COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, March 25, 2026
10:08 a.m.

PRESENT:

COUNCIL PRESIDENT KENYATTA JOHNSON
COUNCILWOMAN NINA AHMAD
COUNCILWOMAN CINDY BASS
COUNCILWOMAN KENDRA BROOKS
COUNCILMAN MICHAEL DRISCOLL
COUNCILWOMAN JAMIE GAUTHIER
COUNCILWOMAN KATHERINE GILMORE RICHARDSON
COUNCILMAN JIM HARRITY
COUNCILMAN CURTIS JONES, JR.
COUNCILWOMAN QUETCY M. LOZADA
COUNCILMAN NICOLAS O'ROURKE
COUNCILMAN ANTHONY PHILLIPS
COUNCILMAN MARK SQUILLA
COUNCILMAN ISAIAH THOMAS
COUNCILMAN JEFFREY YOUNG, JR.

BILLS: 260199, 260200, 260201, 260202, 260203, 260204, 260205, 260206, 260208, 260209
RESOLUTION: 260227

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COUNCIL PRESIDENT JOHNSON: Good morning, everyone.

(Good morning.)

COUNCIL PRESIDENT JOHNSON: Good morning, everyone.

(Good morning.)

COUNCIL PRESIDENT JOHNSON: This is the public hearing and public meeting of the Committee of the Whole regarding Bill Nos. 260199, 260200, 260201, 260202, 260203, 260204, 260205, 260206, 260208, 260209 and Resolution No. 260227.

Ms. Loughead, can you please call the roll.

THE CLERK: Councilmember Squilla.

(No response.)

THE CLERK: Councilmember Gauthier.

COUNCILWOMAN GAUTHIER: Present.

THE CLERK:
Councilmember Jones.
COUNCILMAN JONES:
Present.
THE CLERK:
Councilmember Young.
(No response.)
THE CLERK:
Councilmember Driscoll.
(No response.)
THE CLERK:
Councilmember Lozada.
COUNCILWOMAN LOZADA:
Present.
THE CLERK:
Councilmember Bass.
COUNCILWOMAN BASS:
Present.
THE CLERK:
Councilmember Phillips.
COUNCILMAN PHILLIPS:
Present.
THE CLERK:
Councilmember O'Neill.

(No response.)
THE CLERK:
Councilmember Gilmore Richardson.
COUNCILWOMAN GILMORE RICHARDSON: Present.
THE CLERK:
Councilmember Thomas.
(No response.)
THE CLERK:
Councilmember Harrity.
COUNCILMAN HARRITY:
Present.
THE CLERK:
Councilmember Ahmad.
COUNCILWOMAN AHMAD:
Present.
THE CLERK:
Councilmember Landau.
(No response.)
THE CLERK:
Councilmember Brooks.
(No response.)
THE CLERK:
Councilmember O'Rourke.

(No response.)

THE CLERK: Council President Johnson.

COUNCIL PRESIDENT JOHNSON: Present. Thank you very much. A quorum of the committee is present and this hearing is now officially called to order.

Ms. Loughead, will you please read the titles of the bills and resolution.

THE CLERK: Bill No. 260199, an Ordinance adopting the Operating Budget for Fiscal Year 2027.

Bill No. 260200, an Ordinance to adopt a Fiscal Year 2027 Capital Budget.

Bill No. 260201, an Ordinance to adopt a Capital Program for the six Fiscal Years, 2027-2032 inclusive.

Bill No. 260202, an Ordinance amending Chapter 19-2400 of The Philadelphia Code, entitled "Hotel Room Rental Tax," by providing for an additional excise tax on hotel room rentals, all under certain terms and conditions.

Bill No. 260203, an Ordinance amending Subcode "A" (The Philadelphia Administrative Code) of Title 4 of The Philadelphia Code (The Building, Construction and Occupancy Code), by adding and revising Zoning Board of Adjustment fees and provisions regarding hearing scheduling, all under certain terms and conditions.

Bill No. 260204, an Ordinance amending Title 3 of The Philadelphia Code, entitled "Air Management Code" to modify the amounts of license and permit fees, under certain terms and conditions.

Bill No. 2602055, an Ordinance amending Section 19-1806 of The Philadelphia Code, entitled

"Authorization of Realty Use and Occupancy Tax," to clarify the imposition of the tax on the use or occupancy of real estate with respect to cell towers, all under certain terms and conditions.

Bill No. 260206, an Ordinance amending Chapter 6-600 of The Philadelphia Code ("Asbestos"), by adding and providing provisions related to various fees, all under certain terms and conditions.

Bill No. 260208, an Ordinance amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," to a add a new Section 19-1808, entitled "Authorization of Rideshare Use Tax," to authorize the Board of the School District of Philadelphia to levy a tax upon the use by a passenger of a transportation network company for a prearranged ride that originates in

Philadelphia; all under certain terms and conditions.

Bill No. 260209, an Ordinance amending Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," to add a new Chapter 19-4800, entitled "Retail Delivery Tax," to establish a tax on orders for the delivery in Philadelphia of retail consumer and other tangible goods, all under certain terms and conditions.

Resolution No. 260227, Providing for the approval by the Council of the City of Philadelphia a Revised Five Year Financial Plan for the City of Philadelphia, covering Fiscal Years 2027 through 2031, and incorporating revisions with respect to Fiscal Year 2026, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation

Authority pursuant to an Intergovernmental Cooperation Agreement by and between the City and the Authority.

COUNCIL PRESIDENT JOHNSON: Thank you very much, Ms. Loughead.

Today we hold the public hearing of the Committee of the Whole to consider the bills read by the Clerk that constitute proposed operating and capital spending measures for Fiscal Year 2027, a Capital Program and a Forward-looking Capital Plan for Fiscal Year 2027 through Fiscal Year 2032.

Today we have scheduled testimony from the Department of Finance, Department of Revenue, the Sinking Fund, City Treasurer and the Board of Pensions. Given the overlap in these departments' responsibilities, all departments will be available for questioning following the testimony from the City's Finance Director Mr. Rob Dubow.

Ms. Loughead, will you please call the first witness to testify from the Administration.

THE CLERK: Rob Dubow, Finance Director.

(Witnesses approached witness table.)

COUNCIL PRESIDENT JOHNSON: I also want to acknowledge the presence of Councilman Jeffrey Jay Young and also Councilman Nicolas O'Rourke.

Good morning.

MR. DUBOW: Good morning, Council President.

COUNCIL PRESIDENT JOHNSON: You can begin, sir.

MR. DUBOW: Thank you. Good morning. My name is Rob Dubow. I am joined at the table by First Deputy Cat Lamb and Deputy

Director Elizabeth Hanley. We are here today to testify in support of the proposed $23 million budget for the Office of Director of Finance. We are joined by deputies throughout the office and we also have written testimony from the Treasurer's Office, Board of Pensions, Sinking Fund Commission and Revenue Department. And as you said, representatives from all those departments are here to answer questions.

I'd also like to take a second to thank all the employees in all of those offices for everything they do during the course of the year, for all their dedication and hard work. And with that, we're ready to take any questions. Thank you.

COUNCIL PRESIDENT JOHNSON: Thank you very much, Rob. One, I just want to acknowledge your hard work and your team's hard work regarding this budget process as well as the last two budget processes that you and I have worked on with our team and also the current position that you have put our city in terms of fiscal stability.

Can you talk about what the future looks like in terms of our strategy to create economic growth and increase our tax base from a financial standpoint? Also, your strategy to make sure we continue to have 100% pension obligation met and what that looks like and what that means for our city as we move forward?

MR. DUBOW: Sure. Let me take that part first. So as you probably know, about 10 years ago our Pension Fund was less than 50% funded through a series of reforms that required cooperation from multiple administrations, City Council, union partners, very importantly the Pension Board. We both increased the amount that goes to the Pension Fund, increased contributions from members and from the city.

So we changed the way we funded it to make sure that all of that funding was above the amount required by the state, the minimum municipal obligation. We also changed some benefit structures for non-uniformed employees so that they would have hybrid pension plans so they'd have a defined benefit portion to make sure that there was a guaranteed benefit with kind of a 401(k) and we changed the way we invested the Pension Fund in a way that we reduced our fees by maybe to about a third, saving millions of dollars a year.

So all of that meant

that the growth in our liabilities slowed and our assets agreed. We went from a place where we had seen negative cash flow every year to positive cash flow. That has meant that our funding percent has increased. We're now more than 67% funded. And our actuary projects that by 2033 we will be 100% funded, which means a few things: One, it shows that we're keeping our commitment to our retirees because in the end, that's our job at the Pension Fund, to make sure that our retirees get their payments.

It also means that the unfunded liability, which is kind of like the mortgage we've borrowed for past years, we weren't putting enough into the fund, that goes away. That will free up hundreds of millions of dollars that we can use for a variety of investments and also to help make sure we have a fund balance.

COUNCIL PRESIDENT JOHNSON: Just go on the record, just give us the specifics of the contribution per year. And then once we make that 100% obligation that will be met, how much money will be freed up that will allow us to do more work in our General Fund?

MR. DUBOW: Give me one second and I'll get you that. So the General Fund contribution in FY27 is roughly $600 million. When we go and we've paid off our unfunded liability, it could be more like 100 million for our normal cost.

COUNCIL PRESIDENT JOHNSON: 100 million, correct?

MR. DUBOW: Yeah. And we'll get you the exact numbers but that's the range.

COUNCIL PRESIDENT JOHNSON: And just give us an overview briefly on the other part of the question, the first line of questioning that asked regarding our plan to drop economic growth to increase our tax base. I know what some of them are that we've worked on in the past. But just go on the record and be more specific in terms of how we grow the pie, so to speak.

MR. DUBOW: Right. So there are a number of things that are in the plan. There's the workforce development, including our investment at CCME to help people enter the workforce and have jobs. There's the economic mobility cabinet. There's the outreach we're doing on things like helping people pay off their student loans. There's the tax reductions which we're hoping will make us more competitive. There are the specific grants that the Commerce Department gives to small businesses. So a whole array of things that we're doing to try to make sure we grow the (inaudible).

COUNCIL PRESIDENT JOHNSON: As a city, do we take these different strategies and do a projected analysis of how much the returning investment will be in those particular categories? So I know we talked about workforce, I know we did the BIRT and wage tax cuts, which also stimulates the environment as well when it comes to the economy.

Do we do an analysis overall and say these five areas are our strategies for economic growth and development and this is how much projected that we think we will make over a period of time?

MR. DUBOW: We can get

you something on that. We'll get you that. We'll work with Commerce to provide that.

COUNCIL PRESIDENT JOHNSON: And before I turn it over to my members, another area I'm very, very interested in is how we provide tax relief programs. I want to say I applaud the Department of Revenue for launching the 5-in-1 property tax relief application, because something I worked with you on way before I became City Council President was around Longtime Owner Occupants Program, the LOOP program.

We have a variety of different programs that help individuals stay inside their homes. And so, I think we're going in the right direction with the 5-in-1 property tax relief application. How are we getting the word out and what's the status

of that particular new application?
And then also, do we have an app where individuals can also go on an app and say, hey, I want to sign up for LOOP, Homestead, Deferred Tax Deferment Program, etc.?
MR. DUBOW: I'm going to ask the Revenue Commissioner to come up and answer those questions. And while she's coming up, I'll also say that one of the things that we have in this budget is additional money for outreach so that we can accelerate that.
COUNCIL PRESIDENT JOHNSON: And how much is in the budget for outreach? I just want to also add that for the record.
(Witness approached witness table.)
COMMISSIONER McCOLGAN: Good morning, Council President and members of City Council. My name

is Kathleen McColgan, Revenue Commissioner. Thank you for recognizing the work of the department in establishing the combined real estate property tax assistance application. We were very excited to launch that last year.

I think first you asked about how we were getting the word out, and that's really in combination with the communication that we do for all of our assistance programs. So the Department of Revenue has a very robust outreach team. We attend between 200 and 300 events each year in partnership with City Council, other elected officials.

We have information about the combined property tax application on our website. We also have videos on YouTube that talk about the different programs that we have available to customers regarding relief programs.

I think you asked about the status of the application. And I can tell you that we have had over 7000 applications completed on there. And the application walks applicants through questions to help them determine what they are entitled to. So it not only is a single application to ease the process for them, but it also makes it more clear for them to understand which programs they're entitled to and allows them to apply for all of them within that one application.

COUNCIL PRESIDENT JOHNSON: Thank you. And along that same line of questioning, I want to talk about the Homestead Exemption. And I know our City Controller did a report regarding individuals abusing that program.

And so, how do we course-correct to actually address some of the abuses of the Homestead program to actually make sure that -- primarily in this case, we had a senior that we honored who was also a victim of fraud when it came to Homestead Exemption.

So what are we doing to actually address that issue based on the report from the City Controller?

COMMISSIONER McCOLGAN: Yeah, it is a priority for the Department of Revenue to ensure that everyone who's eligible is enrolled in programs and at the same time that we have enforcement programs in place to ensure that those who are not eligible are removed. Through the use of improved data with our newer systems, we're able to identify those who are highly likely ineligible and reach out to them.

So through our compliance team, we reach out, send notices to property owners letting them know that we need them to provide documentation to support that they are eligible for that program. For example, we'll look at property owners where the data reflects that they may own more than one property and have Homestead on more than one property or that a property may be vacant.

And through that compliance effort, we have recovered or we have billed -- let me make sure I have this correct. Let me just pull up the stats real quick. So we have billed over $5.8 million and removed Homestead from over I believe it was 5000 properties and confirmed that about 3500 properties were eligible for the program. And we still have approximately 10,000 that are in process.

COUNCIL PRESIDENT JOHNSON: Thank you very much. Our Governor Josh Shapiro recently enacted the Working Pennsylvania Tax Credit. And so, one, do we know how many additional Philadelphians are now eligible for the Pennsylvania Working Tax Credit program? And also, how does the program complement -- well, not complement -- Philadelphia's Low-Income Tax Credit benefit program?

COMMISSIONER McCOLGAN: Okay. I'll see if we can get that number for you on how many are eligible. And I also wanted to just say that the department has worked to raise awareness of that as well. We send out at the beginning of each calendar year a notice to all employers in the City of Philadelphia, letting them know that they need to provide with their W2s, information on EITC, on the income-based wage tax refund as well as the new program from the state of Pennsylvania.

COUNCIL PRESIDENT JOHNSON: All right. Thank you very much.

Chair recognizes Majority Leader Katherine Gilmore Richardson.

COUNCILWOMAN GILMORE RICHARDSON: Thank you. Thank you so much, Council President. And thank you all so much for all of your work over the year. I know I went through my thank-yous yesterday. But again, thank you to Rob and Sabrina and to Jackie Dunn, Matthew Bowman, Shakina Clark, also Commissioner McColgan. Thank you for always answering the calls and the emails relative to our constituents.

Rebecca Lopez Kriss, Christian Crespo and we appreciate Belinda Gonzalez, who is very helpful to our Constituent Services Director Beth and provides special assistance, and to Kristin at the Water Revenue Bureau. And then of course, the Pension Board, Fran Bielli. Got to say Ms. Carol Stukes-Baylor, thank you, Ms. Carol; Brian Coughlin and all the members of the Board for your hard work, and also Marisa Waxman and her team at PICA for their work with the city. So I had to get that out the way for the day, and I'll try to do that every day. I'm starting with the thank-yous. I hope Angela is listening. I hope Angela hears that.

So at any rate, I will start with the H.O.M.E. bond. You brought this up yesterday, Rob.

You brought this up. And I wanted to just get a couple questions in relative to if you are able to provide the actual interest rate and other terms of the H.O.M.E. bond now that we've issued the first 200 million, and how does it compare to the projected costs.

When we authorized the bond and approve the budget in FY26 and as a result of the debt not being issued until March, what will the difference in debt service be for FY26 compared to the original projection?

MR. DUBOW: Got it. And our friends from the Treasurer's Office are coming up.

COUNCILWOMAN GILMORE RICHARDSON: Great.

(Witnesses approached witness table.)

CITY TREASURER DUNN: Good morning. Jackie Dunn, City

Treasurer. I'm also joined by Matthew Bowman, the Deputy for Debt Management and Sinking Fund Executive Director. We priced the H.O.M.E. bonds last week and the total cost for that, again the majority of the bonds were taxable with a small portion of tax exempt. Taxable bonds are generally higher costs than tax exempt bonds, but the blended total interest cost was 4.88%.

We had very good reception from the market and we had more demand from investors than we had bonds to sell. And so, we were able to further reduce the cost to the city from the start of pricing to when we concluded by about 6.8 million over the 20 years. So that was also a great result of us --

COUNCILWOMAN GILMORE RICHARDSON: Okay.

CITY TREASURER DUNN: -- being able to jump in and take advantage of the demand at that time. In terms of tracking interest rates over time and relative to the budget projections, we did come in below what we budgeted. We do budget debt service conservatively for obvious reasons, but I'll ask my Deputy to speak to the general comparison to what was budgeted.

COUNCILWOMAN GILMORE RICHARDSON: Excellent.

MR. BOWMAN: Good morning. Matt Bowman, Deputy City Treasurer. So as Jackie said, we do budget slightly conservatively. Each year over the Five Year Plan, the actual debt service is about 1.6 to 1.7 million a year less than what was budgeted. And then because we delayed the borrowing until the spring, there's no doubt service incurred in Fiscal Year '26.

COUNCILWOMAN GILMORE RICHARDSON: Understood. Okay. I appreciate that. Thank you for the information. I brought that up because of your comments during the hearing yesterday, Rob.

But really quickly for Revenue, I wanted to talk about a matter that's come to my attention that I think is exceedingly important relative to our ability to receive additional revenue as a city. And so, as a part of the testimony, it mentions investments in technology and utilizing more data-driven efficiencies.

But I will tell you, and I don't know that they'll be happy that I'm bringing this up, but I have heard from developers who have indicated that there are significant delays with OPA finalizing lot consolidation and subdivisions. And when there is a delay in OPA finalizing the lot consolidation and subdivisions, which I'm hearing can sometimes take years, years, so the city is only collecting the taxes on the vacant unimproved lot rather than the subdivided lots and the improved lots.

And so, I'm wondering if the city is missing out on collecting the full taxes that are due for all of these years due to these delays? And is there a large difference in taxes that would be collected by the city if a vacant unimproved lot was actually being taxed as if it was subdivided into an individual lot?

So I'll give you an example. Let's say you had a 20-acre unimproved and vacant lot at an obviously lower assessed value than if the property was subdivided and improved into 150 individual home lots. And I'm asking because I mean, I think developers and homeowners both -- and I think I talked about this a few years ago, I think the last term -- that folks have complained about the timeline to update the ownership records in the OPA system, which is leading to significant delays relative to the city's ability to even track zoning and/or building permits or applications, them being able to obtain licensing. But at the end of the day, we're missing out on probably millions of dollars of taxes as a result of this process.

MR. DUBOW: OPA is actually scheduled for April 21st. So let us get back with them and make sure that by the time we come, we have a thorough answer for that question.

COUNCILWOMAN GILMORE RICHARDSON: Right. But even from just a Revenue perspective, because I will say that I feel Revenue does a great job when there's a change of ownership. Even when you go to phila.gov/opa, type in any address as an example, you will see one slide for homeownership on the first page. But if you scroll down and go to the taxes due, you then see the actual owner once you click on the revenue portion of that parcel. So I do think Revenue is doing a great job at showcasing the ownership information once it's processed through the system.

However, my concern is relative to the city missing out on millions of dollars of revenue, as an example for all these new construction homes. I know, even for the first time in Councilmember

Jones' District, in my community and my ward, we have a new development. I think it used to be Salvation Army, right, Jones, and they tore down all the old buildings, and it was a vacant parcel. And then they rebuilt a ton of new homes and townhomes and also single homes.

So what is the process to ensure that we are not missing out on revenue that the city should be collecting when you go from a vacant unimproved lot to a number of additional parcels on one lot?

COMMISSIONER McCOLGAN: Thank you, Councilmember. I appreciate the question and I can only speak to the revenue process of course, but I can tell you that we work in very close partnership with OPA. We meet with them monthly to discuss any issues and improvements that we can make through interagency processes as well as systems.

So when we receive a recertification within I believe it's two business days and notice goes out, to your concern about losing revenue, it's my understanding that we are not losing revenue. We can take a deeper look at that. But when the recertification comes over to us, it's backdated to the date of the first period that it should be assessed at.

COUNCILWOMAN GILMORE RICHARDSON: Right. But as an example for some of these lots, it's taking so long for them to go through the process. So, yes, you all wouldn't necessarily miss out on income at the point that it reaches your desk. But because it hasn't gone through the other processes internally throughout city government, we are missing out on the backend. And you can't go back to folks and say, oh, we didn't collect for two years. But, hey, we're here now.

COMMISSIONER McCOLGAN: Yeah. So I just want to make sure --

COUNCILWOMAN GILMORE RICHARDSON: But meaning, if it didn't exist, the home didn't exist. It's a brand new construction.

COMMISSIONER McCOLGAN: Yes. So we will bill based on the assessment values back to the date that the deed has been recorded.

COUNCILWOMAN GILMORE RICHARDSON: Okay. All right. Well, I'll definitely follow up with you all because I have several examples of what's happening. We'd be happy to look at them. And I don't know that they're going to be happy that I even brought this up because it's probably a loophole that some of these folks are getting through, but I want to ensure that we are able to collect as much revenue as possible, particularly if it's new construction homes being built on unimproved lots.

COMMISSIONER McCOLGAN: Yes. Thank you.

COUNCILWOMAN GILMORE RICHARDSON: All right. Thanks.

Thank you, Mr. President.

COUNCIL PRESIDENT JOHNSON: You're welcome.

Councilmember Cindy Bass.

COUNCILWOMAN BASS: Thank you, Mr. President.

Good morning. How's everybody doing? So I wanted to just follow up on my colleague's line of questioning, Councilwoman Gilmore Richardson, but I wanted to hone in on Revenue. Good to see you and always --

COMMISSIONER McCOLGAN: You too.

COUNCILWOMAN BASS: -- thank you. You know, I have to say that I've worked with a few Revenue Commissioners, and it really has been a pleasure in terms of the responsiveness and just getting back to folks, so I just wanted to say that and --

COMMISSIONER McCOLGAN: I appreciate that. It's been a pleasure working with your office.

COUNCILWOMAN BASS: -- start out with that.

COMMISSIONER McCOLGAN: Thank you.

COUNCILWOMAN BASS: But I did want to ask you about when we get a constituent who calls in and

we understand the Revenue
Department is responsible primarily
for collecting revenue so we know
that you take it very seriously.
But when someone is not of means
and is trying to negotiate
pen-terest, penalty and interest,
can you talk to us a little bit
about the policies around those
kinds of conversations and what is
the standard?

COMMISSIONER McCOLGAN:
Okay. Yeah, we do have a standard
for our payment agreement terms and
we can certainly get that to you in
writing. There's a couple
different payment agreement terms.
When somebody has a significant
delinquency and they are working
with the Law Department, they will
waive penalty if the payment is
made in full, the principal is paid
in full. But typically, interest
has to be paid.

COUNCILWOMAN BASS:
Okay. And also, can you talk a little bit about payment arrangements because I know that we've had this, in my opinion, a little bit of a wacky sort of system where if you break a payment arrangement or you don't pay one time, then we won't give you another payment arrangement or -- that used to be the policy.

COMMISSIONER McCOLGAN:
Over the years, we've standardized our payment agreements to make sure that everybody's getting the same treatment. And I would say if a payment agreement is broken, I mean if somebody breaks one agreement, we evaluate them on a case-by-case basis. Typically, if somebody is being denied another payment agreement, it's because they have gotten to the most serious stage of enforcement and broken multiple

agreements.

COUNCILWOMAN BASS: So my question is if someone breaks multiple agreements but is still trying to make a payment arrangement, shouldn't we collect that so that we get whatever they're going to be bringing in? Does it hurt us or cost us if we say, well, you broke four agreements, we're not going to give you another one. But they've got a deposit that they want to put down now to get back into a payment arrangement?

COMMISSIONER McCOLGAN: I would say the response is based on a case-by-case scenario. We try to be as flexible as we can because, yes, we do want to collect the revenue, but we do have to maintain a level of enforcement to ensure that there is compliance. So that's the balance that we walk.

COUNCILWOMAN BASS:
Okay. Let me ask, what is our tax collection rate?

COMMISSIONER McCOLGAN:
For property tax, it is 94.9%.

COUNCILWOMAN BASS: How does that compare to the last couple of years?

COMMISSIONER McCOLGAN:
I'm sorry. Let me just add to that, that that's within the year that it's billed, that metric. 94.9 within the year that it's billed. And let me get some more information for you.

COUNCILWOMAN BASS:
Sure. Or maybe you could just answer -- I'm just trying to figure out is that number going up, is it going down? I was just --

COMMISSIONER McCOLGAN:
I can get you the exact numbers. It's absolutely in this binder. I just have to put my fingers on it.

But I can tell you that year over year for property tax it has gone up from, I believe, 24 to 25. It was in the low 94% range and then went up to 94.9. Let me look at this for you.

Okay. So for property tax for Calendar Year 2024, it was 94.2% that was collected and the percent collected for all years in 2024 was 96.44. And to give you a comparison to Calendar Year '23, the one-year collection rate for property tax was 94.09 and the percent collected for all years was 98.03.

COUNCILWOMAN BASS: Okay. Is there any -- because of the state of the economy and everything that's going on and the cost, everything is high and we know that some people who might fall in that little 4% or 5% who are not up to speed, up-to-date,

have we thought about doing
anything -- I can't think of the
word right now, where we wipe out
pen-terest, interest and penalty,
if you pay within a certain time
period? I forget what it's called.

COUNCILMAN JONES:
Amnesty.

COUNCILWOMAN BASS:
Amnesty. Thank you, Councilman
Jones.

COMMISSIONER McCOLGAN:
So our position on amnesty is that
it undermines our ability to
collect over time. And we did an
analysis from the last tax amnesty
that the city did and actually
determined that had we maintained
our enforcement, our normal
enforcement and collection
processes, we would have collected
more than we did in that actual
amnesty.

COUNCILWOMAN BASS:

Okay. That's interesting. So then the department feels or the Administration feels that amnesty is not something that they intend to do any time coming?

COMMISSIONER McCOLGAN: No, we don't endorse amnesty. We just think it hurts our compliance rate as well as our collection rates for the city and the school district.

COUNCILWOMAN BASS: All right. I would argue otherwise. I know you've done your analysis and your data says one thing. But when you talk to the -- there's always someone who's going to game the system. There's always somebody who's waiting for an amnesty program to come along to take advantage of that. But I think for some of those of lesser means who just really do want to be compliant but just don't have the amount of funds that are required of them, it could be a great incentive to try to get caught up. Especially knowing that we're doing all these other things to raise money, I still think it might be a good way to get some cash in the door right now.

COMMISSIONER McCOLGAN: So we're happy to work with any taxpayer who may be struggling to pay any of their liabilities. And we do ask them to reach out to us as soon as possible so we can put a process in place for them.

COUNCILWOMAN BASS: Thank you.

COMMISSIONER McCOLGAN: Thank you.

COUNCILWOMAN BASS: Thank you so much.

COUNCIL PRESIDENT JOHNSON: Thank you.

The Chair also

recognizes the presence of Councilmember Mark Squilla -- before I call on the next member, I just have a brief question, Mr. Dubow.

Are we going after individuals who own properties that are behind on their taxes? Like owners of land, they may live in New York but they own thousands of properties here and they may be back. What's our strategy to go after those individuals to recoup those dollars that are owed to the City of Philadelphia?

COMMISSIONER McCOLGAN: Yes, we do -- we are fortunate to have a legal team that's integrated in our department and they act on collections, all collections, and they have a few different methods for doing that, and one of them is consolidated actions against multi-property owners.

The details of -- the one thing that I do know is difficult with a non-resident is that to actually secure a judgment against a property outside of Philadelphia, if that individual owns a property with someone else, then Law can't enforce upon that. So if the home outside is in the name of the property owner and a spouse, they can't take the same action as if it was just that property owner. But within their legal ability, Law enforces upon those as well.

COUNCIL PRESIDENT JOHNSON: Okay. Thank you very much.

Councilmember Dr. Anthony Phillips.

COUNCILMAN PHILLIPS: Thank you, Council President.

I want to start with an issue -- and thank you so much, Commissioner and Rob, for being here. I want to start with an issue that we're seeing more frequently in our District related to water billing. We have residents receiving large backdated water bills covering multiple prior years, often due to what is described as accounting or processing issues for many of these residents, especially seniors or those on fixed incomes. These bills are unexpected and it's simply unaffordable.

What steps is the Department of Revenue taking in coordination with the Water Department to address billing errors and to ensure residents are not penalized for issues that may stem from system or administrative delays? And also, what protections are in place to prevent residents from facing enforcement actions such as liens or collections while these billing disputes are being reviewed?

COMMISSIONER McCOLGAN:

Thank you for the question, Councilmember. I'm not aware of billing issues related specifically to accounting. I am aware that there are circumstances where a reading may not be obtained from a meter. It could reflect zero usage or estimated usage. We've improved our processes over the years to reflect that on the bill that goes out to the customer. There's actually a box with red language that says that your reading was estimated or zero usage and asks them to contact the meter shop. And after three consecutive bills of zero or estimated usage, we send a separate paper notice to the owner to let them know that they need to contact the meter shop.

And then we also have the shared responsibility policy, which I know Councilmember Gauthier has introduced legislation to codify that, where we work with the customer to reduce the amount past one year. So 50% of the usage is waived and we'll work as always to get them into a payment agreement.

COUNCILMAN PHILLIPS: What I'm saying is that often times you may not pick up on the meter read until years later, right, or months, whatever that may be, and there's a delay in the processing for the bill. And sometimes people get the bill and you're like, oh, it's still their bill, you know, per se.

And in addition to that, there are water main breaks that happen which disrupt people's water service and then residents have been telling me that they're not often times given a credit back for the disruption to their water service. Is that something that we're working through as well?

COMMISSIONER McCOLGAN:

So for the cases that you mentioned where there was no notice to the property owner of the meter reading, then reflecting either zero or estimated usage, I would like to look at that on an individual case-by-case basis. If you could share that property with me so that we can analyze it, I would appreciate that. Because like I said, we've put these processes in place to improve our communication, but also we do work very closely with PWD to address issues like this and have met with them recently and are in the process of discussing in addition to what we're already doing, how we can reach property owners earlier and engage with them to get them to act to replace a meter.

COUNCILMAN PHILLIPS:
Okay. And then the question about the water main break.

COMMISSIONER McCOLGAN:
I'm sorry?

COUNCILMAN PHILLIPS:
The water main break. So people receiving --

COMMISSIONER McCOLGAN:
That I would have to defer to PWD on talking about the water main breaks.

COUNCILMAN PHILLIPS:
And then just real quickly, can you provide an update on Oepal and how it's actually improving timelines for businesses, particularly for permitting approvals, tax clearance and overall process efficiency? This was something that you all say is supposed to be happening in this year's budget. You also talked

about it in last year's budget. So I'm just trying to figure out what's the hold-up with Oepal.

MS. LAMB: Hi, there. Catherine Lamb, First Deputy for Finance. So I think you're talking about the Opal Project, which is --

COUNCILMAN PHILLIPS: Opal.

MS. LAMB: Opal.

COUNCILMAN PHILLIPS: Okay. Opal.

MS. LAMB: It's going to be a gem. It is the project to replace our core financials and purchasing systems, so it's actually not replacing any of the revenue systems directly so it won't impact anything dealing with revenue billing and noticing. What it will do is replace the core systems that we use to do our accounting as well as to contract and pay our vendors.

COUNCILMAN PHILLIPS: So the question is it was supposed to be done last year and it's not done yet. What's the hold-up?

MS. LAMB: Yep. So our original go-live date or most recent go-live date was July of this year. Recently we've decided to extend the schedule for 12 months as we are leading up to the go-live date. We didn't feel like we were ready. And the worst thing you can do is go live with a system that touches every department and not be ready.

COUNCILMAN PHILLIPS: Got you. All right. Thank you. I just -- can I get one more question?

COUNCIL PRESIDENT JOHNSON: (Nodded affirmatively).

COUNCILMAN PHILLIPS: So our office has identified multiple vacant properties in the district, that by chance were still receiving tax abatements through nonprofit or religious status, despite not operating as active institutions for years. What proactive steps is the Department of Revenue taking working with the Office of Property Assessment and the Law Department to identify and address situations where properties may be improperly receiving tax benefits?

COMMISSIONER McCOLGAN:
I just want to make sure I caught your question. Your focus is on properties that are receiving tax benefits to which they're not entitled?

COUNCILMAN PHILLIPS:
Yes.

COMMISSIONER McCOLGAN:
Okay. So that is a -- we have a tax benefit review unit within our compliance team that utilizes data to identify properties that we

reflect are high likelihood of being ineligible for the properties. We send notice to them, we give them the opportunity to explain to us why the data may reflect something that is inaccurate and why they're entitled to the programs, but we have removed through that program over 5500 properties that we've identified were not eligible and we have confirmed about 3500 of them and have about 10,000 still in the queue being processed.

COUNCILMAN PHILLIPS: So that's what I'm saying. How are you -- we know there's a lot. And so, how are you coming up with a time frame to get to all of them to complete the process? Because what happens is that I'll identify a property but then it's been a nuisance in the neighborhood for years by that point and now you want to get on it. But then your team could have been on it a while ago. So how are you getting that list smaller?

COMMISSIONER McCOLGAN:
Well, over the -- I think the list is getting -- there's significant work for us to still do, but I do think that the list is getting smaller because we have this program in place and we're giving the property owner due process and sending them a notice and giving them the opportunity to reach out to us. But over the years, the last few years with our new tax system and improved integrated data and data warehouse, we've been better able to identify those. So over time, I do anticipate that that number will go down.

COUNCILMAN PHILLIPS:
Yeah. I just think there should be a timeline on that altogether,

because it's not okay that this has been -- you have piles. I understand what you're saying, that you want to give due process, you deserve due process. But there should be a situation where by July or by August we're going to clear all these up. We're going to make sure that a letter is sent, no response, we're going to move forward, right. That's the due process.

So I just don't think there's a clear system where you're trying to make sure that these numbers are going to go down, which is going to cause problems later. All right. Thank you.

Thank you, Council President.

COUNCIL PRESIDENT JOHNSON: Thank you, Dr. Phillips.

Point of information, Councilmember Quetcy Lozada.

COUNCILWOMAN LOZADA: I just want to ask a question based on what he just said, right. Because we were under the impression that once a property that has been tax delinquent hits a $10,000 tax delinquent mark, it was supposed to trigger something and it was supposed to start a process. Does that not happen? Is that not real?

COMMISSIONER McCOLGAN: Delinquency collection processes?

COUNCILWOMAN LOZADA: Yes.

COMMISSIONER McCOLGAN: We do have tiered collection processes based on the delinquency. But the Councilmember was referring to properties that are receiving assistance programs that they may not be entitled to.

COUNCIL PRESIDENT JOHNSON: Go ahead, Dr. Phillips.

Briefly, sir.

COUNCILMAN PHILLIPS:

Briefly. So for folks who are listening, the point of the matter is that by basically you all not being able to get on top of these properties, there are vacant lots in the City of Philadelphia that exist that no one can buy and reuse for great purpose because you have all these lots that are just basically there. And so, your delay is causing neighborhood issues. So that's what I'm saying. I feel like it needs to be a solid process that you can communicate on how you can, you know --

COMMISSIONER McCOLGAN:

Are you referring now to the Sheriff's sale process for vacant properties?

COUNCILMAN PHILLIPS:

Yeah, that part too.

COMMISSIONER McCOLGAN:

So we are happy to have resumed Sheriff sales and it has generated revenue in customers who have come into compliance before the actual sale, resulting in tens of millions of dollars in revenue. I believe we collected over $50 million since Sheriff sales resumed. Our goal is to bring the property into compliance and certainly not to sell an owner-occupied home.

Our law department goes to great lengths to do outreach to reach the owner, to try to bring them into compliance. And up until the day of a sale will actually -- if a property owner comes forward and proves that it's owner-occupied, we'll put them into an open agreement for vacant properties. I think that if there's particular properties that you have concern about, we could certainly work with your office on that. But the strategy for Sheriff sales is to collect the revenue, so we work in priority of the highest dollar potential for collection.

COUNCIL PRESIDENT JOHNSON: Thank you very much. Before I call on the next member, Rob, I just want to add an additional question regarding the rideshare tax. And so, it's my understanding I know yesterday we talked about a portion will go toward helping school-related union employees transpasses or assistance with transportation, right.

But also, I just got an understanding, got additional information that there's also 3 million set aside for individuals who may have outstanding parking debt, like some type of agreement with PPA to help individuals, which wasn't discussed yesterday. So could you just give us an idea?

Because it falls in the line of what Councilmember Bass talked about in terms of amnesty, right, and helping individuals.

And so, I was thinking how can we address this issue with individuals who are back on parking tickets and so forth? They might just need a little help to get their lives together. And from my understanding once I asked the question, I said, well, part of this rideshare tax history that was put aside for helping individuals who may have debt regarding parking tickets, which is new information to me, could you elaborate on that please?

MR. DUBOW: Yep. So there is a three-year program funded through the tax, $3 million a year, under which PPA would go through an application process to make sure people are eligible on an income basis. If they were eligible, PPA would waive fines and penalties and would give them a grant to pay their parking tickets.

It's really important, because some of the people have lost access to their vehicles because of the unpaid tickets, so it would help them pay that off, have access to their car again, be able to drive to work, for example. And the other benefit for the District is that money that goes to the PPA eventually flows through to the District.

COUNCIL PRESIDENT JOHNSON: Gotchu. Okay. Yeah, I was getting ready to ask that question, what does that have to do with the schools. However, PPA pays a portion of the revenue they bring in to the School District?

MR. DUBOW: Yes. Once they get over threshold, everything goes to the District.

COUNCIL PRESIDENT JOHNSON: So it becomes all circular?

MR. DUBOW: Yes.

COUNCIL PRESIDENT JOHNSON: Okay. Great information for us to have. Probably good to let members know that is an extra added benefit for their constituents in the event that this is supported by the body. And so, don't be shy about how you are touting the benefits of said rideshare tax in the event that the body supports because I had no idea. I was pushing for an amnesty program to support individuals who are back on their parking tickets. And now, I got a response and said, well, this is something that is already being proposed so it's probably good information for us to know. Thank you very much.

Chair recognizes
Councilmember Kendra Brooks.
COUNCILWOMAN BROOKS:
Thank you, Council President.
Last year the Administration came to Council and said that we needed to end the small business BIRT tax exemption for companies making under $100,000. We were told by the City Solicitor that --
COUNCIL PRESIDENT
JOHNSON: Excuse me, Member Brooks --
COUNCILWOMAN BROOKS:
You can't hear me?
COUNCIL PRESIDENT
JOHNSON: No. Could you talk into the microphone with that Nicetown voice?
COUNCILWOMAN BROOKS:
Sorry about that.
COUNCIL PRESIDENT
JOHNSON: There you go.

COUNCILWOMAN BROOKS: We were told by the City Solicitor that we had to do this to settle a lawsuit and that there would be an imminent announcement about how the lawsuit was wrapped up. There was no announcement and the Administration did not follow up with Council about the status of the lawsuit.

I want to get on the record exactly what is the status of the lawsuit. And if there wasn't a settlement, can you detail the Council what it was?

MR. DUBOW: We're going to ask Francis Beckley to come and respond to that question.

(Witness approached witness table.)

MS. BECKLEY: Good morning. My name is Francis Beckley and I'm Revenue chief counsel. We settled the first set of those lawsuits with five plaintiffs. However, the same law firm immediately filed a new lawsuit and that lawsuit is in progress. So I think I'd be delighted to brief anybody from City Council, either individually or as a group, on the progress of that, but it is not appropriate to discuss it publicly.

COUNCILWOMAN BROOKS: So are lawsuits still pending around --

MS. BECKLEY: There is another set or there's another identical lawsuit that is ongoing and it is not appropriate to discuss ongoing litigation in public.

COUNCILWOMAN BROOKS: Okay. We'll reach out --

MS. BECKLEY: But we have attorney-client privilege with you. We're happy to brief you if you'd like that.

COUNCILWOMAN BROOKS:
Okay. Thank you. We'll reach out to get that.

My next question is, how much money will businesses who make under $100,000 a year be paying this year after the city gave up or whatever is happening with the court to preserve this exemption?

MR. DUBOW: The total net increase was in the high 30 millions, but that includes all businesses.

I don't know if you have a breakout for under 100,000. Because every business was able to take advantage. It wasn't just small businesses that took advantage of the 100,000 exemption. It was every business.

COMMISSIONER McCOLGAN:
So I do have some numbers here on an example of a business that would

earn $100,000 in gross receipts and have $60,000 in net income. And their total tax bill --

MR. DUBOW: She said do we have a total for businesses under 100,000.

COMMISSIONER McCOLGAN: Oh, I'm not sure. I can get back to you on that. Sorry.

MR. DUBOW: Let us get back to you on that.

COUNCILWOMAN BROOKS: Okay. You're going to get back to us in writing?

MR. DUBOW: Yes.

COUNCILWOMAN BROOKS: All right. My next question: Every budget document that we have seen this year has noted economic uncertainty amid the ongoing federal turmoil. We heard yesterday directly from the Administration about these challenges. At the same time, those documents continue to tout tax cuts as investments that the city is making.

I'm having a hard time reconciling that we have committed tax cuts until FY2039 but are right back here looking at new taxes on rideshare and delivery services. Has there been any discussion about pausing the BIRT tax cuts given the Administration's desire for new income? Do we think the tax increases on rideshare and delivery services are regressive taxes and has there been any discussion about how to apply those taxes with a non-passthrough provision to Uber and rideshare?

MR. DUBOW: So let me take -- a few questions there. One was have we considered pausing the BIRT reductions. We have not. We do think that that's an important investment that helps grow our economy. On whether we think that rideshare and delivery tax are regressive, the survey analysis we've shown, and we can get this to you, shows that for both as income goes up, usage goes up, so we don't think that they're regressive.

And then I missed -- there's one other question.

COUNCILWOMAN BROOKS: About a non-passthrough provision. Have we had discussions about how to apply the taxes on Uber and rideshare as a non-passthrough provision? Meaning, the cost goes to Uber and Lyft as opposed to the consumer.

MR. DUBOW: I think that's another thing discussed in a briefing, not in a public session, on how that would work in the legislation. So we have talked about it, but I think that's something we would want to brief you on rather than talk about it --

COUNCILWOMAN BROOKS:
That's another thing to add to a briefing?

MR. DUBOW: Yes.

COUNCILWOMAN BROOKS: So
last year I introduced a part of the People's Tax Plan, a bill to expand wage tax refund. I was disappointed to learn that the Finance Department spoke to other Councilmembers about this bill without first contacting my office to express their concerns. How many people have received a refund for the city wage tax refund program? And how much does that represent?

COMMISSIONER McCOLGAN:
I'll get the exact numbers for you, but I know that they have grown year over year. And for the last fiscal year, there were over 4000 people who had received a refund.

So in 2023, we had 1687. In 2024, 3933. And then in 2025, 5744.

COUNCILWOMAN BROOKS: And is there any reason why our staff, we weren't briefed on this prior and other Councilmembers had the opportunity to hear on this?

COMMISSIONER McCOLGAN: I'm sorry. I'd be happy to brief you. I'm not familiar with the conversations that you're referring to.

COUNCILWOMAN BROOKS: Okay. Could I ask one more on the record, Council President, or that's it?

COUNCIL PRESIDENT JOHNSON: Brief, please.

COUNCILWOMAN BROOKS: So one of the things I'm interested in hearing about is eliminating the Class 500 funds. I don't think this decision was made with much input from Council. I want to understand why these funds were eliminated. I raised this because those class funds are often how Councilmembers are able to do direct funding to organizations.

By taking this class funding out, we are eliminating Council's influence on the budget and consolidating even more power to the Administration. What is the reason for this class fund refund -- I mean, why they were eliminated?

MR. DUBOW: They have not been eliminated.

COUNCIL PRESIDENT JOHNSON: Thank you for the record, sir. They haven't been eliminated.

COUNCILWOMAN BROOKS: It's not been eliminated?

MR. DUBOW: They have not been eliminated.

COUNCILWOMAN BROOKS: Okay.

COUNCIL PRESIDENT
JOHNSON: Anything else, Member
Brooks?

COUNCILWOMAN BROOKS: I
do, but you said brief. So I --

COUNCIL PRESIDENT
JOHNSON: Yes, real brief.

COUNCILWOMAN BROOKS:
Okay. So last year, the city set
aside $91 million in federal
funding reserve, which is less than
one week of the total operating
costs for the city. Where did last
year reserves go? I also want to
better understand what this money
could be spent on if we didn't use
it last year?

MR. DUBOW: Got it. So
the beginning amount in last year's
budget was 95 million. We spent 4
million on food assistance when
SNAP, I guess, didn't flow during
the budget strike, at the budget
impasse. So that's an example of

how it could be used. So there was 91 million remaining at the end of the year. Since that hadn't been used, it fell to our fund balance. We're asking in this year's budget to re-establish it.

COUNCILWOMAN BROOKS: Re-establish --

MR. DUBOW: The 91 million.

COUNCILWOMAN BROOKS: Okay. And we had a constituent call about a problem with communications between Revenue, OPA and the public. An example, the excess value of a constituent's home increases, which raised the amount of property taxes owed. This higher amount of property tax was not communicated to the constituent or the mortgage company. So when the property taxes came due, the amount the constituent had to pay, which was much higher than the mortgage company had deducted. OPA said that communicating this to the constituent and the mortgage was Revenue's job. And Revenue said that that was not the proper communication from OPA to them.

Can you let us know how this process should work and what kind of communication happens between the departments and the public around issues like these?

COMMISSIONER McCOLGAN: Okay. I'm happy to respond to that. I think I just need to clarify what you said at the beginning of your question. Was it a recertification?

COUNCILWOMAN BROOKS: It was the value of a constituent's -- the housing value increased and it raised the amount of property taxes owed. But it wasn't communicated to the constituent or the mortgage company about this increase, so a portion of it wasn't paid. So a later bill came to the constituent, unbeknownst to the mortgage company or the constituent. Revenue and OPA both pointed fingers at each other. But this bill to the house owner is still holding the bill. What is the communication process between those two departments so people aren't stuck holding a bill that they had no idea?

COMMISSIONER McCOLGAN:
Okay. I can speak to Revenue's billing process. And also, again, just reiterate that we work very closely with OPA. So I'll be happy to look at that specific property and see what happened. But for our billing process for Revenue is we send out about 350,000 bills annually based on assessment values in early December and we make those values viewable online at the same

time on December 1st.

Those who have a lender, we work very close with them and we provide them with billing files, letting them know what the amount is that's due on the property. If the property has an appeal that's pending and the property owner is entitled to pay the prior amount based on that year's appeal, we also can make that information available to the lender. So we work very closely with them and I'm not sure for this specific property where there was a breakdown. But I'd be happy to look at it and make sure that -- I do think that it's an outlier because of our billing processes.

COUNCILWOMAN BROOKS: So we should have someone in my office reach out to your office --

COMMISSIONER McCOLGAN: Yes, please.

COUNCILWOMAN BROOKS: --
to coordinate this specific issue
directly?

COMMISSIONER McCOLGAN:
Yes.

COUNCILWOMAN BROOKS:
Thank you so much.

COMMISSIONER McCOLGAN:
Thank you.

COUNCIL PRESIDENT
JOHNSON: Thank you very much. The next order goes as follows: Councilmember Nina Ahmad, Councilmember Jamie Gauthier, Councilmember Jim Harrity.

COUNCILWOMAN AHMAD:
Thank you, Council President. Good morning, everyone. It's still morning. Thank you for being here. The proposed budget included a new hotel tax increase to fund the 1000 additional shelter beds. What is the projected annual revenue from this increase? And what sort of

risk modeling was done if there's a reduction in hotel occupancy?

And we just saw a couple of days ago that FIFA is canceling thousands of hotel rooms. So I just wondered how this is all playing out and what we actually are going to get from this.

MR. DUBOW: So we are projecting that we will receive $20,000 annually in the -- 20 million. 20,000 wouldn't be that helpful.

COUNCILWOMAN AHMAD: I was like, oh my goodness. Okay.

MR. DUBOW: In the first year it's not starting until August, so we're projecting 18 million in the first year from the tax.

COUNCILWOMAN AHMAD: So when we are faced with scenarios of organizations like FIFA, who had booked a lot of rooms, canceling so

many of them and we don't know
exactly why, the reporting didn't
say, I wonder how that impacts your
model?
MR. DUBOW: So in this
case since we're not starting the
tax until after those events, it
shouldn't affect our projection --
COUNCILWOMAN AHMAD: So
I meant not for this. So in cases
like that, because it's not a
given, right, we can have some kind
of calamity and there goes people
coming to our city.
MR. DUBOW: Right. And
like with any tax, we'll have years
where it generates more or
generates less and over time, it
kind of typically averages out.
COUNCILWOMAN AHMAD: So
I see we are finding creative ways
to increase our budget. But what
is the growth projection that
actually shows us new revenue

coming? Could you please speak to sources of new revenue instead of us taxing our way out of this?

MR. DUBOW: Right. So for each of our taxes, we have projected growth rates. So for the wage tax, I think we're basically between 3% and 5% each year. For property tax, we're also around 3% a year. For the sales tax, we're in the 4% to 5% range. So each of our taxes assume that there will be continuing growth in the economy that will lead to increased revenues.

COUNCILWOMAN AHMAD: And the work that's being done in the workforce development, it was mentioned earlier, do we have a sense of a projection of all this investment we are making in those spaces where that will show up in increased revenue?

MR. DUBOW: Yeah. So

that's one of the things that the Council President asked about in his first questions. And then we said, we'd get together something that shows what we project for each of our initiatives.

COUNCILWOMAN AHMAD: Yeah. Because we -- I already got calls about your hotel tax and all of this. So I just want to be able to tell their constituents to say, what is our growth projection, how are we really driving new revenue instead of keep taxing everybody who are already participating in this economy. And so, we would love to get those numbers. And then is there a sunset for this of any kind or is this a forever tax?

MR. DUBOW: There is no sunset.

COUNCILWOMAN AHMAD: Because that means that we are going to start relying on this.

Does that allow us to then wiggle out of new revenue or creating opportunities? I just feel Philadelphia doesn't project to the world we are growing, we are exciting, come here, invest in us. But what we project is we're going to tax you to death.

MR. DUBOW: So we have segregated this revenue in the hotel tax that can only be used for the homeless services, so it's not something that we'll use in other places.

COUNCILWOMAN AHMAD: So if homelessness goes down, then the need for it goes down. Then do you exit out of that?

MR. DUBOW: I think that's something we should revisit at that time.

COUNCILWOMAN AHMAD: All right. Let's remember that, because we're going to work for making sure nobody in Philadelphia is unhoused. So hopefully there'll be no need for this.

Thank you very much, Council President.

COUNCIL PRESIDENT JOHNSON: Thank you.

Councilmember Jamie Gauthier and then Councilmember Jim Harrity.

COUNCILWOMAN GAUTHIER: Thank you, Council President.

Good morning to all of you.

MR. DUBOW: Good morning.

COUNCILWOMAN GAUTHIER: Thank you for the work you do every day. And I want to echo my colleague's sentiment that I also really enjoy working with you, Commissioner McColgan.

COMMISSIONER McCOLGAN: Thank you. I appreciate that.

It's been a pleasure.

COUNCILWOMAN GAUTHIER:

Last November, based on direct feedback from my constituent services team, from many, many calls from our constituents I introduced a legislative package that strengthens water equity by expanding eligibility for TAP, protecting residents from extremely expensive water bills caused by long-term meter failures and calling on the Administration to explore ways to give rental tenants more control over their water bills.

Water rates are rising. Effective September 1, 2025, PWD increased typical residential bills by 9.4% to about $89.42 per month. In 2026, another 5.5% increase is scheduled, raising typical bills further to $94.31 a month. At the same time, we can't forget that nearly half of renters are cost-burdened, meaning that they make the impossible choice every month between paying their rent, affording their utility bills and putting food on the table.

Yet, unlike other utilities, the city doesn't allow tenants to put the water bills in their own names. Meaning, they are ineligible for assistance programs. I remember during the H.O.M.E. debate hearing the Administration often express a desire to not pit the have-nots against the have-a-littles.

So my question for the Administration today is, do you support expanding eligibility for the TAP program to help Philadelphians afford their water bills?

COMMISSIONER McCOLGAN: Thank you for the question. I also appreciate working with your office and appreciate the legislation and what it's attempting to do, because we do think that the TAP program is very important. It provides protections to many residents and tenants and also relief in form of forgiveness. So we value that program and we do our best to enroll as many people as we can.

I also would like to just highlight that we have an ongoing auto-enrollment effort through data-sharing, and we've increased those that are enrolled in TAP to just over 68,000, and also have an additional over 20,000 enrolled in the Senior Citizen Discount. So while I appreciate the protections and the intention to expand them, I just want to highlight that our analysis reflects that expanding it per the legislation could cost

$23.5 million, and we're also of course working to fund the services of PWD so that they can maintain operations and sustain clean drinking water for every resident. So that additional funding would be part of the next rate case and would further increase rates to those that are not enrolled or eligible for TAP.

And then one other thing I just wanted to comment on is we do actually allow customers to become tenants -- I'm sorry, tenants to become customers. And once they become a customer, they are entitled to the same programs as owner-occupants.

COUNCILWOMAN GAUTHIER: I'd love to talk with your office more about that offline. Just a couple more questions. The Mayor's budget address talked specifically about residents who are locked out

of existing programs, people making
just too much to qualify but not
enough to stay afloat.

Under the current TAP cut-off, a family of four earning $49,500 gets help. A family earning $51,000 gets nothing. My bill is about that gap. How does your opposition of the bill fit with what the Mayor says she's trying to do about not pitting the have-nots against the have-a-littles?

COMMISSIONER McCOLGAN: Yeah. I'm just trying to make sure that I communicate the impact of the bill so that all of the facts are on record. And also -- I'm sorry, oh, also I wanted to just mention that outside of TAP, we do have other payment agreements and we can get you the terms of those payment agreements that those who are ineligible for TAP are entitled to. We also have long-term payment agreements for those who qualify as well. So I'm happy to go over all of that with you in your office.

COUNCILWOMAN GAUTHIER:

Thank you. I have questions about your projection. So you stated that expanding TAP eligibility will cost $23 million. Our office has not been able to find a published methodology for those figures. So what income and uses assumptions does that estimate rely on and is it modeled on the current TAP participant population or on the households between 150% and 200% of the federal poverty level who would be newly eligible?

Additionally, the bill requires that discounts be based on each customer's actual income, which means every discount is individualized, not uniform. Does the $23 million estimate reflect that structure or does it apply a single average discount to all newly eligible households?

Because if it's the latter, the methodology does not match how the program actually works. So I'm trying to dig into your estimate, which you all are saying makes it infeasible to do this expansion. And I just want to understand what you're basing that on.

COMMISSIONER McCOLGAN: Yes, I'll be happy to get that information for you. I believe the fiscal note was published last Friday, but it wouldn't contain I don't think all of the details that you're requesting. So we will have to get back to you on that.

COUNCILWOMAN GAUTHIER: Okay. I also want to know what enrollment figures you're using for that $23 million estimate? We know that with the majority of city programs we see typically low enrollment rates. And so, does your $23 million figure assume that everyone at the expanded incomes here would enroll or what usage are you actually basing that on?

COMMISSIONER McCOLGAN:

Yeah. I think that that's an important question and I know that you raised that in our recent conversation, and our team is working to get a response to you on that.

COUNCILWOMAN GAUTHIER:

Okay. Lastly, Bill 251021 requires Rate Board authorization before any eligibility expansion takes effect. So that puts this expansion or would put this expansion through exactly the regulatory process that the Administration says it supports. And it means that nothing would change before

September 2027 at the earliest.

The FY27 plan confirms that PWD is already preparing for that rate proceeding. And so, if we are including that language in the bill, can you explain your objection?

COMMISSIONER McCOLGAN: I would -- regarding the rate proceeding, I would prefer that PWD respond to that. It's more appropriate for them to respond to.

COUNCILWOMAN GAUTHIER: Okay. Thank you. I look forward to following up with your office and with PWD about all of the above. I think it's really important before we object to giving more relief to our constituents that we know are struggling every single day, particularly under this federal administration, that we have really good and really accurate information before we say no to them.

COMMISSIONER McCOLGAN: Understood. Thank you.

COUNCILWOMAN GAUTHIER: Thank you.

COUNCIL PRESIDENT JOHNSON: Councilmembers Harrity, Lozada, Driscoll.

COUNCILMAN HARRITY: Thank you, Council President.

Good morning, everyone. It's still morning. Man, the revenue and tax really go slow. It's only 11:30. Got to make some light of this situation. I'm going to ask my questions for the sake of time just to get them out there. That way we can work from there, have a couple different lines and see how far I get through.

Have you considered how the rideshare tax will impact those with disabilities who may rely on rideshare as a more accessible option than public transportation? Other cities have taxed wheelchair-accessible rideshares at a lower rate than all other trips. Also, many healthcare workers or nightshift workers rely on rideshare services during off-hours when the public transit is not running. Additionally, many rely on rideshare late into the night when taking public transportation may pose safety risk.

Have we considered limiting the time of day that we are levying this tax? I know there was a little discrepancy yesterday when I mentioned the numbers for Chicago, but I now have my research here and I actually wasn't all wrong. That is the rate that they do after the peak time. So New York and Chicago both limit the tax to rides taken between

6:00 a.m. and 10:00 p.m.

Just trying to think out of the box here on trying to get -- I understand you guys are saying this is what we have to do. But I'd also like to make sure that we're looking into everything and trying to give breaks to the people that really do need breaks, like our disabled population.

MR. DUBOW: So we'll look into each of those issues and are happy to work with you on them. We'll say to the extent we do things like limit the time, it will reduce the amount of revenue we're collecting. So we have to just be mindful of --

COUNCILMAN HARRITY: Yeah, I mean, if you look at the times they're saying, 6:00 a.m. to 10:00 p.m., that's pretty much -- after that time, it's not going to be as much money anyway. But I get --

MR. DUBOW: No, understood. I just wanted to --

COUNCILMAN HARRITY: -- this is about money so that's how we do it. All right. You'll get back to me with those. I've got some questions now about the pension and retirement. Can you talk about the 45 million payment being distributed to retirees through the pension adjustment fund. On average, how much will each retiree receive? And can you explain how this was distributed amongst members of each plan? So is this for all our city?

MR. DUBOW: So it's for all retirees. It's based on calculation of how much our earnings exceed our assumed rate. The exact method of the distribution is determined by the Pension Board, and that determination hasn't been made yet. It'll probably be made at our next board meeting. And after that, I can give you all the details that you just asked about.

COUNCILMAN HARRITY: You're at the board meeting so, yes, I'll take that for now. But you don't have even a little estimate on how many because --

MR. DUBOW: No.

COUNCILMAN HARRITY: -- there's numbers going around. I heard somewhere around 2000 a retiree or something like that.

MR. DUBOW: I don't want to give a number because we were given a few different options we have to look through and make sure. I want to make sure we get you an accurate number when we get there. And you won't have to wait long because the board meeting is tomorrow.

COUNCILMAN HARRITY:
Yeah. You know me, it's all about the employees, our retirees. Especially the newer pension plan people, I don't know how they're doing it. All right. Another discussion for another day and you'll get back to me with the other information.

MR. DUBOW: Yes.

COUNCILMAN HARRITY:
Thank you, Council President. That was pretty quick.

COUNCIL PRESIDENT
JOHNSON: Thank you very much.

Councilmember Quetcy Lozada. Then Councilmember Driscoll. Then Councilmember Young.

COUNCILWOMAN LOZADA:
Thank you, Council President.

According to the proposed plan, there's roughly a $39 million decrease in contributions to other government agencies and nonprofits. This category often supports social services, community-based organizations and specialized programs that have a direct impact on my district. Can you clarify which types of services, like behavioral health programs, substance use services, violence prevention and workforce development will be most impacted by this reduction?

Additionally, what criteria were used to determine which contributions were reduced or eliminated? Was this based on program performance, duplication of funding or broader fiscal constraints? And how will these reductions affect communities like those in my district that have historically experienced this investment?

MR. DUBOW: Yes. So the contributions are listed in our detail, so you can go in -- the contributions are listed in our detail, so you can go in and see which ones are continuing, which ones aren't. For the most part, the ones that are not continuing are ones where there was a one-time agreement and they were put in the budget based on a one-time agreement so they don't continue after that year.

COUNCILWOMAN LOZADA: Can you give us a list of which ones were one time? Can you submit that to the Chair so that I can actually see --

MR. DUBOW: Yeah. And I actually see that maybe the biggest single reduction is around 2026 events. So there was some money for some 2026 grants. So to give you an example of one where funding -- there was Philadelphia Freedom Schools. There's 150,000 in '26. That was a one-time thing so it didn't continue. There was funding for Calder(ph), that was also one time, not continuing. So it's literally dozens of them. But it's in here on Pages 18 and 19 in our detail and happy to have a conversation with you.

COUNCILWOMAN LOZADA: I'll look at that. Thank you. The roughly $98 million year-over-year increase is driven primarily by pensions and health care, which are structural and recurring costs. What is the city's long-term strategy to manage this growth? And to what extent can these costs be slowed or contained over the next five years?

MR. DUBOW: So pension costs, we talked about a little and the strategy we have for getting

200% funded. When we get there, those costs will go down dramatically. For health care costs, when Office of Human Resources come, they are prepared to talk about it. We've talked to them and they will give you more detail on what our strategy is for containing health care costs.

COUNCILWOMAN LOZADA: Okay. And then my final question, often times folks ask departments like yours how can we increase revenue, right --

MR. DUBOW: Sorry, I missed the last -- how can we increase?

COUNCILWOMAN LOZADA: How do we increase revenue for the City of Philadelphia? Are you ever asked how do we save, right? Across departments, are departments ever asked how do we save money so that we are not putting the pressure on the residents of our city?

MR. DUBOW: Yeah. So during our budget process, every year we ask departments to give us cut scenarios. So this year we asked them for scenarios of 1% and 2%. We then examine all of their proposals and we have taken a number of those proposals, and we kind of walked through those yesterday. I think that they are over $100 million over the life of our plan. So our first step was to see where we could save money.

COUNCILWOMAN LOZADA: Does anyone keep track of that? Can we see what departments were asked to save or how much they were asked to save and what they came back with?

MR. DUBOW: Yes.

COUNCILWOMAN LOZADA: Can you submit that to the Chair?

That'd be great.

MR. DUBOW: Yes.

COUNCILWOMAN LOZADA: Thank you.

COUNCIL PRESIDENT JOHNSON: Thank you, Member Lozada.

Member Young, Member Driscoll and then Member Squilla. And then we will officially end our second round before we break.

COUNCILMAN YOUNG: Thank you, Mr. President.

I just have a couple questions for the Board of Pensions. I saw for I guess the 15th consecutive year the Board has voted to reduce the projected return rate. Can you tell us why do we keep doing this every year when last year, I believe, it was over 12% return?

MR. DUBOW: So you reduce the assumed rate of return so that we can take less risky investments. So the lower we're assuming for our return, different investments we can make, and that reduces the risk for our members over the long term that there'll be years where we have negative returns. And our assumed rate of return is still higher than most peer funds.

When we started our reduction program if you looked at a chart of where assumed rate of returns were, we basically were off the chart because we were so high. Now, we're above the median, but kind of within the range of others. And we wanted to make sure that in terms of our risk profile, that we were not out of range of other funds.

COUNCILMAN YOUNG: So it seems like we are just trying to gain confidence with I guess the pensioners or whatever, right, by having this lower rate projected. But do we need to have a 7.2% on the books to know that we're going to get -- to make safe investments? It seems like we have to shoot for a low number in order to make us take safe investments, when we can look at safe investments, understanding where we are and still aim a little bit higher for those members of the Pension Fund?

MR. DUBOW: We do aim higher. And as you just described last year, we exceeded our assumed rate of return. And that's always our goal, to exceed that assumed rate of return.

COUNCILMAN YOUNG: Yeah, I mean that's the goal. Thank you. I'll leave that there. We see that's the goal, but I think that we have to be realistic when we see for 15 years in a row we've lowered it. It has to be other ways to show confidence. And if we are invested in safe assets or safe investments, then we shouldn't have to artificially set a floor or a cap or something on the way we decide to invest.

MR. DUBOW: Yeah. And it's not artificial. It's based on consultation with our actuary, our investment staff, our outside advisors. So there's a real methodology that goes into all of the assumptions we use.

COUNCILMAN YOUNG: Thank you. We see you guys are asking for a $590,000 increase, and that says it's due to fully funding your staff, essentially. But last year we fully funded the staff and you still have some open positions. So if it was budgeted last year to fully fund the staff, why is this increase necessary?

MR. DUBOW: Yeah. We're

actually proposing to add staff in a couple of areas, which is what's behind the increase. We are adding staff to our payroll unit to help us process term-of-leave payments more quickly.

COUNCILMAN YOUNG: So here it says in FY26 budgeted 73. Filled as of November, 61. Proposed FY27, 73.

MR. DUBOW: Sorry. What page are you on?

COUNCILMAN YOUNG: This is Fiscal Year '27 budget testimony, Page No. 7.

MR. DUBOW: Sorry. What document are you in?

COUNCILMAN YOUNG: This is the Board of Pensions retirement --

MR. DUBOW: Sorry. We thought you were talking about Office of Director of Finance. We'll call up Francis Bielli.

MR. BIELLI: Francis Bielli, Board of Pensions. Councilman, that is not an increase in positions. It's the same positions we were budgeted for last year. There is just a 14% vacancy rate. We anticipate filling a number of those through increase of our pension counselors. So it's not an increase in the number of positions. It's an increase in the money to pay for the number of positions, due to increase in wages, due to the collective bargaining agreements and increase in the fringe benefits or health care costs.

COUNCILMAN YOUNG: Thank you. It also says that the Board's Class 200 budget is large relative to its size because it relies heavily on outside professional support. And when I'm looking through the testimony and we were looking at the contracts for professional services, we see there's a projected amount of 25 million for FY27, but the data is not available for I guess the small, local business enterprises and things like that. But have a projected spend, you have historical data so you've made some type of projection. What did you rely on to make the projection of 25 million? And can you tell us what that projection would be for the small, local business enterprises?

MR. BIELLI: So the amount that we pay out on contracts is mostly $0 contracts because they're based on investment money, and that's a percentage of investments. Our investment fees are well below the national average. Our investment ratio fees are 0.24%. The national average is

0.73%. Since we've tweaked the fees that we pay for investments since FY2016, we've saved over $140 million.

The percentage of local is roughly 12%. The percentage of diverse managers, assets under management is over 50%, so the Pension Fund is efficient, well-run and saves the taxpayers a large amount of money in the investment fees that they pay.

COUNCILMAN YOUNG: Thank you and I appreciate that. I mentioned that because for FY23, '24, '25 the amount to small, local businesses have decreased, but now our projection for FY27 has increased. So I just want to see if that trend is still going to happen, right. If we're going to increase the total of our contracts but decrease the number we're giving to small, local business enterprises?

MR. BIELLI: Yeah. The small, local business is always something that we of course keep front and center. We have a couple of investment managers that are local, that are based in Philadelphia. But given the nature of the investment world, most of the companies are located on Wall Street in New York and other places in the country, but we are always open to local and small businesses and welcome proposals from any of those for our consideration.

COUNCILMAN YOUNG: Thank you, Mr. President.

COUNCIL PRESIDENT JOHNSON: Thank you, Member Young.

Member Driscoll and Member Squilla, and then we'll be going into our break.

COUNCILMAN DRISCOLL: Thank you, Mr. President.

And thank you, Mr. Bielli, for all your efforts on the Pension Fund. Finance Director Dubow and Commissioner McColgan, thank you too for your shared interest in working with us on these small businesses. As you know, small businesses are the backbone of our neighborhoods. And I think we're not there yet, but I know it's a process.

Commissioner, I'd like to walk through the eligibility framework for the BIRT exemption for the individual class to make sure we're aligned. Under this policy, eligibility is limited to natural persons of single member LLCs, wholly-owned by that individual and treated as disregarded entities for tax purposes. The individual retains full control. There are no outside equity investors or profit-sharing arrangements. All commonly-owned entities are aggregated and treated as single businesses.

Taken together, this framework is designed to apply only to a single economic actor, not multi-party or equity capital-backed enterprises. Importantly, individuals would still remain fully subject to net profits tax. So this proposal removes only the BIRT layer, not taxation altogether.

So in the interest of time, I have a dozen or so questions. Instead of engaging that today, if it's okay with you, Commissioner, if I could just submit them to you for further discussion?

COMMISSIONER McCOLGAN: I'd be happy to talk with your office, yeah. I'm happy to continue ongoing conversations.

You understand that it is our position that it has unintended consequences because there are sole proprietors and single member LLCs that earn significant income, so then you'll be providing relief to those individuals.

For example, a consultant who earns $1 million a year would fall into that class. So we do have some concerns, but we're very happy to continue those conversations with you.

COUNCILMAN DRISCOLL: Well, thank you. And thank you for your cooperation so far on that.

COMMISSIONER McCOLGAN: Of course.

COUNCILMAN DRISCOLL: Very much appreciate it. And, Commissioner, as you know we've discussed this issue in previous budget cycles. What is the status of the refunding of the state sales tax to the city as the enduser of material purchases?

COMMISSIONER McCOLGAN: Yeah, I do recall when you raised this issue and I appreciate you bringing it to our attention, because of course we want to pursue any potential revenue that's due to the city. I had conversations with the Chief Administrative Office and Procurement. And it's my understanding that they're analyzing whether there is an issue with refunds that could be due to the city and they can speak to the current status of that.

I do understand though that it's a manual process that's taking them some time to go through. There's not a database with that information that they can just go to. So I just need to defer to them to provide you with the current status.

COUNCILMAN DRISCOLL:
Okay. That's a little disappointing. We've been talking about this for a couple different budget cycles. I really think there's a lot of money there that we're laying on the table, a lot of money, not only to the Administration, but language in the school district. With all the construction in the capital budget that we talked about yesterday, if we're leaving this money on the table, it's a problem. So I appreciate your attention to that.

COMMISSIONER McCOLGAN:
I understand. And like I said, it's my understanding that research is ongoing.

COUNCILMAN DRISCOLL:
Thank you.

That's all, Mr. President.

COUNCIL PRESIDENT

JOHNSON: Thank you very much.

And before we break, Councilmember Mark Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

And thank you. I want to follow up on Councilmember Driscoll's questions. As we look at the legislation that was introduced, then we see the challenges associated with the small businesses who no longer have the $100,000 exemption. Is there a way to -- obviously, nothing will be perfect. But looking at this legislation, do you believe that it would be able to bypass or meet any challenge that would be brought from the uniformity clause?

COMMISSIONER McCOLGAN: Law could speak to that. My understanding is from conversations with Law is that it's legally defensible, but there's the

concerns that -- it still would be
subject to challenge of course.
But the concerns that we have, like
I said, are that there's unintended
consequences and the revenue impact
of providing relief to large
businesses that would benefit from
it.
COUNCILMAN SQUILLA: Did
you want to add, Fran?
MS. BECKLEY: I would
just confirm -- this is Francis
Beckley, again Revenue chief
council. I would confirm that the
bill as written does satisfy the
uniformity clause. However, any
attempt to limit it to small
business will make it immediately
invalid. And I wanted to take -- I
neglected this when I was up
before. I wanted to thank this
body for taking the very hard but
necessary choice of repealing the
exclusion. Particularly, thank the

Council President for his leadership on that. I know it was a very difficult decision, and it wasn't anything that the Law Department wanted to do either.

COUNCILMAN SQUILLA:

Yes, we're not blaming the Law Department for being sued. But legally challenged, we get challenged and we have unintended consequences on just about everything that we do. And it's hard to come up with something, right. And if you try to limit it too much, like you said, you then fall into the area of possibly being challenged on uniformity. So even though some other individuals or some corporations or somebody may be able to take advantage of it, we need to be able to understand the dollar amounts of what that is and how we as a body would be able to then I guess determine whether to move forward or not. If there's a couple other people to take advantage of it that maybe weren't intended to but the majority of the people have the $100,000 exemption, that's something maybe we would have to live with.

MS. BECKLEY: Well, you need to remember also that whatever the revenue projections are today, that people are not stupid. And if you show them that this form of corporate organization is going to be tax-free, amazingly there's going to be twice as many people in that form of organization next year. So the revenue estimates you get today are a floor, not a ceiling.

COUNCILMAN SQUILLA: Understanding, but we know the challenges that are hitting our small businesses. And so, I think we have to look at every possible angle of how we address that concern because -- we could give you a list of additional questions, I think, for the sake of time. I know everybody's breaking for lunch.

MS. BECKLEY: And most of this discussion is more appropriate offline as legal advice. But I would note for the record that when the small business exclusion was passed, the law was different than it is today. And if we pass something today when the law has been made clear, we're much less likely to get a sympathetic hearing from the court.

COUNCILMAN SQUILLA: All right. Thank you. And I do want to thank Revenue and your whole team for always being responsive to our needs and requests. We really appreciate your efforts. And the

Pension Board also, thank you for all that you do.

Thank you, Council President.

COMMISSIONER McCOLGAN: Appreciate that. Thank you.

COUNCIL PRESIDENT JOHNSON: Thank you very much. Also, shout-out -- where's Sabrina? Thank you also, Sabrina, for your hard work and dedication.

We will stand in recess until 1:00 p.m.

(Lunch recess.)

COUNCIL PRESIDENT JOHNSON: The Committee of the Whole on the Administration's FY27 budget. We are now officially in our second round.

Chair recognizes Councilmember Katherine Gilmore Richardson.

COUNCILWOMAN GILMORE RICHARDSON: Thank you. Thank you so much, Mr. President.

I have a question for Finance. I wanted to go back to our previous discussion yesterday regarding the budget stabilization reserve. And I had asked you yesterday if the GFOA's reserve recommendation was specific to unrestricted funds. And you stated, of course their recommendation is non-specific. So you know I had to go back and look it up.

But GFOA recommends at a minimum that general purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their General Fund of no less than two months' of regular General Fund operating revenues or regular General Fund operating expenditures.

So I just want to get this on the record. Across the

Five Year Plan, does the city at any point meet that particular recommendation? And then what is our overall strategy to reduce expenditures to stop spending down the fund balance?

MR. DUBOW: Yep. So we hit that overall goal in '25, but then in no other year in the plan. On the expenditure side, we've talked a little bit about the cuts that we've asked departments to make and that we look at that --

COUNCILWOMAN GILMORE RICHARDSON: I'm sorry, Rob. You all said yesterday it was 1% to 2%, right?

MR. DUBOW: Yeah.

COUNCILWOMAN GILMORE RICHARDSON: And I remember, and maybe this is just history coming back, but I remember years ago at times of economic uncertainty, COVID, 2008, we would ask or the city would ask departments for 5% and 10% cut scenarios.

MR. DUBOW: So we've asked for cuts that big when we were facing imminent negative fund balances. So it's in times where the distress is already there that we've asked for that.

COUNCILWOMAN GILMORE RICHARDSON: Okay.

MR. DUBOW: And we tend to get better responses at the 1 to 2 than 5 to 10.

COUNCILWOMAN GILMORE RICHARDSON: I'm sure.

MR. DUBOW: The other thing, I mean we look at our biggest areas of growth. There are things like our health care benefits, as I said to Councilmember Lozada, when OHR comes, they're going to talk about what we're trying to do to control those costs. There are other areas that are large and we're reinstating the labor reserve so that winds up over time taking up -- and we need to do that to make sure we have funds for our employees. The SEPTA subsidy is a big area of growth over the life of our plan.

So in terms of our operating departments, that's not where most of the growth is. So it's kind of looking at these other areas and seeing whether there are opportunities. But the operating departments are relatively flat over the life of the plan.

COUNCILWOMAN GILMORE RICHARDSON: Okay. And even with -- and I know we'll probably discuss this when we get to OHR around the vacancy rate and looking for additional opportunity there.

MR. DUBOW: Yes. And you will see as you get the detail in this year's plan that the vacancy allowances are larger than they have been in the past.

COUNCILWOMAN GILMORE RICHARDSON: Okay. And then I just wanted to ask an additional question relative to our debt management. You know that the city targets tax-supported debt service, and I'm excluding the pension obligation bonds, is 6% of General Fund expenditures. And for FY23 to '25, we saw the actual percent around 4.8. But in FY26, the estimate is up to 5.25% with a proposed increase to 6.18% in FY27.

And so, tax-supported debt service with other fixed payments is also nearing its threshold in FY27, with a proposed 6.57% and a goal of 7%. And so, for the record the city's General Fund debt service has grown significantly as you know from FY19 to FY27. We have taken on $80 million in debt service over the last eight years.

And I don't have to go through all the numbers with you, Rob, because you know. But FY19 actual is 159.7 million; FY20 actual is 159.2 million; FY21 actual is 178.5 million; FY22 actual is 188.7 million; FY23 actual is 190.4 million; FY24 actual is 189 million; FY25 actual 195 million; FY26 estimated is 222.4 million; and FY27 proposed is 241 million.

Additionally, and I have concern here as well, the Water Fund has higher debt service than the General Fund with $290 million budgeted for FY27. And you know that I remain concerned about that amount of debt that we're taking on, particularly during a time of economic uncertainty. And I know that we will receive a significant reduction in the General Fund debt service after the balloon payment in FY29.

But if we're in a position where we continue to take on additional debt, we will continue to struggle with higher fixed costs. And so, again thinking about economic uncertainty around the world really, not just in the nation but around the world, and Philadelphia being a city that has a high-need population, many residents who are working class and living in poverty, can you speak to the city's overall debt management strategy and the decision to continue to increase our fixed costs during this time? And can you just also notate for the record when is the last time the city exceeded one of those thresholds?

MR. DUBOW: I have to

get back to you on the last part, the exceeding threshold. But we always have this trade-off between our immense needs and where we want to be with our fixed costs, with our operating costs, so we're always looking at that. I think two of the things that framed our thinking as we looked at this plan was, one, you talked about was the pension obligation bond.

COUNCILWOMAN GILMORE RICHARDSON: Right.

MR. DUBOW: So we focused on that balloon payment. But even before that year we're looking at $120 million year in debt service, and then that shrinks in FY30 and '31 to single digits. So if you look at overall debt service plus pension obligation bonds, it's relatively even from the beginning of the plan to the end. So --

COUNCILWOMAN GILMORE RICHARDSON: You're basically saying see it through.

MR. DUBOW: What?

COUNCILWOMAN GILMORE RICHARDSON: You're saying see it through.

MR. DUBOW: Yeah. And then the other thing, longer term is getting to FY33 at 100% funded and then our fixed costs go down dramatically.

COUNCILWOMAN GILMORE RICHARDSON: Okay. I still have relative concern --

MR. DUBOW: I completely understand. I just was telling you what our thinking is, but I get it.

COUNCILWOMAN GILMORE RICHARDSON: Which is why I asked the question earlier this morning, but we will certainly submit the additional questions for written response and follow up, because I do think there's opportunity there for us to decrease some of these fixed costs over the life of this Five Year Plan. I know that doesn't get us out to '33, but most certainly --

MR. DUBOW: It gets us close. Every year we're --

COUNCILWOMAN GILMORE RICHARDSON: We're getting close and obviously we're getting close to the balloon payment as well, but I do think there's additional opportunity for us.

MR. DUBOW: Yep. And I will say a lot of our plan and some of our debt service structuring is built around that balloon payment.

COUNCILWOMAN GILMORE RICHARDSON: Received. Received.

Thank you, Mr. President.

COUNCIL PRESIDENT JOHNSON: Thank you very much.

Chair recognizes Councilmember Jamie Gauthier.

COUNCILWOMAN GAUTHIER: Thank you, Council President.

My questions are about the BIRT tax and specifically getting rid of the exemption and the impact on businesses. So I'll get several questions out and then let you answer. My office has been receiving calls from small businesses that are struggling to pay the BIRT tax.

For example, one business owner says that she makes $40,000 a year and now has to pay $5,000 for last year's tax bill and the one coming. She simply cannot afford it and is considering moving out of the city. I have some questions about how the city is working to support entrepreneurs who are struggling in this moment.

The maximum increases in

BIRT range from $1,400 assuming $0 in net income, to $7,100 assuming that all 100,000 is net income for the business. Meanwhile, median rent is around $1,950. How will family-owned businesses and independent contractors deal with this extra payment? And what provisions has the city put in place to support them?

Many independent contractors and small businesses were not aware of the changes to the BIRT exemption until after the 2025 year tax began. Many are just finding out as they pay their taxes this year. What efforts are being undertaken to outreach to businesses about support programs, particularly for minority-owned businesses and those with limited English proficiency?

And then lastly, the BIRT tax applies not only to registered businesses, but to sole proprietors or independent contractors, including gig workers like rideshare and delivery drivers who also pay the NPT tax. What steps are being taken to reach out to these individuals and provide relief for independent contractors?

MR. DUBOW: So I'm going to ask the Revenue Commissioner to answer kind of what kind of outreach we've done, what we're trying to do to make payments easier. But I always feel compelled when we talk about this just to emphasize we didn't want this to happen. So I just want to say that again.

COUNCILWOMAN GAUTHIER: I know. Nobody did. I guess I'm just trying to find ways that we can lessen the impact.

COMMISSIONER McCOLGAN: Thank you for your question.

Regarding our outreach, Revenue has collaborated with the Department of Commerce to host and attend over 35 workshops, webinars and presentations for businesses and tax professionals regarding the exclusion removal, reaching a total audience of 1100. We also leveraged community partnerships to reach thousands of tax professionals across the region, as we do every year.

We conducted large-scale direct mail outreach, including postcards that were sent to over 119,000 businesses across the five-county area. And we also issued an official notice to businesses, approximately 80,000 businesses, with gross receipts less than $100,000, and a copy of that notice is available online and translated into eight different languages.

Also, if I have another

moment, I just want to mention that we had a policy clarification for new businesses and informed businesses and practitioners that any business that didn't have a liability in the last three years is treated as a new business. So that means that they don't have to pay the estimate in the first year that they file.

When they filed this year, they only pay the tax that was due on their activity from last year so they do not have to pay an estimate towards next year. When they file in the second year, they have the option to pay that estimate in quarterly installments. And then the third year, they would be paying the estimate. And we also would like to remind businesses and practitioners that they have the ability to go back and amend prior year returns to take advantage of a lost carryforward against their profits in future years. Because they did not have a filing requirement in the last few years, they can go back and amend them to recognize those losses to offset some of the tax in future years.

COUNCILWOMAN GAUTHIER:

Okay. I mean, those all sound like really good efforts. But have you thought about how we might be able to expand outreach even further, particularly for folks who don't have English as their first language? Have we thought about texting? Have we thought about other ways to sort of reach people directly? We know that folks might not even notice a first notice that's sent to them lots of times. People need to see and hear things several times before they're able to absorb the information.

COMMISSIONER McCOLGAN:
Yeah. No, I appreciate that because we're always trying to find new avenues to get information out to taxpayers, residents, customers, and we have a really incredible outreach team. We also have an internal assistance program, access and impact working group, that involves folks in our data and research team, those who administer our outreach programs for tax and water. And we get together biweekly and talk about different outreach that we can conduct. We also utilize social media to get the word out there.

But we do realize that it's an ongoing effort. And that is part of our mission every day, is to make sure that we are making all taxpayers aware of their liabilities and helping them comply.

COUNCILWOMAN GAUTHIER:
Okay. Thank you. I would encourage you as you go forward with that committee to talk directly if there is a group of business owners that we could talk to about the best ways to get information to, particularly smaller entrepreneurs, immigrant businesses so that we're basing our strategies on how people actually receive information.

And then the other -- are you going to speak to the other questions I had?

MR. DUBOW: Sorry. Can you repeat them?

COUNCILWOMAN GAUTHIER:
Yeah. How will family-owned businesses and independent contractors deal with the extra tax payment that they're going to have to pay, particularly as lots of our folks are having to pay high

amounts of rent? And have we thought about what more we can do? I know that Councilman Driscoll has a bill that he's talking to you all about, and I know you have concerns about how we can implement it.

But if it's not Councilman Driscoll's bill, what can we do to help sole proprietors and independent contractors to deal with this increased level of burden? I don't think we can just say this one strategy doesn't work and we give up, right. I think we have to peer a little more deeply into how we can assist folks.

MR. DUBOW: And I don't think we said that. And we are working with Councilmember Driscoll's office. So in addition to the steps that the Commissioner talked about making payment easier, making sure people know changing what the (inaudible) statement would look like, we do have the $38.5 million program with Commerce that includes grants to small businesses and technical assistance. So it's that combination of things that we have in place now.

COUNCILWOMAN GAUTHIER: Yes. And I know that we're doing that. A lot of those funds go into existing programs that are not necessarily designed to relieve a tax burden, like Storefront Improvement or the Disaster Relief funding that will only kick in if a business is facing a disaster. Have we thought more specifically about easier or low-barrier entry ways to help independent contractors and sole proprietors specifically?

MR. DUBOW: Yeah. And I do think that there are among -- there are some new grants, but mostly it was expanding old grants because that we thought was easier to get off the ground. But I do think some of them are less complicated and are easy to apply for, but we can get you the details on those grants.

COUNCILWOMAN GAUTHIER: Okay. As we move forward, I would like -- I mean, if you all determine that we can't do Councilman Driscoll's current bill because it might allow for too much assistance to relatively high-earning businesses, I think that there has to be some other things put on the table, right.

And so, I'd like to see if we can't do what's being discussed, what does the Admin want to put on the table in order to help folks that are dealing with just a significant burden that they never had to deal with before?

MR. DUBOW: Understood.

COUNCILWOMAN GAUTHIER:
Thank you.

Thank you, Council
President.

COUNCIL PRESIDENT
JOHNSON: Thank you very much.

The Chair recognizes
Councilwoman Dr. Nina Ahmad.

COUNCILWOMAN AHMAD:
Thank you, Council President.

This might be a question for the Treasurer. I'm not exactly sure who would answer this. This is about prompt payment of vendors, and I know that has been an ongoing issue. I know someone currently, a vendor currently, who has an outstanding contract that hasn't been paid down and is entering into a new contract. And I just wonder how we are streamlining this. I know the CAO has said that this is a priority. I just want to know

how far we've come with this,
because very small vendors can't
sustain themselves and bridge their
expenses while the city takes
forever to pay out?

MS. LAMB: Hi. Yeah, so
we don't ever want to be in that
position. Our goal I think
citywide is to pay our vendors --

COUNCILWOMAN AHMAD: Can
you speak into the mic?

MS. LAMB: We don't want
to be in that position. Our goal
citywide is to pay our vendors
promptly, but there are issues that
we encounter. I think Camille can
talk more about this at her
hearing. But when they looked at
some of the main root causes of
slowdown in payments, it actually
ties back to our contract
conformance. So she and her team
have done a lot in partnership with
Finance on getting departments to

conform contracts more timely in order to pay on time. But the details, I'll leave her to kind of walk you through what her team did in that space.

MR. DUBOW: Yesterday in response to questions from Councilwoman Lozada, we said we would get you information on conformance rates and how they compare to prior years.

MS. LAMB: In addition to that, Finance is the last stop in our vendor payment process. So we also have been doing various different training and outreach and development with departments to make sure that they understand sort of common pitfalls that can lead us to reject a voucher payment which we don't want that to happen, right. That's the second-to-last step or the second-to-last step in our process. So we really would like to make sure everything comes in correctly so we can just pay it out and pay it out timely.

COUNCILWOMAN AHMAD: Thank you for that. I'm glad you guys are working on that. Is there also a place where a vendor can go to get answers and clarification and perhaps even a little bit of training how to manage this space? It seems that there's this opaque block box and they hear from nobody and nothing. So communication is key.

MS. LAMB: Yeah. Finance is also partnering with the Procurement Department to stand up -- right now we're calling it a vendor management unit. Ron Hovey, the Procurement Commissioner, can also provide some more details on this, but it is the goal of this Administration to set up that front door for our vendors to address that issue so they have a place to go, and then we can triage and hopefully also resolve issues to get them paid.

COUNCILWOMAN AHMAD: So is there a timeline for all of this to happen? We're already two years into this Administration. I just want to know what we go back and tell our small businesses and other vendors that, yes, they're on top of it, these are the steps they're taking. Again, communication is key. If they knew, they wouldn't be calling us to ask us for this.

MS. LAMB: Well, I mean the unit is now staffed, so somebody will be -- the head of the unit will be starting I think within two weeks. Also, as was mentioned in yesterday's testimony, some of the recent graduates from the Commun -- C --

COUNCILWOMAN AHMAD:

CCME.

MS. LAMB: Yep. They are now four staffed or there's four people coming from that program to staff the unit. So we have the boots on the ground, which is the hardest thing sometimes. As to the timing of the communication and engagement out to the vendor community so they understand that that is there and available to them, we're going to have to follow up with you.

COUNCILWOMAN AHMAD: Yes, please do. because then we can give a definitive answer, they're on top of it. This is Step 1 through 5. They're on Step 3 and this is what you should expect and this is when and please don't call us -- no, please call us all the time. But thank you so much. I look forward to that communication.

Thank you, Council

President.

COUNCIL PRESIDENT JOHNSON: Thank you.

Chair recognizes Councilmember Quetcy Lozada.

COUNCILWOMAN LOZADA: Thank you, Council President.

In Fiscal Year '27, the Department of Revenue, along with the Law Department and OTIS, will begin vendor selection and begin a system design and development to replace the Legacy water billing system. Can you speak more to the replacement of the water billing system? What are some of the improvements to the system that residents can look forward to seeing and how will the new billing system positively impact the services provided by the Department of Revenue?

COMMISSIONER McCOLGAN: Yes. Thank you for the question.

Just give me one second please.
Okay. So we kicked off our initiative to replace the water billing system some time ago and the intent is to streamline the workflow processes and optimize our reporting functionality. We have some limitations that exist today, and we believe that we can improve our collection and our service to customers with a modernized system.

The system is approximately 20 years old, and our tax billing system that we just replaced over the last few years, that had gotten to be 35 years old, and it was very difficult to get support for it. So we're trying to make sure that we don't get in the same position with the water billing system, and we're working very closely with PWD on this project as stakeholders.

So we intend to

implement that system in FY29 to increase revenue collection, improve our operational efficiencies and as I said, improve the user experience. So FY25 is when we completed the requirements gathering to post the RFP, which happened in August of '25.

In FY26, we are going through the vendor selection process and also we will be working to onboard dedicated staff to that project. And then FY27 to '28, we're going to have all of the staff on board, design, develop and implement the new water billing system. And then in FY29 is when we will conduct training and go live.

COUNCILWOMAN LOZADA:
Okay. The proposed funding request for FY27 reflects a 1.125 increase over FY26 due to higher postage costs, outreach for real estate tax

assessments as well as additional funding for wage increases. Can you speak to what that outreach for real estate tax assessment entails? What is the purpose of the outreach team? How would it increase funding? How would the increased funding improve outreach? And does the outreach inform residents of tax relief programs?

COMMISSIONER McCOLGAN:

It does. That is exactly what it's dedicated to. During the last property tax revaluation, we had a similar comprehensive outreach program in place to reach as many residents as possible and it was very successful. We were able to increase our enrollment. Because we had success there, we requested the additional funding this year because there's also a revaluation this year. Our goal is to enroll as many eligible customers into assistance programs as possible.

COUNCILWOMAN LOZADA:
And so, how are you going to ensure that folks in districts like mine, right, who don't trust government -- we still have folks that haven't taken advantage of programs like Homestead, something as simple as Homestead. How will this outreach team or what is the work that they're going to do different than what we've done in the past to ensure that residents actually are taking advantage of this?

COMMISSIONER McCOLGAN:
Okay. So first, to our existing --

COUNCILWOMAN LOZADA:
What are you doing different?

COMMISSIONER McCOLGAN:
-- ongoing process, we find that it's most valuable to partner with Council offices to meet with their constituents and in some cases, we

can enroll them in Homestead right on the spot because there's that partnership and trust that's there. So that's a really valuable partnership that we have.

We also have a partnership with the Mayor's CEO office and we work with them to provide data based on census tract information, where we believe that there's eligible homeowners who are not enrolled in programs. So they actually go door-to-door. They leave flyers at the door. They build a trust with the property owners in the community. And so, some of this funding is dedicated to that door-to-door, the print materials that will go out there.

And also, during the last revaluation we found that it was successful to have ads with mass transit. So we have ads on the El and buses and, you know, try to get out the information to residents through mass marketing. So that's part of the funding that we've requested for this year.

COUNCILWOMAN LOZADA:
Thank you for that. With the new BIRT exemption now gone, coupled with the proposal to increase the commercial trash fee and the rising property taxes, what outreach has been done to conduct or conducted to inform business owners about the recent changes and support options available to them?

Is there money in the budget to expand real estate tax assistance programs? And can you submit the current participation rates from all departments for the assistant programs broken down by district?

COMMISSIONER McCOLGAN:
Yes, we do have that and can provide that to you. Off the top

of my head, I know we have over 270,000 properties that are enrolled in Homestead and LOOP combined. So it's 249,000, I believe, for Homestead. But we have it broken down by every single program. We can provide that to you.

Regarding outreach, I talked a little earlier about our BIRT outreach to businesses to make sure that they understood that the exemption was going away. We worked in close partnership with the Department of Commerce so that we were, one, informing them of their liability, but also Commerce was informing them at the same time of the programs that were available to them, such as the tax-free -- I mean, I'm sorry, the free tax preparation, along with all of the notices that we sent out, almost about 200,000 notices that we sent out to businesses. So we're doing all of that.

And regarding the commercial trash fee increase, that will be effective, if passed, for the 2027 period. So that notice would go out to customers November 1st actually of this year, to let them know that the fee has been increased and that they have the option to pay in two installments, if they'd like. They can pay the entire thing by the end of the year, December 31st, or they can pay half by December 31st and the other half by June 30th of next year.

COUNCILWOMAN LOZADA:
And that's without penalties?

COMMISSIONER McCOLGAN:
I'm sorry.

COUNCILWOMAN LOZADA:
And that would be without penalty if they split the --

COMMISSIONER McCOLGAN:
Yes, that's right. No penalties.

COUNCILWOMAN LOZADA:
Thank you.

COUNCIL PRESIDENT
JOHNSON: Thank you very much.

Chair recognizes Councilmember Dr. Anthony Phillips and then Councilmember Jim Harrity.

COUNCILMAN PHILLIPS:
Thank you, Council President.

So for city payments to contractors, we've heard consistently from contractors and small businesses that there are delays and payments from the city that create real challenges. So for many small businesses, delayed payments can disrupt operations, limit their ability to take on new work and discourage them from doing business with the City of Philadelphia.

What is your current

average timeline for contractor payments and what steps are being taken to ensure that the City of Philadelphia is no longer known as disruptive to operations, limiting and discouraging small businesses from doing work with the city?

MS. LAMB: So long-term -- not long-term, but less of the near term, shall I say, the way to really address this for us is through Opal. Because part of the reason we have challenges in paying timely when we do -- most times we are paying timely and we'll have to follow up and get you that information on the record. But most times we are paying timely. In the instances where we're not, it is often a product of us having a very fragmented system right now.

So an invoice can come into a department through email or mail and it doesn't actually get logged into our central payment system until the very end basically of that process. So there's all that approval and validation that has to happen upfront with an invoice that is not visible to us, but that is what Opal and modern-day technology can provide for us, right.

So long-term, you know, technology can't solve everything, but we really are trying to work with the 1990s technology when we would do much better if we had more modern-day technology.

COUNCILMAN PHILLIPS: So when does Opal go live fully?

MS. LAMB: Right now the go-live date is July 1st of 2027.

COUNCILMAN PHILLIPS: Wait, why not now?

MS. LAMB: We're not ready to go live yet.

COUNCILMAN PHILLIPS:

Okay. So are you saying that once Opal goes live, there will be pretty much 100% efficiency rate when it comes to these contracts?

MS. LAMB: That would -- I --

COUNCILMAN PHILLIPS: Well, I mean --

MS. LAMB: That would be very ambitious.

COUNCILMAN PHILLIPS: I wouldn't say 100%. But I mean, would it be like -- how do I say --

MR. DUBOW: It would be much more efficient. It would be much more predictable and reliable. 100% probably not because there are steps along the way, including the vendors where things can go wrong. But it will be much more reliable, much more predictable and hopefully vendors will be much more satisfied with it.

COUNCILMAN PHILLIPS:

What's taking so long? What's the
process for things to go?
MS. LAMB: The scope of
it is quite broad and quite large,
so it is replacing the financial
and purchasing systems throughout
the city. So not only do we have
to configure it to be accurate and
correct to produce our financial
reports accurately, we also have to
ensure that all 54-plus departments
citywide know in the new system how
to do contracts and how to do
payments. Because if we can't
train and train them appropriately
and get them ready for this change,
it's going to have negative,
unintended consequences, somebody
mentioned that today, unintended
consequences of actually maybe
slowing us down. So we have to
make sure the departments are ready
to use the new technology so we can
gain those efficiencies.

MR. DUBOW: And when you
roll out a system like this, you
want to make sure that the rollout
goes as smoothly as possible.
Because if it doesn't, people then
become resistant to using it and
instead of getting the benefit for
the long term, you might even have
a setback in terms of doing these
processes.

COUNCILMAN PHILLIPS:
Yeah. No, it just seems like a
fairly long time for training. I
do know training takes a long time,
but that's pretty much a year and a
half from now.

MS. LAMB: There is some
further testing and configuration
that is happening as well. But
it's not that we're not doing
anything until July 2027. That was
sort of some of what I was talking
about earlier, is that Finance and
the CAO's office has partnered to

make big strides in trying to increase the conformance rate of our contracts, which is one of the biggest pain points for timely payments, right.

We're also working to stand up that vendor management unit that we hope can help sort of centralize and triage issues that our vendors are experiencing so when they do hit a payment issue, maybe we can get to it quicker and fix it quicker. So we are doing things in the interim as well. But I mean, it's going to be a challenge to get that big win until we have a more modern-day system.

MR. DUBOW: We will get you information on improvements in conformance times and resulting payments, so we'll get that comprehensive information over.

COUNCILMAN PHILLIPS: And just lastly, I want to clarify the auditing of Office of Property Assessment. Who is formally conducting this audit and is it being led by the City Controller's Office or through an internal administrative review? And how is independence being ensured throughout this entire process?

MR. DUBOW: Yeah. So that will -- the reason that it's being run out of Finance instead of OPA is for that independence from the office. We will do an RFP to select a firm that has expertise in the area and that will be charged with giving us meaningful recommendations.

COUNCILMAN PHILLIPS: Okay. A lot of our residents are very curious about the rising costs in property assessments. So I just want to know do you have a timeline for the execution of the audit and the results or how long it's going to take?

MR. DUBOW: Right. So in the '27 budget, right, so we can start the process but can't execute a contract until the budget's approved. So our hope is to get someone on, I guess, during the summer or early fall and to have them report just probably within the next six months after that.

COUNCILMAN PHILLIPS: Okay. Thank you, Council President.

COUNCIL PRESIDENT JOHNSON: Thank you very much.

Just a follow-up briefly on that line of questioning. So we're bringing in someone to do an assessment, correct? That's what we're contracting?

MR. DUBOW: An evaluation, yeah.

COUNCIL PRESIDENT JOHNSON: So wouldn't it be more

prudent to hold off on us doing an
OPA assessment this year until
after the actual outside contractor
come in and do the assessment?

MR. DUBOW: So the
contractor is going to base it on
what OPA is doing now. Unless OPA
does their evaluation, they don't
have anything to assess.

COUNCIL PRESIDENT
JOHNSON: But they can't go off the
information that we've done prior
to this year? Because what if --

MR. DUBOW: So OPA has
changed its processes since the
last assessment, so they would be
basing their evaluation of OPA on
dated information.

COUNCIL PRESIDENT
JOHNSON: It just seems like -- and
we know assessment is assessment,
but our constituents called an
increase in property taxes, right.
So that's how they perceive it,

which is how we have to respond.
And it just seems like we will want to have whatever data that the outside organization is going to evaluate actually would improve our process before we actually go and tax the people. But what you're saying is because that data is old and we have a new process, they're going to take what we're doing to actually raise the taxes now to come out with some new recommendations for the next time around, correct?

MR. DUBOW: And I will say there has been -- every time OPA does a revaluation, there have been reviews of what they've done and recommendations and those recommendations have been put in place. So it's really kind of a continuous improvement process. It's not that they haven't learned from the last assessment and made changes. They are always doing that.

COUNCIL PRESIDENT JOHNSON: So the company that we're bringing in, have we hired them before in the past?

MR. DUBOW: We haven't picked a company yet because we're going to do an RFP to hire someone.

COUNCIL PRESIDENT JOHNSON: Let me change the wording. We're going to pick a company after our RFP goes out, after this budget is passed, to come and evaluate our current property assessment process. Did we use this company before in the past? Yes or no. And if we didn't, what companies have we used in the past because you just said we're constantly reviewing every time we do it and those recommendations are what we use the next time around when there's an assessment?

MR. DUBOW: So we've used the IAAO, which is the kind of industry standard. And so, they've given us recommendations. Council hired an outside firm. They gave us recommendations. So it's been a number of different entities over time and --

COUNCIL PRESIDENT JOHNSON: Gotchu. All right. And I'm just asking, as opposed to using -- what is IT called, the IEO?

MR. DUBOW: The International Association of Assessment Officers.

COUNCIL PRESIDENT JOHNSON: And so, why aren't we using them this time as opposed to bringing out another outside firm?

MR. DUBOW: We don't know who we're using this time. We're doing an RFP process. So it will be an outside firm. They will probably respond again. So it could be them. It could be someone else.

COUNCIL PRESIDENT JOHNSON: And so, the firm you just mentioned, we've always used them through the RFP process. They've gotten picked. Okay. I got you.

MR. DUBOW: We've used them in the past because they are kind of acknowledged as the experts, but that doesn't --

COUNCIL PRESIDENT JOHNSON: Yeah, that's cool.

MR. DUBOW: -- mean they'll be picked this time. There could be someone else --

COUNCIL PRESIDENT JOHNSON: Yeah, I'm not really worried about who gets picked. I'm just really walking my mind frame through the process that we're bringing somebody else in to evaluate our system, but we're

going to go ahead and raise --
we're going to do the assessment,
not raise the taxes. We're going
to go ahead and still do the
assessment first, and it just will
seem like hopefully we got some
good recommendations on our process
that will go into our assessment
process to hopefully either save
some money, pick out some flaws,
look at disparities, look at
equity --

MR. DUBOW: Yes.

COUNCIL PRESIDENT
JOHNSON: You get where I'm going
with this, just to make sure -- I'm
trying to make sure I got this
right. That's all.

MR. DUBOW: And that
happens every time. So every time
we look back at what happened, we
make improvements.

COUNCIL PRESIDENT
JOHNSON: Yes, I got you.

MR. DUBOW: And then the next time we do it again. So that way --

COUNCIL PRESIDENT JOHNSON: But it's just a continuation of that process that we normally do.

MR. DUBOW: Yes, to keep trying to improve our process.

COUNCIL PRESIDENT JOHNSON: Okay. That's cool.

MR. DUBOW: It's our goal to do that every time.

COUNCIL PRESIDENT JOHNSON: All right. Chair recognizes Councilman Jim Harrity.

COUNCILMAN HARRITY: Thank you, Council President.

Good afternoon, everybody. Now, I'm going to ask my questions and then you can have at it. Can you explain how the retail delivery tax will be collected? How will the city determine what packages include exempt items? Will this be up to the retailer to report and differentiate? And what about orders that include both exempt and nonexempt items?

And then lastly, the retail delivery tax is supposed to fund the road and pothole repairs, but we all know the bad actor contractors are the problem, not the amount of money available to fill the pothole repairs. What led to the conclusion to do the pothole repairs? Because I actually had a bill in there that will allow you -- it's law -- to go after the bad actor contractors, not only to fine them, but to also suspend their license until they rectify all these holes they got all over our streets.

The bottom line is as a highway worker, I know that most of these things that people call a pothole are not potholes. They're construction holes that were done by bad actors without pulling a permit. And the way we know it wasn't done without a permit is because we come to fill the hole in after they do the work inside because we want it done right. So for me, I'd like to know why this decision was made. And then if you could answer my questions about the other parts.

MR. DUBOW: Yeah, let me do the last part first. First thing, it's more than just potholes which are important. As you said, they can be plumbers' ditches, a whole range of things that they are. But it's about road conditions in general and making sure that we have more money to help upkeep of our roads --

COUNCILMAN HARRITY:

That's actually what I was trying to do with my pothole bill. And for some reason, I've been told that they cannot enforce it because they don't have enough people to enforce it. But yet we're going to hire more people to fill in the potholes instead of making these contractors repair their own mistakes.

COUNCIL PRESIDENT JOHNSON: Member Harrity, could you speak into the microphone please, sir.

COUNCILMAN HARRITY: I'm sorry. So that these contractors can repair their own holes that don't cost the city money is what I'm trying to do. I'm trying to save the city money also. And I can tell you right now that if you hit one of these contractors and suspend their license until they fix the 10, 15 holes they got going

on, I can guarantee you it'll stop
overnight. Everybody will be
pulling a permit.

MR. DUBOW: Understood.

COUNCILMAN HARRITY: But
if you can finish the rest.

MR. DUBOW: The chair's
empty.

COUNCILMAN HARRITY:
She's coming back. She needed a
glass of water for that one.

COMMISSIONER McCOLGAN:
I felt a coughing fit coming on.
The retail delivery tax is going to
be $0.25 cents per order on
deliveries of taxable retail goods
in Philadelphia. What will be
excluded is food, grocery and
prepared foods. Drugs and medical
devices, baby products and
wholesale goods will be excluded.
The retailer will be responsible
for paying and filing the tax.

COUNCILMAN HARRITY: So

--

COUNCIL PRESIDENT JOHNSON: Can I get a point of information, Member Harrity, if you don't mind.

So when you say the retailer, right, and the items you just mentioned are exempt, so I do a lot of ordering from Instacart, right. Food, right, that would be exempt under this particular retailer tax?

COMMISSIONER McCOLGAN: Yes. Food is exempt, yes.

COUNCIL PRESIDENT JOHNSON: What about -- so Instacart items. What about Grubhub, DoorDash?

COMMISSIONER McCOLGAN: That would be exempt as well.

COUNCIL PRESIDENT JOHNSON: Okay.

COMMISSIONER McCOLGAN: Yeah. But I'm sorry, I realized that I didn't answer your question, Councilmember Harrity, which was if it's mixed products. So if there's a delivery --

COUNCIL PRESIDENT JOHNSON: But I didn't finish my line of questioning with you first. You just zhoop, like, you know.

COMMISSIONER McCOLGAN: I apologize.

COUNCIL PRESIDENT JOHNSON: It's okay. All right.

The Chair recognizes Member Harrity.

COUNCILMAN HARRITY: No, I was curious. I agree with you --

COUNCIL PRESIDENT JOHNSON: I just want to get some clarity for that one on the record. Could you follow up so there can be a specific response to your question.

COUNCILMAN HARRITY: Yeah. I mean, what I'm worried about is us relying again on business people who are in the thing to make money and them being the one that has to differentiate. I mean, I think there needs to be some checks and balances there. Because if they can find a way to get over by throwing that fee on there, even though it's exempt, you know, some of these bad actors will throw the fee.

COMMISSIONER McCOLGAN: Yeah. I think that that would be something that we would look at if we received complaints. I mean, that applies to really all taxable goods, so through audit processes and inspections that is something that could be addressed on a case-by-case basis. If passed, we would work very closely with the retailers, the industry, to talk with them before promulgating regulations so that we have really productive conversations to ensure that all of the mechanics are in place to make sure that only those that are taxable are being taxed.

COUNCILMAN HARRITY: Okay. I get it. That's all I have.

Thank you, Council President.

COUNCIL PRESIDENT JOHNSON: Point of information. Chair recognizes Councilmember Jamie Gauthier.

COUNCILWOMAN GAUTHIER: I was interested in the answer to Member Harrity's question about if you have mixed items. So when I'm ordering from Instacart, I'm rarely just getting like one thing. I'm getting a host of things that some may be exempt and some are not?

COMMISSIONER McCOLGAN: So in the example of Instacart, I think I'd like to just follow up with our technical team on that. But in general, if there's a delivery that includes a nontaxable product and a taxable product, then the tax would be applied.

COUNCILWOMAN GAUTHIER: And we can't get it to lean the other way?

MR. DUBOW: Then we would probably see a lot of orders that just add a nontaxable one so that people didn't have to pay.

COUNCILWOMAN GAUTHIER: What'd you say?

MR. DUBOW: We'd probably see a lot of orders that at the end would add let's find a nontaxable thing to throw in.

COUNCILWOMAN GAUTHIER: Okay. I got you. Thank you. But you're going to confirm that for us?

COMMISSIONER McCOLGAN: Yes.

COUNCILWOMAN GAUTHIER: Thank you so much.

COUNCIL PRESIDENT JOHNSON: Thank you very much.

Chair recognizes Councilmember Jeffrey Jay Young.

COUNCILMAN YOUNG: Thank you, Mr. President.

The question I have is for water revenue. The testimony says that revenue will implement an adjusted penalty forgiveness policy for allowing TAP participants to earn incremental penalty forgiveness each month as their TAP bill gets paid. And also, you also talk about the delinquent water collections and enforcement tools that you have, which includes making phone calls, sending letters, administering payment agreements, placing liens on properties, financing collections, filing suits, shutting off delinquent accounts, conducting Sheriff sales and landlord sequestration. So you have all these enforcement mechanisms in place for delinquent water bills.

What is water revenue's position on a bill that we introduced that would eliminate late fees and penalties and interest on our water bills for our Philadelphia residents? Because I think when you look in your testimony as well, it says that there's about $2.6 million collected in TAP arrearage, excuse me, forgiveness, just in penalty alone. Just from July 21 to December of 2025, right.

And so, that's $2.6 million that's real money to Philadelphians and is a small number compared to our budget overall. So what concerns or issues are there with eliminating these late fees and these penalties on our water bills when we have all of those other enforcement mechanisms in place as well to collect on that principal?

COMMISSIONER McCOLGAN: Okay. So the first part of your question you wanted me to explain the penalty forgiveness, right?

COUNCILMAN YOUNG: I'm sorry. The?

COMMISSIONER McCOLGAN: You wanted me to explain the penalty forgiveness first?

COUNCILMAN YOUNG: Yeah, to estimate what that is. And then the second part is regarding the proposed bill that we have.

COMMISSIONER McCOLGAN: Okay. So what's in our testimony refers to those that are enrolled in TAP. Right now for principal forgiveness, when they pay a monthly installment towards their

TAP bill, there's principal forgiveness that happens each month. Penalty forgiveness for those TAP customers does not happen until they've completed the 24 months in total. So we are proposing to make that change to also give penalty forgiveness at a monthly rate for the TAP customers.

The second part of your question, I believe, is related to an ordinance regarding penalty forgiveness for all customers.

COUNCILMAN YOUNG: For all customers essentially, because right now it's only for those customers that are on TAP. And from the testimony, it says maybe only 35% of those customers even qualify are enrolled in TAP or something like that. So we're just trying to figure out what is the Administration's position on just allowing the forgiveness for all residential customers when you have these enforcement mechanisms already in place to go and get the principal.

If the city owns this utility, the city shouldn't be placing people in further debt. That's just the belief that I have. And so, we want to be able to allow the residents to benefit from this public good and not have this public good put us in debt.

COMMISSIONER McCOLGAN: I appreciate that. So we've discussed that bill with PWD, and I'll get the number for you and what we estimate the penalty impact to be. But in the meantime, penalty is widely used as a collection tool to collect revenue timely. And our mission is to collect funding for PWD to sustain their operations, provide clean water to the City of Philadelphia.

And not having a penalty in place would really undermine our ability to predict the revenue that is collectible to them. It could incentivize people who do pay on time to no longer pay on time.

COUNCILMAN YOUNG: I think we do have those penalties in place, all the enforcement mechanisms that I mentioned, making phone calls, placing liens, all these things that are there, filing suits in court. These things are there. These things are real, because I know that the city does take people to Sheriff's sale for water bills, right. It has happened before. If we are --

COUNCILMAN THOMAS: Councilmember Young, I'm sorry. Can I just pause you for a second?

COUNCILMAN YOUNG: Sure.

COUNCILMAN THOMAS: Councilmember Phillips wanted a

point of information.
Chair recognizes
Councilmember Phillips.
COUNCILMAN PHILLIPS:
Hi. Thanks, Councilman Young, for bringing up this very important question. The real penalty is your water potentially being shut off.
COUNCILMAN YOUNG:
Right.
COUNCILMAN PHILLIPS: So I mean, once your water is shut off, you're going to know I need to pay my water bill, you see what I'm saying. I think Councilmember Young is right. It's already a burden to pay the water bill. The idea of being shut off, they're going to eventually pay it. So I think putting money back in their hands actually makes sense. So I'm trying to figure out are we really losing revenue? Is it that big of a deal?

That's what he's trying to say. I want to get that clarified for myself. Because if we have to vote on that one day, I just really want to understand what revenue are we really losing if we don't have these late fees?

COMMISSIONER McCOLGAN: I will get that number for you. I know that we had already conducted that analysis, so I'll get that number for you. But in relation to shut-offs, I just want to talk a little bit about all of the protections that we've put in place over the years. Before COVID, our shut-off threshold was significantly lower. I think in an average year there was approximately 40,000 people who were eligible for shut-off.

Since then, we raised the threshold to $1,000 or higher. And we also have protections put in place for people who have -- we have a Raise Your Hand Program. If somebody has children or seniors in the home or somebody with a disability, we will take them out of shut-off status and put them into protection. The TAP program also provides them with protection from shut-off.

And so, our shut-off numbers are each year about 2000-ish, 3000 a year versus the 40,000 that we had before COVID. And we can put all of this information in writing to you with our stats and who's protected so that you have a comprehensive look at the entire picture there.

But as I said, we've seen behavior change, for example, in payments when there's a moratorium. Some people know that there's not going to be a shut-off from December to April and they will allow their bill to accumulate. And then one shut-off starts again April 1st they pay. That's just a behavior that we see sometimes --

COUNCILMAN YOUNG: It's a savings plan for a lot of people in my community. So I mean, that's just how they have to operate, right. I mean, that's just how they maneuver and I understand that. But when you have these enforcement mechanisms like a shut-off, as my Councilmember alluded to, I think that's the real I gotchu, right, when it comes to penalties, because no one wants to be without water.

So I really think that we should take a hard look at how we are penalizing our residents when we are already going to be asking them for an increase in the water bills in the very, very near future. So that's just something I just wanted to put on the record.

Thank you, Mr. Chair.

COUNCILMAN THOMAS:

Thank you. I'm going to resist.

Chair recognizes Councilmember Driscoll.

COUNCILMAN DRISCOLL:

Thank you, Mr. Chair.

This was really a question for yesterday and we never really got to it. So, Rob, I don't know if you can respond to this or we just, you know, figure another way to answer it. But I'm scratching my head trying to figure out, this legislative body is being asked to consider passing a budget by, we usually get it done by mid-June, and yet we're relying on enabling legislation from the Commonwealth of Pennsylvania, which traditionally is done by June 30th, but as we know practically doesn't always happen. Are we able as a body to pass something in anticipation?

MR. DUBOW: Yes.

COUNCILMAN DRISCOLL: We can?

MR. DUBOW: Yes, we've done that in the past. We can definitely do that, anticipation of --

COUNCILMAN DRISCOLL: And if it doesn't happen, we don't have a balanced budget then though, right?

MR. DUBOW: Well, we don't have funding through the hotel fund for it. It's actually not coming into the General Fund.

COUNCILMAN DRISCOLL: So how do we cure it if we pass it and it doesn't get passed by the Commonwealth?

MR. DUBOW: So we would probably have to come back in the fall and work on how to fund those programs within a balanced budget.

COUNCILMAN DRISCOLL: So we can do that?

MR. DUBOW: Yeah.

COUNCILMAN DRISCOLL: I was trying to figure out how that would work. Thank you.

MR. DUBOW: Yeah, that makes sense.

COUNCILMAN THOMAS: I think the concern is also the Five Year Plan. So if you can elaborate as well, because your projections have the hotel tax revenue bringing in about $111 million maybe over the next five years. So just in the same line of Councilman Driscoll's question, if you can elaborate on an impact not just immediately in the next fiscal year, but also discuss what the strategy will be over the Five Year Plan because that will be $111 million in revenue that we don't get? And how do we get PICA to approve our Five Year Plan if it counts on that revenue? So I just want to add that to Councilmember Driscoll's questions, if you could support with a few answers.

MR. DUBOW: Yeah. And it does go back to the question yesterday about, you know, things we're asking the state for and the fact that we'd have to go back into the budget and make some really painful choices about how to pay for that.

COUNCILMAN THOMAS: Yeah. And I just want to be clear, it's not just over one year. It's over five years because it's baked into the Five Year Plan, which is very risky.

MR. DUBOW: Right. So we would have to figure out really how to get that 20 million in a year and that would be recurring, so it would flow through the Five Year Plan.

COUNCILMAN THOMAS: Okay. Thank you. I don't see anybody in the queue and I want to adhere to Council President because I'm sure he has a couple questions too. But before I go back to Councilmember Young, let me just put a little exclamation point on the issue around water and water revenue, right.

I live in the 9th Councilmanic District. I'm one of those people that complains to Councilmember Phillips, myself and my neighbors, because we have found that there have been some things that have taken place that we feel like are not necessarily supportive of constituents. And when you're a resident and you have all these different things happen, right, government is asking you to slow down on Broad Street, right, we're also asking you to be patient around potholes and be patient around snow, we're asking people to entertain a new tax and people are seeing all types of other things happen in both D.C. as well as in Harrisburg.

And now, as a resident when I get these retroactive requests from any level of government, right, what you're feeling from Councilmembers is us regurgitating the frustration that constituents give us based on decisions that you all make that we have absolutely no control over, but they believe that we're a part of this bigger conspiracy, which I spoke of before, that's trying to displace them and move them out of their house. So I know I have a meeting coming up with some folks in leadership there. I think that it's important that you understand our frustration, but I also think that there needs to be some system changes, right.

So, number one, I think that we should limit how we retroactively charge people for things that they don't control. If you don't know what I'm talking about, you guys will say my meter is wrong, it's not reading correctly and it hasn't been reading correctly for a year. And so, then you'll say, okay, well, since your meter wasn't reading correctly for a year, you now have this back pay.

You guys will also come to residents and say, your sewage is wrong. If you don't fix your sewage in 30 days, the city is going to come in and fix it for you. Even though I've been living here for 30 years, all of a sudden randomly one day my sewage is wrong. And if I don't fix it myself, the city will fix it and bill me thousands of dollars. These are some of the things that the members are frustrated about and these are the issues that constituents communicate to us. And in this climate that we're in, it's just not right.

So hopefully, before this budget dialogue ends, we have some systemic changes that you all can communicate to us so that as we continue to try to address people being nickel and dimed here and there, we can put the Water Department as a place that we've crossed off that list and we're no longer going to give people retroactive payments or random bills that they have to pay within 30 days or get on a payment plan and it cost them thousands of dollars.

Chair recognizes Councilmember Young.

COUNCILMAN YOUNG: Thank you. And along the lines of the need for a penalty, well, the performance targets aren't particularly aggressive, you know, 85% of bills paid within 90 days, 32% of delinquent accounts in payment agreements for TAP. That's not really an aggressive approach if you're really trying to collect the funds and trying to get people on a program that can provide that relief to them.

So I really hope that -- why should we accept some of these flat targets if you're also requesting higher funding and promising better use of the data and technology?

COMMISSIONER McCOLGAN:

To the point of customers saying
that they feel as though they're
trying to be put out of their
properties, I just want to say that
that is the -- the goal of our
outreach is to make sure that
residents are aware of all the
assistance programs that are
available to them.

As I mentioned earlier, for owner-occupied properties, they do not get taken to Sheriff's sale. And properties for water debt that get taken to Sheriff's sale, that's only for commercial and vacant properties. We don't do that for owner-occupied properties. And we feel that the enforcement that we have in place really plays a dual role in, one, getting those to pay to do so, but then also getting those who cannot pay into the assistance programs that are available to them. So it plays a dual role. Especially for water because there's forgiveness, it's very important that they get into those programs when they're eligible. So that is the fine line that we walk. And the dual I'd say goal mission that we have of the department to collect revenue to support city services, but also to make sure that residents who are entitled to programs are enrolled.

COUNCILMAN YOUNG: And the question I have is what are the qualifications to be enrolled in some of these programs, right, because there are a lot of income-restricted programs which are helpful, but there are people who may not qualify, right, for some of these programs. But again, they use the winter months as a way to kind of save a little bit. So --

COMMISSIONER McCOLGAN: We can give you all of the qualifications in writing. We can submit that to you.

COUNCILMAN YOUNG: Thank you. If you can please submit it to the Chair for the record, I would appreciate that. Thank you.

COMMISSIONER McCOLGAN: Sure.

COUNCILMAN YOUNG: And just one more question. I guess this is just for Finance in general. It seems like throughout some of these departments we're asking for increases, and there are particular increases in professional services while the small and local minority business participation like Falls, can you tell us what's happening here? We're expecting to spend more money but spend less money on small and local business enterprises.

Ever since we had to change to this small, local versus minority, women, disadvantaged enterprises, it seems like the spend number is actually becoming lower. And when you know that happens, we know the types of businesses that are going to be impacted I'll say more inequitably, right. So can you describe to us what's happening here and why do we see that trend?

MR. DUBOW: Can you give an example so I --

COUNCILMAN YOUNG: I can give you an example. I did it earlier today with the Pension Fund, right. There's a projected $25 million spend, which is the highest that we've had. But when you look at the small and local number from the past three fiscal years, that number in real dollars has gone down each year. When you look at revenue --

MR. DUBOW: As we talk

about pensions, I think one of the
things --
COUNCILMAN YOUNG: Let
me finish. So I'm sorry. And --
MR. DUBOW: What I said
was that we're over 50% MBE there.
So I don't think those numbers have
gone down.
COUNCILMAN YOUNG: So
I'm looking at the chart here that
was provided to us. When it comes
to some of the professional service
contracts, it's that projected
spend of a $27 million or $25
million, but we did not have the
data for small, local for Fiscal
Year '26. It wasn't there. But
each year -- I'll show you the
page. I can point the page out to
you, if necessary. So this is a
trend --
MR. DUBOW: We can get
you the specific numbers on
pensions because that's not what's

happening with pensions. So we will get you that information.

COUNCILMAN YOUNG: Okay. But here with revenue, for example, there is projected professional services contract of 23.8 million, but the small and local participation falls to 26% down from 33%. Why? And I've noticed that throughout some of the departments. So what's happening here with that, if that's a trend?

MR. DUBOW: Yeah. We'll get back to you on the revenue one, but we're not seeing that across the board. So we'll have to take another look at the data. And if there's something there, get back to you.

COUNCILMAN THOMAS: Member Young, are you good?

COUNCILMAN YOUNG: Now, I'm going to go to the Treasurer's Office then. The Treasurer projects a 40% small, local business enterprise participation in FY27 professional services. It says exactly matching that goal, but the office's participation rates have fallen materially from prior years, 63% in FY23, 57% in FY24. So why did this decline happen and what's preventing that further?

MR. DUBOW: I mean, the Treasurer's Office has a pretty aggressive program of making sure that they include MBEs in their deal. So every deal has participation, sometimes as the people running the deal, sometimes as co. They also do that for counsel and their FA is local, so they have a lot of participation.

COUNCILMAN YOUNG: They can have participation, but the numbers for the participation is going down, right. So I'm just asking is there -- when you see a trend, I think that there is something that is systemically wrong or happening here. So if I see that's a trend happening in these departments, I'm just trying to figure out what's causing that, right and how can we address that trend and reverse that trend?

MR. DUBOW: Yeah. And I can say that for all of us, it's something that we really work on all the time and try to make sure that we have appropriate levels. Fran is going to come up and talk about pensions.

MR. BIELLI: Councilman, you talked about professional services. Professional services are very, very small amount of the Pension Board's spend. The largest amount of the Pension Board's spend are the fees for the investment managers. That local percentage has gone up each of the last four years. Professional services is something that's separate, like the actuary, like the auditor.

The vast majority of the spend that we have is for our investment managers who get paid a percentage of the assets under management. Our assets under management are over 50% diverse investment managers. But as far as local, it's now close to 12% --

COUNCILMAN YOUNG: And I hear that. I'm just looking at Page 5 of the Board of Pensions and Retirement Plan testimony that they sent us. That's the page I was referring to when I mentioned that there's a projected $25 million spend for contract summary, professional services only; projected is $25 million for FY27.

Now, for FY23, '24 and '25, the small and local business amount has been about roughly a quarter or so of what's happening. But that amount has been lowering every year, 5.6 million in FY23, 4.5 and '24, 4.2 in '25, but then not available for FY26. And so, the question is -- and it's not just for pensions, specifically this is a trend that I'm seeing in other departments as well where that small and local amount is decreasing, right.

It went from 26% to 20%, 19%. Now, is it going to keep decreasing? And I want to see why. I guess as we're asked to approve this budget, we should know why we see those trends happening across departments where there is a lower percentage going to small and local business enterprises.

MR. DUBOW: And just to be clear, again what you're seeing in professional services is a small portion of what the Pension Fund does. The larger expenditures --

COUNCILMAN YOUNG: It's --

MR. DUBOW: Can I finish please?

COUNCILMAN YOUNG: Sure.

MR. DUBOW: The larger expenditures are in the fees we pay to our investment firms. And what Mr. Bielli was talking about is that those numbers, which are much larger, are actually showing consistency, if not a little growth. So where our spending really is looks much better than the numbers that you're looking at.

COUNCILMAN YOUNG: So these numbers are not real spending? That's what I'm asking. This says --

MR. DUBOW: Professional services.

COUNCILMAN YOUNG: Yeah.

MR. DUBOW: And what we're talking about is that most of the funding -- most of the spending for the Pension Fund that goes to firms is not captured in that professional services category.

COUNCILMAN YOUNG: Okay. Even if it's not captured here, right, what this says here is that it's trending downward. That's all I'm saying --

MR. DUBOW: No, I understand what you're saying. But we're telling you that's not the full picture of Pension spending and we have documents that have that spending --

COUNCILMAN YOUNG: So can you give us the full picture of the spending I guess for every other service department as well where we're noticing that this same trend is happening, right? This is not just for Pensions. This is I guess more of a finance question.

MR. DUBOW: Yeah. Well, from Finance, and you'll probably hear the same thing from the Treasurer, that a lot of what our folks spend and what we do that really gets money to businesses is not captured in professional services. So you can ask the City Treasurer to also explain how it works.

COUNCILMAN YOUNG: Okay. Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT JOHNSON: Thank you.

Jamie Gauthier, just a brief remark.

COUNCILWOMAN GAUTHIER: Yes. I just wanted to tack onto this conversation that we've been having about helping people to relieve the burden of utility cost in this moment that they're facing so much, especially from the federal government, and expanding relief, particularly as it relates to people's water bills.

And you guys are kind of pushing back against the legislative package that I'm trying to move forward by saying that it's too expensive. Your estimate is that it's $23 million. But I just wanted to point out that PWD's budget testimony said that the 2025 and 2026 rate increases, which were substantial, were needed partly to fund expanded TAP enrollment. So every water customer in our city is already paying for some expansion of TAP.

And so, I would love to know what percentage of the current TAP expansion -- what percentage of that revenue increase does the current TAP expansion reflect and how? And I think we really have to hone in on that before we say that we cannot go further.

MR. DUBOW: Yep, we can get you that. We can also show what it would mean for the rate to go forward with the set of proposals, the water proposals. We can get you all that.

COUNCILWOMAN GAUTHIER: Thank you very much.

Thank you, Council President.

COUNCILWOMAN LOZADA: Chair recognizes Councilmember Quetcy Lozada.

COUNCILWOMAN LOZADA: Thank you, Council President.

I think my question is along the same lines as Councilmember Young here. He talked about professional services. But when I looked at the budget, there's also one of the largest increases in the budget is purchase services, right. And in that category, it is growing by over $49 million and that reflects a significant reliance on external vendors, consultants, contract services, rather than looking internally to figure out how we can get those services at a lower cost.

Why are we increasingly relying on outsourcing services instead of building internal capacity through city labor? And what analysis has been done to determine whether these functions could be performed at a more costly effective inhouse or the comparison to outsourcing?

MR. DUBOW: The biggest portion of that increase that's showing purchase services is actually debt service on the H.O.M.E. bonds. Since that's being done through an authority, it's showing in our Class 200.

COUNCILWOMAN LOZADA: What was that again?

MR. DUBOW: So the way the H.O.M.E. borrowing is structured, it's going through an authority that actually shows up in our Class 200, which shows here as purchase services. So it's not using an outside contractor. It's actually debt service as the biggest thing that's driving that increase.

COUNCILWOMAN LOZADA: Thank you.

COUNCIL PRESIDENT JOHNSON: Thank you.

Any other questions or comments from members of the committee?

(No response.)

COUNCIL PRESIDENT JOHNSON: Hearing none, the Chair recognizes Councilmember Isaiah

Thomas for a motion that the public hearing and meeting on the bills and resolution before the committee today stand in recess until Tuesday, March 31, 2026, at 10:00 a.m., Room 400, City Hall.

COUNCILMAN THOMAS: So move, Mr. Chairman.

COUNCIL PRESIDENT JOHNSON: Is there a second?

(Duly seconded.)

COUNCIL PRESIDENT JOHNSON: It has been moved and properly seconded that the public hearing and meeting on the bills and resolution before the committee today stand in recess until March 31, 2026, at 10:00 a.m. in Room 400, City Hall.

All those in favor signify by saying aye.

(Aye.)

COUNCIL PRESIDENT JOHNSON: Anyone opposed?

(No response.)

COUNCIL PRESIDENT JOHNSON: The ayes have it and the motion carries.

This committee will stand in recess until Tuesday, March 31st at 10:00 a.m., at which time we will reconvene in Room 400. Thank you all very much.

(Committee of the Whole concluded at 2:35 p.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.

TANEHA CARROLL
Court Reporter - Notary Public

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)

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City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

Meeting Agenda

Wednesday, March 25, 2026

10:00 AM

BUDGET

Room 400, City Hall

Committee of the Whole

260199	An Ordinance Adopting the Operating Budget for Fiscal Year 2027.
260200	An Ordinance To adopt a Fiscal Year 2027 Capital Budget.
260201	An Ordinance To adopt a Capital Program for the six Fiscal Years 2027-2032 inclusive.
260202	An Ordinance Amending Chapter 19-2400 of The Philadelphia Code, entitled "Hotel Room Rental Tax," by providing for an additional excise tax on hotel room rentals, all under certain terms and conditions.
260203	An Ordinance Amending Subcode "A" (The Philadelphia Administrative Code) of Title 4 of The Philadelphia Code (The Building, Construction and Occupancy Code), by adding and revising Zoning Board of Adjustment fees and provisions regarding hearing scheduling, all under certain terms and conditions.
260204	An Ordinance Amending Title 3 of The Philadelphia Code, entitled "Air Management Code," to modify the amounts of license and permit fees, under certain terms and conditions.
260205	An Ordinance Amending Section 19-1806 of The Philadelphia Code, entitled "Authorization of Realty Use and Occupancy Tax," to clarify the imposition of the tax on the use or occupancy of real estate with respect to cell towers; all under certain terms and conditions.
260206	An Ordinance Amending Chapter 6-600 of The Philadelphia Code ("Asbestos"), by adding and revising provisions related to various fees, all under certain terms and conditions.
260208	An Ordinance Amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," to a add a new Section 19-1808, entitled "Authorization of Rideshare Use Tax," to authorize the Board of the School District of Philadelphia to levy a tax upon the use by a passenger of a transportation network company for a prearranged ride that originates in Philadelphia; all under certain terms and conditions.
260209	An Ordinance Amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," to add a new Chapter 19-4800, entitled "Retail Delivery Tax," to establish a tax on orders for the delivery in Philadelphia of retail consumer and other tangible goods, all under certain terms and conditions.

260227 Resolution Providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2027 through 2031, and incorporating revisions with respect to Fiscal Year 2026, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority pursuant to an Intergovernmental Cooperation Agreement by and between the City and the Authority.

Budget hearings will be held in person at Philadelphia City Council Chambers, Room 400 (Fourth Floor), City Hall. Speakers interested in making public testimony should call 215 686 3407 or email Budget.Hearings@phila.gov by 3 p.m. on the day prior to the public testimony session at which they wish to speak and submit the following information:

Date you will be testifying
Full name
Callback telephone number where you can be reached
Street Address
Identify the bill number or resolution number or numbers that will be addressed and whether you support or oppose them.

Dates for Public Testimony:
Tuesday, April 21st, 1:00 PM, Tax Bills
Wednesday, April 22nd, 1:00 PM, School District
Wednesday, May 6th, 10:00 AM- 4:00 PM