COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, March 31, 2015
10:30 a.m.

PRESENT:
COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
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BILLS 150162, 150163, and 150164
RESOLUTION 150179

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COUNCIL PRESIDENT CLARKE: Good morning, everyone. This hearing is called to order. I recognize the presence of a quorum of Committee members. This is a public hearing of the Committee of the Whole regarding Bills No. 150162, 150163, 150164, and Resolution No. 150179.

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

MS. LEWIS: Bill No. 150162, an ordinance to adopt a Capital Program for the six Fiscal Years 2016 through 2021 inclusive.

Bill No. 150163, an ordinance to adopt a Fiscal 2016 Capital Budget.

Bill No. 150164, an ordinance adopting the Operating Budget for Fiscal Year 2016.

And Resolution No. 150179, 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 2016

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through 2020, and incorporating proposed changes with respect to Fiscal Year 2015, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3rd, 1992 (Bill No. 1563-A), by and between the City and the Authority.

COUNCIL PRESIDENT CLARKE:

Thank you, Ms. Lewis.

Today we begin public hearings of the Committee of the Whole to consider various bills read by the Clerk that constitute proposed operating and capital spending measures for Fiscal 2016, a Capital Program and a forward-looking Capital Plan for Fiscal Years 2015 through 2021.

Today we will hear the testimony from the Administration on the Five Year Plan, and I do believe we have

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Mr. Gillison and Ms. Rhynhart and Mr. Dubow.

(Witnesses approached witness table.)

COUNCIL PRESIDENT CLARKE: Good morning.

MR. GILLISON: Good morning, Council President Clarke, members of City Council. I am Everett Gillison, Chief of Staff in the Office of Mayor Michael A. Nutter. On behalf of the Mayor, I am pleased to provide testimony on the Proposed Fiscal '16 Operating Budget and the Proposed Fiscal '16 through '20 Five Year Financial and Strategic Plan. With me today are Rob Dubow, the City's Finance Director, and Rebecca Rhynhart, the City's Budget Director. A number of City officials are in the audience.

Philadelphia continues to make progress on several fronts after weathering the Great Recession and the severe fiscal impact it had on our city. And while we still face fiscal

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challenges, our tax receipts are growing moderately, new residents continue to move into the City, and businesses continue to invest and create jobs in Philadelphia.

Tax revenues in Fiscal '15 are projected to perform better than budgeted, largely due to higher than expected growth in the real estate property transfer tax and the wage and earnings tax, although we have had to reduce our projections for the sales tax and property tax. The sales tax has performed below our budgeted projections and the real estate property tax is projected to be below projections due to higher than anticipated appeal losses.

In the Proposed Fiscal '16 budget, total revenues increase 1.8 percent to a total of $3.85 billion. Total General Fund tax revenues in Fiscal '16 are estimated at 2.856 billion, an increase of $77 million or, looked at another way, 2.8 percent over Fiscal '15

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projections. The Fiscal '16 Proposed Budget includes the continuation of wage tax cuts, which were resumed in Fiscal '14 after being halted during the recession. Multiple studies and two Tax Reform Commissions have concluded that wage tax reductions encourages businesses to locate and expand in Philadelphia, increasing jobs over time. In addition, the Fiscal '16 revenues reflect an additional $23 million reduction in business income and receipts tax due to the tax reform legislation passed by City Council in Fiscal '12. These reductions are partially offset by projected growth in the City's tax bases. Based on year-to-year results and discussions with our outside economic consultant, the wage and earnings tax base and the realty transfer tax base are projected to have strong growth in Fiscal '15 and '16. The sales tax base is projected to have weak growth, and the real estate tax base is projected to decline by 1.73 percent in

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Fiscal '15 due to the impact of appeals. As Fiscal '14 appeals are not yet complete, the Office of Property Assessment will complete a partial reassessment for Fiscal '16 of areas in the City where the residential properties may have been under or overvalued, resulting in an anticipated tax base growth of 1.5 percent. The next citywide reassessment of all properties is projected to occur in Fiscal '17.

We are navigating a new normal. As tax revenues increase modestly and savings from efficiencies are realized, we must make important choices about how to invest taxpayer dollars. This Five Year Plan makes clear our priorities.

Our primary priority: we must invest in our children. Together, the Administration and City Council have implemented legislation that contributed more to the District in terms of total dollar increases, $360 million, than in any similar period over the past 30

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years. These increased dollars have come from improved collections, new and increased taxes, including a $2 per pack tax on cigarettes, property, use and occupancy tax increases, the permanent extension of the additional 1 percent sales tax, parking rates and fine increases, and increased contributions from the City's General Fund.

In February, Superintendent Hite requested increased support from the District's major funders - $103 million from the City and $206 million from the Commonwealth. These investments would enable the District to provide social, emotional, and behavioral health interventions and support to many more students who experience adverse childhood experiences; counseling, nursing, and library services to students who experienced declines in these services; more opportunities for students to participate in advanced programming such as Advanced Placement, International

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Baccalaureate, and dual enrollment; and resources to support District turnaround schools and expand or replicate high-performing schools.

This Five Year Plan proposes to meet the revenue request of the District through a property tax increase to generate approximately $105 million for the District, assuming a July 1st, 2015 implementation date. The total tax rate would increase from 1.34 percent to 1.465 percent.

While the City has made significant efforts to increase funding to schools and propose to make additional contributions, truly adequate funding is not possible without establishing a full and fair statewide funding formula for basic education. The Administration's proposal should also be viewed alongside the budget proposal from Governor Wolf. The Wolf Administration has proposed an increase of $160 million for the school from the basic and special education

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funding lines in Fiscal '16. In Fiscal '17, through a comprehensive tax reform effort, the Governor proposes providing an additional $452 million for tax relief in the City over the current $86 million we already receive. These funds would be used to further reduce wage tax rates in Philadelphia, provide additional dollars to the City's Pension Fund, which is 400 million over four years, repeal the cigarette tax in the City and replacing it with a stable $60 million annual for the District, and provide for an additional $26,650 per homeowner in homestead exemption. For a typical homeowner with a homestead exemption, their property tax bill would decline by $287 annually when combining the increased funds proposed for the schools with the Governor's relief program from Fiscal '15 to Fiscal '17.

The Fiscal '16 budget also proposes a number of modest new investments. The largest investment in

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the Fiscal '16 proposed budget, $5.5 million, is to strengthen building safety as recommended by the Special Independent Advisory Commission. In Fiscal '17, this proposed investment rises to $9.7 million, and in Fiscal '18, it rises to 10.8 million. Under this phased approach, initiatives that could be implemented in the short term would be funded in '16, while those requiring more time for recruitment and training of staff and cross-departmental collaboration would receive funding in Fiscal '17 and '18. Initiatives that are proposed to be funded in Fiscal '16 were chosen based on their direct impact to public safety. The $5.5 million Fiscal '16 investment is allocated as follows: $3 million to the Department of License and Inspections; $1.2 million to the Fire Department; $1.1 million for employee benefits associated with the 43 new hires in Fiscal '16; and $160,000 split between the Managing Director's Office and the

Office of Innovation and Technology to support the Department of License and Inspections.

Other key investments include 3.9 million for the Department of Parks and Recreation to expand the Summer Jobs program to help with youth unemployment; $3.4 million for the Community College of Philadelphia to offset the need for tuition increases as well as to fund capital needs; 3.6 million for the Police Department to begin implementing the use of body cameras and ballistic vests, tasers, and ammunition for additional training exercises; $3 million to the Office of Fleet Management to replace aged, unreliable vehicles for citywide departments; 2.5 million for the Office of Innovation and Technology to institute a five-year replacement schedule for PCs across City departments and to fund operating costs associated with a new data warehouse for the Revenue Department, which is expected to generate

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additional tax revenue; $1 million to the Free Library to fund the Read by 4th! Campaign; 1.1 million to the Commerce Department to fund the Philly Talent Collaborative; 1.6 million to the Revenue Department to fund Earned Income Tax Credit filing program outreach and increased costs for postage; $1 million to the Department of Public Property to fund increased contractual obligations and the maintenance for the exterior of City Hall and to fund a study on space needs for City records; $895,000 to the Fire Department for equipment purchases and cleaning of bunker gear; 686,000 for the District Attorney to fund increased costs for contractual obligations; and $520,000 to the City Commissioners to fund the ongoing maintenance of the City's voting machines. Each of these investments is essential to meeting at least one of the five goals that the Mayor has established for the City.

The proposed Fiscal '16 budget

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expenditures total $3.95 billion, an $89.6 million increase, which is 2.3 percent, from Fiscal '15 current projection, primarily a result of rising pension and health/medical costs and $27.4 million which is due to the arbitration award costs for the Police Department. Including all of the other increases and decreases in the budget, the remaining $11.5 million represents a net increase of only 0.3 percent.

The proposed budget and Five Year Plan seeks to preserve the City's core services while making Philadelphia a safer, smarter, healthier, greener City where people want to live and do business while operating efficiently and effectively as a first-class city.

Thank you for the opportunity to testify on behalf of the Administration regarding the Fiscal '16 Proposed Operating Budget and Proposed Fiscal '16 through '20 Five Year Financial and Strategic Plan. I have

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with me the senior officials of the Administration, and with their assistance, as necessary, we will be happy to answer any questions that you might have.

COUNCIL PRESIDENT CLARKE:

Thank you. Thank you, Mr. Gillison. I have a couple of questions and then I'll pass it on to the members of Council.

Page 22 of the Five Year Plan, the real property tax transfer revenue has consistently been trending upward recently, revenues currently projected 20 percent higher. But when we look at our Housing Trust Fund revenue, it's not been reaching its expected target, and I'm assuming that that's based on the fact that it's a flat fee for recording fees that generates revenues for the Housing Trust Fund.

Given the increases in the transfer tax, would it be reasonable to approach the recording fees, because we'd like to realize additional revenue for

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the Trust Fund since it deals with a category of people that we referenced earlier, would we be within the law if we did it based on percentage or did the state law only authorize us to do a flat fee?

MR. GILLISON: I'm not sure, but we can research that. That's a very good question. I would think if there's no state law, then it would obviously be up to us as a city of the first class. But I don't know if there's any --

COUNCIL PRESIDENT CLARKE: Does anybody here know?

MR. GILLISON: I think Deb McColloch said she might have some insight.

COUNCIL PRESIDENT CLARKE: I know she's responsible for the Trust Fund.

(Witness approached witness table.)

MS. McCOLLOCH: Good morning. I'm Deborah McColloch. I'm the Director

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of Housing and I serve as the Chair of the Housing Trust Fund Oversight Board.

The state law allows an increase equal to an increase -- it's not a percentage. It's equal to the increase that you're allowed to increase the recording fee, but the recording fee can only be increased to cover the cost of recording. So if the Department of Records -- I'm just making these numbers up -- needed an additional $25 per recording fee to cover its costs, we could increase the amount allowed to the Trust Fund by the $25 that it's being increased to cover the cost of recording the documents. So it's not a percentage as much as --

COUNCIL PRESIDENT CLARKE: I know it's not a percentage. I'm asking can we --

MR. GILLISON: The issue that I think the Council President is stating is whether or not there's a prohibition in the state law that would keep us from

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adopting a percentage basis for the recording fee as opposed to a flat fee.

COUNCIL PRESIDENT CLARKE: Correct.

MR. GILLISON: And I think that's something we still have to look at.

COUNCIL PRESIDENT CLARKE: Because we're excited about the fact that we're getting more transfer tax, but the people that need it most are not experiencing that growth, and we're actually not meeting our targeted expectation. That's a real concern.

MR. GILLISON: I think that's something we should look into, and I'm sure that it would require a lot more analysis of what the stated objective of the state law was when it was passed and whether or not there was any prohibition about changing from flat fees to matter. But Shelley and the City Solicitor's Office will look into that.

COUNCIL PRESIDENT CLARKE: That

will be helpful. Thank you very much.

You talked about the sales tax growth which was revised downward from 3.6 to 3 percent, 0.3 in FY15 due to lower than expected revenues. Can you tell me why that's happening and do we project in out years that that trend will continue?

MS. RHYNHART: Sure.

COUNCIL PRESIDENT CLARKE: Or is this a blip on the screen?

MS. RHYNHART: It is actually an interesting question, because we've seen a divergence between the wage tax growth and the sales tax. So wage tax growth for the first two quarters of this year was 5 percent. Sales tax was actually a little bit negative from last year. We don't have a concrete answer as to why sales tax receipts are not growing along with wage tax. IHS Global Insight, our revenue forecasting consultant, is still looking at it. They said that the state has seen some similar trends of

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divergence between the wage and sales tax.

One thing -- they're also looking at if people's buying patterns are changing. For example, are people spending more money on services such as healthcare which doesn't -- isn't taxed by sales tax than items that do get the sales tax.

But the bottom line is, we don't know the answer as to why. Another thing we're looking at is Internet sales and if all Internet sales are being charged the 2 percent local portion, and just some unscientific sampling of that has shown that it's not, that we're not getting our full share of the sales tax from that method. And I know the Revenue Department is working, I believe, with the state on that.

So in terms -- so as we get more information, we'll share that and, of course, any trend or change we'll keep you posted on that.

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In terms of what we projected going forward, we have actually projected more modest growth, but stronger growth in the out years. So it goes from 0.3 then up to like the 2 and 3 percent range for the remainder of the Five Year Plan. So we're assuming that this is a blip. Hopefully it is a blip.

COUNCIL PRESIDENT CLARKE: All right. So if I can ask when Revenue comes up -- and I know traditionally this is the time for the Administration to testify -- if they could bring someone here, the outside source -- I forget what you referenced -- that's responsible for analyzing this on our behalf to the hearing so we can ask in detail what they're looking at in terms of determining what the challenges associated with either the non-collection of sales tax or Internet sales, all the things that could be basically creating this downward trend.

MS. RHYNHART: Sure. That's

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IHS Global Insight. Sure.

COUNCIL PRESIDENT CLARKE: IHS, okay. If they could come --

MS. RHYNHART: Okay. I'll ask them.

COUNCIL PRESIDENT CLARKE: -- to be a part of the questioning from the members of the body, that will be helpful to us.

MS. RHYNHART: Sure.

COUNCIL PRESIDENT CLARKE: Thank you.

I just want to ask you this one about behavioral health and federal government. I'll leave that until later.

I do want to ask one question somewhat unrelated but related. Pension funds, we have like 108, 111 Pension Fund managers currently, Mr. Dubow?

MR. DUBOW: I'm not sure of the exact number, but we do have a number of managers for the Pension Fund.

COUNCIL PRESIDENT CLARKE: A lot of them, right?

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MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: So I've seen in -- well, actually here in the state where there's some discussion about revising the strategies associated with Pension Fund managers. I think the number is 108. Matter of fact, I know the number is 108. They say don't ever ask a question unless you know the answer.

Are we going to look at that? Governor Wolf believes that that's something that can save money on the state level, and we don't know until he actually gets into it, but it seems like a lot of Pension Fund managers.

MR. DUBOW: So I know Montgomery County I think was kind of at the forefront of that, and they moved towards really using index funds rather than using managers. We look at it really on a case-by-case basis. We look at individual managers, look at what their returns are net of fees, and if

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those returns net of fees are better than what we can do in an index fund, we'll stick with the manager. If not, we'd move to the index fund. So we really look at it on a case-by-case basis instead of globally saying we're going to do one thing or the other.

COUNCIL PRESIDENT CLARKE: Right. So are we going to look at that?

MR. DUBOW: Oh, yeah. We look at it with every one of our investments. We're consistently looking at that.

COUNCIL PRESIDENT CLARKE: All right. So we're going to look at both options?

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: Okay. Thank you. I'll come back on the next round.

We're doing, Ms. Lewis, how many minutes?

MS. LEWIS: Five minutes.

COUNCIL PRESIDENT CLARKE: Five minutes, is that enough? We're going to

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do five minutes first round, and the Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President.

Good morning.

(Good morning.)

COUNCILMAN GOODE: I want to talk about both the current Five Year Plan, Fiscal Year '15 through '19, and the Proposed Five Year Plan, Fiscal Year 2016 through 2020 separately. I have seven questions. The first four I'll run off.

What are the amount of tax cuts in the current Five Year Plan that was already approved by PICA and what are the amount of tax cuts in the Proposed Five Year Plan? What are the amount of tax increases in the current Five Year Plan as approved by PICA and what are the tax increases in this Proposed Five Year Plan?

MR. DUBOW: Can I just ask one clarifying question? When you're talking

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about tax increases, do you want us to include the increases for the School District or just to the General Fund? For the District? Okay.

MS. RHYNHART: I'm sorry. Just a clarification. I'm sorry. You want the -- first we want to talk about the PICA approved --

MR. DUBOW: The '15 to '19 Plan dollar increase -- dollar value of tax increases and the tax reductions.

COUNCILMAN GOODE: Tax cuts in the current plan, tax cuts in the proposed plan, tax increases for the current plan, and tax increases for the proposed plan.

MS. RHYNHART: So for the current Five Year Plan, the '15 through '19, we'll need to get back to you with the exact number. We're prepared to talk about the '16 to '20, but the '15 through '19 --

MR. DUBOW: On the reductions.

COUNCILMAN GOODE: So you don't

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know how much it's changed? You don't know whether we are --

MS. RHYNHART: You mean in terms of the wage and BIRT -- in terms of the tax reductions?

COUNCILMAN GOODE: What I want to know obviously is, are we cutting taxes more under this Proposed Five Year Plan than under the current plan? That's a fair question to ask.

MS. RHYNHART: It's definitely a fair question to ask, and I can answer from the '16 to '20, and maybe while we're talking, my staff can pull up the '15 through '19 so that we can come back to this question, if you would allow us to do that.

In the '16 through '20 Five Year Plan in terms of wage tax reductions, the value of the wage tax reductions in the proposed '16 through '20 Plan is $198 million over the five-year period, and the business income and receipt tax, the tax changes that

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were legislated several years ago, the value of those reductions and changes is $283 million from '16 through '20. So the total from Fiscal '16 through Fiscal '20, the value of the tax reductions and changes is $478 million.

COUNCILMAN GOODE: Okay. And you still don't know --

MS. RHYNHART: I'm going to send a quick e-mail and then hopefully get it very shortly.

COUNCILMAN GOODE: Okay. Tax increases.

MR. DUBOW: So last year there was the cigarette tax increase, which generates approximately $60 million for a full year.

COUNCILMAN GOODE: I want to know the tax increases under the current Five Year Plan and the tax increases under the Proposed Five Year Plan, the amounts, the total amounts.

MR. DUBOW: So it would be about 300 million then for over five

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years for the cigarette tax last year. And then the sales tax expired but was extended, and I think we'd have to get back to you with the exact number, but it's about 135 million a year. So it would be about 675 million, but probably a little more.

COUNCILMAN GOODE: Let me have you get back to me on all of those answers.

MR. DUBOW: Okay.

MS. RHYNHART: Okay.

COUNCILMAN GOODE: And follow through with the rest of my questions.

So how often should we change tax policy? Should it be on an annual basis?

MR. DUBOW: I mean, it probably depends on how conditions change during the course of the year.

COUNCILMAN GOODE: So what's the purpose of a Five Year Plan if you're going to change? I know with each Five Year Plan you're adding a year, but

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what's the purpose of a Five Year Plan if you're going to change a plan for the next year?

MR. DUBOW: So I think the purpose of a Five Year Plan is to have a reasonable set of assumptions that lay out kind of what your budget would look like each year under those assumptions to see whether really you're doing things that would maintain that balance over five years. I think that's why it was originally set up.

COUNCILMAN GOODE: I will come back, Mr. President, but let me make this statement before you come back, that if you're going to discuss tax policy and the concept of a Five Year Plan particularly from an investment perspective in terms of economic growth, you should know outright how the tax cuts in the proposed plan compare to the tax cuts in the current plan and how the tax increases compare if it's actually a matter of tax policy related to

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investment, and I'm not sure that should change on a year-by-year basis. But I'll come back.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE:

Thank you, Councilman.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President, and thank you for setting the tone about the budget process and what our priorities would be in those three initiatives. I think that gives the Administration a heads-up as to what we care about.

COUNCIL PRESIDENT CLARKE:

Thank you, sir.

COUNCILMAN JONES: And to Ms. Rhynhart, Mr. Gillison, and Mr. Dubow, I want to thank you for eight years, eight budget processes that we've gone through where we have not always agreed, but we've always moved the City forward, and I really sincerely thank you for your service. Not to say that you won't be around in the next Administration, but to say thank you for the Administration efforts today.

MS. RHYNHART: Thank you.

MR. DUBOW: Thank you.

COUNCILMAN JONES: I want to focus some questioning on you mentioned reassessments through AVI, and even though it was not as massively a doomsday to all districts, it did impact certain districts rather harshly. And so when you start to say that we're getting ready to go through, in a system of geographic areas, through that process again and then in the '17 go through a citywide reassessment, tell me how do you pick your locations of where you're going. How do you determine what was under-assessed, overassessed, and then how does that impact where we're going with our Five Year Plan and projections?

MR. DUBOW: So what OPA did to determine where to look at reassessments

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for this year, they looked at two measures of accuracy in assessments. One is called the coefficient of dispersion. The other is called the mean ratio. And basically they look at how consistent assessments are in areas, and where that consistency didn't exist, that's where they went to do the reassessment.

COUNCILMAN JONES: So is there at this point a list of geographic areas that you will be reassessing?

MR. DUBOW: We're finalizing that and we can, I think, within a week go through that with Councilmembers.

COUNCILMAN JONES: I would think that that would be a good thing, and in addition to the fact that you are projecting -- you're requesting a 9.3 real estate tax increase, that we would like to know that to see -- so there are intended and unintended consequences with that. Some of them, on the worst end, gentrification; on the best end, maybe some equity that people have, but to be

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able to anticipate that is important to all members of Council.

MR. DUBOW: And then what we'd like to be able to show you is kind of by district what it looks like and then on a map so you can see it both ways.

COUNCILMAN JONES: In light of that, we looked at your Five Year Plan and there are certain facts. One fact is that the poverty rate is 26 percent. That's with a family income of approximately $23,000. And I applaud you on your anti-poverty efforts that you've had with Eva Gladstein. You're moving the needle in the right direction, but what I don't see in this Five Year Plan is a jobs growth plan on how we're going to get more people working, increasing our tax base. Is that included in some portion of the budget?

MR. GILLISON: Councilman, that's more -- I mean, first off, cities provide conditions where jobs can actually flourish. They don't

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necessarily -- although there are great public servants that work for the City, but the City does not necessarily have a jobs --

COUNCILMAN JONES: Strategy?

MR. GILLISON: No, not a strategy. There is a strategy, to create a better environment that people will actually come and then we'll be able to provide the opportunity for people to work.

COUNCILMAN JONES: So I understand that by way of a tax policy. You want to reduce the wage tax. I get that. But what I'm talking about, we have assets. We have airports. We have waterways. We have riverfronts. And it seems to me that -- we have commercial corridors, over 100 commercial corridors in the City of Philadelphia. I would like to see us spend a little more time saying that if eds and meds are our strength, here's how we're going to play off of that. If we have undeveloped acreage around the rivers, here's how we're going to play at that. If we're increasing the number of travelers through our airport, here's how we're going to play off of that. If we're getting the Pope, the DNC, here's our strategy to create small businesses to do that. And that is, in my mind, a vision for a city five years and beyond.

MR. GILLISON: And I hear what you're saying, and I think that I agree to the extent that we are able to -- we take the opportunities. You will always hear us talk about these matters that are coming up, whether the investment in the airport over the next 10 to 20 years is going to develop and have a certain economic impact. That economic impact allows us to conform a pipeline sort of function in order to say these are where the jobs are going to be, how do we as a city then support getting people into those areas. Those things are being done, and each of them in various areas

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are addressing that.

I just think that if you're saying is there a manual for it, no, I don't think we have that, but I think that we do address it in each of the various areas where we see that there's an opportunity and we want to make sure that we maximize individuals' opportunities, making sure they can take advantage of the opportunities that we see ahead. So I agree with you. I agree with you on that.

COUNCILMAN JONES: All right. The last part of this is the cigarette tax. How has that performed and how has that impacted what is going for the School District?

MR. DUBOW: So the District projection budget for the cigarette tax was $60 million for a full year. So far it's been coming in about $5 million a month. So it's coming in around where they projected it would.

COUNCILMAN JONES: Thank you,

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Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman. I'm going to have something delivered very shortly to reflect on one of your questions. I'll give it to you when it comes in.

The Chair recognizes Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Thank you, Mr. President.

I was just reflecting on my few questions here, and mine was also narrowly restricted to the investment in children, and I think you've answered it with Councilman Jones. Sixty million for the full year, $5 million a month. So does that meet or fall below your expected revenue projections?

MR. DUBOW: It matches pretty much exactly what the District was forecasting.

COUNCILWOMAN BROWN: Okay. Could you also provide us with the projected revenue, if available, for the

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permanent extension of the additional 1 percent sales tax?

MR. DUBOW: Yes. We actually have that in the Five Year Plan. I think Rebecca is about to -- that's coming in a little lower than projected.

COUNCILWOMAN BROWN: As you were just discussing.

MR. DUBOW: Yes. You know, the District was going to get the first 120 million of it. It will get that 120 million. The next 50 million was to go to debt service on the borrowing we did for the District. That might come in a little short, which may mean that there has to be some General Fund dollars that go in at least in the first year or two. And then the third part was, the money was going to go to pensions, and that will happen later than we expected because the sales tax is weaker than we thought.

COUNCILWOMAN BROWN: Got you. Okay. Well, thank you.

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That covers my questions for this round, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

Good morning, guys.

(Good morning.)

COUNCILMAN SQUILLA: My question goes back to what Councilman Jones about OPA and assessments. We know during the process that doing the whole City is very difficult, and doing it for the first time was even more difficult. Right now we're going to go back and spot assess, I guess, areas that were maybe --

MR. DUBOW: Not spot assess. We're doing an assessment of all the kind of areas where the measures weren't good.

COUNCILMAN SQUILLA: All different areas the measurement wasn't good.

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MR. DUBOW: Yeah. We don't like the term "spot assessment."

COUNCILMAN SQUILLA: It's like spot zoning, I guess.

MR. DUBOW: Yeah, exactly.

COUNCILMAN SQUILLA: When we did the assessments, are we considering now when we do this land values or are you just doing assessments on properties?

MR. DUBOW: OPA looks at both. So they do consider land values, and I think they know that that's an area where they have to put more emphasis as they go forward.

COUNCILMAN SQUILLA: Because there's major concerns through that and especially with the abated properties where we have land values that are very, very low and, therefore, the City does lose revenue from that. Land values are something that should be done throughout the City, and we know. My concern is, you're saying that in '17 you're going to actually go and try to reassess the City

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again?

MR. DUBOW: We are going to try to do it annually. That was always the goal.

COUNCILMAN SQUILLA: That was the goal, and we see what happens. We can't reach that goal.

MR. DUBOW: Well, I think once we get through the massive appeal process with the first year, I think we'll be able to actually get to an annual process.

COUNCILMAN SQUILLA: Why wouldn't we take the approach that -- why can't we assess the City every four years? Take a quadrant of the City, a quarter of the City, assess everything, land value, assessment of building, properties, and really do it right in that area and know what we're doing? We have the resources to do that. And every four years we could then go around and you know you're going to get assessed every four years. Why do we have to try

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to assess the whole City every year? We mess up a lot of it. We don't have time. We rush to get it done, and it seems like we're really pushing something that we don't need to do. If we would have an area of time where we could just do a quarter of the City, we could do South Philadelphia one year, Southwest, Northwest, Northeast, and then constantly go around in that circle to have it done.

Now, I understand the first year was very difficult and we have a lot of assessments that maybe aren't right. We saw the number of appeals out there. We saw a number of appeal victories that were won by the residents who did appeal, but there were still a lot of people who didn't appeal, and what happens with this case now is, we really create a way of non-uniformity among the areas of people who appealed and won compared to the people who didn't appeal and live on the same block with the same homes. So we're seeing that a lot now. So it's almost emulating what we had previous.

So if we would then do the areas every four years, people would know they're going to get assessed. That gives them an opportunity to say, All right, they could either fix it or it's going to go up, and you may even get a lot less appeals. We even suggested early on if we phased this in over time, we would have had a lot less appeals.

So I think we need to consider how we approach this in the future, and if we're going to go through -- our land values are so bad that the way the City could really generate income is actually to correct the land values on a lot of these properties and even for vacant properties.

MR. DUBOW: So I think we can -- obviously we can talk about that with OPA and have more discussion when they're here next week. I do think that as we go into future years, the process will be easier because we won't be making

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up for decades of not having done assessments. So I don't think you would -- it wouldn't look like last year's assessment. But let us talk about it and we can talk about it more next week when they're here.

COUNCILMAN SQUILLA: Also on the sales tax, we talked about last year about online on taxes on sales and that we were going to make an investment in that. What was our online collection of taxes for the City of Philadelphia this year?

MR. DUBOW: I'd have to ask someone from Revenue. I don't have that. We'll get back to you on that one.

COUNCILMAN SQUILLA: Okay. And I know it seems like online sales have been increasing every year. Do we keep track of the online sales or no?

MR. DUBOW: So it's actually the state that does the collecting, and I know we have, as Rick was saying, we have some issues with what's going on with

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online collections. So I think we're in the process of talking to them to try to figure out what's going on there. So we're trying to figure out what that number is and what it should be.

COUNCILMAN SQUILLA: How about the total number of delinquent taxes in the City of Philadelphia? I didn't see that posted in this Five Year Plan. But what is our total dollar value that we see? And I know we're not going to go into interest and penalties, but just what is the total number of delinquent taxes?

MR. DUBOW: I actually have that with me. It will just take me a second to find it. Do you have other questions while I'm looking for that?

COUNCILMAN SQUILLA: No. We'll let that go for now.

MR. DUBOW: I have it. It's just a matter of where I put it in my folder.

It's about two --

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COUNCILMAN SQUILLA: Two hundred million?

MR. DUBOW: It's maybe in the 250 range, but I'll give you an exact number in a second.

So you're asking all taxes or property?

COUNCILMAN SQUILLA: All.

MR. DUBOW: I was giving you the property tax. The all tax number as of February was 388.

COUNCILMAN SQUILLA: Three hundred and eighty-eight million?

MR. DUBOW: Yeah.

COUNCILMAN SQUILLA: And do we know how much is ten years old, how much is less than ten years old?

MR. DUBOW: We do. Actually, for that, I think that's all ten years or less, all of that.

COUNCILMAN SQUILLA: All of that is ten years or less?

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: Everything

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else is?

MR. DUBOW: Is written off for accounting purposes. It doesn't mean that we don't still go after it, but for accounting purposes, it's --

COUNCILMAN SQUILLA: Can we find out how much is written off for accounting purposes that we may be able to still tap into after ten years? So this 388 is ten or less?

MR. DUBOW: Yeah. It varies -- the number of years varies by tax. The written off periods are 253.

COUNCILMAN SQUILLA: Two hundred fifty-three million?

MR. DUBOW: Yeah.

COUNCILMAN SQUILLA: And we believe most of them are ten and older?

MR. DUBOW: Yeah.

COUNCILMAN SQUILLA: All right. Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: The Chair recognizes Councilwoman Bass.

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COUNCILWOMAN BASS: Thank you, Mr. President.

I just have a couple of questions going back to the sales tax and the property tax projections and the fact that we haven't had the kind of growth that we thought we were going to have, and I was just wondering if you could -- I know that there are more explanations that are going to be coming forth later, but I was wondering if you could just expand on your response just a little bit further, because I think providing this information that there wasn't the revenue growth that was expected without any additional detail is a bit problematic for me. I would like to have some sort of an idea as to why did we project what we projected and how did we get here. And, again, I know there's more information coming, but can you give us something else?

It makes me wonder if sometimes you hear a lot of about sort of threats

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from our constituents, If you raise this tax, I'm going to shop on the other side of City Line Avenue or the other side of Cheltenham Avenue or I'm going to not buy whatever product is taxed higher in the City. And so it makes me wonder if some of those threats have become somewhat of a reality, that we're pushing people outside of the City to do their shopping and things of that nature. So I don't know if you have any sort of response to that.

MS. RHYNHART: Sure. To expand on it, there's a few questions in there. One about how -- I think you were asking about how we come -- how do we do our projections for sales tax and then to talk a little bit more about why the sales tax might be down.

How we do the projection for sales tax is, we have a thorough process where we have an outside revenue consultant, IHS Global Insight, and they model our main taxes and provide a

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forecast of growth in those taxes, and one of which is the sales tax. And then we take those results to the Federal Reserve Bank of Philadelphia and we have a meeting there with economists to see if they agree with IHS's recommendations. So there's a pretty thorough process before we get to actually putting a growth rate into the budget and Five Year Plan. So the lack of growth in the sales tax has come as -- is unexpected to us as well as to our forecaster and to economists.

And to answer the second part about the threats about people going outside the City, the initial thought on that is because IHS is saying that the state is seeing the same divergence between sales tax and wage tax growth, that it's not people merely going to the suburbs having the big impact, but, again, the jury is still out on exactly why this is occurring and it's something that we're very interested in. So we'll continue to discuss with you.

COUNCILWOMAN BASS: Okay. It sounds like a very thorough process that's been completed. It sounds as if there's a whole lot of smart folks who have been working on this for -- nobody was new to the table. And so for everybody to be off -- obviously the policies that we make here in City Council are affected by if we can get it right. Before we think about initiating some sort of tax or tax policy in general, we need to make sure that these are going to be things that are really going to work. So having that level of detail I think would be very helpful.

MS. RHYNHART: Sure.

COUNCILWOMAN BASS: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

And also with respect to that, without any scientific evidence today, the reality is in terms of sales tax

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that's obviously related to purchases, that the likelihood that more retail opportunities in the inner city, which I guess most of Philadelphia is, but deep within the inner city, the likelihood is that people will shop in those neighborhoods as opposed to around the periphery where people might go across the City line to shop if it's in proximity to their household. So the strategy associated with one of the questions that was asked earlier, we should look at where the spending in the sales tax -- I don't know if we can dig down that deep -- where the sales tax receipts are coming from throughout the City of Philadelphia. Is that something that -- is it geographical sales?

MS. RHYNHART: Let me talk to Revenue about that.

MR. DUBOW: It would be the state. The state collects it. So we would have to talk to the state about that, which we can do.

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COUNCIL PRESIDENT CLARKE: I was just wondering if we could tell where they're coming from.

MS. RHYNHART: That's an interesting question, because then you could see if there was any declines in certain -- even by zip code. Okay.

COUNCIL PRESIDENT CLARKE: Yeah. If we see up in, I guess, up in West Oak Lane and we see a decline, the problem is people are going across Cheltenham Avenue buying cigarettes and other stuff, you know.

MS. RHYNHART: Okay.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you.

The Chair recognizes Councilman Neilson.

COUNCILMAN NEILSON: Thank you, Mr. President. Exactly where I was going.

COUNCIL PRESIDENT CLARKE: I'm sorry, sir.

COUNCILMAN NEILSON: Right

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where you just spoke about.

Because being in Northeast Philadelphia, we've seen some of the convenience stores close due to the lack of cigarette sales and we watched the workforce be cut in half in a lot of our local convenience stores. So one of the local managers at a Wawa stated to me that they lost $75,000 a week in sales.

Is there any negative effect that the Administration has tracked on the job loss numbers and the sales tax losses with the implementation of the cigarette tax? And before you answer that, I did a quick search on my Google, because for some reason in my mind the projected number on the collection of the cigarette tax that I worked on in the House of Representatives prior to joining Council and all summer along, the number was 84 million projected. But that wasn't true. It was 83.2 million collected in cigarette sales, and we're only collecting 60 million according to your testimony here today, Mr. Dubow. And that was a quote all over the paper, that your projected sales for '16, FY16, was 77.5 million in cigarette sales; 75.1 in '17; 73.9 in '18; 72.7. However, consistently today I've heard $60 million. Can you tell me what happened to the other 23 million?

MR. DUBOW: So there were a couple of separate sets of projections, one that came from us, one came from the State Revenue Department. The State Revenue Department was actually kind of in the 40's, and the School District decided that they were going to kind of split the difference between the two estimates and they went with 60 million. So that's where the 60 million came from.

COUNCILMAN NEILSON: When did that happen, like September or October?

MR. DUBOW: It happened when they did their budget last year. That was --

COUNCILMAN NEILSON: Because in

August you're quoted in the paper still at 83 million. So, I mean, does that happen late that we didn't know about it?

MR. DUBOW: It happened when they were putting together their projections for what it would produce. So probably early last fall.

COUNCILMAN NEILSON: Prior to the passage, I guess?

MR. DUBOW: It was probably last fall.

COUNCILMAN NEILSON: So September.

In your testimony today we talk about a property tax increase and how if the Governor gets his wishes, the average homeowner will see a decrease of $287 annually. What do you project the average homeowner increase under your proposed tax increase to the homeowners of Philadelphia?

MR. DUBOW: In FY16 it would be $104.

COUNCILMAN NEILSON: So every

homeowner will basically pay an extra $104?

MR. DUBOW: That's the median. So some would be above that; some would be less, but that's the median.

COUNCILMAN NEILSON: Does the Administration have any plans on any kind of oversight if City Council does see an increase -- any kind of plans with the Governor or the Administration, any kind of talks to have us getting any kind of oversight on our children's education?

MR. DUBOW: Well, we do have two members on the SRC that are appointed by the Mayor. So there is oversight through that.

COUNCILMAN NEILSON: But nothing to say where our dollars are going to be spent?

MR. DUBOW: Well, those two members vote on the District's budget. They oversee the District's budget. So there is oversight through that.

COUNCILMAN NEILSON: Do you

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have any numbers on -- my understanding is if we do put more money in the School District, that the evaluation of the charter school reimbursement will go up as well. So if we throw a hundred million this year, how much of that hundred million the following year will go to charter schools and what will that land us next year?

MR. DUBOW: So under the way charter reimbursements work, expenditures in one year for the District as a whole require districts to increase their payments to charters the next year, and I think the number I've seen from the District is like 70 million is what would go to charters next year.

COUNCILMAN NEILSON: So we give --

MR. DUBOW: Sorry. From the combination of the 103 million from the City and the 159 million that's in the Governor's budget. So that combined $260 million increase would result in next

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year being a $70 million increase for charters.

COUNCILMAN NEILSON: So then next year we'll have to come up with another 70 million to replace that?

MR. DUBOW: So what the District has suggested to principals is -- they've asked them to put together their budgets -- is that they do a combination of recurring and one-time items. So that some of those costs go away the following year so they would have money for the charters, for that charter increase.

COUNCILMAN NEILSON: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Jones.

Oh, I'm sorry. Councilwoman Tasco is here.

COUNCILMAN JONES: No problem.

COUNCIL PRESIDENT CLARKE:

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Councilwoman Tasco.

COUNCILWOMAN TASCO: I apologize. I just want to ask a couple of questions about raising the real estate tax. Was that idea come about as a result of Governor Wolf's proposal to cut property tax?

MR. DUBOW: Well, I mean, a couple of things. It came about because of the District's request, but Governor Wolf's proposal made it a more palatable option looking at kind of what it would mean long term for taxpayers.

COUNCILWOMAN TASCO: But does that have any bearing on the Mayor raising the property taxes in Philadelphia? The Governor -- you raise and the Governor cuts. What do you get?

MR. DUBOW: So you get additional revenue for the School District, and if the Governor's proposal goes into effect, in FY17 people actually have lower property tax. So you then would have a combination of the District having additional revenue and property owners having lower taxes, if both proposals are enacted.

COUNCILWOMAN TASCO: I have one more. We talked about -- under the section of major taxes, you talk about there being a low collection of sales taxes, and those of us who are on the Board of the Convention Center hear from the Hotel Association that there's been an increase in business and sales tax. So, I mean, how do you -- explain that to me.

MR. DUBOW: So I think that they're seeing strength in a particular portion of the economy and a particular area because of increased hotel room usage, so that hotel tax would be strong, and then they see the result of that there's spending. But the sales tax numbers are citywide. So I think it would mean that there are reductions elsewhere in the City that are making up for increases that would come from the

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strength in the hospitality industry.

COUNCILWOMAN TASCO: And someone may have asked this question earlier. Do you have any way to assess where the impact might be, what sections of the City or --

MR. DUBOW: The Council President asked that, and we said we would check in with the state to see, because the state collects the sales tax. So we would check in with them to see whether they have that information. We do know that if there's a business with multiple locations in the City, I think it's just remitted from one address, so that might complicate their analysis, but we'll see what they can do.

COUNCILWOMAN TASCO: Let me just go back to, just for my information, PICA.

MR. DUBOW: I'm sorry. What?

COUNCILWOMAN TASCO: PICA. Is that organization with us forever?

MR. DUBOW: No. It's with

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us -- PICA issued bonds on the City's behalf, and under state law, PICA goes away when those bonds are retired, which I think is about ten years from now.

COUNCILWOMAN TASCO: Ten years from now?

MR. DUBOW: Yeah; maybe a little less, maybe eight. 2023?

MS. RHYNHART: I think it's 2023.

COUNCILWOMAN TASCO: So when the bonds defease?

MR. DUBOW: Yes.

COUNCILWOMAN TASCO: What is the cost of the staffing over there?

MR. DUBOW: I have to get back to you on that.

COUNCILWOMAN TASCO: Is it a large staff?

MR. DUBOW: No. They have five people.

COUNCILWOMAN TASCO: Are the members of the Board paid?

MR. DUBOW: They are not.

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COUNCILWOMAN TASCO: All right. Thank you.

MR. DUBOW: Sure.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you, Council President.

Good morning.

(Good morning.)

COUNCILMAN OH: Before I forget, thank you for your service on the budget all these years.

I was wondering in the statement, it says that the Administration's proposal should be viewed alongside the budget proposal of Governor Wolf. What does that mean exactly? Is that just to consider the Governor's budget proposal or have you made some -- have you kind of coordinated with his proposed budget?

MR. DUBOW: We've had

conversations with the Governor's office, and if that proposal is enacted, it has a lot of really positive impacts for the City, including additional funding for the School District, reduced wage tax, reduced property tax burden. So a lot of really good things in that proposal.

COUNCILMAN OH: Well, it looks --

MR. DUBOW: Sorry. And more money for pensions too.

COUNCILMAN OH: Yeah. So it looks like about $986 million, about there, of benefits to the City either through tax relief or through additional funds.

MR. DUBOW: It's about $450 million in new relief a year.

COUNCILMAN OH: For the City and the school or just the City?

MR. DUBOW: So that's just the City. So if you add the 159 on top of that, right, that would be additional money each year.

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COUNCILMAN OH: So is that worked into your Five Year Plan or is that not worked into your Five Year Plan?

MR. DUBOW: So what we did in the Five Year Plan document is show the impact. None of those numbers have a net impact on our fund balance. So there would be benefits in tax reduction. There would be benefits and extra money for the Pension Fund, but it doesn't hit our fund balance. So in that way, it's not run through our Five Year Plan, but we show the impact of it in our document.

COUNCILMAN OH: Okay. So I find that confusing, because --

MR. DUBOW: I could tell by the way you were looking at me you find that confusing.

COUNCILMAN OH: You're telling me two things. You're saying the impact is there, but it's not there, so --

MR. DUBOW: What I'm trying to say is, if none of the Governor's proposal was in place, our fund balances

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would be exactly the same as they are in the plan. But if the Governor's proposals are enacted, there would be more money for the School District, lower wage tax, higher homestead exemption, more money for pensions.

COUNCILMAN OH: Right, but none of those things have happened yet and I'm just wondering --

MR. DUBOW: That's right.

COUNCILMAN OH: In other words, it doesn't appear to me -- I understand the problem of timing, but it hasn't passed yet, and given the nature of the Legislature up in Harrisburg, they haven't said that they are thrilled with that budget. So there are benefits, I assume, in the budget that reflect the sunny side of if this goes through?

MR. DUBOW: No. And, again, if none of that happens, the fund balance is exactly the same as what we're showing here.

COUNCILMAN OH: Okay.

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MR. DUBOW: So there's no impact. There's no net impact on our budget from what he's proposing.

COUNCILMAN OH: Okay. Then can I also ask you then in terms of additional revenues, since the budget sometimes reflects the sunny side if something good happens, are there any current projects that the Administration is working on that would result in additional dollars to the City?

MR. DUBOW: You mean additional tax revenues?

COUNCILMAN OH: Yes.

MR. DUBOW: So you want to talk about how IHS does its projections and how they include projects or don't. I think that's what the Councilman is getting at.

MS. RHYNHART: Okay.

So you're asking about sort of economic development projects and if those are included in the revenue forecasting.

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COUNCILMAN OH: Well, for example, there was a calculation that if the cigarette tax passed, if the cigarette tax passed in Harrisburg, that this much money would come in, offsetting that. Are there any similar projects out there that the Administration is working on?

MS. RHYNHART: Well, that's a little bit of a different question.

MR. DUBOW: That's different from what -- no. I mean, we will continue to lobby for the Governor's proposal, but there's nothing in addition to that that we're working on in Harrisburg that would provide substantial revenue for us, except maybe 911.

MR. GILLISON: The one thing that I can say is that we have been working diligently because of the expiration of the 911 Fund. That fund is quite a lot of public safety matters, so we've taken a very strong and supportive role in trying to get the Legislature to

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increase that particular matter and to have the formula changed. The reason why that's necessary is because the world has kind of changed in 911. We don't really have this wire line and wireless, you know, competing issue. We'd like to see it one tax, a portion, and then be able to have a formula that would give us the opportunity to flexibly use those dollars in order to invest in public safety matters.

We have a whole lot of things that need to be modernized in public safety that are supported by the 911 Fund, and we're working with our folks in Harrisburg to be able to address those issues, because that tax actually sunsets in June. So we have to have a way forward, because there's a lot of investments that we need in order to support that in public safety.

COUNCILMAN OH: I'm sorry, Council President. Could I just ask, how much money is that, just ball park?

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MR. GILLISON: 911 Fund is usually somewhere around 40 million. We spend between $30 and $40 million just offhand. I can tell you that we are the largest, quite frankly, user and generator of dollars and we get a smaller percentage than pretty much anywhere else in the state, and we'd like to have certain formulaic matters addressing that so that if you have high use and high demand, that that would actually provide additional money to the City.

We have a very efficient use of those dollars and we have shown that to the various legislators. They're considering our request, and we're working diligently to make sure that whatever the formula will be, that it's fair for the state, but it's also fair to the kind of investments we have. I'm sure you've been down to our 911 centers. You know that we've been advocating to improve our 911 capabilities. It's something that I'll be working with and I

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have worked with the Chair of Public Safety to talk about future -- what we're trying to get done, but the state really has to address those things in the formula for 911 spending so we'll be able to plan as we go forward over the next 10 to 15 years.

COUNCILMAN OH: All right. Thank you very much.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Before I call on Councilwoman Blackwell, I just want to -- I know you didn't ask me the question, but I just want to respond, and to some degree it reflects the earlier conversation that we had during the press avail and we talk about new revenue and, as you know, we talked about this affordable future for the City of Philadelphia. So as an example, talk about new initiatives that create new revenue. This proposal, the one-time construction-related economic

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impact, this is for the 2,000 units that we're going to get into in-depth a little later on about where we are. We talk about a one-time economic impact of $851 million, and that's particularly related around construction costs, supporting 5,300 jobs, generating an average of 520 million and adding 647 million to Philadelphia's gross domestic product; a one-time fiscal impact of 36 million in revenue directly to the City as a result of the economic opportunity wages and purchases of materials and things of that nature and the sales tax associated with that; annual ongoing economic impact of 14.5 million in output, supporting 145 jobs; 6.5 million in labor income and an additional 11.9 million to local GDP; and an estimated 179 million in value added to the property tax base, because most of these properties now are non-revenue producing vacant lots and other underutilized buildings, resulting in both the additional units. So we have 35 million in positive spillover effects of eliminating blight, meaning that we no longer have to send out the City workforce.

So these are the kind of initiatives that we referenced earlier, that we need to have our budget reflect a strategy to put in place these kind of initiatives so we can actually raise and increase our revenue base.

So I just want to respond to you, and I know Councilman Jones wants to reference an earlier question that he asked you.

So we didn't have those charts up here just for show. Those charts actually reflect our priorities. So when we ask these questions, we ask them in the hopes that as we continue these budget discussions, we'll talk in real terms of how we actually put these things in place so we can increase revenue to the City.

Thank you. Thank you,

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Councilman.

Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Mr. President.

I think what you're talking about are exciting initiatives, and I believe that -- I like what Squilla said about us not evaluating taxes every year. I like the notion that maybe we could do it every four years. We're still getting straight. I have two staff people still working with people on all the issues that have come up since we did AVI, and I don't think trying to do this every year, I don't know that we're ready for that, and certainly I would like us to consider what you've said, bringing up new revenues and such.

In addition to that, I think that with regard to real estate taxes, our people cannot afford more real estate taxes. We're not straight, again, from last time. We're still dealing with that every day. And 103 million isn't the whole world. I think that we may come up with some money, but I don't think that we agree real estate taxes are the way to raise it. Our schools always come first. We've always been there, but I don't think that raising these real estate taxes again are the way that we should try to get it, because even if it is 100 and something, people just can't afford it. They will be very angry. They're frustrated now, and I just don't think that that is the way to go.

And my last thing I'll mention and then you can comment however you choose is that as you all know, certainly Mr. Deputy Mayor for Public Safety and Chief of Staff, about 4601 and that we are trying to bring the Police Administration building and other things, a morgue and health center there. But when we talk about jobs and the need for jobs, we feel that the most important thing we can do when we have public meetings is go into the meeting, not with

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pie charts, not with all of that, because that only makes people angry. We have to go and we have to say these are the jobs. These are when you can apply. These are how you apply and this is what they pay. And that's where we are. Otherwise we're going to have big trouble. And I try to go into every community meeting with a positive attitude and some things to offer people. You can't offer them charts and statistics. They don't care about that. It won't help them make their lives better in their minds, and that is why we've been trying to approach it a little differently.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you.

And on that note, we were looking at -- and I passed it on to my colleague Cindy Bass -- that Andorra in

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Upper Roxborough near Manatawna Farms and then subsequently Chestnut Hill, which neighbors that, look like they have had about a 3 percent above normal average of increases in sales tax -- I mean transfers, new housing starts and the others. So are they like on the radar? I know you're going to give us a list later, but I'm very concerned, and I have some of my folk over here that live in that general area. Is that an area that we are looking at? Is that the type of area?

MR. DUBOW: So I think the type of area really relates more to how consistent assessments were in an area rather than the number of sales that have been in the last year.

COUNCILMAN JONES: Okay.

MR. DUBOW: But we'll show you.

COUNCILMAN JONES: So we're very concerned about that, because we don't want to be penalized for prosperity either. I mean, it's good news when people are discovering the neighborhood. It's great news when there are new housing starts. It's bad news when you've been a long-term resident and then all the sudden you get hit with a tax bill that says, Thank you for the bad times and the good times, we'll handle it from here out. We got to be careful about that.

MR. DUBOW: Right. And that's why we put in some protections last year against that.

COUNCILMAN JONES: Thank you.

So the next part of this for me would be the resolution that was passed about PILOTs and those kinds of non-taxed properties that are in certain institutional ownership. Have you looked at that, what impact that would have on our Five Year Plan?

MR. DUBOW: We didn't look at it in-depth. I mean, we know what was collected 20 years ago and we've seen kind of what happened in other cities,

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but, no, not something we looked at for this plan.

COUNCILMAN JONES: Okay. I think that might be something we want to look at. I don't know what the flavor of it is within Council. There are people that are for it; there are some people that would be adamantly against it, but irrespective, we should plan for what potential impacts are.

The other piece that I would ask about is the presumption of the PGW sale that was a part of the Five Year Plan, it is not there now. What impact has that had since it has not been sold to private ownership?

MR. DUBOW: So it had no net impact on the plan last year. It would have had a benefit to the Pension Fund, and we kind of projected that benefit last year and we no longer project that benefit.

COUNCILMAN JONES: So we have based on the Pension Fund increases, it

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was $533 million worth of contribution in FY14. Our anticipated contribution is 556 million in FY15, with a projected payout of 659 million. How are we making that up?

MR. DUBOW: So we have in the Five Year Plan, we have money going to the Pension Fund every year. It's probably our biggest single expense in the plan. It's gone over the years from 6 percent of our budget to 15 percent. So it means that there's less for everything else. I mean, that's really what it means.

COUNCILMAN JONES: So with the increase in DROP participation and succession planning, how has that impacted where we're going? We had a lot of people rush to DROP about five years ago. There were a lot of one-time payouts. And so what burden is that putting on our pension by way of that payout?

MR. DUBOW: So I think it kind

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of required a different type of cash management to make sure we had enough on hand. The study that DC did a few years ago said that there's a net increase in liability for the Pension Fund because of DROP, and it also means that counselors at the Pension Fund are busier, there's a rush of people. And I know when Pensions comes in next week, they'll have specific numbers about how many people left through DROP last year and how many this year, so you can kind of see exactly what it's meant.

COUNCILMAN JONES: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President.

Mr. Dubow, following up on the question Councilman Jones asked you, the number regarding PILOTs related to

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tax-exempt land should not be that hard to calculate. It's the value of tax-exempt land multiplied by 1.34 percent, and that would be the top end of --
MR. DUBOW: If you're assuming, right, that the PILOT was that people would just pay for all of their land at the tax rate.
COUNCILMAN GOODE: That would be the high end, because most people are not going to pay the full --
MR. DUBOW: Correct.
COUNCILMAN GOODE: -- value of the tax.
MR. DUBOW: Yeah. That would be pretty easy to figure out. We can get you that number.
COUNCILMAN GOODE: That number is 17 million.
MR. DUBOW: So you took the exempt number and multiplied it by 1.34?
COUNCILMAN GOODE: Yes. So it would 85 million over the Five Year Plan.

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Getting back to the other numbers that I requested, do you have --

MS. RHYNHART: I have them. We have them. You had asked for the value of the wage tax cuts -- I'm sorry; the total tax cuts in the approved Fiscal '15 through '19 plan. The total value is 360 million.

COUNCILMAN GOODE: And the total value for the proposed plan?

MS. RHYNHART: The total value for the proposed plan is 478 million.

COUNCILMAN GOODE: So we are cutting taxes by an additional 178 million?

MS. RHYNHART: 360 to 478. So, yeah, 118 million.

COUNCILMAN GOODE: 178 million. You said 300 million?

MS. RHYNHART: I'm sorry; 360 million.

COUNCILMAN GOODE: So 128 million -- 118 million.

MS. RHYNHART: Yes. The big --

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I would like to add, though, that Fiscal '20 alone has $163 million of the $478 million of cut. So Fiscal '20 is the biggest.

COUNCILMAN GOODE: Okay.

MR. DUBOW: And the amount -- I mean, that's true in every plan, the amount tends to increase each year. So as we add another year, the number will go up.

COUNCILMAN GOODE: Okay. So the amount of tax increases in the current Five Year Plan 2015 through 2019?

MS. RHYNHART: That was the cigarette tax number that Rob had given, which was 60 million, times the five years. So 300 million.

COUNCILMAN GOODE: And that's --

MS. RHYNHART: And then the sales tax number would be about -- if you add the sales tax for the schools, that 1 percent --

COUNCILMAN GOODE: I'm asking

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for what the total dollar amount of tax increases in the current plan versus proposed plan.

MS. RHYNHART: Okay. On the tax -- I thought we had answered the tax increase side, but let me just -- I can add it up.

COUNCILMAN GOODE: Let me move past that.

Mr. Dubow, what does PICA recommend in terms of setting tax policy? I mean, at one point you seem to say that the Five Year Plan is simply about balancing the books, but it clearly is not, and particularly as a former director of PICA, what was your advice to the City about setting tax policy and what is the current advice offered by PICA in terms of setting tax policy and its purpose within five-year financial planning?

MR. DUBOW: So I guess there are two separate things. There's what PICA considers when it votes on a plan

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and then recommendations it makes on policy. I mean, if you think in general, PICA's policy recommendation has been in favor of reducing wage and business taxes, and I think -- I don't want to speak for where they are now, but I think in general they support the notion of moving from taxing things that are mobile to things that are not.

COUNCILMAN GOODE: So is that in fact a strategy that the Administration is pursuing?

MR. DUBOW: So we are reducing taxes on things that can move, on wage tax and business tax, and proposing an increase in the property tax, which is consistent with that.

COUNCILMAN GOODE: I think you know exactly where I'm going with this, and it's not just relating to schools. So you anticipate having to take in more property tax revenue both for the City and the School District long term.

MR. DUBOW: I think long

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term -- well, we're proposing more for the School District.

COUNCILMAN GOODE: I'm speaking within five-year financial planning and in terms of tax policy. You anticipate taking in more property tax revenue long term.

MR. DUBOW: Yeah. I mean, it's marginally more property tax for -- actually, if you looked at the percent coming from wage and business tax, particularly wage tax, I think you would actually see probably more reliance on the wage tax by the end of the plan because the growth is stronger.

COUNCILMAN GOODE: That wasn't the question. The question was, do you anticipate taking in more property tax revenue? I know the wage tax revenue may help pay for the business and wage tax cuts.

MR. DUBOW: So on the City side, we anticipate growth in the property tax. So we anticipate more

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property tax through that. We don't anticipate any rate increase.

COUNCILMAN GOODE: Real quickly, I'll just run through these questions. Does the School Reform Commission have a Five Year Plan? When did the Administration decide to raise property taxes? The Mayor has two appointees to the School Reform Commission. When did the Administration know that the School District was going to need over $100 million?

MR. DUBOW: So they do have a Five Year Plan. And I think we got a letter from the District in February, right around when their plan came out. We knew they were going to ask for something. We didn't know -- I don't think they knew the specific amount until then.

COUNCILMAN GOODE: If they had a Five Year Plan last year -- forget the Five Year Plan this year -- and the Mayor has two appointees to the School Reform

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Commission, did they and/or the Administration not anticipate a request of over $100 million, and at what point did people consider that that should come from a property tax?

MR. DUBOW: So --

COUNCILMAN GOODE: Because if you tell me February, that's a problem.

MR. DUBOW: So last year when we looked at -- I think you compare last year to this year was part of your question. Last year the kind of request from the District and the amount that we looked to provide was really about kind of survival. It was about balancing their budget. This year in conjunction with their Five Year Plan, they put out Action Plan 3.0, which also laid out investments so that we wouldn't just be kind of keeping the District where it was, which I think everyone agrees is not an adequate level of services. So Action Plan 3.0 laid out additional investments. So the request this year both to the

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state and the City was not just to get to balance but was for those additional investments. That's the request that we are trying to fill, which is like different from last year.

COUNCILMAN GOODE: I'll just end with this. This is the last year of this Administration, but if this Administration were continuing, don't you think within the Five Year Financial Plan in terms of looking at tax policy, we should know whether we're going to have to rely upon property tax increases for both the School District and the City moving forward? Shouldn't that be part of a Five Year Plan?

MR. DUBOW: It should be, and so the City side shows exactly kind of what property tax revenue will be each year, and the School District Five Year Plan kind of shows what its needs are. We're trying to help them meet them.

COUNCILMAN GOODE: Which very well may mean property tax increases,

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because it's not going to --

MR. DUBOW: Needs additional revenue, yes.

COUNCILMAN GOODE: So what other sources of revenue have you considered?

MR. DUBOW: So what we would want that -- in the long run, we would want a -- I think what everyone here wants -- is a full and fair funding formula from the state.

COUNCILMAN GOODE: I'm talking about local revenue. What would you anticipate the City -- where the City's share would come from moving forward knowing the Five Year Financial Plan and the School District?

MR. DUBOW: I think a lot of that really does depend on what happens at the state and what those needs look like. So I don't think I can answer that without kind of knowing where the state winds up.

COUNCILMAN GOODE: Clearly

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there's going to be a local share that's required that's about one-third of the total ask for the City and state.

MR. DUBOW: Again, not sure. It really does depend on where the state winds up this year and what that means in terms of revenue from the state.

COUNCILMAN GOODE: So clearly this Five Year Financial Plan is always going to be held hostage by an out-of-control School Reform Commission.

MR. DUBOW: I wouldn't call them out of control. I think what's driving their costs --

COUNCILMAN GOODE: They don't know where the money is coming from.

MR. DUBOW: Well, they don't have the ability --

COUNCILMAN GOODE: They don't ask us for the money soon enough.

MR. DUBOW: They don't have the ability to raise their own money, so, right, they don't know where money is coming from.

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COUNCILMAN GOODE: So all the sudden we act like in February there's a $105 million request and it has to be done through property taxes, if there should not have been any planning not only before that but even dating back to last year's Five Year Financial Plan. That's the simple point that I'm making.

MR. DUBOW: And, again, I mean, last year what we were looking at with them was survival.

COUNCILMAN GOODE: So there's no five-year financial planning. That's not really five-year financial planning.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You know what, Councilman O'Neill, did you have anything?

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COUNCILMAN O'NEILL: No.

COUNCIL PRESIDENT CLARKE:
You're okay? All right.

COUNCILMAN SQUILLA: Thank you,
Mr. President.

We had talked about the OPA and
the assessments, and we know we have a
9.3 projection for real estate tax
increases, and knowing in my district,
obviously 83 percent of the people in my
district with AVI had an increase in real
estate taxes and now we're talking about
also reassessing certain areas. There's
a possibility if we reassess certain
areas up, plus the 9.3 percent taxes,
some people are going to get hit with a
10, 15, maybe 20 percent tax increase on
these with corrected assessments plus the
9 percent. Don't you think, again, that
we should fix the assessment process
first before we even try to go in and
change any type of rate on the real
estate taxes?

MR. DUBOW: Well, I think the

assessment system is much better than it was. I think if you look at kind of the measurements we're talking about, you can see that they're much narrower. I also think the District has a real need and we have to figure out how to meet that need.

COUNCILMAN SQUILLA: I agree we need to figure out how to meet a need, but, I mean, I personally can't be for raising the real estate taxes. So we need to find other ways to do that. Are there any other alternatives? Is there a different type of strategy that the Administration would have beside real estate taxes? I mean, because also you're weighing the real estate tax increases on the Governor's proposal passing and saying that we'll be able to get that money back to our residents at a later date. That may or may not happen. We don't know. So is this the only option that the Administration has as far as raising revenue for schools?

MR. DUBOW: Yeah. I mean, as

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the Mayor said, we don't want to propose a tax increase. We really couldn't think of another viable option that would not damage our General Fund and would get additional revenue to the School District.

COUNCILMAN SQUILLA: Do you think if we care that much about the School District that if we would take the money out of our fund or switch the percentage from real estate taxes, forces the City to look at different avenues to raise the money and, therefore, guaranteeing income to the School District without raising taxes?

MR. DUBOW: I think what that would mean is probably reduction in City services, and we want not -- not probably. Would reduce City services, and that's what we wanted to avoid.

COUNCILMAN SQUILLA: Well, would you reduce City services? You would look at more ways to raise revenue or would you look at maybe cutting some

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spending that we have put into the budget for this year that may not be necessary?

MR. DUBOW: So if you're talking about $100 million a year, which is what the District asked for, we're not going to get to $100 million a year without substantially impacting City services.

COUNCILMAN SQUILLA: You don't think there's any reasonable way to grab 20 million out of somewhere and other things? I mean, I see some things in the capital budget that we'll be talking about in the next go-around, I'm sure, but there's places where we could come and take big chunks out for that to happen. And would the City then, therefore, support something like that instead of raising taxes?

MR. DUBOW: So we didn't see a reasonable way to do that. If you have proposals, yes, of course, we'd be happy to talk to you.

COUNCILMAN SQUILLA: One last

question. What is your projection of collection of delinquent taxes this year?

MR. DUBOW: The total dollar value of delinquent tax collections?

COUNCILMAN SQUILLA: Yes.

MS. RHYNHART: So for Fiscal '15 we're projecting on the City side 44 million delinquent property tax, about 6 and a half million of delinquent wage, and then the other taxes -- yeah. The other taxes aren't broken out. So on the City side, the transfer tax and amusement, if any of that -- that tax isn't broken out. So we have --

COUNCILMAN SQUILLA: Excuse me one second. You said transfer tax you didn't collect?

MS. RHYNHART: No. It's not broken out between current and prior on what I'm looking at. That's all I'm saying.

COUNCILMAN SQUILLA: Well, just the delinquent.

MS. RHYNHART: So the

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delinquent -- the biggest is the property tax delinquent collections, and we're projecting to collect 44 million.
COUNCILMAN SQUILLA: So we're projecting to collect an additional $44 million in delinquent taxes for this fiscal year?
MS. RHYNHART: When you say "additional," I mean, we collected 42 million in Fiscal '14 and we're projecting to collect 44 million delinquent. Right, it's additional delinquent.
COUNCILMAN SQUILLA: Right, additional delinquent tax. And then we're also -- what is the percentage of real estate taxes --
MR. DUBOW: That's just on the City side, right? So there's a School District portion, which is about 60, right?
MS. RHYNHART: Right.
COUNCILMAN SQUILLA: Sixty million?

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MR. DUBOW: Yeah. So it's more like 100 million in delinquent property tax between the School District and the City.

COUNCILMAN SQUILLA: So there will be an additional $60 million going to the School District.

MR. DUBOW: For delinquent collections.

COUNCILMAN SQUILLA: For delinquent collections. So that that $60 million, did that cut into the $100 million they're requesting?

MR. DUBOW: No.

MS. RHYNHART: No, because they plan on getting that 60 and still request 100.

COUNCILMAN SQUILLA: How did they plan on getting the 60 million?

MS. RHYNHART: Because the 60 is part of the projection just like we project an amount of delinquent taxes that we receive, which is the 44, they were projecting the 60, which is part of

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their base --

COUNCILMAN SQUILLA: So last year what did they get from delinquent tax collections?

MS. RHYNHART: They got around there.

MR. DUBOW: About the same.

COUNCILMAN SQUILLA: Sixty million?

MR. DUBOW: Yeah. So if we went from 42 to 44, they would have probably gone from like 57 to 60. But we can get you the exact numbers.

COUNCILMAN SQUILLA: With the 60 million collected in the school side additional that we're looking to do, that would be the same amount of money that they received the year before?

MR. DUBOW: Approximately. A little bit of an increase. Like there's a little increase on our side, there's an increase on their side too.

COUNCILMAN SQUILLA: And that's just in real estate. So is there additional collection in other taxes that go to the school, like U&O, liquor by the drink?

MR. DUBOW: Yes, and they build all that into their budget.

COUNCILMAN SQUILLA: How much?

MR. DUBOW: We can get you how much they get.

COUNCILMAN SQUILLA: All right. Because, I mean, they build that into their budget also. That was what they had last year compared to this year.

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: Because that is also money that we could actually increase on to give to the School District.

MR. DUBOW: That's right. And so we put -- the Revenue Department put a particular emphasis on that and really last year collected more delinquent tax for the District than had ever been collected before. So it's something they put a really strong emphasis on.

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COUNCILMAN SQUILLA: So weren't they budgeted for 32 million last year?

MR. DUBOW: For 32?

COUNCILMAN SQUILLA: I thought it was an additional delinquency in the budget last year.

MR. DUBOW: That was on top of the base collections. That's right.

COUNCILMAN SQUILLA: Right. Well, this is on top of base collections also, correct?

MR. DUBOW: So what would be on top of the base collections here that they would -- this is the base collection really, so --

COUNCILMAN SQUILLA: Oh, this is just base collection?

MR. DUBOW: Base, yeah. So they have an amount that they assume in their Five Year Plan based on conversations with us. That would be the $60 million. What we did last year and the year before is said, Look, we're going to step up our collections. You're

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going to get 32 million more than you've gotten in prior years. Now that 32 million is kind of built into what they assume going forward. So that's in those numbers.

COUNCILMAN SQUILLA: So they're assuming you're going to collect another additional 32 million this year?

MR. DUBOW: The 32 -- so, for example, they may have gotten -- to take one tax, in the property tax, let's say they got 55 million before and then it went up to 60, so as part of the initiative to go up by a total of 32. They're staying at 60 going forward. It's not like they go back to the 55. So it set a new base.

COUNCILMAN SQUILLA: What happens when your collections are done and you have no more delinquencies? They're going to keep it there?

MR. DUBOW: Well, if we get to the point where we have no more delinquencies --

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COUNCILMAN SQUILLA: That would be great.

MR. DUBOW: -- that would be great, but I don't think we'll be there within the next five years.

COUNCILMAN SQUILLA: Right. But you're saying, though -- say this year for some reason we collect $80 million. So then they're going to add that to their budget for the following year? That doesn't make sense to me.

MR. DUBOW: No. If there was some kind of one-time thing that got them another 20 million, they wouldn't assume that going forward.

COUNCILMAN SQUILLA: Well, no. These are actually collected delinquent taxes. Like this year you said we collected over and above another 30-something million.

MR. DUBOW: Right.

COUNCILMAN SQUILLA: So say this year we collect over and above another 50 million.

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MR. DUBOW: So our Revenue Department, we talk to them about what's reasonable to assume going forward. So based on what we've collected and the initiatives that we have in place, our conclusion with them was it makes sense to keep it at that higher number. If there was some spike to 80 million, we might say, No, the things that got to 80 aren't going to recur, you should go back down to 60 in the following year.

COUNCILMAN SQUILLA: So you actually work on the budget with the District --

MR. DUBOW: On things like property tax collections, because we do the collection for them, so, yeah. From their taxes, we definitely work closely with them on that, and we have regular meetings with them during the year to update them.

COUNCILMAN SQUILLA: So you said we didn't know until February that they needed $100 million, but you knew

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all along that they needed it because you were working with them on the budget.

MR. DUBOW: We knew they needed $100 million after they released their Action Plan that calls for additional investments. So we knew before that they were projecting a deficit. I mean, they've talked about that. They've been very public about that. We didn't know what kind of investments they would be asking for.

I have the total tax revenue number. It's a little over a billion dollars.

COUNCILMAN SQUILLA: A billion?

MR. DUBOW: Yeah, is what they get each year.

COUNCILMAN SQUILLA: All right. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you very

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much, Mr. Chairman.

So where I'm kind of curious is the issue about the schools. The issue about the schools, in my opinion, cannot be solved internally in the City, and trying to come up every year with a new $100 million each time, because we know that we need to come up with 100 or so million every year, but why hasn't an effort to work with Harrisburg been successful? And let me start with this: The City --

MR. GILLISON: I'm sorry, Councilman. I'm just intrigued by who is asking the question.

COUNCILMAN OH: Well, I'll tell you why, because I have a bill that restructures a school, the Board of Education, because unless the City restructures the Board of Education around best practice governance, with transparency and accountability, if you don't restructure the governance of the school so that there are more resources

in the classroom, more technology in the
classroom and those type of things, then
you are asking Harrisburg to fund the
same School District that failed before
and before. And so either the SRC or
City Council is going to introduce a
Charter change and we're going to
restructure the governance of the school
or the Mayor could introduce best
practices in restructuring the
governance, education, academic, and
vocational excellence of the school, its
accountability, and then take it to
Harrisburg and say, What we've done is,
we have repaired the structure of
education in Philadelphia, and work with
us, we'll have a five-year or eight-year
plan to transition to better education.
You don't want our schools; we want our
schools, but we need you to fund from
this bad system that we both had to this
better system. And I think until you do
some structural reform of the School
District, it is very difficult to expect

Harrisburg to come up with more money to fund the same broken school, which is doing worse, and what we've ended up with are more charter schools, not better local public schools.

So it seems to me that someone in Council or in SRC or the Mayor's Office would come up with a five- or eight-year plan and then get Harrisburg to fund what we cannot fund and I really think they don't want.

MR. DUBOW: So that is kind of exactly why the School District put out its Action Plan 3.0, to lay out how it was going to change education in Philadelphia, how it was going to work to improve outcomes, set specific goals. But none of that works if Harrisburg doesn't do its part.

COUNCILMAN OH: Yes. Could I interrupt you? Because it's still the same system. It's still a superintendent who then hires and fires, increases and decreases the wages of all the

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subordinates under him, and you still have the same administration governing the teachers, you still have the same lack of resources from one school to the next, one school having more. I mean, you still have the same inequity because it's structurally established in that dynamic, that structure. And there are plenty of other models that are excellent from a systemic point of view in the U.S. and overseas, and this system is really antiquated and doesn't work well and hasn't worked well for all these years.

So I don't think coming up with another plan -- we've had many plans, many superintendents, same type of issue. People don't know what's going on in the school. We don't know. Anybody in Council doesn't know. I'm asked all the time, Why don't you know where the money is.

I say, I have no authority, you have no accountability, I have no transparency, I have no ability -- even

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our City Controller cannot audit the School District because of the SRC Act. They're limited. You're wrinkling your eyebrows.

MR. DUBOW: Yeah, because they do audits of the School District.

COUNCILMAN OH: They audit a portion. They don't audit it completely as they are -- to my knowledge. That's what I heard from our Controller. I think he would know better than me. I really don't know. I'm relying on his testimony.

So my point is, I don't think that we can increase taxes and penalties and cigarettes and real estate every year by 100-something million dollars, because that School District is going to need 100 million something from us every year for the foreseeable future. So there would be some plan that we could work, like it or not, with Harrisburg to resolve our situation.

MR. DUBOW: Yeah. So, I mean,

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I guess the part we agree on -- and we'll leave it at that -- is that we really need Harrisburg to do its part, and if they don't, we're never coming to a solution, no matter what we do here.

COUNCILMAN OH: Well, I have a bill. So I got a bill. I don't know who else has a bill, but I got a bill. If you got a bill, introduce your bill. Otherwise I think my bill is -- I know Jannie Blackwell has got a bill on local control. I got a bill. Outside of that, I don't know who else has a bill, but I think it is a bill that we're looking for.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

And some of those questions from my colleague probably could be

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addressed by Senator Williams over there in the Harrisburg climate, but I'll save that for another day. What I would like to talk about is your consultant, IHS.

You talked about a couple of disturbing facts, and one of those facts talks about why I think we should have a job strategy. And it says that they project that by FY16 -- we are one of the lowest wage paying cities and that the average wage is $35,000 nationally, and 50 percent of our population makes under that, yet nationally only 34 percent of the national population makes under that. And so our unemployment is 2 percent higher than the national average. And in addition, IHS predicts that we will have housing price increases of 3.5 percent, which is like 2 percent above the national average. So that's a formula that if we are making lower wages and housing prices are going up, it is a formula for gentrification and folk being displaced.

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If you look at that as a national plan, Councilman, they're building that Acela that will have a North Philly stop, and they're predicting that it will get that time from Philly to New York under an hour. So you're going to see us more like the sixth borough of New York, and I don't -- I welcome new people, but I don't welcome new people at the expense of Philadelphians that have for generations been here.

So I need us to develop a strategy for community stability like we talked about in your initiative, because these are facts that your consultant said, and if one plus one equals two, then for every time we ignore this, there'll be more people moving out of the inner cities and wind up in Darby and Colwyn as opposed to being able to afford homes in Brewerytown and East Parkside and other neighborhoods that are -- and Andorra, for that matter.

MR. DUBOW: You keep bringing

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that up.

COUNCILMAN JONES: Yeah, I keep bringing it up. I'm going to harp on it.

I mean, I want to bring your attention to these statistics that your consultant pointed out.

MR. GILLISON: Councilman, the one thing that I would -- and I agree with you. The issue, which is why we talk about trying to build a long-term strategy around jobs, but -- and I believe that you understand, because everyone in this room understands, that the best way for us to build as a city is to invest in our kids, because the bottom line is is that the jobs are really an outgrowth of strong technical investments for technical jobs that maybe you don't need to have a college path, but you do have to have a certain minimum educational attainment in order to make sure we have a stable job environment. It's why the budget that you see in front of you talks about the investment in

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education, so that we can have the Parks and Recs Department putting $3.4 million into something that is going to have a year-round impact for kids to be able to get exposed to job environments, so they can actually raise their attainment, so we can actually have a path forward.

You already know, because I know that you have supported, what we've done with PowerCorps and with Future Track, trying to get our kids to understand that their investment in their education will have a payoff, because it has an impact on public safety. All of those things is a part of jobs strategy, but it really starts with the amount of dollars that you're going to end up putting forward and the model that you're going to have in education, which is the base point of where we're going, and that's what we're trying to deal with.

COUNCILMAN JONES: And I'll end with this. I understand all of those independent initiatives, but when it

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comes to public safety, I understand Commissioner Ramsey's strategy. If it comes to greening in the City of Philadelphia, I understand that we are and how we are going to become a sustainable city. What I'm asking from this Administration is a direct strategy on how we're going to take young people to prepare them for jobs in their future that they don't have to move away from Philadelphia to obtain and that strategy is a coherent strategy that we can then embrace budgetarily, and that's what I'm looking for and trying to draw out.

MR. GILLISON: And you know I have -- I agree with you. I agree that the strategies that we have put forward, we've piloted a lot of various disparate things to make sure that we can see what works, and I think that much like we've had strategies that we've put forward and that one that would be put forward today on My Brother's Keeper that talks about what we're doing and how we're doing it,

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it will be a way for us as an Administration and even future Administrations to say this is one thing that we know that works as a path forward to make sure that we have a stable environment that we need to grow good jobs here in the City of Philadelphia. And I think that that's -- I think that Councilman Henon's -- the Manufacturing Task Force has a strategy apportioned to it that we were talking about and we've worked together to put together. And I have no problem not only putting those dialogues together, but actually using the resources that we have in order to put those things in paper so we know where we're going and how we're getting there.

COUNCILMAN JONES: So, Mr. President, all I'm saying is that for every $10,000 we increase a salary, the less likelihood of that individual picking up a pistol and doing something crazy with it. We have to build the

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future that we want to have, and that comes through this 4th floor, 2nd floor going forward, working together to create that vision, and no matter where good ideas come from, we should embrace them. Not that we don't, but we should do it a little better.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE:

Absolutely, Councilman. I agree. I mean, the simple reality with respect to, just from a global perspective, it's my interpretation the reality is that when you look at the 1 percent -- I know everybody is beating up on the 1 percent, but there's a reason for that -- is that governments have had to subsidize the excessive wealth of the 1 percent forever. I mean, the simple reality is that there's no reason why -- I guess they would disagree with me -- why somebody needs to make $20 million in salary a year working at a Wall Street firm when the government has to in fact

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continue to increase your taxes to help sustain a small level of livelihood for individuals who are making $7, $8 an hour. That makes no sense whatsoever. So governments are put in a position where we have to put more money, tax money, in schools, more money in behavioral health, more money in mental health, all the other aspects of what governments have to fund, simply to allow people to maintain this excessive level of salaries and compensation, and that's the challenge. We're not going to resolve that in here today, because it's way above our pay grade, but the reality is at some point we got to fix that on the local level. We need to do as much as we can.

Councilman, you brought up a question -- then I want to call on Councilwoman Sanchez -- earlier about this issue about a plan for jobs and, Mr. Gillison, I agree with you in that the City needs to create an environment

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for jobs, but, again, I keep referring to these books and documents, because we did a whole lot of work, and I'm going to pull out another one. This whole CSI, and this actually came as a result of last year's budget process when it was asked about the plan for the neighborhoods outside of the Center City and the growth areas, and it was said there was really no plan for development, and we got together, Councilmembers, and put together a plan for all aspects, all these various amenities, housing index and we have a commerce index, and in this document -- and we'll make sure that everybody has a copy -- that we actually have a series of recommendations as it relates to how and where we should create jobs.

We talk about the Philadelphia 21st Century Commercial Corridor Initiative. I know Councilman Goode is real strong on that. Philadelphia Large Scale Retail Initiative; Philadelphia

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Re-Imagining Neighborhood Icon Program. I mean, these are things that we as a government can actually do, while I understand we should create an environment for the private sector, but there actually are things that we can do.

We talk about this whole issue of prosperity, and I know Eva is going to be talking about, Ms. Gladstein, at some point, and I'm glad that we're engaged in that. But simple things as the Philadelphia neighborhood financial literacy where people don't know that there's opportunities that are presented. If they just simply knew, they could enhance their area. Encourage neighborhood entrepreneurs.

So we have laid out in this document a series of plans on how we create the environment for economic growth, the environment for opportunities for individuals, and we're just asking and I'm saying again as a part of this budget process this year, we're going to

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ask for the budget process to reflect these particular initiatives that we put in place.
Some of you may be here next time around; you may not, but this is the way to leave your footprint on City Hall, if we can get this up and running, and I'm sure whoever ends up being the Mayor will be very happy that we've given him a head start on growing our city in a very aggressive way. So I want to thank you.
Councilwoman Quinones-Sanchez.
COUNCILWOMAN SANCHEZ: Thank you, Mr. President.
I want to go to first as someone who has worked really hard around the L&I investment, I think it's significant. One of the things that always -- Councilwoman Tasco is talking about this is her last budget. I'm like, Yeah, you're going to leave us behind.
One of the things that I've always appreciated about this process is that there is an acknowledgment that

there's different ways to get to the same end. I think what's happened over the course of the last three or four years is, we've become much more savvy and much more deliberate about choosing priorities, good, bad or indifferent. And while many people like to coach that as winners and losers, I like to coach that as everyone pains. The same way we talk about shared prosperity, it's kind of shared pain.

Five, six years ago we sat here and we had the economic doomsday, the sky is falling, the sky is falling. We had our workforce give up a little bit. We had our residents give up a little bit. We had our businesses give up a little bit, and we've turned the tide. And so what I'd like to see and I'd like to formally request is, the School District needs 103 million and it needs reoccurring funding, but what I'd like to see is the same way in those times we made choices about how do we trim the

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budget and how do we meet that goal, what does $103 million in shifting of priorities in this City budget, using the same methodology you used before, looks like. What would that look like?

You've made some choices around some enhanced programming. It would be hard to argue around some of them, because it's a lot of stuff that I support. What would $103 million look like in this year and in a Five Year Plan or how close can you get to that? So that when we're making the decisions about how we give schools more money, because I'm always going to be about how we give schools more money, we're doing it from what we've already seen happen in this Council, which is thoughtfulness about making those choices, and I'd like to be deliberate around those choices.

We've protected small businesses who were going to be hit by AVI. We've created triggers and support for the poor when we wanted to protect

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homeowners. I can't believe we can't come up with a way to fund schools in a thoughtful way.

So because we've learned through these last few budgets, I want to continue in that realm of we're going to get there. We may not agree on how we get there, but let's all have the facts and the options, so that when all of us, election or no election, are making decisions, we can make them based on some facts.

And so I want to request, Council President, as part of this process that the Administration use the same methodology and give us what those options are. When we've given to schools, we've said this is where we want the money to go. And I think if we're going to do anything else, we should make choices around which services and other requests for enhancements we choose.

So that's my statement. It's not really a question. But I did want

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to -- the one question that I had was related to how much of what we're funding in some of these enhancements is going to be General Fund, how much of it is CDBG, and then how much of it is capital? Because I think that's going to help fuel my discussions around what I think are important pieces that we need to do of the enhancements.

MR. GILLISON: Of the enhancements that we highlighted?

COUNCILWOMAN SANCHEZ: Yes.

MR. GILLISON: Most of these are General Fund.

MS. RHYNHART: Right. The ones that were highlighted are the General Fund and Operating Budget ones were highlighted in the testimony.

COUNCILWOMAN SANCHEZ: Okay. Because when you put Community College, you said to offset --

MS. RHYNHART: Oh.

COUNCILWOMAN SANCHEZ: -- our capital needs.

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MR. DUBOW: So it's from our General Fund. For them it offsets capital needs, but our money comes from our general operating fund.

COUNCILWOMAN SANCHEZ: Okay. So is there not a way that we could support Community College's capital needs through our capital?

MR. DUBOW: No. We can only support -- through our capital, it has to be something we own.

COUNCILWOMAN SANCHEZ: So there's nothing of their expansion project that they're doing that belongs to the City, streets, other stuff?

MR. DUBOW: No. And I think it's all --

COUNCILWOMAN SANCHEZ: I'm just asking the question, because I think that's going to be part of the discussion around the PILOTs, around what do we do with some of the universities. Again, I'm all for Community College needs additional resources. They're going to

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be part of the solution as it relates to some of these education challenges.

So all of these enhancements are only the ones that are related to the general operating?

MR. GILLISON: That's correct.

COUNCILWOMAN SANCHEZ: So because you put in here a campaign 1.1 million to the Commerce Department -- to the Commerce to fund Philly Talent Collaborative. That's General Fund?

MR. DUBOW: Correct.

COUNCILWOMAN SANCHEZ: So we're putting a million dollars to the Commerce, who we've been unwilling to give general operating fund for the services, the CDBG funding, but we're giving them money for this talent search?

MR. GILLISON: This isn't a talent search. This is actually part of the graduation and educational aspect, because what I talked about was how we end up having and creating the environment where education is key to us

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really growing in an economic development strategy. I think that's what the Councilman is talking about, how do we do a job strategy. Well, we thought about that and said that how we end up doing this is to really invest our dollars into growing the educational components, and that is part of what Commerce should be doing. So that's why we made that decision to invest those kind of dollars into that area. And we will end up taking something that's been highly successful with our Graduation Coach, and graduation coaches will actually be part of and be seen as part of an economic development strategy as opposed to just something that's out -- you know, an educational piece on and of itself. We're actually trying to partner all of this stuff together, pulling it together, making it one strategy for the City going forward.

COUNCILWOMAN SANCHEZ: Yeah. My challenge is that we've sat here and

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debated street cleaning on commercial corridors, which commercial corridors could get done because they're not CDBG eligible, and we've never been able to build the political will to support some of that, but we found a million bucks. I want that same creativity to find the $103 million for schools.

MR. GILLISON: I understand, and I think that we've all been very, very creative over it, because we've had to be. I mean, I believe that I heard a Councilman once said that the same Chinese symbol for opportunity is calamity. I think I heard one Councilman actually said that, and I do listen quite intently. So the idea has been that we can offer those things. We have gone through -- and you're absolutely right. We have gone through and said what happens if we don't make the following investments. What's a 5 percent cut across the board look like? What does a 5 percent targeted matter look like?

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If you try to deal with it and say -- and the Commissioner knows that I respect and I'm always talking and thinking about public safety, but if you end up taking a 15 percent cut across the board and you exclude public safety from that cut, what does that do to the rest of the departments? I mean, we model those things. Rebecca really has gone through doing this kind of exercise over the last number of years.

So I agree. We can sit back and we can answer those questions because it's part of how our processes have developed over these last years intentionally, because we want to be able to answer the questions that you have. It's been a great partnership, because when you ask the questions and say, Well, I'd like to see a million dollars here as opposed to here, we need to be able to tell you what the service cut is going to be, because the age-old question in budgeting is always the same - is it guns

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or is it butter, and we've got to be able to make those choices both apparent to you so that you can make your choices as you go forward.

We've sent those choices out, but obviously we're at the beginning of this process, and I think that if you have additional questions, I know that we'll be more than willing to sit down and talk to you about where we see the impacts of those choices. If you decide to go a different way, what that really looks like. And you are absolutely right, Councilwoman. It's been difficult, but I think that we really have survived the calamity and we are talking about making small investments, but the one statistic that I looked at in my testimony that was -- I wanted to make sure I said is, if you really take out a lot of things that are kind of controlled because you just have to do those, those are the mandatory arbitration kind of materials that we have, the budget really

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increases 0.3 percent.

COUNCILWOMAN SANCHEZ: I get it. I just --

MR. GILLISON: And there's just not that much money there.

COUNCILWOMAN SANCHEZ: I just feel very strongly that I want to put an end to this school crisis, because to me that's the economic downturn, it's the schools.

MR. GILLISON: Your lips to God's ears.

COUNCILWOMAN SANCHEZ: And so we've lived other things. So we're going to get through this one and we're going to do right by the schools. I believe that. I wouldn't be here if I didn't believe that.

MR. GILLISON: I agree. I agree.

COUNCILWOMAN SANCHEZ: Thank you, Mr. Chair.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman. Thank you very

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much.

I want to ask a couple of -- actually, one question, and actually I can give it to you in writing because it may require some thought. In keeping with the earlier conversation, I'm just giving you a sense of what this is going to be like. I'm going to reference those three initiatives that we spelled out earlier - income inequality, the whole affordable issue; education; and our ability to have sustainable communities, and I know you all support that. But there were a couple of bills -- and you can give it to me later -- that I had introduced -- I'm sure there are others that other members had introduced -- that I needed to get the status of, and one is Bill No. 140695. It was a transfer ordinance that would have put money in OHCD, subsequently enter into a contract with PHS to create a lot cleaning/landscaping program through PREP, Philadelphia Reentry Employment

Program. And obviously that's something that creates opportunities for people and actually cleans neighborhoods.

Bill No. 140140 is a bill that provides for reduction of one-half of 1 percent in City wage taxes for qualified low-income residents essentially, formerly known as the Cohen wage tax plan, a new version. Again, dealing with that whole income inequality thing.

Bill No. 140448, the Earned Income Tax Credit. I understand that there was some conversations. I need to get a sense of where we are with that again. A whole lot of money being available that people simply aren't taking advantage of, and that revenue gets infused into the City of Philadelphia's coffers on an annual basis.

And the other is the Affordable Housing Programs that included the Opportunity Zones and our ability to deal with -- so there's a series of them, and

I guess Ms. McColloch will be able to respond to that at the appropriate time about the amendment to some of the Trust Fund dollars to create an environment where we can do support for rental properties.

And then there's a number. So I'll just put that in writing. I just want to give you a sense that these are the things that are part of this whole initiative of making sure that we support those, and by supporting those that have not experienced the robust growth in some neighborhoods, actually be in a position to experience some of the growth associated with various parts of the City and, therefore, we will ultimately increase the entire revenue base. It will be a much better City. So I'll send some of that to you in writing.

At this point, there is no one else teed up. Thank you very much.

The Committee will stand in recess until Wednesday, April 1st, 10:00

a.m., at which time we will reconvene in Room No. 400.

I want to thank you all so much for your participation and your cooperation. Thank you.

(Thank you.)

(Committee of the Whole adjourned at 12:40 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

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RPR-Notary Public

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