted on in the past.

TREASURER WINKLER: Yes.

COUNCILWOMAN TASCO: You're now funding them.

TREASURER WINKLER: Yes.

COUNCILWOMAN TASCO: Okay. Why are you requesting, Mr. Jones, $1.3 million for the Philadelphia Parking

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Authority Series 1990-A?

MR. JONES: This is an obligation that the City has had for the past twenty years. It's -- it was an arrangement between the Parking Authority and the City, and the City is obligated to make these payments on these bonds.

COUNCILWOMAN TASCO: Okay. And how were the proceeds of these Parking Authority bonds used, and what benefit did the City receive by their issuance?

MR. JONES: Ooh. I'll have to get back to you on that one, Madam Chair.

TREASURER WINKLER: I don't know.

COUNCILWOMAN TASCO: You don't know? Okay. Thank you very much.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good afternoon, Mr. Jones.

MR. JONES: Good afternoon, Councilman.

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COUNCILMAN GOODE: I'm asking the same series of questions to each department. What is the largest contract that you will award in Fiscal Year '12?

MR. JONES: We have one personal services contract for $4500 with Digital Assurance Certification; "DAC" we call it.

COUNCILMAN GOODE: You have one contract?

MR. JONES: Yes, sir.

COUNCILMAN GOODE: What is your Class 200 allocation?

MR. JONES: Oh, Class 200? It's $93 million. Most of that is for lease obligations on -- for various correctional facilities, the lease obligations on the Municipal Services Building, and the One Parkway Building.

COUNCILMAN GOODE: Okay. Most of that's for -- it's those leases. Are there any other contracts you have within that $93 million that are put out to bid?

MR. JONES: No, sir.

COUNCILMAN GOODE: RFP.

MR. JONES: No, sir.

COUNCILMAN GOODE: So you have no contracting opportunities --

MR. JONES: Only the one.

COUNCILMAN GOODE: Only the one.

MR. JONES: Yes. And it's a woman-based firm.

COUNCILMAN GOODE: And what amount is that again?

MR. JONES: It's $4,500 per year.

COUNCILMAN GOODE: Okay. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Councilman Green?

COUNCILMAN GREEN: Thank you, Madam Chair.

I have a couple of questions related to answers that were given to other questions, and that is, I think there was just testimony that due diligence had been done regarding the issuance of capital bonds on what was going to be spent in -- for the 2008, 2009, and 2010 authorizations.

What do you mean by that? What's due diligence on capital projects?

TREASURER WINKLER: It's just the disclosure to our outside tax counsel, bond counsel, within our bond counsel firm of the projects that are underway that will be funded so that they can confirm that those particular projects are indeed eligible for tax-exempt status and tax-exempt financing.

COUNCILMAN GREEN: Okay. So that's a list of every project with a description of what it is --

TREASURER WINKLER: Yes.

COUNCILMAN GREEN: -- that you provide to outside counsel?

TREASURER WINKLER: Right. The dollar-amount and the number of years of useful life of the expected life of the project that's getting financed.

COUNCILMAN GREEN: If you could please provide that information to the Chair since it's already prepared.

TREASURER WINKLER: (Nods head.)

COUNCILMAN GREEN: I'd be very interested in looking at that.

Yesterday, in the Inquirer, it was advertised -- and this is somewhat related to a question previously asked, but it was advertised $272,230,000 in new issuances. The testimony was that $136 million would be issued.

Can you describe -- can you explain the discrepancy in the numbers?

MR. JONES: The discrepancy, Councilman, is that the difference is being used to refinance old bonds.

COUNCILMAN GREEN: Okay.

MR. JONES: Approximately the difference in bonds that were issued in 1998 and 2001, General Obligation Bonds.

COUNCILMAN GREEN: And the

bonds are due and we're -- or we're just refinancing existing bonds that aren't due?

MR. JONES: We're refinancing the existing bonds --

COUNCILMAN GREEN: That are not due.

MR. JONES: One is actually due May 15th -- oh, throughout -- yes, you're correct. They start in 2011, and they go through 2021, were the original maturity dates of the bonds being refinanced.

COUNCILMAN GREEN: And so, essentially, we chose a debt profile for those bonds based on I guess what we used the money for a long time ago. Is this capital money that we're renewing or turning over that we haven't spent before?

Or did we spend the money and now we're refinancing and essentially making the useful life go out longer? I'm just trying to understand.

(Rob Dubow comes forward.)

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MR. DUBOW: No, this has -- actually, the refunding doesn't really have to do with the way that cash is being used. It's looking at our stream of payments and the interest that we're paying on them and looking at interest rates now and seeing whether we can get savings by refunding them. We're not putting out a new issue at a lower rate.

And so, we go through each one of the maturities and see what percentage reduction we would get in our debt service by refunding it.

COUNCILMAN GREEN: So the question really is, like if I have a thirty-year mortgage on my home and it's Year 27 --

MR. DUBOW: We're not extending useful life. I mean, that's your question. We're not extending the maturities. It's the same number of year; it's just at a lower rate.

COUNCILMAN GREEN: Okay.

MR. DUBOW: You know, we're

actually shortening the useful life in this refunding.

COUNCILMAN GREEN: So you're --

MR. DUBOW: Six months.

COUNCILMAN GREEN: -- paying the bonds back sooner than we otherwise would have.

MR. DUBOW: A little sooner, yes.

COUNCILMAN GREEN: Okay. And, obviously, there's an analysis that shows that this will save us money in --

MR. DUBOW: Yes. There's an analysis that was part of the decision to do the refunding.

COUNCILMAN GREEN: Great. And if you could forward that to the Chair also. I'm just curious to see it. I'm sure you did it correctly. Thanks.

There have been sort of conflicting credit-rating reports regarding the City of Philadelphia. Last week, S&P said that it could consider an upgrade in its BBB rating to BBB+ or better over the next two years. And Moody's last year downgraded the City from A1 to A2, in November.

What's the -- how does that all play out in our borrowing costs, Moody's lower, S&P saying maybe higher, et cetera?

MR. DUBOW: There are a couple of parts to that answer. And then after I'm done and I get some of it wrong, the Treasurer will correct me.

But Moody's went through a process where they did kind of a mass upgrade of issuers because -- you know, for a whole lot of reasons, but they did a mass upgrade. They didn't really look specifically at the credits as they did that.

For us, they took us too high in that process, and so, they brought us back down, you know, after a more -- you know, after a thorougher review.

We're still higher than we were before on Moody's but not quite as high as they had originally taken us.

Usually, when bonds are priced, they're -- kind of the lowest rating really drives what you wind up paying. S&P is the lowest rating at the BBB, so if we get an upgrade for Moody's, we should trade better.

COUNCILMAN GREEN: If we get an upgrade from S&P.

MR. DUBOW: I mean S&P, sorry, yeah.

COUNCILMAN GREEN: Okay.

MR. DUBOW: If we got one from Moody's, it would probably help but not as much as S&P since they're below.

COUNCILMAN GREEN: So can you explain to me why, like, for stadium bonds, why do we have Letters of Credit from third-party banks? Or like what do we need -- I'm sure the indenture says we have to have them, but why would we need a Letter of Credit?

TREASURER WINKLER: Yes. These bonds are variable-rate bonds. They have a provision in that they reset the interest rate every seven days.

And this particular type of bond is most typically purchased by money funds, and those money funds have to have enormous certainty that in the event that they have the right to put the bond back on any seven days to cash out if they need the money to, say, pay out a large outflow out of the fund.

COUNCILMAN GREEN: Right.

TREASURER WINKLER: And so, they seek to have absolute certainty that the money will be available with very short notice.

And, really, no municipal entities are liquid enough to make that guarantee of being able to produce, let's say, in this example, $298 million on what's less than a week's notice.

So it's the standard practice in the industry to obtain a third-party guarantee in the form of a Letter of Credit, where you can demand payment from the bank. And that is why we need the Letter of Credit.

And in exchange for that, we are able to obtain very low rates. The current rate's approximately 25 basis points, a quarter of a percent, on those bonds. Those bonds are also, as you may know, swapped to fix, swapped to fix rate.

COUNCILMAN GREEN: So what is it when you take into account the Letter of Credit cost, the cost of borrowing? Or is that included in the quarter of a percent?

TREASURER WINKLER: No, that's just the floating rate that we pay. And then in addition, we'll pay the Letter of Credit fee, and we will receive back under the swap a rate that's equal to the floating rate on the bonds, and then we pay a fixed rate.

And I don't happen to have the fixed rates of each of these, but they're in the 3 -- you know, mid-3s.

COUNCILMAN GREEN: 'Cause it seems to me 3.6 million on 298 million is 1.3 percent or 1.2 percent for the Letter of Credit fee plus a quarter of a percent.

So our actual cost is not a quarter of a percent for short-term money; it's, this year anyway, 1.3 percent for seven-day money.

TREASURER WINKLER: It will be higher than that, yeah.

COUNCILMAN GREEN: So does that make economic sense for us at this point? Is there a way to just go to the bank that's giving us a Letter of Credit and borrow the money from them and pay off the stadium bonds or other bonds like that?

I mean, if they're giving us a Letter of Credit, it's the same thing.

TREASURER WINKLER: We monitor the economics of unwinding those transactions, which would involve terminating the related swaps and factor

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all of that in. And where we find an opportunity to -- and I believe in the past, the City has elected to unwind some of those transactions.

At the moment, the cost to pay off the swap is --

COUNCILMAN GREEN: It's in excess of 1.3 percent?

TREASURER WINKLER: -- in excess of what we would be able to save if we were to sell fixed-rate bonds.

COUNCILMAN GREEN: And you've done that analysis?

TREASURER WINKLER: Yes.

COUNCILMAN GREEN: Could you provide that to the Chair?

MR. JONES: Sure.

COUNCILMAN GREEN: Thanks.

One second. Oh, the trans. The proposed budget includes $11 million in Class 703. Last year's trans -- sorry. My understanding is that tran-related interest costs for FY '11 is 11 million on 285, and for this year, it's going to be 11 million on 250. Why is that?

MR. JONES: That is correct, Councilman.

We've been talking to investment bankers from Loop Capital Management. They have been estimating our short-term borrowing costs to be in the 4 to 4.5 percent range for Fiscal Year '12 on the $250 million.

So the budget -- that came out to be around $11 million.

COUNCILMAN GREEN: And is that for a firm underwritten offering, or is that --

MR. JONES: That was -- that was an analysis that they had done based on comparable issues in the recent past.

COUNCILMAN GREEN: So there's potential savings there.

MR. JONES: There could be, but as of right now, it's -- we haven't gone to market with that issue yet.

COUNCILMAN GREEN: So this is a

conservative estimate of what it will actually cost?

MR. JONES: Yes.

COUNCILMAN GREEN: Okay.

MR. JONES: I think it's a reasonable estimate, 4 to 4.5 percent on $250 million. I think that's in the ballpark there, yes.

COUNCILMAN GREEN: And I think the Finance Director testified that this trans may be an area where we look at -- and I'm going to forget the term -- auction? Not auction notes, but where we go -- we don't want do firm underwritten offerings?

MR. JONES: Competitively.

COUNCILMAN GREEN: Competitive bidding, yeah. Is that still in the cards?

MR. JONES: I would ask the Director.

TREASURER WINKLER: We're evaluating the ability to go with a competitive transaction this year and also maybe next year.

I will -- I would like to just make a general comment that the municipal bond market is in a very difficult -- in a difficult place right now as a market. And so, we're being -- we want to be cautious in the way we proceed at this time because of how difficult the market is.

But probably, if we were to try to go competitive, the tran would be one of the most -- it would be the best candidate for starters for us. And so, we are going to be evaluating. A decision has not been taken yet with respect to this summer's tran.

COUNCILMAN GREEN: Okay. But we're talking to all the right people. The competitive bidding groups, and other people are being, you know, talked to and given whatever information they need? In other words, are we just talking to our underwriters who --

TREASURER WINKLER: No,

we're -- the strategy that -- well, first of all, I'd like to say that because we're selling these bonds, the GO bonds, this week, we've been developing a plan on the tran but have felt it was important to stay focused on the GO bond issue.

And so, starting next week, once we get that out of the way, we'll move forward with the a more thorough review of the options for the tran.

And the approach that we'll be taking there will be to speak with a number of institutional investors, large money-fund managers, about their appetite for taking on the City's debt on the tran, to bidding on the tran.

COUNCILMAN GREEN: Well, who's going to -- I mean, in theory, they would not be the people to talk to --

TREASURER WINKLER: They don't bid.

COUNCILMAN GREEN: -- because -- well, because they -- if the tran is going to save us money and they're going to buy our bonds anyway, they would rather we go with the more expensive solution for us 'cause they'll get a higher return.

TREASURER WINKLER: Actually --

COUNCILMAN GREEN: So there are groups out there that sort of just do competitive bidding; that's what they do. Are we talking to them --

TREASURER WINKLER: Actually, pretty much, all of the investment banks have two desks.

COUNCILMAN GREEN: Right.

TREASURER WINKLER: One is handling the negotiated transactions. So it's part of one big desk, but they have a group that handles negotiated transactions. And then typically, they have a competitive underwriter that handles the long-term competitor, and then they have a short-term group that handles the short-term products.

And so, they would be the

buyers.

COUNCILMAN GREEN: Have we spoken to --

TREASURER WINKLER: They would be the buyers.

COUNCILMAN GREEN: Right.

TREASURER WINKLER: They need to know that there are investors behind them that are going to buy the notes if they were to win the bid.

COUNCILMAN GREEN: Sure.

TREASURER WINKLER: And so, our goal would be to do the legwork well ahead of the actual sale of the bonds to get the ultimate investors familiar with and comfortable and likely to approve the credit so that when the notes are sold, you know, the Goldman Sachs or the Merrill Lynches of the world will know that they have a group of investors.

I mean, we would like to see about ten money funds.

COUNCILMAN GREEN: Or hopefully the Janney Scotts and the PNCs and the

Kildare Capitals and the other Philadelphia-based firms who are --

TREASURER WINKLER: Well, they're all eligible to bid on this.

COUNCILMAN GREEN: Right.

TREASURER WINKLER: Yes.

COUNCILMAN GREEN: Okay. And is there -- so, have you talked to any of the short-term underwriting groups at local or national banks yet?

TREASURER WINKLER: We've had a few conversations with several of them.

COUNCILMAN GREEN: With those groups, not with the firm underwritten desk?

TREASURER WINKLER: Yes.

COUNCILMAN GREEN: Okay, great. That's all I have. Thank you very much.

COUNCILWOMAN TASCO: Thank you.

Any more questions?

(No further questions.)

COUNCILWOMAN TASCO: There being none, this committee is recessed until 1:15.

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(Lunch break taken.)

(Proceedings resume.)

MR. McPHERSON: Our next department is the Board of Revision of Taxes, the Appeals function.

(Witnesses come forward.)

COUNCILWOMAN TASCO: Good afternoon. Thank you for coming in.

BRT CHAIRMAN SILBERSTEIN: Good afternoon, Councilwoman Tasco, Councilman Rizzo, Councilwoman Sanchez happy to present the budget, which I'll let our executive director present in a few moments.

I just wanted to take a few minutes of Council's time, if I may, to call to your attention the article that the legal community. The Legal Intelligentsia wrote on Monday, November the 1st, having been very interested in the new process under the Appeals Division and how it would work, interviewed me, and I made certain promises to the legal community how it would work in the future.

And among those promises were, there was to be a more adversarial process, which we've done; now the City testifies as to their value, how they arrive at their value, what approach they take to value, and things of that nature. And then the taxpayer presents his or her opinion of value and presents their appraiser or what have you.

So that's been taken care of; that promise has been fulfilled.

The other promise I made to the legal community is that there would be more transparency. And what I mean by "more transparency" is that it will open, that the decisions will be given in the public forum, which it is; that there be a court reporter present to take the notes of testimony, which there is.

And all of those promises have been fulfilled.

I also promised I would try to apply uniformity throughout the City, which we're trying to do. Of course, that won't be completely satisfied until the actual value process, which is another branch; they come in on the 18th; the Office of Property Assessment completes their function.

So we're on the right track. I think the public is happy with the way it's working now, and we're trying to make it a very transparent process.

As far as the budget is concerned, with me today is our secretary, Robert N.C. Nix, to my right, who I'm sure all of you are familiar with; and our executive director, Carla Pagan, and Carla will present the budget, which is pretty straightforward, and will -- won't take very long, much of your time.

Carla?

COUNCILWOMAN TASCO: Thank you.

MS. PAGAN: Good afternoon, members of Council. We are here today to testify on the proposed 2012 Fiscal Year

Operation Budget. You will find several changes in this year's budget testimony, as the BRT is no longer responsible for the assessment of real-property market values in the City's evaluation staff.

As of October 1, 2010, the Department consists of the Board of Appeals, the Board of View, and five staff.

Our major objective is to hear the appeals of real-property market values from the City of Philadelphia taxpayers. We are charged with making fair and equitable decisions based on relevant facts.

For Fiscal Year 2012, we are requesting from City Council a General Fund budgetary allowance of $723,000 and potential contingencies of $142,000. Our estimated total expenditures of $723,000 for Fiscal Year 2012 are allocated as follows:

Class 100, Wages and Benefits: $687,073.

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Class 200, Contracts and Leases: $20,200.

Class 300 and 400, Supplies and Equipment: $15,727.

For a total of $723,000.

If you add in Class 100 potential contingencies of $142,000, the total is $865,000.

The BRT is a legislatively mandated, administrative body charged with three basic functions:

One, to hear all cases of appeals from real-property assessments;

Two, to rule upon exemption requests; and

Three, to hear all cases of appeals from eminent domain.

I'm very pleased to announce today to Council that the BRT had a smooth transition from its separation from the Office of Property Assessment. Although the 2011 appeal season had already begun, we were able to relocate files, update computer systems with appropriate appeals data, and train existing staff on the appeal workflow process.

Also, our two vacancies in support staff have been filled with one civil-service promotion and by one exempt employee. The longtime vacancy in the three-member Board of View has been filled. And our Board of Appeals has only one vacancy left.

Although now separated from the Office of Property Assessment (OPA), our departments are still very much integrated, as the appeal cases we hear are a direct result of the real-property market that the OPA has established. There's great cohesion between the two departments as we share human resources and Department of Technology (DoT) staff and are able to communicate information easily due to our close proximity.

The citizens of Philadelphia also reap the award of the reorganization. The appeal process has been reformed. The new procedures have resulted in greater transparency during appeal hearings, same-day decisions, and all hearings are recorded.

I'm excited to share that over the past several months, we've also had the pleasure of working with the Department of Technology to overhaul the antiquated computer system. What DoT is developing, along with the help of OPA and BRT staff, will improve our efficiency, eliminate waste, and foster a more productive work environment.

For Tax Year 2011, 5800 of the 580,000 parcels in the City received notices of revised assessments. The BRT received 1,785 appeals based on those assessments. We expect the 2011 hearing season to be complete around mid-July.

The OPA is in the process of completing a citywide assessment that will generate approximately 35 to 45,000 appeals. We will need an infusion into the budget for four to six temporary support staff, three auxiliary boards, and a percentage increase in Class 200 and 300 items. At this time, it is not clear what year the citywide assessment will occur, although it is projected for 2013.

The budget form for potential contingencies you'll find attached. It shows additional Class 100 monies needed in the event the courts rule in favor of the Board for a reinstatement of their previous salaries.

The Board of Revision of Taxes is continuing to improve levels of performance in all areas. We are excited about the changes made over the past year and are looking forward to the improvements being made to the technological infrastructure.

We are preparing the Department to officially handle a citywide evaluation and embrace the challenges that will come.

Should any Councilmember wish

to engage in a further discussion on any of these matters, my staff and I are happy to meet at your convenience. Thank you for your time and consideration.

COUNCILWOMAN TASCO: Thanks much.

When do you expect to complete your 2011 appeals-hearing season?

MS. PAGAN: Around the middle of July.

COUNCILWOMAN TASCO: Okay. And you mentioned that your office is charged with three basic functions. Can you tell us what "rule upon exemptions request" means?

MS. PAGAN: Yes. That is for nonprofit organizations that apply for tax-exempt status like churches, railroads.

COUNCILWOMAN TASCO: Railroads?

MS. PAGAN: Railroads -- SEPTA cases, organizations like Salvation Army. They have to file an application to be exempt from real-estate taxes, so that our board hears those cases as well.

COUNCILWOMAN TASCO: So now, what of these contingencies are you looking for? The 142,000, what does that mean?

MS. PAGAN: Yes. There is a pending court case for the reinstatement of our board members' salaries. That decision has not been determined yet; it may take a few more months.

In the event that the courts rule in the Board's favor, we will need more Class 100 Funds to pay their salaries.

COUNCILWOMAN TASCO: How many members of the board are there?

MS. PAGAN: There are six.

COUNCILWOMAN TASCO: Six?

MS. PAGAN: Of the Board of Appeals, correct.

COUNCILWOMAN TASCO: Of the Board of Appeals. And so, right now, you are -- your wage and benefits, Class 100, is $687,073.

MS. PAGAN: Correct.

COUNCILWOMAN TASCO: What does that cover?

MS. PAGAN: That covers the three salaried Board of View, it covers the five support staff, and it covers six -- all six members of our Board of Appeals, some of which are salaried right now and some are per diem, but it does cover all of their Class 100 monies.

COUNCILWOMAN TASCO: And so, you're saying the potential $142,000, if you are successful in your lawsuit, would apply to the -- to which group, everybody?

MS. PAGAN: It should apply to five of the Board of Appeal members.

COUNCILWOMAN TASCO: Okay, who are on per diem?

MS. PAGAN: Right now, they're a combination of salary and per diem. So of the Board of Appeals, we have seven positions. Six are currently filled, two right now are salaried, two are per diem

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-- or one's per diem, and the other are receiving no pay in the interim.

If the case is awarded in their favor, we'll have five salaried members and one to two per diem members.

COUNCILWOMAN TASCO: All right. Thank you very much.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair.

The Board of View and the Board of Appeals, can you explain to me the difference between the two?

MS. PAGAN: Yes. The Board of View has a has a legislative mandate to hear eminent domain cases. So right now, we hear cases that are RDA combinations and Commonwealth of Pennsylvania combinations.

And those cases occur if the condemnee appeals the State or City's --

COUNCILWOMAN SANCHEZ: Okay. Can you submit to the Chair who serves on that and how they're selected?

MS. PAGAN: Yes.

COUNCILWOMAN SANCHEZ: You talk about there's a vacancy in your Board of View.

MS. PAGAN: So we have all three positions filled right now --

COUNCILWOMAN SANCHEZ: Okay.

MS. PAGAN: -- on Board of view.

COUNCILWOMAN SANCHEZ: Okay.

MS. PAGAN: The chairman is Skip O'Connell.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MS. PAGAN: He's been chairman for a few years now.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MS. PAGAN: James Cassetti is another member, and Eileen Lynn is our newest member.

COUNCILWOMAN SANCHEZ: Okay. If you can submit that, it would also be beneficial to find out, in addition to gender, race of those members for both of boards.

MS. PAGAN: Okay.

COUNCILWOMAN SANCHEZ: That would be helpful.

MS. PAGAN: Okay.

COUNCILWOMAN SANCHEZ: In terms of your assessment pieces, you said that there was 580,000 who received revised assessments. Can you tell me what percentage change or increase on average, or were they just all over the place? Was there...

MS. PAGAN: So just to clarify, Councilwoman Sanchez, we received -- excuse me. Of the 580,000 parcels in the City, 5,800 had revised assessment notices going out to them.

COUNCILWOMAN SANCHEZ: And what was the percentage of the variation if people are appealing them?

MS. PAGAN: It was a very small number this year because the Office of Property Assessments is currently under a moratorium.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MS. PAGAN: So the notices that did go out to taxpayers, which the Assessment Office does send out, were mainly for new construction or teardowns, things like that.

COUNCILWOMAN SANCHEZ: Okay. And what was the average change in people's assessment? What's the board hearing for the people who appealed?

MS. PAGAN: Sorry, I can't answer that. The Assessment Office could give that information to you, or I could find it to you.

COUNCILWOMAN SANCHEZ: Okay. And so, they would also have the value, the change of value.

MS. PAGAN: Yes.

COUNCILWOMAN SANCHEZ: Okay. So I'll save that for them.

In between -- how long does it take in between for the request for an appeal and the actual hearing?

MS. PAGAN: It could be as

quickly as thirty days or as long as six months.

We start getting appeal forms from taxpayers around August and September. The bulk of them come in September, and we start our hearing season in November.

The filing deadline is the first Monday in October. So if you got your application on the first Monday of October, it's possible for you to have a hearing in November.

COUNCILWOMAN SANCHEZ: So after the deadline, no one's allowed to appeal?

MS. PAGAN: That deadline is a statutory filing deadline, although we do give taxpayers a 14- to 30-day grace period to file. And we do accept what we call "nunc pro tunc petitions," which are late-filed appeals if the taxpayer can justify why they're filing late.

COUNCILWOMAN SANCHEZ: You said that there were less in number of Appeals. Can you clarify why that's the case?

MS. PAGAN: Yes. So, for example, in 2010, we had 2,000 appeals filed; this year, we only had 1700.

That is because the Office of Property Assessments is under a moratorium. So instead of sending out, for example, 20,000 changes in assessment this year, they only sent out 5800.

COUNCILWOMAN SANCHEZ: Okay. I noticed that in terms of the denial and the revisions of the board, the numbers are slowly changing. You don't -- I notice you didn't put any for 2011; is that 'cause you're waiting for the middle of -- till when you finish?

MS. PAGAN: Correct.

COUNCILWOMAN SANCHEZ: Are the numbers comparable to 2010?

MS. PAGAN: They seem pretty close so far, yes.

COUNCILWOMAN SANCHEZ: Okay, well, thank you. Thank you for your testimony.

MS. PAGAN: You're welcome.

COUNCILWOMAN TASCO: Councilman Goode.

COUNCILMAN GOODE: Good afternoon.

MS. PAGAN: Good afternoon.

COUNCILMAN GOODE: Just a couple of general questions for the record.

The Board of Revision of Taxes did its own citywide reassessment for the last few years; is that correct?

MS. PAGAN: Can you repeat the question?

COUNCILMAN GOODE: The BRT did its own citywide reassessment over the last few years; is that correct?

MS. PAGAN: Before October 1st of 2010, the BRT was the body responsible for doing citywide assessments.

COUNCILMAN GOODE: And so, the last citywide assessment was done when?

MS. PAGAN: I can't tell you for certain. Citywide, it's probably at least seven to ten years ago.

COUNCILMAN GOODE: I don't believe that's true. I believe there was a full-value project that was done, and it was dated and it was released. So maybe one of the board members wants to respond.

MS. PAGAN: Are you asking -- when you say "citywide assessment," do you mean every single parcel in the City receiving a revised assessment notice or every parcel being addressed an assessment?

COUNCILMAN GOODE: Being addressed an assessment.

MS. PAGAN: That was over five years ago. I can find the exact year if you need me to.

COUNCILMAN GOODE: Let me ask you a more specific question because I still don't believe that's correct.

MS. PAGAN: Okay.

COUNCILMAN GOODE: When was the last citywide assessment of residential property done?

MS. PAGAN: I can check with the Office of Property Assessment and let you know.

COUNCILMAN GOODE: Okay. Do members of the board want to respond to that question?

BRT CHAIRMAN SILBERSTEIN: There was a study done, but it was never implemented, if that's what you mean, Councilman.

COUNCILMAN GOODE: You say there was a citywide assessment done?

BRT CHAIRMAN SILBERSTEIN: Well, it depends on your definition of "citywide assessment." If you're asking whether there was a study performed, the answer is yes.

COUNCILMAN GOODE: What was the study?

BRT CHAIRMAN SILBERSTEIN: Was it implemented? The answer is no.

COUNCILMAN GOODE: What was the study?

BRT CHAIRMAN SILBERSTEIN: The study was done by Kevin Gillen, and it was for residential properties, and he came up with certain figures, but it was never implemented.

I don't think at any time in the history did Philadelphia do the assessment of all the entire city at one time. It was always done, to my understanding, piecemeal and in different wards. It was so many wards one years and so many wards another year.

Now they're working on a citywide assessment to do it one shot.

COUNCILMAN GOODE: Okay. Let's deal with what you're now calling "a study." How accurate was the study?

BRT CHAIRMAN SILBERSTEIN: Well, that, I think, would be more addressed to the Assessment Bureau.

As far as from personally, I've looked -- I've checked a lot of properties. It was fairly acc -- I thought it was fairly accurate, but it was never implemented. I can't tell you why.

COUNCILMAN GOODE: Okay. The reason why I ask the first two questions is simply: Are appeal decisions made now based upon that study, or what are they based upon?

BRT CHAIRMAN SILBERSTEIN: They're not based upon that study.

COUNCILMAN GOODE: Then what are they based upon?

BRT CHAIRMAN SILBERSTEIN: They're based upon the owner's feeling that the value is too high, and they --

COUNCILMAN GOODE: That's why someone appeals.

BRT CHAIRMAN SILBERSTEIN: Right.

COUNCILMAN GOODE: But I'm saying the decisions that are made by the board, what are those appeal decisions based upon, what values?

BRT CHAIRMAN SILBERSTEIN: They're based upon appraisals, our own knowledge of real estate, and the testimony.

COUNCILMAN GOODE: So you don't rely upon what you refer to as "the Gillen study," and you don't rely upon the assessments that you said were done five or seven years ago. I'm trying the figure out specifically what you actually rely upon in terms of decision-making.

BRT CHAIRMAN SILBERSTEIN: We rely upon the testimony of the evaluator; we hear that. We then we hear the testimony of the taxpayer.

And for residential properties, it's pretty straightforward. I mean, if you have one house on a block sold for so much, it's pretty close that they're all in that range.

The commercial properties are more involved, and we require appraisals, so we rely a lot upon appraisals of independent appraisers.

COUNCILMAN GOODE: Okay. When the Office of Property Assessment completes its citywide assessment, do you expect it to be accurate?

BRT CHAIRMAN SILBERSTEIN: I would hope so.

COUNCILMAN GOODE: Do you expect it to be accurate?

BRT CHAIRMAN SILBERSTEIN: I can't answer that. Do I expect it to be -- I don't know what they're doing; you'll have to ask them on the 18th, when they're here, in front of Council.

COUNCILMAN GOODE: That's not the reason why I'm asking the question. I'm asking -- the testimony says that the offices are closely coordinating their activities, and there seems to be confidence expressed in the Office of Property Assessment.

But where I'm really going with it is, if there's going to be a need for additional staff because there are going to be tens of thousands of appeals based upon a citywide assessment, I guess my question is: Looking into the future, since these are two separate entities now, what will you base your appeals upon after the citywide assessment?

BRT CHAIRMAN SILBERSTEIN: By what approach they took, how they arrive at their value, and the testimony of the taxpayer.

I mean, we're an independent board and we intend to remain an independent board. We're not going to -- because they said so, it doesn't make it right.

COUNCILMAN GOODE: And so, what do you think their citywide assessments should be based upon? In other words, if --

BRT CHAIRMAN SILBERSTEIN: Good studies.

COUNCILMAN GOODE: If it was not separated, if the two were still joined, and if you still had assessments and appeals under the same entity, then what would you base the citywide reassessment upon?

BRT CHAIRMAN SILBERSTEIN: I'd base it upon appraisals and expert testimony.

But if it were still the same, it wouldn't be as good, because now, we have a executive branch doing the study and a quasi-judicial branch hearing the cases. And that separation of powers is what makes it more accurate.

COUNCILMAN GOODE: I agree, and that's why I voted for it.

But I guess the last question I'll ask is: So how necessary is it that you have a buy-in in terms of how they conduct the reassessment?

BRT CHAIRMAN SILBERSTEIN: It's very important how they do it. We won't know that until we start getting appeals from their assessment.

COUNCILMAN GOODE: But it will already be done at that point.

BRT CHAIRMAN SILBERSTEIN: The way they do it, it won't affect us. We're going to do our jobs as an independent board, if that's your question.

What they do, they do. We're still going to act an independent board, as a quasi-judicial function, which we were directed to do by the Supreme Court.

COUNCILMAN GOODE: I'm just talking about buy-in in terms of methodology. I'm not saying you should be involved in the assessment itself but in terms of methodology.

BRT CHAIRMAN SILBERSTEIN: Hopefully, if it's done correctly, very few people will be able to have an effective appeal, if it's done correctly. We won't know that until it's done and it's implemented citywide.

COUNCILMAN GOODE: So there's no discussion between the Office of Property Assessment and the Board of Appeals about methodology?

BRT CHAIRMAN SILBERSTEIN: No.

MS. PAGAN: No.

BRT CHAIRMAN SILBERSTEIN: No.

COUNCILMAN GOODE: Okay. Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

Is there anyone else to ask questions?

(No response.)

COUNCILWOMAN TASCO: Let me read for the record that Councilman Green has questions; he's not here, but we'll submit those questions to you and would like them in writing to the Chair.

MS. PAGAN: Okay.

COUNCILWOMAN TASCO: Thank you. Thank you very much.

MS. PAGAN: Thank you.

BRT CHAIRMAN SILBERSTEIN: Thank you very much for your time Councilman Goode, Councilwoman Sanchez, Councilman Rizzo, and Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

MR. McPHERSON: The Civil Service Commission is next.

(Witnesses come forward.)

COUNCILWOMAN TASCO: Good

afternoon. Thank you for coming in. Please state your name, who's testifying, and proceed.

MS. SMITH: Good afternoon, President Verna, Councilwoman Tasco, and members of City Council. I'm Doris Smith, Chair of the Civil Service Commission.

I am pleased to testify on behalf of myself and Civil Service Commissioners Linda Orfanelli to my left and Pedro Rodriguez in support of the Commission's budget request for Fiscal Year 2012.

Our total budget requests are $170,309 and consists of:

$139,309 in Class 100;

$29,500 in Class 200; and

$1500 in Classes 3 and 400.

This represents no change over our Fiscal Year '11 estimated obligations. And as previously reported, we anticipate no budgetary increases through Fiscal Year 2015.

Under the Home Rule Charter, the commissioners are charged with ensuring the application of merit principles to public employment. In carrying out that mandate, the Commission approves or disapproves a large variety of actions affecting Civil Service employees. These include the establishment of job classes, position, and pay classification, residency waivers, personal service contracts, Civil Service regulations, and exemptions from the Civil Service.

Significant time is also require to carry out another major role of the Civil Service Commission, that of an appellate body which hears and decides on Civil Service employees' appeals of personnel decisions. Most appeals are regarding dismissals, suspensions of more than ten days, demotions, failures on oral examinations, denials of requests for leaves of absence, and claims regarding injured-on-duty time.

The Civil Service Commission met a total of 157 times in Fiscal Year '10 and has met 115 times to date in Fiscal '11. A total of 152 appeals were received, 118 of which were accepted. And a total of 96 opinions and orders were issued. Additionally, the Commission approved a total of 109 classifications and pay actions, and has granted no new class residency waivers.

Between July 1, 2010 and February 28, 2011, the Civil Service Commission has received a total 129 and has heard a total of six to four appeals.

With this budget, members of Council, the Commission can continue its important work of assuring the preservation of the Philadelphia merit system, as mandated by the Philadelphia Home Rule Charter.

This concludes my testimony, and I would be happy to answer any questions you may have at this time.

COUNCILWOMAN TASCO: Thank you

very much.

Any questions?

(No questions.)

COUNCILWOMAN TASCO: Thank you very much, Miss Doris.

MR. McPHERSON: The next department is the Personnel Department, Human Resources.

(Witnesses come forward.)

MR. McPHERSON: Good afternoon.

COUNCILWOMAN TASCO: Good afternoon.

MR. D'ATTILIO: Good afternoon, Council President Verna, Councilwoman Tasco, and members of Council.

COUNCILWOMAN TASCO: Good afternoon.

MR. D'ATTILIO: My name is Albert D'Attilio. I'm the Director of Human Resources. I am here to present testimony in support of the Department's Fiscal Year 2012 Operating Budget.

With me today are Deputy Human Resources Directors Brian Albert, Celia

O'Leary, James Startare, and Michael McAnally.

Our FY '12 budget, proposed General Fund Budget, of $5,228,327 represents an increase of $173,200 from the FY '11 estimated obligations due mainly to our work on the upcoming firefighter examination.

The mission of the Office of Human Resources (OHR) is to attract, select, and retain a qualified, diverse, and effective workforce to support the goals of the City of Philadelphia.

OHR accomplishes its core mission by administering the Civil Service system, classifying and determining compensation rates for all Civil Service positions, developing and administering the Civil Service examinations, establishing Civil Service eligible lists used for appointments and promotions, ensuring compliance with the Home Rule Charter provisions and the Civil Service regulations, and designing and administering a competitive yet cost-effective benefit package for non-represented and Civil Service-exempt employees.

The Office of Human Resources is comprised of five budgetary divisions; I will briefly discuss the work of those divisions, focusing on budgetary items where appropriate.

OHR's Hiring Services Division is responsible for maintaining the Civil Service classification plan of over 1,000 Civil Service titles and establishing Civil Service eligible lists through a competitive testing process. In Fiscal Year 2010, OHR established 325 eligible lists. This fiscal year, we have thus far established 233 eligible lists.

In the wake of recent federal court decisions that scrutinized the development of the firefighter examinations across the country and the creation of eligible lists, we are in the process of soliciting proposals to develop a new Civil Service exam for the entry-level position of firefighter for the Philadelphia Fire Department.

This is a change from our last year's budget. It's been more than five years since we last established an eligible list for firefighter.

The professional consulting services sought by this RFP will include job analysis, examination development, the development of pre-examination test materials, test preparation materials, reviewing and scoring of the examination results, and a statistical analysis of those results. We anticipate testing 5 to 10,000 applicants this year.

The City's overall goal is to produce a legally defensible, valid, and job-related examination that reflects business necessity insofar as the test for the qualities that are needed to be a successful firefighter. The examination procedures should result in a candidate eligibility list that enables the City to hire qualified individuals in a manner that is nondiscriminatory, having no adverse impact on population groups protected by federal, state, and local employment and antidiscrimination laws. We estimate that the cost for this project to be about $250,000.

OHR's Shared Services Division is responsible for maintaining Civil Service eligible lists, certifying eligible candidates for consideration by departments seeking to fill positions, and processing appointments and other transactions.

In Fiscal Year '10, OHR processed 8,500 transactions. In Fiscal Year '11, we have thus far processed 7,193 transactions. In Fiscal '10, OHR certified 6,647 eligible candidates for departmental consideration. This fiscal year, we have certified 6,547 eligible candidates.

OHR's Strategic Services Division provides Human Resources services to seven departments under the Managing Director. Those departments are Fleet Management, Public Property, Procurement, Records, the Managing Director's Office, the Office of Human Resources, and the Civil Service Commission.

In addition, the division operates the Medical Evaluation Unit and provides assistance to departments complaints of employee harassment or discrimination.

In 2010, the division provided training to 1575 employees on the following topics: equal employment, sexual harassment, ethics, labor relations, reasonable suspicion testing, diffusing hostile situations, and performance excellence process.

OHR's Benefit Division is responsible for providing benefits to 6700 exempt, non-represented, and fair-share employees and retirees and for administering the basic life insurance program for all City employees.

Benefits are a major factor in attracting new employees and retaining current employees. The City-administered plan provides: medical, prescription, vision, and dental coverage for its participants. The Office of Human Resources will work to sustain the savings that we realized in 2010 and continue to look for ways to save additional dollars without sacrificing services.

The Office of Human Resources is committed to supporting the Administration's goal of 25 percent minority-, women-, and disabled-owned businesses participation in the City contracting. OHR's contribution to the Administration's goal is somewhat limited by the fact that our office has only two contracts of significance: our benefit consulting contract and the pending contract to develop the new firefighter exam. Our overall FY goal is 10 percent.

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OHR's contract for benefit consulting services stipulates a commitment that 15 percent of the annual cost of services is attributed to work completed by a minority partner, and 2 percent attributed percent to the work completed by a woman business enterprise. Their participation results in a total financial commitment of $42,500 for minority and women enterprises in Fiscal Year '12.

As I previously discussed, OHR is currently seeking a consultant to develop a firefighter exam. We worked closely with the Office of Economic Opportunity in determining that a 5 to 10 percent participation rate is a reasonable goal for this project.

I wish to highlight two contracts, though, in other departmental budgets that demonstrate OHR's strong commitment to the Administration's goal. Our office selected Robert L. Johnson Insurance Services, a minority-owned insurance services firm for stop loss coverage. The annual premium for that contract is $1,630,606.

In addition, OHR worked with the Division of Technology to select a minority firm, Equinoxys, to support the City's Human Services information system. That contract is valued at $360,000 for FY '12.

This concludes my prepared testimony. I am happy to answer any questions you may have.

Thank you.

COUNCILWOMAN TASCO: Thank you very much.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good afternoon.

MR. D'ATTILIO: Good afternoon, Councilman.

COUNCILMAN GOODE: From your testimony, can I conclude that the largest contract that you will award in Fiscal Year '12 is for firefighters examination consultant?

MR. D'ATTILIO: We anticipate -- it will be a tie, I'm sorry. We anticipate spending $250,000 for the firefighter examination, and our largest contract to date is with the Aon firm, which is $250,000, so they'll both be $250,000.

COUNCILMAN GOODE: And what is the other firm?

MR. D'ATTILIO: Aon, A-O-N. they're our benefits-consulting firm that I discussed in my testimony.

COUNCILMAN GOODE: Okay. And do they currently hold that contract in this fiscal year?

MR. D'ATTILIO: Yes, they do.

COUNCILMAN GOODE: And how many years have they held the contract?

MR. D'ATTILIO: This is the second year.

COUNCILMAN GOODE: Okay. And

can you describe the contract requirements?

MR. D'ATTILIO: The participation requirements?

COUNCILMAN GOODE: No, the contract requirements.

MR. D'ATTILIO: What they're doing?

COUNCILMAN GOODE: Mm-hmm.

MR. D'ATTILIO: They're providing benefit consulting and RFP-support work.

COUNCILMAN GOODE: And when was the contract last bid?

MR. D'ATTILIO: It was last bid in -- it was put out in 2009, the summer of 2009.

COUNCILMAN GOODE: Is the firm a certified disadvantaged business?

MR. D'ATTILIO: The firm itself is not; they work with a minority subcontractor.

COUNCILMAN GOODE: So the firm does subcontract with disadvantaged business?

MR. D'ATTILIO: They have a participation rate of 15 percent minority and percent 2 percent women.

COUNCILMAN GOODE: Okay. Was that the goal in the RFP?

MR. D'ATTILIO: That was the goal in the RFP.

COUNCILMAN GOODE: And what was that goal based upon?

MR. D'ATTILIO: Again, it was based upon the work that we did with the Office of Economic Opportunity to figure out what was the correct participation.

COUNCILMAN GOODE: I'm asking specifically, what is the work that the disadvantaged firm does?

MR. D'ATTILIO: Oh, I'm sorry. I misunderstood. Mainly communications work.

COUNCILMAN GOODE: Which means...?

MR. D'ATTILIO: Which means communicating with the, you know, various members, the various insurance companies that are providing RFPs or submitting RFPs for medical, dental, optical, and prescription.

MR. STARTARE: They --

MR. D'ATTILIO: And they also do our communication with employees.

MR. STARTARE: That is correct. They assist Aon in consulting in the RFP process and any communication that will coincide with the RFP process.

MR. D'ATTILIO: And this is James Startare, Deputy Human Resources Director, in charge of benefits.

COUNCILMAN GOODE: And there are no other subcontracting opportunities within the contract?

MR. D'ATTILIO: Within the Aon contract?

COUNCILMAN GOODE: (Nods head.)

MR. D'ATTILIO: No.

COUNCILMAN GOODE: Were there any disadvantaged firms that submitted proposals?

MR. D'ATTILIO: No. The firms that we received proposals from were all major consulting houses.

COUNCILMAN GOODE: Okay. So how might subcontracting opportunities change within that contract?

MR. D'ATTILIO: Within the benefit consulting contract?

COUNCILMAN GOODE: (Nods head.)

MR. D'ATTILIO: We will be going out to market within the next two years. We will again work with the Office of Economic Opportunity to establish realistic goals. And if the opportunity presents itself for a qualified vendor to do those services, we will give them fair consideration.

COUNCILMAN GOODE: Okay. I'm speaking not just in terms of percentages, but how might the services that you want to procure change and how might that change subcontracting opportunities? I mean, do you envision, by looking at it with fresh eyes, that there might be other services that might be subcontracting opportunities?

MR. STARTARE: Yes, Councilman, absolutely. And we plan to do that as we continue throughout the years our benefits proposals specifically.

And I think a good example of that was this past year where we saw opportunities on our stop loss insurance, and we saw an opportunity with the Robert L. Johnson Insurance Company, who submitted a very competitive proposal, and we selected them as our partner.

COUNCILMAN GOODE: Okay. Thank you. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

Mr. D'Attilio, when do you expect to hire the consultant for the firefighters examination?

MR. D'ATTILIO: We publicized the opportunity. Our proposals were due last week; we are in the process of evaluating those proposals now. So we should have a consultant selected within the next six to eight weeks.

COUNCILWOMAN TASCO: And so, once you select them, then when do they start to begin work?

MR. D'ATTILIO: Well, we have to go through the requirement of negotiating a contract. We anticipate that we would actually give the examination in late November, early December of 2011. Work will begin May or June, hopefully, of this year.

COUNCILWOMAN TASCO: Once you've established a list for firefighters, how long will the list be active?

MR. D'ATTILIO: Two years, by Charter.

COUNCILWOMAN TASCO: And so, how many vacancies do you plan to fill?

MR. D'ATTILIO: That's a question for the Fire Department. We anticipate that we'll have quite an extensive list.

COUNCILWOMAN TASCO: So they -- so you -- you establish the -- you have the test in November?

MR. D'ATTILIO: Yes.

COUNCILWOMAN TASCO: And then they have to pass the test and go through the process, so when do they come on active duty?

MR. D'ATTILIO: Well, I believe the Fire Department is anticipating putting in a class beginning in Fiscal Year '13.

COUNCILWOMAN TASCO: So in the meantime, we're paying overtime because we don't have the -- how many -- the adequate staff we need for the firefighters?

MR. D'ATTILIO: That's a question for the Commissioner. I'm sorry.

COUNCILWOMAN TASCO: Okay. You just process the paperwork, right?

MR. D'ATTILIO: Well, we develop and administer the examination.

COUNCILWOMAN TASCO: Mm-hmm.

MR. D'ATTILIO: We create the eligible list, and then we certify off of the eligible list.

COUNCILWOMAN TASCO: Mm-hmm.

MR. D'ATTILIO: The departments determine what their staffing levels are and when to fill those staffing, and how to fill those positions.

COUNCILWOMAN TASCO: Why does the Fire Department historically have a large number of EMT vacancies? Is that an ongoing rolling list, or does the list end at the end of a certain period of time?

MR. D'ATTILIO: We've had that on a continuous testing basis. It is a difficult-to-fill position.

We recently certified 82 candidates to the Fire Department. They're in the process of going through that selection. I believe they intend to put in a class of about 25 sometime in the next couple of weeks. We have another pool of approximately 50 candidates that we're expecting to test and replenish the existing paramedic list.

So we continually try to fill those positions, or have a list available so that the department can fill the position, but it has historically been a difficult-to-fill position.

COUNCILWOMAN TASCO: Could you give -- do you have any idea why that might be the case?

MR. D'ATTILIO: We suspect that part of it is because in Philadelphia, the role is quite a busy role. There's a lot of work and, you know, many of -- it's a small candidate population. And many of these individuals can work out in the suburban counties, with less of a workload, and we think that's the main reason why we have a difficult time in filling the positions.

But we've been working closely with Fire Commissioner Ayers.

COUNCILWOMAN TASCO: Mm-hmm.

MR. D'ATTILIO: And I believe you heard Fire Commissioner Ayers testify a couple of weeks ago that, you know, the recruitment effort has been much better.

So, you know, we're hoping that we have our hands around the problem.

COUNCILWOMAN TASCO: Is our salary competitive with the surrounding jurisdictions?

MR. D'ATTILIO: We believe so. We can always look at that again, but we believe the salary is competitive.

COUNCILWOMAN TASCO: But someone could be making the same salary in Philly or in another county but have a heavier workload in Philadelphia, right?

MR. D'ATTILIO: I think the workload in Philadelphia is, I think, much greater than what exists in the counties. That's what I've been told.

COUNCILWOMAN TASCO: Mm-hmm. You mentioned in your testimony that you processed 8500 transactions in Fiscal

2010. What was the number of new Civil Service hires for Fiscal 2010 and year-to-date for Fiscal 2011?

MR. D'ATTILIO: So Fiscal... for Fiscal Year '11 thus far, we've filled 239 positions that were permanent full-time, another 17 permanent part-time, and 112 temporary appointments.

In Fiscal '10, we had 864 permanent full-time positions; permanent part-time, another 22; and temporary appointments, 1,069.

COUNCILWOMAN TASCO: Do you keep track of returning employees of people who have worked for the City in the past or may have retired and came back? Do you keep a record of those employees?

MR. D'ATTILIO: I think we can generate a report on that, but I don't have that figure off the top of my head. We can provide it to you.

COUNCILWOMAN TASCO: Could you, please?

MR. D'ATTILIO: Sure.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair.

As it relates to the Fire Department's new testing, what are we going to do differently to ensure that we're not challenged legally, as we have been in the past?

MR. D'ATTILIO: I don't know if we've been challenged legally in the past.

What we intend to do is to bring in a professional firm to do a thorough, in-depth job analysis and design a valid job -- or a valid examination.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. D'ATTILIO: And that -- well, you can't necessarily guarantee that there won't be litigation. We believe that we would be able to defend ourselves because we will have a job validated selection instrument.

COUNCILWOMAN SANCHEZ: What methodology in looking at new practices or best practices across the country? There's a whole debate about testing and scoring and, you know, the qualifications of someone whose score is 75 versus someone who may score 70 who's from the City or knows the neighborhoods.

What are we going to do to better capture a better pool of candidates that are diverse?

MR. D'ATTILIO: So the initial stage of that will be that we will soon be announcing the firefighter exam, and we will work closely with the Fire Department to do a strategic recruiting effort.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. D'ATTILIO: 'Cause you need the candidates to test in order to be able to hire qualified candidates.

COUNCILWOMAN SANCHEZ: Mm-hmm.

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MR. D'ATTILIO: We then, you know, intend to turn to the expertise of the professional that we hire to, you know, employ best practices to, you know, give us a product that is legally defensible.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. D'ATTILIO: So do we have any preconceived ideas about, you know, how we will do this? No. I suspect that it will be slightly different than what we've done in the past.

What we've done in the past is basically have a knowledge-based examination process, and I think this exam will more likely be more behavioral-driven.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. D'ATTILIO: But, again, we're going to leave that for the experts to recommend.

COUNCILWOMAN SANCHEZ: Okay. We'll be looking for that.

You talked about the new hires

both in 2010 and 2011. Can you -- and if you don't have it, if you can submit to the Chair, can you give us the demographics of those hires?

MR. D'ATTILIO: Yes, we can.

COUNCILWOMAN SANCHEZ: And if any of them have any language capability other than English? I'd be interested in looking at that.

MR. D'ATTILIO: We'll write our report.

COUNCILWOMAN SANCHEZ: In the testimony, it says there was 109 new classifications approved by the Civil Service Commission. Were any job classifications requested by departments creating bilingual positions?

MR. D'ATTILIO: I don't believe so.

COUNCILWOMAN SANCHEZ: Is this something that is driven by departments, or does the Civil Service Commission see it within its purview to recommend language access?

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MR. D'ATTILIO: Typically, it's driven by the departments. The departments know their staffing needs, and they come to us for changes in the classification.

We occasionally make changes in the classification plan based on our own audits of positions, but it's mainly driven by the departments.

COUNCILWOMAN SANCHEZ: So in the last year or so, has the Civil Service Commission or the HR Department recommended to a department that was creating a new position that they may want to create a bilingual classification?

MR. D'ATTILIO: I don't believe we've made that recommendation.

COUNCILWOMAN SANCHEZ: When you submit the data of the new hires and the language access, can you also note which one of those are public-driven positions? And as I mean -- let me explain myself. Positions that require public interaction and how many of those have different language access abilities.

MR. D'ATTILIO: We can. It will probably take a little bit of time because it's not necessarily a field in our database. We'll have to go through each position and identify it as public contact or non-public contact.

COUNCILWOMAN SANCHEZ: Okay.

MR. D'ATTILIO: But we'll get that information for you.

COUNCILWOMAN SANCHEZ: So how do you keep a tally of the language access, when folks are bilingual? Is that a field within your capability?

MR. D'ATTILIO: We do have certain job classifications with a bilingual specialty.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. D'ATTILIO: We do also provide for selective factor certification if the department so requests. We've had that ability for quite some time.

And on the application, we do ask candidates to identify any other languages that is they speak. So, you know, we'll query our database and provide information on that.

COUNCILWOMAN SANCHEZ: But we've had no requests for bilingual positions or for the creation of a bilingual selected factor list by any departments?

MR. D'ATTILIO: We've had -- let me find it. We've had two requests for -- just a second here.

In November of 2010, the Office of Supportive Housing requested a bilingual service representative.

And in December of 2010, the Recreation Department requested a bilingual certification for Clerk-typist I for their older adult center near Mann Music Center.

COUNCILWOMAN SANCHEZ: The Mann Older Adult Center on Fifth and Allegheny. But thank you.

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MR. D'ATTILIO: Thank you. Sorry about that.

COUNCILWOMAN SANCHEZ: Thank you.

Thank you Madam, Chair.

COUNCILWOMAN TASCO: Any more questions?

(No further questions.)

COUNCILWOMAN TASCO: There being done, we thank you for your participation.

And we will recess this hearing until 10 a.m. tomorrow morning, Tuesday, April the 5th.

(Proceedings end at 2:25 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the proceedings of the City of Philadelphia Council Committee of the Whole are contained fully and accurately in the stenographic notes taken by me on Monday, April 4, 2011, and that this is a true and correct statement of same.

____

JOSEPHINE CARDILLO
Registered Professional Reporter

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