COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FISCAL STABILITY AND

INTERGOVERNMENTAL COOPERATION

Remote location using Microsoft® Teams
Monday, March 14, 2022
9:30 a.m.

PRESENT:

COUNCILMAN ALLAN DOMB, CHAIR
COUNCILMAN BRIAN J. O'NEILL, VICE-CHAIR
COUNCILWOMAN CINDY BASS
COUNCILWOMAN KENDRA BROOKS
COUNCILWOMAN KATHERINE GILMORE RICHARDSON
COUNCILWOMAN HELEN GYM
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN MARK SQUILLA
COUNCILMAN ISAIAH THOMAS

RESOLUTION: 200406

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COUNCILMAN DOMB: Good morning, everyone.

This hearing is called to order. I recognize the presence of a quorum of Committee members. Members of the Committee in attendance are our Vice-chair Brian O'Neill, Councilmembers Brooks, Sanchez, Squilla and Thomas. Thank you all for being here. This is the public hearing of the Committee on Fiscal Responsibility and Intergovernmental Cooperation. The purpose of this public hearing is to hear testimony on Resolution 200406.

I understand that state law currently requires that the following announcement be made at the beginning of every remote public hearing as follows: Due to the current public health emergency, City Council Committees are currently meeting remotely. We are using Microsoft Teams to make these remote hearings possible.

Instructions for how the public

may view and offer public testimony at public hearings of Council Committees are included in the public hearing notices that are published in the Daily News, Inquirer and Legal Intelligencer prior to the hearings and can also be found on PHLCouncil.com.

The Clerk will now please read the title of the resolution before the Committee today.

THE CLERK: Authorizing the Committee on Fiscal Stability and Intergovernmental Cooperation to hold quarterly hearings that include monthly reporting requirements, to discuss the fiscal position and overarching social impact goals of the City, included and related to the Five Year Plan and the reporting requirement set forth in the QCMR, as submitted to the Pennsylvania Intergovernmental Cooperation Authority.

COUNCILMAN DOMB: Thank you. And again, thanks everybody for being here, especially with our time change I know that an early Monday morning start is not the easiest. But I appreciate all of you joining us today.

I think a financial reporting is an essential part of our work here in City Council and monitoring whether or not we're underperforming or hitting our targets and performing or exceeding performance is essential to figuring out how we manage Philadelphia's economic recovery, especially coming from this pandemic. We're managing a precarious economy right now, so I want to thank everyone. So let's get started.

Mr. Grbach, please call the first panel of witnesses.

THE CLERK: Our first panel includes Rob Dubow, Marisa Waxman and Harvey Rice.

COUNCILMAN DOMB: Finance Director Rob Dubow, good morning. If you would like to get started.

MR. DUBOW: Good morning. Sure, thanks. And good morning, Chair Domb and members of the Committee. Rob Dubow, the Finance Director. I'm here to testify on Resolution 200406 regarding the current fiscal position of the City. I'm joined by Marisa Waxman, our Budget Director who will be doing some of the -- presenting, you know, as we do each quarter we'll walk you through a PowerPoint.

We also have representatives from IHS Markit, Jim Diffley and Tom Jackson, here to help answer any questions and representatives from Revenue and OPA. With that, so I'll get started.

COUNCILMAN DOMB: Okay. Thank you.

MR. DUBOW: Sure. If we go to Slide 2, give a broad overview of what the quarterly report shows in terms of our revenues and expenditures and our projected FY22 fund balance. So we're now projecting revenues of a little bit under 4.2 -- 5.2 billion, sorry, which is about 72 million less than in our original budget, but over 100 million more than our target budget. Our expenses are about 5.37 billion, which is more than the original target budget and even a little more than the target budget.

Putting all that together, what that means for our fund balance is it's actually higher than the adopted budget by almost 50 million, and it's about $134 million. And as we talked about it before, while 134 million sounds like a lot of money, it's less than 10 days of spending or about 2.5 percent, which is well below our internal goal which is being 6 to 8 percent or the Government Finance Office Association's best practice which is about 17 percent.

And the next slide shows that graphically. As you can see, our projected fund balance is a lot lower than it was before the pandemic started when it was about 439 million. Now, it's actually above our internal target between 6 to 8 percent. But even that was well below the GFOA target, and we have made a conscious decision that we can't really get to the GFOA target, but we do think that our internal target meets the trade-off between being our ongoing needs and ensuring long-term fiscal stability. As you see in '20 -- sorry, not quite ready -- we drew down on that fund balance. And in '22, we're continuing -- we're showing another draw which would take us well below our targets.

The next slide is an overall view of our revenues. As you can see, the second quarter revenues were higher than our target and higher than FY21, but still below where we were in FY20. And if revenues continue to grow at the pace where they've been growing before '20, we would have been much higher than where we are now.

We projected at the end of the year we'll be at about 5.2 billion. That's helped by strong sales, parking and wage tax collections accounting for most of that increase. If you look at the next slide, you can see that those stronger tax collections have us over the original target, also over the original target for our local fees and fines, but that's partially offset by being under target for revenues from other governments.

As we go into obligations, I'm going to flip this over to Marisa to walk you through the next slides.

MS. WAXMAN: Thank you. So in the second quarter, we've spent over a shade over $1 billion. That's in line with our target budget. This is still less than our actuals from last year. As far as our year-end projections, we are on track to spend $5.4 billion. That's $103 million more than the original budget. This quarter we've raised it about 24 billion. But most of the increase stems from changes we made in the first quarter related to labor costs.

In the second quarter, the main changes are pension contributions due to the sales tax. As Rob just mentioned, our sales tax has been coming in strong. Because a portion of that automatically goes to the Pension Fund, that means our spending for putting money into the Pension Fund automatically increases.

Additionally, there were court-ordered costs at the Prisons for COVID tests and other related medical needs. That was part of the fall transfer ordinance approved by City Council, so that drove the $24 million increase compared to last year's quarter presentation in terms of overall spending for the year.

Next, we look at our overtime spending, and this is something that we track and report out fairly regularly. Overall our spending is about 7 percent less on overtime year-to-date compared to this time last year. Overtime for the quarter was a little over $10 million lower than it was in the second quarter of FY20, the last prepandemic quarter.

And as you know, we've got a

lot of different things that impact what is happening with our overtime. One has to do with -- and then we'll go into it in a couple of moments -- how many workers there are available to do work. And so, how many positions are filled, how many of those filled positions are the people available to work versus out on leave. But also then, we have a lot of changes over the past year or two in terms of what services are we providing in some areas. We've got 24/7 operations that have to be staffed even when folks are out sick or caring for family. In other places we've had operations that have been dramatically curtailed for public health reasons. And so, there's been a lot of variation by department and overtime for the past three years.

Additionally, the cost of overtime even if the number of hours stayed exactly the same as we have increases in pay for City employees, the cost of overtime will always go up even if the amount of hours remain the same. And so, our year-to-date though so far this year was about $98 million in overtime spending.

As I'm mentioning this is really tied in part to our leave usage. Our median leave usage in the second quarter of FY22 was 16.1 percent, and that is an increase over the prior year, but lower than the leave usage two years ago in FY20 2Q. So year-to-date is about 8 percent higher. When we're thinking about December, it will be really interesting when we look at the third quarter, Omicron and the impacts there and what that did for folks being out.

There are still areas of ongoing concern with some of our public-facing agencies with Streets - Sanitation, Sheriff, Police - Uniform and Prison staff due to the impacts of COVID-19 on employee's personal health and to care for children and family members and quarantine and isolation requirements. And so, you can see that our highest areas as I just mentioned concentrated Police, Prisons, but then some of our lowest areas are in some of our independent offices, District of Attorney, Register of Wills.

As I was saying, the number of people available to perform work is really driven also by how many positions are filled. Also, this is a topic not just locally in City government, but nationally and globally in terms of hiring and filling positions. But you can see here that as of the end of December, the number of filled positions we have was about 4300 individuals less than we were budgeted for. And you're seeing that we are also having just a decrease in terms of how many were filled at the end of FY21, so over six months as well as the nearly 4 percent decrease compared to this time last year. 815 of those are in our General Fund, so a real concentration there, 80 percent in the General Fund.

And so, from there obviously how many folks we have available to work can really impact the quality of services delivered. So even despite being lower in the number of filled positions, we are finding that 78 out of 109 performance measures reported in the Quarterly City Manager's Report are on track. There are a couple that lag a quarter and some that don't get reported right away. We do still have a bit less than a third that are not on track. And so, I'll go a little deeper to give you a sense of where things are going as expected and where we're falling short.

To start with just to give you an overview, we present -- actually the Budget Office collects over 500 performance measures. Many are in or all of them are in our Five Year Plan, and some of them we present quarterly across Public Safety, Health and Human Services, Commerce, Finance, Children and Family Services, Transportation & Infrastructure, Operational Support.

And so, I wanted to talk to you about some things that are on track, going as expected. Licenses and Inspections, the number of building, electrical, plumbing and zoning permits issued, they're targeting 53,000 for the year. We're over 25,000 at the end of the December, expecting that we will meet that target.

For some of these, it's important to know that there is some seasonality. And so, even if we're not 50 percent there or halfway through the year, there are times where folks can say we're still on track to get the total amount we need. Additionally, the Office of Homeless Services is providing homeless prevention assistance so far to over 727 households. They're expecting that they will meet or exceed their 1400 household target for this year.

And I mentioned, there are some areas where our operations are not meeting our expectations or our targets for those performance measures. In the area of on-time trash collection, we're at 68 percent, which is a significant improvement over where we were this time last year, but still below where we were prepandemic at our new goal of 70 percent, so still some movement there.

The Free Library has seen real variation in participation of their programming. And so, their team program attendance, their target at 38,000 for the year. But so far this year, they've just had about over 5,000 attendees and that's actually trailing where we were last year, so some interesting things to check out there.

Going back to the Streets Department, the recycling rate we're nearly hitting our 10 percent goal but we are not quite there yet at 9.4 percent. Again, tremendous improvement compared to where we were last year, but still not where we were in the last full prepandemic year at 14.1 for our recycling rate. And so, we're seeing basically across Streets Department improvement, but not full recovery yet. So that's our performance.

We also, you know, the QCMR goes through December. We do those quarterly, but we're also on a monthly basis looking at our spending seeing where we are to make sure we are on track. And so, at this point through February about two-thirds of the year has elapsed, 66.7 percent. Luckily, some of our spending overall we are still just at under 58 percent. So there's a lot of seasonality, and I'll talk through in a moment what some of those are, but there's no major red flags here in terms of where we might end up here. Obviously, path of the virus, giant blizzards, all sorts of things can affect us in the back-end of the year, but at least so far where we are it's looking pretty stable.

And so, what this slide here is presenting is across all classes, all of the spending to date. So the dotted line is showing that 66 percent, that all departments spent in an even clip throughout the year, that's what you would expect to see. But you do see some real variation here that some are spending beneath, some may be a little ahead and there's been a seasonality. A good example of this is the Department of Human Services, they transfer in expenses back and forth from grants, and it doesn't necessarily line up from when the dollars are expended. You'll see things like the City Commissioners, they have real seasonality around when elections can occur, so that can affect this.

So this is across all classes, and you can again see this as we focus in on Class 100, which really should queue a bit closer to being 66 percent with two-thirds of the year of a lapse, but again this is where you will see some of those seasonal variations. City Commissioners, again low. Things like Finance, which I believe here looks like the lowest, but keeping in mind that our

Class 100 in Finance includes pension payments, also the medical benefits, so those don't go out at an even clip.

But so as we look at this, we see that our spending is basically where we would expect it to be given where we are in the fiscal year. So that concludes our presentation. We're happy to take any questions you have. Thank you very much.

COUNCILMAN DOMB: Thank you. I just want to recognize the presence of Councilmember Cindy Bass and Councilmember Helen Gym. Thank you both for joining.

I think we're going to go to Harvey Rice for his presentation, and then we'll come back to you for questions for the whole panel.

So, Harvey, take it away.

MS. RICE: Good morning, Chairperson Domb and members of the City Council Fiscal Stability and Intergovernmental Cooperation Committee. As you know, my name is Harvey Rice.

I'm the Executive Director of PICA, the state oversight agency for the City of Philadelphia. We didn't prepare a PowerPoint because it's generally very similar to what the City prepares. So I'm just going to go over some highlights of not only the QCMR, but some revenue projections and actuals that we've seen coming in so far this year.

FY21, the year-end fund balance is estimated at 298 million, almost 220 million higher than what was previously projected of 78.7 million. This was primarily due to a higher revenue of 140 million and lower obligations of 201 million in Fiscal Year 2021.

As Rob and Marisa mentioned, the projected fund balance for '22, Fiscal Year '22, is 133.7 million, slightly lower than what was projected in the revised plan, which was issued on October 29th. This represents as Rob said, 2.5 percent of total obligations or about a week's worth of expenses, which is far less than the City's own target of 6.8 percent and the GFOA's recommended target of 17 percent of obligations.

The projected revenues of the City are now 5.184 billion or 104.3 million higher than what was projected in the revised Five Year Plan of October. The projected obligations are currently 5.372 billion or 24 million higher than what was projected in the revised Five Year Plan.

The projected overtime costs are now 198.8 million, an increase of 13.4 million over the City's first quarter projection. This is due primarily to the increase and overtime spending in three departments, Police, Prisons and Streets. Through January '22, the City has spent 120.6 million or over 60 percent of their allocation for overtime for this fiscal year.

Going into tax revenue collections, through February 2022 the City has collected tax revenue of a little over $2 billion as compared to the adjusted 2021 total of 1.752 billion collected through February 2021. This was an increase of 257.8 million or about a little less than 15 percent. If compared to Fiscal Year '20, a total of 1.375 billion collected through February 2020. There is an increase of 634.1 million or 46.1 percent, but we need to understand why that percent is high during that -- in Fiscal Year 2020, there was the 1 percent incentive for people to pay their real estate taxes early, which is February 28th of that year. So that's what carried the revenue collections, we believe, high in that year at that time.

Through February 2022 every tax revenue category saw year-to-year date increases over '21. The City's portion of wage and earnings and net profits tax increased by 32.3 million or 3.2 percent. The Business Income Receipts Tax increased by 62.2 million or 46.9. Real estate increased by 7 million or

4.1 percent. Realty transfer increased by 78.6 million or 36.3 percent, and City sales tax increased 26.7 million or 19.5 percent. The year-to-date parking and amusement taxes also increased considerably driven by strong monthly collections increases.

As Marisa just pointed out, through February 2022 the City has obligated over 3.048 billion or 56.7 percent at their $5.4 billion budget. The City's 12 largest departments accounted for 87 percent of that total obligations. Thank you for allowing me to testify, and I'm here to answer any questions that you or the Committee may have.

COUNCILMAN DOMB: Thank you, Mr. Rice. And I have a couple of questions.

And I also want to recognize Councilmember Katherine Gilmore Richardson who has joined us. Good morning and thanks for being here.

Let's start off with I think,

Rob, you had that first chart that showed revenues and expenses. It was one of the first charts. I just want to take another look at that to make sure I understand. Can we pull that one up? Yeah, that's it. That's the one.

I want to make sure I understand what we're saying here. It says in the budget, 104 million higher than the target budget and 24 million more than the target budget on expenses. Does that mean there's an $84 million delta in revenue?

MR. DUBOW: It means that the amount by which revenues were higher than budget is 80 million higher than the amount by which expenses are in the target budget. I think that's what you're asking.

COUNCILMAN DOMB: So it's good news actually that we're 80 million ahead than what we expected basically?

MR. DUBOW: Than target budget. So, yeah, I think there's mixed news here in that we're showing the fund balance is really the number that we look on. And as Harvey said, that's right around where the fund balance was in the revised Five Year Plan. And so, that's good. Obviously, there's still lots of uncertainties and lots of threats, so we still have a lot of concern.

COUNCILMAN DOMB: Right. When the target budget was done, that was prior to that spike that occurred at the end of December and January, wasn't it?

MR. DUBOW: Yes.

COUNCILMAN DOMB: Do these numbers reflect what occurred in January and February?

MS. WAXMAN: So, no, these are through December, our collections. And the increase in revenues, a good chunk of that comes from a strong wage tax, which on the one hand yay, great. But we still are not putting on our party hats because our concern is that there still will be significant refund requests at the end of the year from commuters.

Our sort of senses -- we're getting a sense of what employers are choosing to do. Rather than them try and guess as we go through different variants and closures and open and close, we think a significant number of them are continuing to withhold as if the employees are 100 percent of the time in Philadelphia. But when they are not, they will then be entitled to a refund later.

And so, there's still some uncertainty that the strong collections we're seeing right now will be reduced once folks start filing for refunds later. As we get into this tax season, we'll learn a bit more about Calendar Year 2021, so there will be more information over time, but there's really still uncertainty with that wage tax that even though it was going gangbusters through December, what that will actually pan out to be could be different.

COUNCILMAN DOMB: So is the story here that I think you're trying to share with us is that the revenues are generally okay, the expenses are generally okay, but our big deficiency is fund balance?

MR. DUBOW: Well, two things. One, I think there's still -- as Marisa said, there's still uncertainty around the wage tax because of the refunds and, yes, our fund balance is lower than where it should be.

COUNCILMAN DOMB: Okay. I have a question on the collection rates. And I know that it's probably for Commissioner Breslin. I know we dropped a lot of enforcement mechanisms during the pandemic. But I was wondering what we're doing right now to bring that back online. And maybe the Commissioner can comment to all of us. I know he did a really good job on what the collection rates were prior to the pandemic, and then give us some idea what they are today and what we are planning to do to ramp them back up again.

COMMISSIONER BRESLIN: Sure. Frank Breslin, Revenue Commissioner. As you said correctly, really during the pandemic the Department focused on recovery and making payment agreements and putting programs together, assistance programs to help businesses and taxpayers during the pandemic and part of that curtailing most enforcement efforts.

We have since started to resume enforcement. It's been gradual, but we're getting to the point where we're almost to full enforcement or we'll be towards the end of this fiscal year, but we're still keeping the support mechanisms there, payment agreements and making it easy for taxpayers to get into compliance.

With everything that was going on, the pandemic as well as our curtailing of enforcement, our collection rates in some taxes have reduced slightly and we're seeing an increase in delinquency. The real estate tax, the one that we track the most closely and as you know our collection rate, has been around 96 percent. That has stayed relatively secure. So even without enforcement, that has stayed pretty much at 96 percent. We have seen some increase in delinquencies there too, and we're seeing that across our business taxes which would be expected as many businesses were significantly impacted by the pandemic.

And as we institute our enforcement measures, I think you'll start to see those collection rates improve, but it will be gradual because many businesses will require payment agreements to come into compliance so that gets them on track, but gradually.

COUNCILMAN DOMB: That's great. And by the way, I remember maybe six or seven years ago the collection rates were dramatically lower than where they were in '18 and '19 and even today, so that's kudos to you and your department really.

COMMISSIONER BRESLIN: Thank you. We're very proud of the great progress that we've made. The pandemic set us back a little bit. But I think we're in a good spot to get back on track.

COUNCILMAN DOMB: Do you think there's a realistic goal for our expectations on collections? Is it 96, 97, 98? What do you think that number should be?

COMMISSIONER BRESLIN: Well, we've been pretty much staying around 96 to 97 percent. So like I said, we've slipped a little bit there and would like to get us back to above 96 percent. And I think that's achievable hopefully I'll say next fiscal year.

COUNCILMAN DOMB: All right. Okay. Thank you. Keep up the good work. And again, thank you to you and your department. It's great.

COMMISSIONER BRESLIN: Thank

you.

COUNCILMAN DOMB: I got a question on the ARP dollars. I want to get an idea of how much in ARP dollars we're spending in Fiscal Year '22 and how does that compare maybe to future years?

MR. DUBOW: So in FY22 we are projecting we'll spend about $250 million in ARP money. And our ARP spending will likely gradually increase slightly each year until we get to FY25, by which we have to spend all the money. And we will have had all 1.4 billion spent by that time, by December of '24.

COUNCILMAN DOMB: Is the majority of the ARP 1.4 billion over the period of time being used for revenue replacement?

MR. DUBOW: Yes, it is. When we projected the impact on our Five Year Plan of the pandemic, it was a $1.5 billion hit. So the 1.4 billion was an amazing lifeline, but it didn't even replace all of what we thought we were losing.

COUNCILMAN DOMB: Right. And is there any possibility that we would reconsider and invest the money in what we thought could be productive to expand our base versus just using it for revenue replacement?

MR. DUBOW: So what we want to be careful of is making sure as we look out over five years into our Five Year Plan that we maintain balance even in the back years after the dollars are gone. So you don't want to make the investment upfront and then three years later have to make cuts because we didn't replace revenue that was being lost.

COUNCILMAN DOMB: No, I'm talking about using the money to actually expand the base, which you could interpret many different ways. But I'm saying instead of just using it for revenue replacement in the four or five years from now, using it to figure out a way that we can expand the tax-paying base and bring more people and business into the City.

MR. DUBOW: Yeah. So a part of replacing lost revenue means that we can do things like open back up Parks & Rec centers, open up libraries, improve the services we provide, improve our investment in economic stimulus and the things that the Commerce Department does, so they're all part of actually trying to expand the base. So without this money, we wouldn't be able to make the kind of investments that we're making in our Five Year Plan, and it's really likely that the base would have actually contracted.

I see Marisa lit up, so I see she probably wants to add something to that.

MS. WAXMAN: (Shakes head).

MR. DUBOW: No, okay.

COUNCILMAN DOMB: Okay. I hear you. I'm not saying I agree, but I hear you. I have some questions on the performance. We all hear about trash and picking up trash in the streets and so forth. Our current performance level I think Marisa showed it was 68 percent versus two years ago it was 81 percent.

What are we doing to increase that dramatically even to get to 90 percent? Do we have a plan to do that?

MS. WAXMAN: Yeah. So the Streets Department has been working really hard to look at staffing up. We've approved a number of just having enough people there to do the work and how they're scheduling. And so, that's really how they're attacking this. Obviously, a reduction in the volume of trash would help as well. There's always unexpected weather events. Those are challenging, but really the concerted effort has been around staffing and shift scheduling so that they can assure that they have adequate folks there.

Another thing that's really important to maintain for on-time trash pickup, making sure that fleet is adequately resourced because you need a truck to go get the trash. And so, there are folks who still shutter when they talk about the compactor crisis of 2013, so making sure that we have adequate staff and parts so that they can keep those vehicles on the street is really an important part of that.

Obviously, some crunch on that in the past couple of weeks, fuel prices, things like that are going to be impacting budgets. But Streets is looking at the staffing piece and maintaining the fleet piece so that they have the equipment ready is really the approach there.

COUNCILMAN DOMB: I'm just mentioning it because we all hear that the basic services is what we need to improve on, including public safety is number one. But trash and picking up the trash is right up there, so is schools and other things. But that's really a key component, if we can get that trash pickup to 90 percent, that will be a big improvement I believe. I don't know if they have a plan, but I would like to see a plan of how they're going to get there if we can get a copy of it.

I'm trying to figure out why are the libraries so underutilized, especially since last year. The drop is so dramatic. Why would that be?

MS. WAXMAN: So I think some of it shifts back and forth from online programming to inperson programming, changes in school schedules and remote learning. Because what I put up there was the teen program, so I think that there has just been not enough consistency for them to build programs. And we can certainly go back to the library and ask for a bit more information. But there's been real changes in just people's patterns and where they're spending their time.

COUNCILMAN DOMB: So I'd like to ask the Library for a plan on how they plan on going forward programming in the libraries to --

COUNCILWOMAN BASS:
Mr. Chairman.

COUNCILMAN DOMB: Yes.

COUNCILWOMAN BASS:
Mr. Chairman, point of information I would just like to bring up around the libraries. As the Chair of the Committee under which the libraries fall, the libraries as we all know have been woefully underfunded for a very long time.

And during the pandemic, the libraries for the most part when we talk about usage have overall really just been closed. Most of our libraries have been closed and they have not had the level of staffing and been open on any level to provide any level of consistent opportunities for folks to be able to use them. So I really just wanted to add that. I have no doubt that Ms. Waxman's comments are accurate, but there's also a Part 2 to that.

COUNCILMAN DOMB: Thank you,

Councilmember Bass. That's important.

COUNCILWOMAN BASS: Thank you, Mr. Chairman.

COUNCILMAN DOMB: Thank you. Okay. I have a few more questions, but I want to recognize my colleagues. And let me start with Councilmember Sanchez who has a question.

COUNCILWOMAN QUINONES-SANCHEZ: Good morning. Thank you, Mr. Chair, for the opportunity.

I want to go back to the operational department with the overtime challenges, and we can use Streets Department. The Chairman was speaking to that as an example. I want to be real clear because this is one of the line items that all of us have been critical about, and I want to make sure we can explain, particularly with the staffing shortages, right, because I want to make sure we're funding departments adequately and then when we're calculating their overtime, we're saying the overtime, they're not fully staffed because there's a staffing crisis or is the overtime related to us not properly funding them from the beginning.

So can we drill down on that a little bit. Is this just a staffing issue or is this an initial funding issue?

MS. WAXMAN: So how I would start that question is that, one, in some places overtime is --

COUNCILMAN THOMAS: Mr. Chair. I'm sorry, Mr. Chair. This is Councilmember Thomas. I'm so sorry to interrupt, but I am following along closely. Can that slide be pulled up so I can understand exactly what Councilmember Sanchez is asking because I too want to hear the answer. I apologize.

COUNCILMAN DOMB: No problem. Thank you, Councilmember.

MS. WAXMAN: So I will pull up here the slide we have on overtime. And so, again to recap actually our overtime this quarter and year-to-date is below where it was last year. So we have been reducing the amount of overtime compared to where we were. Generally, we review overtime as a pool. Sometimes it is the best tool for the job. Sometimes it is sort of our last resort to deliver needed services. And so, we monitor it and it looks different in different places.

In departments that have 24/7 365 operations where they must be minimum coverage, you can't just do it next week when somebody gets back from vacation, that's a place where it is core to service delivery. There's other times where we simply look at if we're trying to provide X amount of service, does it make more sense to hire more people to contract something out, to make a technological investment. And there are times when we evaluate and overtime is the best option we have. And then also right now where there are periods where we have kind of a number of vacancies where we just are simply relying on it to get the job done.

And so, as the Councilmember was asking is this an issue where we didn't fund them enough and then if we didn't give them enough positions and then they're forced into overtime, that's not great. There's other times where we budget that in or they've budgeted to fill the positions, they have a number of vacancies, but because of timing like recruitment and how classes go in and how many folks make it through that process, the money is there for the straight time for the new employees. But if the positions aren't filled, we use the budget.

So I think it would probably make sense if there are specific departments we can go back and look. We know for example the Fire Department, in order for them to have 0 overtime, they would need to be fully staffed with 3300 employees. But given how many people can get through the academy, given the nature, we know that we can't fund that and boom, overnight. And so, what we do is we build into their budget, as we work towards that staffing, adequate money for the overtime.

So it does vary department by department. Some of are fully funded for all of their staff and money is not the problem. There's other places where they're not fully funded, but the challenge is getting folks onboard, so even if they had the money, they wouldn't be able to do it. If there's specific places where money would solve the problem, get people onboard, reduce the overtime, those are things we really try to make sure are adequately funded from the jump.

COUNCILWOMAN QUINONES-SANCHEZ: So, Marisa, one of the things, particularly with the Streets Department, under COVID the sanitation and our trash situation has changed drastically, right. People are incredibly frustrated around the level of dumping, and I know our Streets Department staff works incredibly hard because I know how they respond or attempt to respond in districts like mine. Because people are doing more home deliveries, all of that, the other stuff, our trash situation has changed.

And what I'd like to see, and particularly when we get to the budget discussion, to make sure that we have adequately shifted and funded the Department outside of the staffing challenges that we see across the board because we can have the same discussion around L&I, right, not fully staffed, don't have the overtime, but permits are still high and inspection requirements are still high.

But on the trashing stuff, what are the COVID changes related to these departments and how are we responding to them? On every block, there's 10 Amazon deliveries that add to our disposal situation. How are you making sure we're funding for that because that's one of the biggest levels of restoration? So what has changed given that this is kind of the new norm and all of these deliveries are happening?

MS. WAXMAN: So I will say Streets has been hiring and they've been approved for bringing folks on, temps when they needed those, bringing on additional laborers to make sure they're staffed. Looking at their shifts, looking at a number of different policies. I don't have all of the details, but it is something I'm certainly happy to go back to Streets to get more information because they have been attacking this.

Additionally, simply making sure that they're funded in the waste disposal budget and that also is a real pressure on us. As the volume in tons go up, we pay per ton for trash disposal. So that's another pressure that needs to be funded unless we can just sort of stop getting stuff. So we're looking at both the operational and the staff and the Class 100, but also we spend a significant amount on the waste disposal, and that's purely based on the tonnage.

COUNCILWOMAN QUINONES-SANCHEZ: Well, we're going to be looking for that. I know it's not zero-based budgeting, but I think COVID has changed how some departments had to operate and are going continue to operate because of changed behavior. And again, notwithstanding staffing crises across the board, and we'll have that discussion when we talk about the personnel office and what we're doing there because it is unacceptable that we continue to budget for jobs and they don't have the capacity to process.

But let's speak to, for instance, L&I. You spoke about they were in line for permitting. The same could be said for L&I as construction has remained high and their ability to get off the ground. What, if anything, are we doing differently right now to help them meet the need, right? The permitting activity demonstrates the need for more staffing. What are we doing to bridge that gap?

MS. WAXMAN: In the FY22 budget, one of the elements there was increasing funding and partnerships with CCP to get more inspectors on so that we could get the staff and also really develop pipelines, so that is helping fill stuff in. Additionally, when I talked about the different ways that we can provide service, and sometimes it's overtime, sometimes it's straight time, sometimes it's technology investment, the investments in eCLIPSE have been really impactful because they let the folks that can do something quickly online get that done, so that frees up existing staff for the folks who need a different type of service or more manual individual care.

And so, technology investments, the creating better pipeline so that we have staff, but really in this market where real estate and all sort of allied professions has continued to thrive compared to a number of others, the tracking staff is going to be a challenge for a number of positions that they have.

So we continue to look at that, look at the overall market and try and understand what are the different ways that we can do this through staffing, through technology investments, through changing how things work. So that is something L&I has really been looking at so that we can keep up.

And there's also -- as you know, the changes with the 10-year tax abatement, the implementation of the construction and impact tax are changing behaviors in the market and creating sort of spikes in activity as folks were looking to do that towards the end of the year.

And so, we'll really be looking to see how much of that volume of activity is like a new normal and sustained versus how much was just a time shift in a spike. And so, there's a lot of looking at what can we inspect. Is the second quarter of FY22, is that abnormal or is that a new normal, and that's something we'll continue to monitor so that operations can adjust to that.

COUNCILWOMAN QUINONES-SANCHEZ: Okay. Well, again we'll look forward to that conversation around adapting to the new behavior. I know that December was crazy for the Department of L&I. I know they did the best they could to make those abatement deadlines, and eCLIPSE has been very helpful. But what is going on, on the ground is more activity.

One of the spikes that we're getting is complaint-driven around construction sites, you know, damage to properties, info work and some of the traditional service deliveries. So on the one hand, we're getting efficiencies, how are we redeploying staff, do we still have enough staff on the other end to respond, again to the basic services request where we're getting spikes to do that kind of request for service, so we'll look forward to that conversation.

Thank you, Mr. Chair.

COUNCILMAN DOMB: Thank you --

MR. RICE: Mr. Councilperson Domb, can I add and --

COUNCILMAN DOMB: Sure. Absolutely.

MR. RICE: -- go back to the Streets question that the Councilwoman asked. At the end of the second quarter which was the end of September 2021, the staffing level of Streets was 98.6 percent, so that's the staffing level compared to their overtime.

But you also have to look at their leave usage. And their leave usage was pretty high. It was almost 20 percent. That's due to the nature of their work, one, COVID and the increase of trash pickup, the tonnage of trash that they had to pick up causing a larger sick leave in that department.

COUNCILWOMAN QUINONES-SANCHEZ: No, I totally agree. I just think we have a lot more dumping going on that is, you know, the impact of that dumping has to really be analyzed around the work we do. And that's why I was asking about tonnage, right.

Again, we have an incredible increase of tonnage as people stayed home. And so, that may become something that we have to budget better for as we move in the future, as we'll have some hybrid working. So I totally agree with you. So that's why I'm asking.

What I don't want to see is us complain about a department's overtime if we're not giving them the money on the front end for what our new needs are and then managing the overtime based on that. That is one of the most difficult jobs that a department has hit incredibly through COVID.

So I want to have and I

appreciate, Harvey, you putting that in context around the leave based on COVID outbreaks that were in the department, but also the increased state of need on the backend. I just think that we're going to have to spend some time on the Streets Department because it's the one that is the most frustrating for people, but there's a behavioral science to this, right, where do they dump, all of this dumping that we need to find on the front end.

So thank you very much, Mr. Chair.

COUNCILMAN DOMB: Thank you, Councilmember Sanchez. Very good pointed questions you raised, really adapting to the new world, so thank you.

I want to recognize Councilmember Kathy Gilmore Richardson.

COUNCILWOMAN GILMORE RICHARDSON: Good morning, Mr. Chair and good morning, colleagues. And thank you so very much for this hearing. I just wanted to circle back to a few things I heard during the testimony. And I will start with where Councilmember Sanchez has left off because I think this is a really important issue that we really need to have a whole governmental approach around resolving and preparing for what our new normal will look like, not just with trash recollection, but also with our staffing levels. As we know, a number of companies across the world continue to struggle with staffing.

And so, I wanted to start where, Marisa, you left off. And you had mentioned what would help will be a reduction in getting into our waste stream. But what I wanted to talk about is how you all are thinking from a City government perspective of a circular economy strategy around waste reduction, you know, around our materials used, redesigning of materials to be less resource-intensive, and just how we are thinking about a circular economy strategy as a whole and supporting those efforts from a government perspective, because we are not going to magically get a reduction in our waste stream out of nowhere, particularly to Councilwoman Sanchez's point around all of the deliveries during COVID and continuing mixed with the staffing challenges we have.

So how are you all thinking about a true circular economy strategy for the City of Philadelphia and how are you supporting those efforts externally?

MS. WAXMAN: So I think certainly I would probably really want to bring in my colleagues from Sustainability, from Commerce looking at the different ways we are linking sort of all of the work we are doing around sustainability and the environment with our economic development efforts and seeing how that will work. But obviously, with the plastic bag ban, there are a lot of public sector interventions that have been made and can continue to be made.

And so, both sort of attacking it from sort of that root problem of where does the trash come from as well as do we have a good plan to manage it. You saw that our recycling rate is getting closer to what our target was. Just missed that by a bit this past quarter. So I think that all of that is happening together. I don't have a ton of specifics, but I will be happy to go back to my colleagues and get more information for you.

COUNCILWOMAN GILMORE RICHARDSON: Sure. Well, I'll definitely be talking about that during the budget process obviously, but I just wanted to bring that up because we won't magically see a reduction in our waste stream without targeted interventions, whole government approach to what that reduction could look like for Philadelphia, and that's something that we will have to lead.

I mean, even at the U.S. EPA they are talking about a circular economy strategy from an EPA perspective in helping municipalities with this. And so, I think we have to do a better job of thinking about what that reduction looks like on the backend and on the front end, and even around the building decarbonization conversation. We need to figure out how we can get in front of this with multiple departments and agencies, so that was the first thing.

And then secondly, I wanted to talk about the Rainy Day Fund. I heard my colleague Councilmember Domb mention I guess the increase in what we have at the end of this year, I guess it was fiscal year relative to how much we have in our Rainy Day Fund based on what we anticipated.

Can you just go back to that slide for me and let me know the amount, and then also what the percentage is and how that compares to the GFOA recommended levels for our Rainy Day Fund?

COUNCILMAN DOMB: Sure, and that's Slide 3. So we're projecting that the end of FY22 we'll have a fund balance of about $134 million. In the plan that PICA approved or advised plan, we were showing a fund balance of 133.8 million, so it's basically unchanged from the plan that PICA approved in the fall. But --

COUNCILWOMAN GILMORE RICHARDSON: Okay.

MR. DUBOW: -- as you can see, it's well below, and that's the column all the way over on the right, if we were looking at the GFOA recommendation, we'd be about 900 million. We know that given all the demands and the services that we really are never going to get up to that level. But before the pandemic, we were at what we've created as our internal target between 6 and 8 percent. So to get to there, we need to be somewhere between about 310 million and 415 million, so we need a much larger balance than we have now.

COUNCILWOMAN GILMORE
RICHARDSON: Got it. And so, to your point how does that impact or potentially impact our credit rating in the future, because that will be important to our ability just around all of the capital projects and just borrowing in general?

MR. DUBOW: Right. Good question. So the rating agencies look at a few things when they look at your ratings. But fund balance one of the most important things, they stress that all the time, that they would like to see a fund balance and really they like to see fund balance more in line with the GFOA level, and there are a number of cities that actually get up to that level.

So having a low fund balance is something that when they look at us they'll think, you know, there's a reason that you're the second lowest rated of the top 10 cities. It's because you have a low fund balance.

But also, look at things like pensions where, you know, we're showing some real improvement.

They also want to know how flexible your spending is and what ability you have to do things like change your revenue stream, control your expenditures. They've always given us pretty good marks on that. So it's a number of things, but a low fund balance is definitely something that raises concerns for them.

COUNCILWOMAN GILMORE RICHARDSON: Okay. I just wanted to bring that up, particularly because for FY22 obviously it's the lowest it has been in quite some time, and you all have done a great job on the pension piece and also with the reduction of expenses through the COVID period, but some of that is more natural than anything else just because of folks having to shelter in place. So I just wanted to call attention to that issue.

And lastly, I wanted to talk

about the staffing piece overall. Knowing that we have a retirement crisis that we could potentially see from a City government staffing perspective, not just a specific department, but what are you doing overall from OHR civil service strategy to ensure that we have adequate pipelines into these jobs knowing the attrition that we're seeing, because it's everywhere? It's not just Streets and Police and Fire.

And I heard you talk about if Fire was fully staffed, you would have to have a certain amount of employees in in order not to have overtime, but that's almost every single department. So what are we doing as an overall staffing readiness plan to ensure that these departments can be fully staffed?

We know we have looming retirements. We know how many individuals are in drop. We know we're down a significant number of police officers. So what are we doing to really address that from an overall HR perspective?

MS. WAXMAN: So I think as we get closer to the FY23 budget, that is something that we're certainly talking about, thinking about and we'll have more to share then. But there's a couple of different parts to this. Some of this is around recruitment and sort of lowering access on barriers to accessing these jobs.

And so, certain things about standing up remote testing and then making that easier so that it is easier to come into our civil service system. OHR has also been working with the Office of Diversity, Equity and Inclusion and specific departments looking at how the testing works, the requirements, so that we make sure that we have a big pool as possible for qualified folks that were not sort of ruling folks out in ways that we don't need to.

We're starting to talk a lot more about pipeline and training. I already mentioned some of the work between L&I and CCP. And so, we're looking at how do we get folks in. We also are looking to make sure how do we make sure this is a work environment where folks want to stay, so continuing to look at sort of as we're figuring out the nature of work training and making sure that we can be an employer of choice. And so, we're looking at how do we maintain folks here.

In certain areas though, it's going to be very specific to the nature of the work. There are larger trends that aren't just Philadelphia alone. We'll have to continue to work on as I mentioned, you know, competition from the real estate industry versus general changes about folks wanting to go into policing.

And so, some of this will have to be looking department by department, but we're looking at a number of ways to make better connections to the folks who want jobs and make sure that it's easier to get in and making sure that that process really doesn't have as many roadblocks as it once did.

COUNCILWOMAN GILMORE RICHARDSON: Okay. Well, thank you for that response, and I'll circle back on that during budget. But I did want to give a shout-out to OHR for the partnership they did with the School District last week around the trades helper position and looking at the specs for that position to align it with graduates of CTE programs. And I was on that program last week, so they are doing that work. I'm just talking about an overall strategy from an Administration perspective so that we are fully prepared for the needs and to provide quality service for the citizens of Philadelphia.

Thank you very much, Mr. Chair.

COUNCILMAN DOMB: Thank you, Councilmember Gilmore Richardson, for those questions.

And I think there's a point of

information from Councilmember Sanchez.

COUNCILWOMAN QUINONES-SANCHEZ: Yes. Thank you, Mr. Chair.

I just wanted to add as you begin to build that city-wide strategy, it'd be very important to go back to OHR and look at how people are being disqualified for some of these jobs. There is a trend. And I'll use the Fire Department as an example where I got a lot of complaints about the drop-off between people passing the test or scoring and going through the process.

So I would say to you looking at how we disqualify people to your point around access to barriers and access to the job is a huge one. Having them do a historical context I think will be illuminating about why we don't have the pipeline of employees in all of the departments.

Thank you, Mr. Chair.

COUNCILMAN DOMB: Thank you, Councilmember.

Can we just go back for a

minute to that slide on the fund balance. I'll ask my question while we're going there. Compared to other cities, if we have fixed assets, whether it's PGW or real estate, how do we compare to other cities in our fixed assets value? Of course, maybe we can also see a comparison of our fixed assets less the liabilities that are liened against those assets, what the net value is, how do we compare to other cities in fixed asset value?

MR. DUBOW: I have to get back to you on that. I think though that we are probably relatively high. I think we're probably a little more extensive infrastructure than a lot of other cities. I think that's also something that you see in terms of -- and the trade-off we have to make every year between investments in our infrastructure and our fixed costs because we have such a wide array of assets we have a higher amount of infrastructure costs than other places would have.

COUNCILMAN DOMB: Does the company that values the fund balance take that into account that while we may not have the cash reserves, we have positive balances on our fixed assets?

MR. DUBOW: Today we look at it in two ways. I think that they would look at that as a positive, but also look at it as something that increases our fixed cost, an unavoidable cost, so it will probably go both ways.

COUNCILMAN DOMB: Okay. Thank you very much. Maybe you can get back to me on that. I'm just curious to see what the total asset value is less liabilities and net value. Thank you.

I think we have the next question from Councilmember Isaiah Thomas.

COUNCILMAN THOMAS: Thank you, Mr. Chair.

Just a couple clarifying questions, and some of this I might have missed so I do apologize. I know we're talking about Streets right now. I'm wondering outside of the Streets Department, and I know Fire is always on the list, where else did we see a significant amount of spending in overtime?

MS. WAXMAN: So let me --

MR. RICE: We see it in Prisons and Police.

COUNCILMAN THOMAS: Now, were there any other areas or were they the main ones that ate up the bulk of the overtime?

MS. WAXMAN: In --

MR. RICE: The -- go ahead, Marisa.

MS. WAXMAN: Oh, I would say in terms of dollars, those are going to be our largest departments in terms of overtime, will be Police, Fire, Prisons and Sanitation. Those will have the largest in terms of dollars.

MR. RICE: If you look at even though it's small dollars, and this goes to I think Marisa's point early on, where Records had a significant increase in overtime but that's a good thing because they were so far behind in processing deeds and transfer, realty transfer, that the realty transfer tax was lagging behind, so that as part of their implementation to bring that back up and get that backload filled, part of that was they had employees working overtime, so there's a positive aspect of overtime. Because as I mentioned in my statement that realty transfer tax is coming in very high and part of that is because that department is getting through that backlog.

COUNCILMAN THOMAS: Are there any other examples of that where we found that producing either more manpower or let's say more dollars in technology have put us in a position where we've generated more revenue? We talked about the illegal dumping in the City. Multiple people have talked about it. Has there been any idea around investing in let's say cameras?

I know being the Chair of the Streets Department and talking to the Streets Commissioner the more cameras we get up, the more people we can catch for illegal dumping since it's such a big issue. That's a possible way to generate revenue. Have we explored any other areas where we can say if we spend more money either on technology or manpower it can generate us more revenue?

MS. WAXMAN: Yeah, I think there are a lot of our revenue-generating agencies, particularly those technology investments that that either, one, may can find the easiest thing to do. So if you look at eCLIPSE or you look at the new prison system being implemented in the Department of Revenue, what those are designed to do is make compliance what you're supposed to when you're supposed to upfront easier, which then means more dollars in our City pockets generally up earlier --

COUNCILMAN THOMAS: How much do you think we've saved from that particular example you've just provided around Prisons? Do we have numbers on this stuff where it's telling us how much we've saved in different areas based on -- even in our L&I Department, which is something that I would love to hear more about as it relates to how we can invest in technology and different means to be able to help, it may cost a little bit on the front end but generate more revenue for the City on the backend.

MS. WAXMAN: I can certainly get back to you with some examples. We even have another really good one from the Department of Revenue a couple years back. We invested in a data warehouse and we structured that contract that basically the vendor would get paid a share of our increase in revenues and we tracked that very carefully, so that technology investment not only paid for the upfront investment in the data warehouse, but also generated increased revenues above and beyond that. So I will be happy to get back to you with some areas where we've been able to make those investments to increase revenue collections.

COUNCILMAN THOMAS: Thank you. I'm listening to everything that's happening and I'm thinking as constituents view our budget and look at the areas of spending and similar to what our Chair said, we're not necessarily producing the desired outcomes as it relates to those services.

So if I'm a constituent and I found out our four biggest areas of spending are where they are, and I think about some of the issues that we have as a municipality, one would question if they're getting the best bang for their buck. So I think it's important that we continue to do a deep dive into what it is that we're doing and how we're spending money and try our best to be as efficient as possible as government.

Thank you, Mr. Chair.

COUNCILMAN DOMB: Thank you, Councilmember Thomas. Good question. Thank you.

Now, Councilmember Kendra Brooks.

COUNCILWOMAN BROOKS: Thank you so much, Councilmember.

This is a different question for me. I usually don't have these types of questions. But in relation to all the work we've done around renters and housing, I've received several phone calls and questions from midsize landlords and businesses in reference to fines and fees accumulated over COVID when services weren't available and weren't open.

And I was just wondering, you mentioned payment plans as a way to, you know, we want this revenue, we want it to come in, but in order for us to reach, what was the number, 92 or 90 percent, 97 percent collections expectations, what is being put in place for those midsize landlords or property owners to make sure they're able to meet that repayment plan? Because when someone called and said they owed the City $8 million, I think in my world that's a lot of money, and I'm pretty sure in anyone's world. And it wasn't the actually fee. These were accumulated fines over time, some of which were during COVID.

So I was wondering what are we doing to make sure that we're able to recoup the money, but also making sure the divestment of those fines are fair to those businesses because so much slack I get is we put so much hardships on businesses, but the reality is this is something that we can remedy and be fair with? So what does that look like? Is there a system to track that or to assist folks that are navigating this currently?

MR. DUBOW: I'm going to ask Commissioner Breslin to talk about what kind of programs we have in the Revenue Department to help businesses through this period and what kind of -- to help make sure they're able to pay.

COMMISSIONER BRESLIN: Thank you. So, Councilmember, primarily what we're seeing is taxes impacted by COVID where businesses had disruption to their income and fell behind on taxes and we've put payment agreements together to assist them. We've reduced or eliminated in some cases the requirement for a down payment. We have shorter term payment agreements, a one-year kind of COVID payment agreement term where all interest and penalty is abated.

We have longer term payment agreements with significant abatement of interest and penalty. And then we're also looking at kind of our consolidated actions where we're looking at taxpayers that have beyond just tax liabilities. They have as you mentioned it could be fines, it could be fees, other charges, L&I charges and we're working kind of in partnership with those departments such as L&I to try to get taxpayers into compliance.

So kind of our message has been throughout the pandemic for the last two years to taxpayers and citizens is anyone who is not in compliance, that they should reach out to Revenue and will work with them to try to get them into compliance regardless of what type of debt they have.

COUNCILWOMAN BROOKS: Thank you so much.

COMMISSIONER BRESLIN: You're welcome.

COUNCILMAN DOMB: Thank you, Councilmember Brooks.

I will say that recently -- I don't know if you know about this, Commissioner Breslin -- that Philadelphia has some of the most progressive tax collection policies of any municipality in the country. I guess our goal is to make sure that people know about it so they can enter into those programs, but we have some really good programs.

Let's go to Councilmember Helen Gym I think who has a question.

COUNCILWOMAN GYM: Thank you very much, Mr. Chair.

So I have two areas of questions. I wanted to follow up on Councilmember Bass' questions about the Free Library. And I recognize that the Library isn't here to answer some of these questions, but I'm trying to understand a little bit about how different are we right now from the Library's budget versus, say, FY2019?

MS. WAXMAN: I can certainly pull that up. Let me do that. I will say as I am buying time as I scroll through a variety of things, that in addition to just the raw numbers one thing to remember is that certain costs sort of shift and change overtime. For example, over the past few years in the Free Library there were certain costs like rent for their regional operation center that used to be paid for by the Foundation. Those costs then got shifted onto the City starting last year. And then sometimes we move those rental costs.

Some may sit in the Free Library's budget. Some of those move over to DPP. So when we're looking to do a full analysis, we can get back to you on some of those shifts. But what I can tell you is that our FY22 current projection for the Free Library is $45.3 million. That's about $2.3 million more than our original adopted budget folding in the cost of labor contracts as well as the year increases. That's an increase from FY21 where our budget was 40 million, so 45 versus 40 last year.

It's going to take me another moment of scrolling to get to the FY19 actual spending, which was our last prepandemic year. And I don't know, Rob, if you have that handier than I do, but I will get that momentarily -- nope, not there, sorry. My computer is feeling a lit pokey this morning. But I will say that -- let's see, nearly there, nearly there. So for -- oh, shoot, not quite there yet.

Apologies. I will be there momentarily. So as I was saying, '22 is 45 million, '21 was 40 million. And as I get to FY19, that number was 42 million. So actually this year we are going to be about $3 million more than our actuals in FY19. So we are above where we are obviously, though changes in labor costs, things like that do impact what that gets us. But we are above our funding from where we were in '19.

COUNCILWOMAN GYM: Okay. So in 2019, which is our last prepandemic year and this year, one of the things that I'm sure I share with many of my colleagues is the concern that as we head into the spring and then into the summer, given the fact that we've had so many difficulties with our public schools.

One of the areas that we've been looking at is that the School District calls out almost 1,000 substitutes a day or has a need for 1,000 substitutes a day, which is 30,000 children who do not have their regular teacher in front of them on any given day and many of them have not had a regular teacher in front of them for a number of months, so it's a very, very serious issue.

And we really need to recognize also that there are only five or six staff librarians in our Philadelphia public schools, maybe less than 20 actual functioning libraries that are working in our public schools, and we've got a library system where not a single branch is open on the weekends. In 2019 we made a commitment that we would be on a full five-day a week with the intent of going to six days a week and that had a certain kind of set of projected cost. Right now the $45 million budget for FY23, is that right, or '22?

MS. WAXMAN: 45 is FY22. We will be coming out with the FY23 at the end of this month.

COUNCILWOMAN GYM: So FY22 at 45 million keeps us to where less than 80 percent of our libraries are five days a week. Now, I recognize that may not entirely be due to the budget. It may, in fact, be to the 88 staffing vacancies that we have in there, but budgeting an aspect of this. And so, our interest is to get our libraries where we are open towards the six days of week. And do you have an estimate on how much that would cost?

MS. WAXMAN: That's something I can check on. I do not have that off the top of my head. It's something obviously as we're setting up working on the FY23 budget, looking at what it takes to be open different numbers of days.

COUNCILWOMAN GYM: For clarity, I thought that the FY19 budget had a five-day a week with a projection of six days a week, which would have been FY20, the old FY20, maybe not the actual FY20 or the revised FY20. So that would be -- my understanding is that it should have been baked into our calculation. So if you could get back to us on that, I think that will be helpful.

COUNCILWOMAN GYM: Additionally, I think we have to look at opening the library on at least one, if not, both weekend days for me personally. We're going to have to look at what that takes. I don't think it has to be seven days a week. It could still be at six days a week and maybe one of the days closest during the week, but we're going to have to figure out how to get our libraries open on the weekends. It seems unsustainable the way it currently is. And I think this question -- thank you so much, Marisa. I really appreciate all your work and your thoroughness.

My second question is for Rob Dubow, just to put this on the record.

Obviously, there's been a lot of back and forth with the Philadelphia Parking Authority. And one of the things that we wanted to get some clarification on was to figure out in FY -- well, I guess this year, right.

So it will be FY22 and FY21 -- I'm not sure if it was FY21, but FY22 they delivered $0 to the School District, and then they kind of -- there's a threshold limit for the City. Can we find out if the Parking Authority ever met its financial obligation to the City of Philadelphia in both FY22 and I guess FY21? I guess FY22 is not done for them yet; is that right --

MR. DUBOW: Correct, they're still --

COUNCILWOMAN GYM: -- because it's still March?

MR. DUBOW: For FY21, I'd have to look at the finals, but I think they came in underneath the caps. The caps are 41 million, and I think they were more like in the 20s, but I need to confirm that.

COUNCILWOMAN GYM: Okay. That will really be helpful because I think that does matter to us a little bit, so thank you so much. And then I guess my last question is obviously with the transfer of the wage, you know, with the move to work at home, especially for many of the commuting individuals, our current law requires us to only collect wage and income tax if the work being performed I assume, not the job, but the work being performed is physically within the boundaries of the City of Philadelphia; is that the right way to put it?

MR. DUBOW: The way to put it I think is that taxpayers who don't live in the City are not required to pay the wage tax if their employer requires them to work from home. If they had the choice of working in the City in their office or at home, they still have to pay the wage tax.

COUNCILWOMAN GYM: How does

that work with the -- so how does that work with the current guidelines around work from home, like mandates or I guess is that up to companies, that kind of thing?

MR. DUBOW: Yes. So if companies make it optional, the tax is still due. If companies require people to work from home, then they don't have to pay a tax.

COUNCILWOMAN GYM: How in the world are you figuring this out in an individual taxpayer level, because I think that it's very -- I think a lot of companies are leaving it fairly open, right. The new environment is not to mandate a work in, but to leave it optional. Certainly, that's what we're hearing with a lot of the larger companies. So how are you figuring this out?

MR. DUBOW: Yeah, I'll ask Commissioner Breslin to step into that detail so I don't get it wrong.

COMMISSIONER BRESLIN: So it's

correct, the nonresident is subject to wage tax if they are working in the City or working outside of Philadelphia as required by their employer. And this comes down to policy by the employer. And the way -- most of that is handled by the employer. We start by doing a lot of communication with tax professionals and with the community, and we've done it through our guidance throughout the pandemic about this rule, so we want to make employers knowledgeable about this rule because the burden is at their level. They have to withhold properly. And many of them understand that and withhold at 100 percent, and then that's the reason why we see the refund process. Then the employee has to apply for the refund and we would check it.

And the way we check it to answer your question is we check it two ways. One way we check is at the employer level. So when we do an audit, we audit the business taxes, one of which is the wage tax. And if they are withholding it less than 100 percent on their nonresidents, then we would ask them for their policy and we would check that policy to make sure that it is requiring employees to work remotely.

In the absence of that, we would expect them to be withholding at 100 percent. And then the other place we're checking is when employees file for employee wage tax refunds, we're reviewing the refunds and asking for the appropriate documentation. And part of that required documentation with the refund is a letter from the employer stating the employee was required to work remotely or the employer actually has to -- there's a spot where the employer can sign verifying that the refund is appropriate. When they do that, they become responsible if it is incorrect.

COUNCILWOMAN GYM: Okay. And then have we done any calculation in terms of the growth in wage tax revenue that has gone out to our surrounding counties over the last two years? I mean, it's not really our responsibility, but I'm just curious about whether there's been any analysis -- and I see that Larry's on here from Pew -- to see what the shift-over is into our surrounding counties. Are you aware of any of that, Commissioner Breslin?

COMMISSIONER BRESLIN: I don't have anything at hand. I know that there have been different studies about the shift, but I don't have any statistics at hand. I can look to see. And I don't know if anyone else on the call has any information about that.

COUNCILWOMAN GYM: Okay. I mean, I think it's a point of interest. I do think that there's been -- I would assume that given the massive shift in our budget and wage and income tax revenue that there has been a significant increase, because obviously those individuals now pay the wage and income tax in surrounding counties, so those surrounding counties' budgets I assume have seen some amount of increase. I'm not clear how much, but it would be interesting to see regionally who are the biggest financial beneficiaries in the last two years on a county level, and we should continue to work regionally. I think that that's very important.

I think if this pandemic showed us anything, that there is a tremendous amount of regional codependency and co-reliance, however we want to say it, and there might be a potential for us to just be more strategic regionally if we need to think about bigger investments further down the road. So thank you very much, everybody.

And thank you, Mr. Chair.

COUNCILMAN DOMB: Thank you, Councilmember Gym.

And now, I would like to recognize Councilmember Cindy Bass for a question.

COUNCILWOMAN BASS: Thank you, Mr. Chairman. I think Councilwoman Sanchez might be before me. Did she already go for her point of information?

COUNCILMAN DOMB: Yes, she already went. She's good.

COUNCILWOMAN BASS: Okay. All right. Sorry, I just didn't want to jump the line here. That can be a problem sometimes.

So just a couple of questions that I had. I wanted to go back to Councilwoman Brooks and her question around the accumulation of fines and penalties for a debt in the City of Philadelphia. And I wanted to ask -- I know we talked primarily about businesses, but I wanted to ask about homeowners because as you all may remember some time ago, I introduced a bill calling for the City to offer tax amnesty for homeowners because the rate of interest and penalty that the City applies is just so incredibly heavy, that a lot of homeowners are unable to dig themselves out from underneath that.

So I know we talked about businesses. I wanted to know specifically about homeowners, if there is the same sort of resources and programs available that there were for businesses?

MR. DUBOW: We have extensive programs for residents, including payment plans that actually offer $0 payment plans, but I'll let the Commissioner give more details on that.

COUNCILWOMAN BASS: Great.

COMMISSIONER BRESLIN: Yes. For homeowners, we probably have one of the most progressive assistance programs in the country. Our Owner-Occupied Payment Agreement plan, and that allows homeowners to get into a tiered agreement, which means they get into an agreement where their payment is based on their income, so it's an affordable payment plan.

Actually, in its lowest tier there's actually no payment due and it keeps them in compliance and avoids any type of enforcement, so there's five tiers in. And Tier 4 can be a minimum payment as low as $25 a month with a full abatement of interests and penalty. And in comparison to amnesty, that's much more forgiving in that for two reasons. One, most amnesty programs require payment in full or a portion of the interest and penalty to be abated.

In our case with our OOPA programs there is no down payment required in those tiers, and interest and penalty can be fully abated. So it's a much more liberal plan in terms of meeting taxpayers with a program that's based on their income, and it's much less of a one-size-fits-all program, which amnesty programs tend to be.

COUNCILWOMAN BASS: And can you talk a little bit about over the course of the pandemic the usage of that program? I don't know if you have any statistics there with you or if you could get some for us, but what's the usage of that program prepandemic versus during the pandemic versus now, if you could sort of give us a sense of how much this has been used?

COMMISSIONER BRESLIN: It is frequently used. I don't have numbers in front of me, but we publish an annual OOPA report that shows the annual usage. So I don't have the Fiscal Year 2021 in front of me, but that one is out. And it also does a comparison of prior years so you can see the usage. And we'll be publishing one later this year for Fiscal Year 2022. So we publish that annually with all of the participants. You can see how many applied, how many are in the program from year to year.

And one of the most effective ways for us to get the word out about those programs is with our communications work. We're doing as much communication as we can. Most of that is remote throughout the pandemic, but we have resumed inperson appearances, so we're out there and have partnered with Council and community organizations in the past and are excited to say that we're back doing that prepandemic. We were doing in excess of 300 events, inperson events, per year. So that is really an effective way for us to get the message out there and get people enrolled in our assistance programs.

COUNCILWOMAN BASS: Okay. Because I -- well, I'm glad to hear you talk about communications. I haven't heard a lot about the outreach that your office is doing. And I would think that as members of Council, particularly District members, that we would be hearing about these outreach efforts so I don't know if maybe I'm just missing it or maybe if we can talk about ways to make it a little more robust so that we can make sure that the word is getting out to our constituents that we know.

In particular, neighborhoods that we know are heavily impacted by tax issues and houses are turning over and gentrification is happening as a result, and there's all kinds of negative things beyond just not paying the taxes and accumulating fines and penalties. It goes much further than that.

COMMISSIONER BRESLIN: As I said, we're just starting to resume inperson events and they've been very limited, not our participation, but we know there's been a very reduced number of those events taking place. But we look to get back to the number of events that we had prepandemic when we were really very actively engaged with City Council and all of their events.

And over the course of the pandemic, we did a significant amount of outreach through other methods and we had our guidance page up throughout, and that's still up there, our COVID-19 tax guidance, and that informed taxpayers of changes in rules, changes in due dates, how to stay in compliance, and we do a lot of social media work, but we look forward to getting to that inperson work. We know that's the most effective outreach and we'll communicate with your office and other Councilmembers to resume those inperson outreach events with you.

COUNCILWOMAN BASS: Okay. And are there specific programs for seniors?

COMMISSIONER BRESLIN: There are. Obviously, they can participate in OOPA, but we also have the Senior Tax Freeze program, which is a really important program. That will freeze their taxes at the current level, also freezes their assessed value so that's a very, valuable program. And we also have the installment program where they can pay their taxes over 12 months rather than have to pay it in full by the due date of March 31st. We realize that seniors on a fixed income, that is often a burden for them, so we give them the ability to pay their taxes throughout the year.

COUNCILWOMAN BASS: Just two

other questions. So one is can you talk about -- and I may have missed this. You may have said this already. But can you talk about just throughout the pandemic in the last couple of years, the tax collection and what has the change been in terms of particularly real estate tax collection in Philadelphia?

COMMISSIONER BRESLIN: In terms of the collection rate?

COUNCILWOMAN BASS: Yes.

COMMISSIONER BRESLIN: The collection rate has stayed around 96, which is below 96 percent. And at one point, prepandemic we were above 96 percent. So it stayed pretty steady and we're really happy with that considering that we had essentially no enforcement throughout the pandemic. More gradually resuming enforcement, I did speak a little bit about that earlier.

We're gradually resuming enforcement. We're getting our delinquent billing back up. We had paused billing. We had paused all types of enforcement letters. We had paused use of collection agents, so we really shifted our focus from enforcement to communicating to taxpayers about recovery and about what services we had to help them stay compliant with their taxes. We're continuing to do that as we start to resume, as we gradually resume enforcement action.

And as Councilman Domb had said earlier, we do have some of the most progressive programs nationally and throughout the pandemic. You know, not all jurisdictions paused enforcement. Many stayed business as usual, but we chose to really focus on our taxpayers and our residents and try to focus on recovery rather than enforcement, realizing that that was really a difficult time in putting a financial burden on many people.

COUNCILWOMAN BASS: Okay. One last thing that I wanted to just mention while I have you on the hot seat, Commissioner. And that's around something you and I had talked about. This is not necessarily related, but in some ways I guess it is. But it's really around operations in Revenue.

And that was the conversation you and I had some time ago about one of my constituents who actually a few years ago showed up on my front steps one evening in the summertime and told me he was losing his house because he paid at the wrong window. And I don't know if you remember that particular conversation we had, but he had basically came into Revenue. He paid -- he thought he paid his tax bill. His money was accepted. Check was cashed, and received a notice that his home was going into sheriff's sale some time later. And so, we were able to untangle the whole situation, but obviously it took a lot.

So I know that since then you've done a lot of work around sort of reforming or addressing some of the issues within Revenue in terms of payments and how people can pay and making sure that there's efficiency there. But just last week it was brought to my attention that a business owner said I think that they were in real estate, they had several properties I believe. I think this is what it was. And anyway, they came to a window to pay at Revenue and were told that they could only take a certain number of transactions. And after those transactions were completed, they had to get back in line to the back of the line and start all over again. Are you familiar with this or does this ring a bell or can you talk about that?

COMMISSIONER BRESLIN: Yes, I can talk about that, for sure. We do have a process where there's a limited number of transactions that the cashier can process while a customer waits. And the reason we do that -- prepandemic I'm sure there have been times if you've been through MSB, you can see that at tax due dates the line can get really long.

So the process that we've put in place is we've told customers that they can leave that payment with us and leave the payment documents on an unlimited number if they choose to have them all processed at once, and that we will process them and they come back later in the day or at their convenience. It doesn't have to be that same day or within any certain amount of time, and that we will give them all the receipts and it will be all processed. So that's just a process to keep the line moving.

We don't ask people to get back into the line and wait in the line again. Now, somebody might choose to do that if they want to do everything right at once, but that would be their choice. Our recommendation would be for them to leave the documents with us and leave their check, and we would process it all at that time. Of course, if they're paying in cash, we would not allow them to leave the cash with us while we process everything, we wouldn't want that. But that's the exception. Usually property owners that are coming in paying for a large number of properties are paying by check. And of course, we're always promoting electronic payment.

And thank you for giving me an opportunity to plug our new computer system. We have a new integrated tax system that's in place right now. It's a two-phase implementation. So real estate tax is not in that yet. It will be in, in October and we look to see lots of improvements next tax season for real estate taxes when that is all in our new system with a new portal that makes it really easy, much easier to do business electronically with us.

Our business taxes are in that system this year. So our business income and receipts tax, our wage tax, our net profits tax, so we think that is going to make it much easier for taxpayers to do business with us remotely.

COUNCILWOMAN BASS: Okay. I hear what you're saying and I understand the need to keep the lines moving and all of that, but I do think that there really should be a better way rather than asking somebody to get back in line after a certain number of transactions --

COMMISSIONER BRESLIN: Yeah, but we won't ask them to get back in line. We'll just ask them to leave the check and the payment documents and we'll process them, and they can come back and pick them up at any time.

COUNCILWOMAN BASS: Yeah. If somebody doesn't feel comfortable doing that I guess is what their question is. I'm assuming that this person who mentioned this didn't feel comfortable just leaving everything and coming back, and maybe it wasn't convenient.

COMMISSIONER BRESLIN:

Certainly, and we always try to accommodate any taxpayer that we can. Right now, especially during the pandemic, we're trying to keep the lines moving. This is the first tax season since the pandemic that we're fully open to taxpayers in the cashiering section so we're monitoring daily the lines and the number of people there because we want to keep our taxpayers safe and healthy.

COUNCILWOMAN BASS: Got you. Okay. Thank you.

Thank you, Mr. Chairman.

COUNCILMAN DOMB: Thank you, Councilmember Bass. And thank you, Commissioner Breslin.

I do have a couple of quick questions. I'm going to call it a lightening round, which means you can give me extremely quick answers, okay, in the interest of time. Overall -- I guess this is a question to the Administration. Who manages the improvements to the operations that some of my colleagues and myself have talked about, and who's pushing each department to try to become more efficient maybe with new technology, new systems, new processes and things that can hopefully reduce services, cost and improve the efficiency of the department, who would that person be?

MR. DUBOW: It will be the Cabinet member working with probably the Chief Administrative Officer and the Mayor's Office.

COUNCILMAN DOMB: Okay. And then my next question is for actually IHS. I don't want them to be on this call and have to answer a question, it's just a general question. Is it Tom Jackson or Jim Diffley's on the call? And here is my question to them: Tom, maybe you can answer this question. I know we don't have the information, but from what you can see in your forecasting, do you think the months of January and February with the Omicron variant, do you think that's going to have any impact on any of our financial information that we were sharing today?

MR. JACKSON: It could have a little bit, probably on I would think sales tax will be the most directly impacted. But given some of the shifts that we've seen in other things, I think it would be relatively low and some of it can be made up in later months.

COUNCILMAN DOMB: Okay. Great. I just wanted to check with you on that. Thank you so much for all the work you're doing to help us on this. Last question on this panel is to our OPA Director James Aros. I believe he's on the call. So I have two questions for the Director.

One is, how is the implementation of CAMA going, and are you happy with it and is there anything we can do to help with that implementation?

MR. AROS: Good morning, Councilmember. I had to check the time to make sure we were still before noon, but happy to be here. For the record, James Aros, Chief Assessment Officer at the OPA. So CAMA implementation has gone well. We are through Phase 1 of the implementation and there are two additional phases that are currently being worked on. Those are newer and additional functionality for field and mobile collection, for instance, and other elements that we did not previously have before, so it's not hindering us from doing what we do, but it's added stuff that comes with the system that we can use into the future.

I would say the implementation went fairly well under any circumstance, but with the pandemic considering we had to halt training very early as the City sort of shut down and shifted to remote and then pick that up as quickly as it could. I would say I certainly would think it went better than I could have ever expected with those circumstances that we've had to deal with as we went live with the system beginning live back in February of 2020.

So there were some bumps like any implementation of any new kind of technology that you're going to have and then throw the pandemic in there and switching to remote work, but all things considered I think we've handled that fairly well and the system is working well for us to this point.

COUNCILMAN DOMB: Okay. Great. And one last question, I'm not sure you can answer it but I'll ask it anyway. Any trends that you're seeing in our real estate evaluations that I'm sure you'll be reporting to the Administration on over the next week or two that might be coming forward that you can share today?

MR. AROS: Wouldn't want to talk in specifics until we finalize numbers and deliver them to the Mayor and later to Council. But in generalities, there's plenty of information out there on how some of the sectors of real estate have changed over the last couple of years, and we haven't done a reassessment in a couple of years obviously. And the last reassessment that we did used data that was current as of 2018 as far as sales.

So I would just say to folks no matter whether you're a high-rise office building owner or you own a single family rowhome in Southwest Philly, you have access and knowledge of any of the changes that have happened over the last three years. We're going to be trying to pick those up as best we can and that we're going to be capturing a couple of years' worth of changes in the market, not just one year because of the fact that we haven't done any reassessments since Tax Year 2020.

COUNCILMAN DOMB: Okay. Thank you. Keep up the great work. Thank you very much.

So I'd like to ask, if possible, the Finance team, at least Rob and Marisa, to hang on for the next panel. But I want to thank our Finance

Director Rob Dubow, our Budget Director Marisa Waxman, PICA Executive Director Harvey Rice and Tom and Jim from IHS and Commissioner Breslin and OPA Director James Aros for their testimony today and for answering the questions. Thank you all very much.

And we're going to go into the next panel. So, Ms. Grbach, please call the next panel of witnesses.

THE CLERK: Our second panel is Larry Eichel from the Pew Charitable Trusts.

COUNCILMAN DOMB: Okay. Mr. Eichel, as soon as you're ready, please proceed with your testimony.

MR. EICHEL: All right. We're getting the deck up. Okay. Thanks very much for having me. I welcome this opportunity to talk about our work. I'm Larry Eichel, Senior Advisor to the Philadelphia Research Initiative at the Pew Charitable Trusts. In partnership with the William Penn Foundation, we at Pew have embarked on the project taking an indepth look at the City's fiscal and economic future as it emerges from the pandemic.

We think the next few years are pivotal for Philadelphia as it seeks to recover to adjust to new realities and to work toward more equitable growth, and we hope to inform the decisions that you and others will have to make and to engage the public as well. As part of that project, we've released several reports about Philadelphia's economy, two of which I want to highlight here today.

Both are based on research that we commissioned from Econsult Solutions. In our research thus far we've used jobs, the number of jobs, the type of jobs, who has those jobs and what sectors of the economy those jobs are located as the key metric to judge the City's economic health.

In the first report, we looked at the pandemic economic impact. In terms of jobs, COVID-19 has hit

Philadelphia hard, with the City substantially underperforming the nation. As you can see in this graphic, national unemployment was down 2. -- national employment rather was down 2.6 percent as of this past September and Philadelphia's employment was down to about 7.6 percent, a gap of 5 percentage points. Now, the number through the end of the year showed the City doing a little better, but the gap remains.

The job losses have hit some groups harder than others. In this graphic where you see the orange line above the blue bar, that group has suffered disproportionate job loss, Black workers, women and people without college degrees. Another way to look at the data is to group the sectors of the economy into higher, middle and lower wage groups. Do that and you see that the lost jobs were overwhelmingly in the lower wage category, a category that includes sectors such as retail and leisure and hospitality, both of which have large numbers of Black and Hispanic workers.

We also examined five key trends that emerged from the pandemic that will influence what comes next. One, of course, is remote work. Econsult estimates that three years from now we may see 14 to 27 percent more work being done remotely than prepandemic, which has profound influence -- implications rather from many aspects of the City's economy and finances.

Another trend is the change in the workforce and the terms of the jobs that people will and won't take, the wages they demand and the fact that fewer Philadelphians are seeking work. And you see the other trends on the screen as well.

In our second report, we focused on the future by developing four scenarios for how this City's economy might develop through 2025. These scenarios are not meant to be predictions and we don't assign probabilities to any of them. Rather they are informed estimates of plausible outcomes, and they illustrate the importance of the public and private sector decisions that are being made now and will be made in the future, including those about the level and structure of taxation, public investments, City services, business expansion or downsizing, the need for office space and remote work policies. These will affect the lives and livelihoods of thousands of Philadelphians and commuters.

To start constructing the scenarios, Econsult examined the City's economic performance since March 2020 and determined that the key future unknowns fall into two categories. One is inperson activity, which is on the vertical axis of the graph, and that's the degree that which workers, travelers and consumers presume patronizing local retail establishments, dining out and attending meetings and conventions. In this regard, workers coming back to the office are a key element.

The other category shown on the horizontal axis we called attractiveness and competitiveness, the City's ability to support the expansion and importation of existing businesses and the formation of new ones through business attraction, research and development grants, real estate investment and development and the quality-of-life issues that impact population, growth and retention.

We started with a scenario tied to the economic forecast that was the basis of the City's current Five Year Plan, which by these standards assumes high attractiveness and competitiveness, but low inperson activity. We call that uneven gains, a continuation of the economy we had before the pandemic. The other three are stunted recovery, which is the lower left which is the worst of the four, competitive loss and overall growth in the upper right which is the best. Details of all of them are in the report and I can talk more about them if you like.

What I like about the scenario-building exercise is it demonstrates quite vividly just as much is at stake. As this graph shows, in two of the four scenarios Philadelphia would still be below prepandemic job levels three years from now. And the gap between the best scenario and the worst is more than 70,000 jobs, about 10 percent of the number that the City has right now.

Having or not having those jobs would affect the City's revenues, its businesses and the lives of thousands of people. Recently we also released a brief on the state's Uniformity Clause in the State Constitution in how it prevents the City from various options, including graduating wage tax rates by income or imposing a higher property tax rate on $50 million office buildings than on $50,000 homes.

And last year we looked at -- rather earlier this year we looked at how cities are using the money they're getting from the American Rescue Plan. As you know and was discussed earlier, Philadelphia's planning to use all of the 1.4 billion it's getting for what's called revenue replacement helping to balance the budget over the next several years and maintain services.

Other cities are using at least some of the money for special projects often having to do with health and equity. And we have much more coming, including a report that looks at the potential impacts that those four economic scenarios I've discussed here today might have on City revenues and how they would affect the tax burden felt by residents in particular.

We'll have an indepth look at the City's property tax and how it compares to other cities, cost-analysis of how the City's current tax structure affects both businesses and residents, looking at the taxes paid by companies and households across a wide range of financial situations. And we'll keep monitoring City finances and the local economy to see which of the pandemic-inducted changes prove to be fleeting and which are long-lasting. Again, thanks for having me and I'm happy to try to answer any questions you might have about our research.

COUNCILMAN DOMB: Thank you. That's good. Great presentation. I do have a few questions. I guess our goal is to get to that category that was the purple, which is, what, the 71,000-type jobs. In this report, are you basically outlining two issues, one being the inperson activity of bringing people back to offices and, two, in simple terms the attractiveness and competitiveness of the City?

As legislators that are on this call and the Administration is on this call if we're all trying to work together as a team, any suggestions on what we can do?

MR. EICHEL: Well, we don't make policy recommendations in this report. We may or may not make some policy recommendations as time goes on. I think to a large degree it depends on how you think the economy is going to play out. You know, one outlook might be that you want to try to do the best you can to make the City more attractive to businesses.

You may also think that at least some businesses are able to hire people from anywhere for jobs, that perhaps Philadelphia has an advantage certainly in East Coast terms of being an attractive and still relatively affordable place to live. And if that's the case, then you might want to think more about making the City a more attractive place to live and whether that will be through services, through amenities, through investments. So there's are a lot of ways to go and it sort of depends on how things develop

and how you think they're going to
develop.

COUNCILMAN DOMB: The other
question I have was if I recall, I can't
put my fingers on it, I thought I read
in your report that the industries that
were most affected in employment loss
was hospitality that had the lowest
numbers. If I recall, most industries
had minor losses except for hospitality
and was in the 25 percent range or
something of employment loss; which was
interesting I think in government it had
actually grew as a percentage -- I mean,
government was the only growing business
basically in that chart, but everything
else seemed to have a small loss, but
hospitality got crushed. Is that par --

MR. EICHEL: That's basically
right. Government has been stable,
pretty much stable across the board. I
think that's relatively true in a lot of
places. I think one of the interesting
things that we found out in this report
was that sort of the attractiveness,

competitiveness -- I mean, the returned inperson activity is something we can see. And obviously, it's important. It's particularly important for the leisure and hospitality and the retail sectors.

But from an overall economic standpoint, the analysis was the attractiveness, competitiveness angle was more important in terms of jobs as we move forward. And that's simply because -- largely because the sectors in those categories are bigger than the sectors than the inperson activity. When we talk about professional services, we talk about finance and we talk about health care.

Obviously, health care has both kind of inperson and attractiveness, competitiveness components. But our health care industry, and that includes pharmaceuticals and other aspects, we always sell its services, a lot of its services, outside of the City. It attracts patients and attracts investment, so it was categorized here as the attractiveness, competitiveness category. And so, they are more important for overall job growth.

COUNCILMAN DOMB: Okay. In the report, did it also show -- I was surprised by this number -- is it one-third of our employees are basically in the eds and meds world?

MR. EICHEL: Yeah, that's been pretty constant for a while. We do a State of the City report every year and we look at the economy by employment, and we've been doing that since 2009. And as far as I can remember, it's always been in the 20 to 33 percent range. It is certainly the biggest piece of the private sector economy in the City.

COUNCILMAN DOMB: And just for my own knowledge, the eds and meds in other cities, are they basically tax simile to Philadelphia when they're exempt from certain taxes, it's not a lot of difference?

MR. EICHEL: I can't say in any detail about obviously specific cities, but obviously many hospitals in particular certainly are exempt from property taxes, but a lot of cities don't have -- most cities don't have wage taxes. So the local people who work at the local institutions pay that. That would not be the case in other cities.

COUNCILMAN DOMB: Okay. I guess my question is, the reason why we see so high of a percentage of eds and meds compared to other cities, do they have one-third of their employment force in eds and meds?

MR. EICHEL: There are some that do. Actually some older cities, actually older smaller cities that have seen no population growth over time, which is not us, a lot of them have high eds and meds percentages. And in that situation, that's not seen as a great sign because it largely means there's not too much going on economically.

Especially if you have an aging population, you're still going to have a big certainly health care industry. So there may be cities that have higher percentages, but in our case it's certainly not a bad sign.

COUNCILMAN DOMB: It looks like to me that the eds and meds are an area that we've been relatively successful with, that possibly could expand further because it's been so successful. The only negative of that is they're exempt from a lot of taxes. That's the issue.

MR. EICHEL: Right.

COUNCILMAN DOMB: Okay. Let me ask Rob -- thank you, Larry, for your presentation. I think there will be some questions too. Let me ask Rob and Marisa about this presentation and their thoughts and opinions on how do we achieve the best overall growth strategy that Pew outlined for us and what steps can we take hopefully to achieve getting back those 70,000 jobs that we want to get to.

MR. DUBOW: Yeah, I think Larry summed it up well. You need to look at where the economy's going and how do you make the City more attractive, the combination of amenities, basic services and the amount you charge for them works best. And now, that's the process we go through as we try to put the plan together and then when we work with Council during the budget process.

COUNCILMAN DOMB: Marisa, you want to add to that?

MS. WAXMAN: I think really everything Rob said and the idea of making sure we're a place that people want to be in. The barriers we're choosing because everything is a trade-off makes sense and not trying to see where we can capitalize on trends, if there's areas we can bumpt them, but being really sort of cognizant of what is realistic in the short-term but also understanding what are some of the long-term things. There are certain interventions we can do right now that won't bear fruit for a generation and trying to sort of do that sort of time trade-off.

The other thing that we're thinking a lot more intentional around is equity in these decisions. It makes us think about when we're thinking about different tax types and the burdens, how do those currently fall in terms of race, are people more disproportionately impacted based on seeing people of color for certain tax changes versus others and making sure we're thinking through that equity piece. Same with making sure that we're providing adequate services and doing the things we want.

And I will say we do always remain challenged by our being a city and a county. I think very few people decide where to live and open up a business based on how great are their prisons, what's their court system like. Things have to go really, really wrong for people to base their business or residential location decisions on a lot

of those county functions, so that just
presents an extra level of challenges as
we think these things through.

COUNCILMAN DOMB: I agree with
you. I would say on the big picture
maybe what we ought to focus on, we know
that as a small example self-therapy is
a growth area for the City. And I think
we're the third largest in the country
for self-therapy. And the goal should
be how do we become No. 1.

I know back in June we lost I
think a hundred few thousand square feet
of self-therapy office space in the
suburbs, but we should probably come up
with a plan on how do we become No. 1 in
self-therapy, because it's not the jobs
of self-therapy. It is the economic job
multiplier of that particular job that
is 4 or 5 to 1 that can really bolster
our economy, and we already have the
science here and we have the people
here. I just think that should be a big
focus for us in order to gain more jobs.
That is just one example. We should

probably have 100 examples.

All right. I'll stop there. And I know my colleague Councilmember Maria Sanchez has a question for us.

COUNCILWOMAN QUINONES-SANCHEZ: Sophie Bryan -- oh, wait, Larry. Thank you so very much to Pew and for all the work you're doing. We talk about this equity lens and Marisa mentioned it. Can you speak to what you saw as it related to small businesses, small businesses of color and when you were looking at some of these wage numbers, anything that stuck out to you that you would like to kind of highlight for us that we should be aware of as we talk about recouping the 70,000-plus other jobs?

MR. EICHEL: In this research we didn't really look too much at businesses by color. We did look at employment and we certainly saw that Black workers were hit disproportionately and women and noncollege educated. My colleague Tom

Ginsberg has looked a lot at small businesses and how businesses have done, and perhaps we can get back to you on that.

COUNCILWOMAN QUINONES-SANCHEZ: I think it's important for us to figure out what the intersection between some of those small businesses and then job recovery, right, particularly if we want to do an equitable lens. So it would be interesting to see based on this new data that you have and then some of the small business data if we want to recover more equitable, where do we need to incentivize better. Clearly, we know we have a disproportionate number of businesses of color. And in this space, everybody is jocking to do more, but I just don't see kind of this comprehensive plan around this is what we should be doing for businesses of color outside of capitalizing, which is a huge issue, access to capital.

But I was wondering from the employment perspective since the majority of the jobs are in small businesses from an employment perspective, did you see anything that popped out that you want us to be aware of? We had a lot of losses with population of color, I'm sure that impacted women of color. What are those skill sets, retail being one, but what other things do we need to be aware of as we talk about bringing people back in the City or having people in the City wanting to come back into the City?

MR. EICHEL: Yeah. We didn't get into a lot of that in this report. One thing I recall from some earlier research we did is I know people talk a lot about the importance of small businesses, and certainly small businesses are important, it's in neighborhoods and a lot of other situations, but my memory is that one of the things that stands out about Philadelphia's economy is that there's actually a very large proportion of the jobs that, in fact, are not in small businesses, that they are with larger employers. And again, that's not to minimize the importance of the small businesses, but I think that's one of the distinctive things about the City's economy.

COUNCILWOMAN QUINONES-SANCHEZ: Thank you, Larry.

Thank you, Mr. Chair.

COUNCILMAN DOMB: Thank you, Councilmember Sanchez.

You know, there is, Larry, on Page 6 a report -- I don't know if Councilmember Sanchez was referring to this -- it shows equity implications. And it talks about in the overall growth strategy everyone does pretty well. But in the work strategy, it looks White people and people with Bachelor's degrees do the best. Then it says all groups do poorly under stunted recovery, in which the job total falls 4.6 percent, with Hispanics and Asians faring the worst.

MR. EICHEL: Yeah. I mean,

part of the reason that I didn't include that in our presentation was that it kind of -- it was kind of the outliers in these scenarios. The variability isn't very big in it, as you say. In the best scenarios everybody does well, but pretty constantly people with college degrees do better across the board.

There are a couple of weird, not weird, but interesting variations in that in the worst scenario as I recall Black workers did less poorly than some other groups, and that was because Black workers are represented in government, which doesn't fluctuate in those scenarios and in health care, which doesn't go down as much in the poorer scenarios. And again, it's sort of relatively stable.

In projecting that, we didn't see any great changes in the equity formula for the economy in any event.

COUNCILMAN DOMB: Okay. Thank you. I will say this is a great report.

I want to thank Pew and you, Larry. And I think we should put together between Council and the Administration some sort of a plan of how we achieve the best analysis, which is the overall growth strategy. What do we have to do -- almost like a business plan, what do we have to do to achieve the overall growth strategy in the City and put together those tactics and objectives to get there. So I'll throw that out there as a challenge. And happy to work on it myself, but I just want to put it out there. I think we should really focus on this.

Are there any other questions from any of my colleagues for Larry Eichel from Pew?

(No response.)

COUNCILMAN DOMB: Okay. Seeing none, Larry, thank you again and thank you to Pew for your presentation. Also want to thank everyone for being here today and for your insight. We appreciate your testimony today. I look forward to working with you in the future. I don't believe there's any public witnesses here today.

(No response.)

COUNCILMAN DOMB: Seeing none, so thank you again. This concludes the hearing on Resolution 200406, and the hearing is adjourned. And thank you again for the great information. Thank you so much. Have a good day.

MR. EICHEL: Thank you.

(Committee on Fiscal Stability and Intergovernmental Cooperation concluded at 11:41 a.m.)

C E R T I F I C A T I O N

I, hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me in the foregoing matter, and that this is a correct transcript of the same.

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TANEHA CARROLL
Court Reporter - Notary Public

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