

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, December 1, 2014
10:25 a.m.

PRESENT:

COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA

BILLS 140209, 140238, 140828, and 140884

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COUNCILWOMAN TASCO: Good morning. Sorry to keep you waiting, but we now have a quorum in the presence of Councilwoman Blondell Reynolds Brown, Councilman O'Brien, Councilwoman Blackwell, Councilman Jones is the Majority Leader and always a member of a committee, and Councilwoman Blackwell and Tasco. And Councilwoman Bass is here and Councilman Oh. They're not members of the Committee, but they're participating in the hearing.

We will now have the Clerk read the bills that we will hear today.

THE CLERK: Bill No. 140209, an ordinance amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Income and Receipts Taxes," by providing for certain exclusions and deferrals relating to businesses distressed as a result of nearby public works projects, all under certain terms and conditions.

Bill No. 140238, an ordinance amending Title 19 of The Philadelphia

1 12/1/14 - FINANCE - BILL 140209, etc.
2 Code, entitled "Finance, Taxes and
3 Collections," to provide for automatic
4 transfer of delinquent taxes and fees to
5 a qualified third party law firm or
6 collection agency; all under certain
7 terms and conditions.

8 Bill No. 140828, an ordinance
9 amending Chapter 19-3900 of The
10 Philadelphia Code, entitled "Tax
11 Exemptions for Longtime Owner-Occupants
12 of Residential Properties," by extending
13 the deadline to apply for the exemption
14 authorized by this Chapter on behalf of
15 certain property owners who were eligible
16 for the exemption in the first year that
17 it was available, but who missed the
18 deadline to apply; all under certain
19 terms and conditions.

20 Bill No. 140884, an ordinance
21 amending Chapter 19-1800 of The
22 Philadelphia Code, entitled "School Tax
23 Authorization," by modifying the
24 definition of "Net Income" with respect
25 to distributions from S corporations; all

1 12/1/14 - FINANCE - BILL 140209, etc.

2 under certain terms and conditions.

3 COUNCILWOMAN TASC0: Thank you
4 very much.

5 We will now call on
6 Commissioner Tolson to hear Bill 140209.

7 (Witness approached witness
8 table.)

9 COUNCILWOMAN TASC0:
10 Councilwoman, you want to wait until she
11 testifies?

12 COUNCILWOMAN BASS: Yes.

13 COUNCILWOMAN TASC0: Thank you.
14 Good morning.

15 COMMISSIONER TOLSON: Good
16 morning. Good morning, Chairwoman Tasco
17 and members of the Committee on Finance.
18 My name is Clarena Tolson. I'm the
19 Revenue Commissioner and Chief
20 Collections Officer for the City of
21 Philadelphia. I'm here today to testify
22 on Bill No. 140209, introduced by
23 Councilwoman Bass.

24 This bill amends Chapter
25 19-2600 of The Philadelphia Code,

1 12/1/14 - FINANCE - BILL 140209, etc.
2 entitled "Business Income and Receipts
3 Taxes," by providing for certain
4 exclusions and deferrals relating to
5 businesses distressed as a result of
6 nearby public works projects, all under
7 certain terms and conditions.

8 This credit is for businesses
9 that are near a public works project that
10 lasts 30 or more days and obstructs
11 access to the business, and reports net
12 income that is 10 percent lower than the
13 prior year.

14 As introduced, this legislation
15 would grant qualifying businesses a
16 credit against the Business Income and
17 Receipts Tax equal to 50 percent of the
18 difference in sales compared to the year
19 before. The amount of the credit is
20 capped at 20,000 per business and \$1
21 million overall annually. Eligible
22 businesses may also defer \$10,000 of
23 taxes due after the credit for up to
24 three years.

25 My staff and I have modeled the

1 12/1/14 - FINANCE - BILL 140209, etc.
2 impacts of this bill using recent tax
3 data and worked with the Councilwoman and
4 her staff to target the proposed tax
5 credit only to those negatively impacted
6 by the public works project and in a
7 manner that is proportional to the harm
8 caused to the business as a result of the
9 disruption. These changes include a
10 requirement only businesses with
11 reductions in both sales and profits are
12 eligible for the credit; that the amount
13 of the credit cannot be more than the
14 loss in profits sustained by the
15 taxpayer; and removes a provision that
16 would allow for deferrals of tax balances
17 remaining after the credit, as 94 percent
18 of retail business (and 100 percent
19 retail business with sales less than \$2.2
20 million) would see their entire BIRT bill
21 for the year erased by this credit.
22 There would be a significant operational
23 and information technology investment
24 needed to implement the deferral program,
25 but there would be no utilization or

1 12/1/14 - FINANCE - BILL 140209, etc.
2 benefit to taxpayers as there is no need
3 for it.

4 These changes, to more closely
5 tie the credit to the harm inflicted by
6 the public works projects and others, are
7 critical amendments. The
8 Administration's support for this bill is
9 based upon our mutually agreeable
10 language to amend the proposed
11 legislation.

12 Thank you for the opportunity
13 to testify today.

14 COUNCILWOMAN TASCO: Thank you
15 very much.

16 The Chair recognizes
17 Councilwoman Bass.

18 COUNCILWOMAN BASS: Thank you,
19 Madam Chairwoman.

20 First, I'd like to thank
21 Councilwoman Tasco and the other members
22 of the Committee on Finance for hearing
23 testimony on Bill No. 140209 today. This
24 bill would provide tax credits for
25 businesses whose profits are harmed by

1 12/1/14 - FINANCE - BILL 140209, etc.
2 public works projects. We can all name
3 streets that are in desperate need of a
4 facelift, but this maintenance should not
5 happen at the expense of small businesses
6 who are working to make ends meet.

7 And just as an aside, I can
8 think of two examples in particular.
9 Councilwoman Blackwell, I know you're
10 very familiar with Market Street when the
11 El project was done. And I was just out
12 there recently. It looks great,
13 beautiful along Market Street in West
14 Philadelphia, but basically wiped out the
15 businesses along that corridor, and the
16 same thing, to some degree, along
17 Germantown Avenue in my district where we
18 had a number of public works projects
19 which had a significant financial impact
20 on the businesses around Cresheim and
21 also further down on Germantown Avenue in
22 Germantown.

23 So how do we address the needs
24 of those businesses? We want our public
25 works projects to proceed, but we want to

1 12/1/14 - FINANCE - BILL 140209, etc.
2 make sure that we don't wipe out
3 businesses that are in desperate need of
4 those dollars and the access that their
5 customers need to be able to come into
6 their business.

7 This legislation aims to lessen
8 the burden on businesses whose bottom
9 lines are impacted by construction or
10 other City projects that make it more
11 difficult for customers to access their
12 establishment. And I'd also like to
13 thank the Department of Revenue and the
14 Commissioner for her recommendations in
15 helping to craft this legislation. We
16 truly have been working together, and
17 we're really supportive. They've been
18 really supportive, and we want to thank
19 them for that and for their support, and
20 also for the Chamber of Commerce, which
21 has been strong supporters of this bill
22 as well.

23 So I just want to say thank you
24 very much for your support and help with
25 this matter.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 COUNCILWOMAN TASC0: Thank you
3 very much. We appreciate your testimony.

4 Are there any questions from
5 the panel?

6 (No response.)

7 COUNCILWOMAN TASC0: Is there
8 anyone else here to testify on this bill?

9 Councilwoman Blackwell.

10 COUNCILWOMAN BLACKWELL: Thank
11 you.

12 Let me thank Councilwoman Bass
13 for this legislation. With that, we
14 could have gotten this then. People
15 really, really suffered on that project,
16 and all we did was complain. So I
17 commend you. Very, very important
18 legislation. It will make a major, major
19 difference to small businesses in the
20 community and on our commercial
21 corridors.

22 Thank you.

23 COUNCILWOMAN TASC0: Thank you.

24 COUNCILMAN JONES:

25 Councilwoman?

1 12/1/14 - FINANCE - BILL 140209, etc.

2 COUNCILWOMAN TASC0: Councilman
3 Jones.

4 COUNCILMAN JONES: Thank you,
5 Madam Chair.

6 I too want to echo support for
7 the legislation publicly. In another
8 life, I worked at the Philadelphia
9 Commercial Development Corporation, and
10 we suffered through construction in many
11 areas, whether it was Frankford Avenue or
12 Market Street and the construction of the
13 El, and business interruption like that
14 can devastate a business. We went from
15 50 or so family-owned businesses on
16 Market Street. Councilwoman Blackwell
17 and I share that street, and we've been
18 devastated.

19 So this type of assistance can
20 go a long way in keeping the lights on
21 and keeping people in businesses. So
22 thank you for proposing this option.

23 Thank you, Madam Chair.

24 COUNCILWOMAN TASC0: Thank you.

25 The Chair recognizes that

1 12/1/14 - FINANCE - BILL 140209, etc.

2 Councilman Johnson is here and Councilman
3 Henon joined the Committee.

4 Councilwoman Brown, do you have
5 a question?

6 COUNCILWOMAN BROWN: Yes, I do.

7 The observations and comments
8 made by Councilmembers Blackwell and
9 Jones bear repeating, because it was
10 heart-wrenching to watch and listen and
11 not be able to do anything for ten years
12 to those hundreds of businesses that
13 ultimately died on the Market Street
14 corridor. And you do need to be
15 commended. I am curious to know the
16 effective date that this will become
17 active.

18 COUNCILWOMAN TASC0: This
19 ordinance shall take action in --

20 COUNCILWOMAN BASS: 2015.

21 COUNCILWOMAN TASC0: Thank you.

22 Any other questions from the
23 Committee?

24 (No response.)

25 COUNCILWOMAN TASC0: Thank you

1 12/1/14 - FINANCE - BILL 140209, etc.
2 very much for your testimony.

3 We now call on Commissioner
4 Tolson for Bill No. 140828.

5 COMMISSIONER TOLSON: Good
6 morning again. My name is Clarena
7 Tolson, Revenue Commissioner and Chief
8 Collections Officer.

9 COUNCILWOMAN TASC0: Could you
10 speak into the mic, please. We're having
11 a hard time today. It's just not my
12 ears, since the young folks can't hear
13 either.

14 COMMISSIONER TOLSON: It's the
15 mic.

16 Good morning, Chairwoman Tasco
17 and members of the Committee on Finance.
18 My name is Clarena Tolson. I am the
19 Revenue Commissioner and Chief
20 Collections Officer for the City of
21 Philadelphia. I'm here today to testify
22 in support of Bill No. 140828, introduced
23 by Councilman Johnson.

24 This bill amends Chapter
25 19-3900 of The Philadelphia Code,

1 12/1/14 - FINANCE - BILL 140209, etc.
2 entitled "Tax Exemptions for Longtime
3 Owner-Occupants of Residential
4 Properties," by extending the deadline to
5 apply for the exemption authorized by
6 this Chapter on behalf of certain
7 property owners who were eligible for the
8 exemption in the first year that it was
9 available, but who missed the deadline to
10 apply; all under certain terms and
11 conditions.

12 We support this bill because no
13 homeowner eligible for LOOP should miss
14 out their opportunity to enroll in this
15 valuable program and because it is
16 consistent with current policies and
17 programs. The Department of Revenue is
18 committed to ensuring that everyone pays
19 their fair share, meaning that everyone
20 must pay their bills, but that those
21 bills should include any and all
22 discounts that they are entitled to. We
23 have continued accepting applications for
24 the LOOP program since its launch and
25 have not denied a single application for

1 12/1/14 - FINANCE - BILL 140209, etc.
2 lateness. Bill 140828 codifies the
3 Department's practices into law, and we
4 appreciate the efforts of all
5 Councilmembers and their staffs who have
6 worked to get homeowners enrolled in this
7 program.

8 Shortly, the Department will be
9 engaging in a new round of outreach for
10 properties that were eligible for LOOP
11 for 2014 but never applied. We would be
12 happy to discuss those efforts with you
13 at a later time.

14 Thank you again for giving me
15 the opportunity to testify today.

16 COUNCILWOMAN TASC0: Are there
17 any questions for this witness?

18 Councilman Johnson, you have a
19 comment?

20 COUNCILMAN JOHNSON: Yes.
21 Thank you.

22 Good morning, Ms. Tolson. How
23 are you this morning?

24 COMMISSIONER TOLSON: Good
25 morning, sir.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 COUNCILMAN JOHNSON: Just one
3 question. Do we have numbers of eligible
4 residents who have enrolled in the LOOP
5 to date?

6 COMMISSIONER TOLSON: To date,
7 there are 17,611 properties that have
8 been approved. That's as of September.

9 COUNCILMAN JOHNSON: And the
10 total amount budgeted for the LOOP
11 program is how much?

12 COMMISSIONER TOLSON: The total
13 amount budgeted is -- one moment, sir --
14 20 million.

15 COUNCILMAN JOHNSON: So roughly
16 3 million left going into the new year?

17 COMMISSIONER TOLSON: Seventeen
18 thousand properties.

19 COUNCILMAN JOHNSON: Oh, 17,000
20 properties. Excuse me. Okay. Thank
21 you.

22 COUNCILWOMAN TASC0: Thank you.
23 Any other questions?

24 (No response.)

25 COUNCILWOMAN TASC0: We now

1 12/1/14 - FINANCE - BILL 140209, etc.
2 call on Commissioner to testify on Bill
3 No. 140884.

4 COMMISSIONER TOLSON: Good
5 morning. My name is Clarena Tolson,
6 Revenue Commissioner and Chief
7 Collections Officer. I'm here today to
8 testify in support of Bill No. 140884,
9 introduced by Councilman Kenney.

10 This bill amends Chapter
11 19-1800 of The Philadelphia Code,
12 entitled "School Tax Authorization," by
13 modifying the definition of "Net Income"
14 with respect to distributions from S
15 corporations; all under certain terms and
16 conditions.

17 This bill alters the base upon
18 which the school income tax is imposed
19 upon with regard to S corporations to
20 define the taxation of income from S
21 corps as occurring when the funds are
22 received or credited. This amendment
23 puts into legislation the recent
24 regulations promulgated by the
25 Department, which is to be effective for

1 12/1/14 - FINANCE - BILL 140209, etc.
2 tax year 2014, barring any hearing
3 requests before today. The regulation
4 change has been advertised and made
5 available to the public and online for
6 the required 30 days. Given that the
7 bill codifies a policy sought by the
8 Administration and the sponsor alike, we
9 are happy to support this legislation.

10 I should add that the bill --
11 our regulation changes will be effective
12 at the end of today. That's the end of
13 our 30-day period.

14 To ensure that taxpayers are
15 aware of this change, an explanatory
16 flyer will be included with all school
17 income tax forms. Our website and
18 customer service teams will be updated
19 and the new treatment will be highlighted
20 in our seminars for tax professionals,
21 which reach over 1,000 accountants, tax
22 attorneys, and other tax preparers for
23 the tax season. Additional outreach will
24 be conducted as needed.

25 Thank you for giving me the

1 12/1/14 - FINANCE - BILL 140209, etc.

2 opportunity to testify today.

3 COUNCILWOMAN TASC0: Thank you.

4 What's an S corporation?

5 COMMISSIONER TOLSON: I'm going

6 to ask our CPA, Mr. Tilahun Afessa, to

7 define that for you properly.

8 (Witness approached witness
9 table.)

10 COUNCILWOMAN TASC0: We just
11 need clarification about what this bill
12 is all about.

13 COMMISSIONER TOLSON: I
14 understand, but I dare not give you the
15 accurate technical definition.

16 COUNCILWOMAN TASC0: Good
17 morning.

18 MR. AFESSA: Good morning.

19 COUNCILWOMAN TASC0: Just give
20 us information as to what this bill is
21 about and who it impacts and why.

22 MR. AFESSA: My name is Tilahun
23 Afessa and I'm the Director of Policy in
24 the Revenue Department.

25 This bill -- before this bill

1 12/1/14 - FINANCE - BILL 140209, etc.
2 was introduced, S corporations'
3 distribution is taxed based on the
4 earning of the S corporation itself.

5 COMMISSIONER TOLSON: Excuse me
6 one second.

7 MR. AFESSA: An S corporation
8 is a small corporation, but number of
9 shareholders are limited to 50. It
10 changes every year. It's the federal
11 designation. They are small businesses.
12 Their shareholders -- I mean, the S
13 corporation is taxed as partnership just
14 like partnership for the federal
15 purposes, and their distribution is
16 subject to the tax by the federal
17 government. Philadelphia residents who
18 are members of the S corp who are
19 receiving distribution are taxed on their
20 income. So since the S corporation is
21 not subject to the net profit tax, the
22 individual shareholders or Philadelphia
23 resident shareholders are taxed on their
24 distributed share. Prior to this
25 amendment, we're taxing upon their

1 12/1/14 - FINANCE - BILL 140209, etc.
2 earnings, just like the federal
3 government and the state. This bill
4 changes it to a distribution. From now
5 on, starting from 2014, as the
6 Commissioner testified, we have the
7 revelation which will be in effect
8 starting 2014. We will be taxing S
9 corporation distributions received by
10 Philadelphia residents upon their
11 receiving the money, not upon when
12 they're earning it, before distribution.
13 So this is the policy change and the
14 decision made, and this bill makes it, by
15 ordinance, exactly what the regulation is
16 purporting to do starting from 2014.

17 COUNCILWOMAN TASC0: So I'm a
18 shareholder of an S corporation and I'm
19 not taxed on my dividend until I get it.

20 MR. AFESSA: Exactly.

21 COUNCILWOMAN TASC0: Is that
22 what you're saying?

23 MR. AFESSA: Exactly.

24 COUNCILWOMAN TASC0: Prior to
25 that --

1 12/1/14 - FINANCE - BILL 140209, etc.

2 MR. AFESSA: Prior to that,
3 starting from 2007 up to the end of 2013,
4 they've been taxed when they earn the
5 income, before they receive it.

6 COUNCILWOMAN TASC0: Before
7 they receive it.

8 MR. AFESSA: Before they
9 receive it.

10 COUNCILWOMAN TASC0: All right.

11 Any other questions?

12 (No response.)

13 COUNCILWOMAN TASC0: I guess
14 not. Since I don't own any shares, I
15 just thought I'd ask.

16 Thank you very much for your
17 testimony.

18 MR. AFESSA: Thank you.

19 COUNCILWOMAN TASC0: Next we
20 have Bill 140238, and, Ms. Tolson, are
21 you testifying on this bill?

22 COMMISSIONER TOLSON: Yes.

23 COUNCILWOMAN TASC0: Please
24 proceed.

25 COMMISSIONER TOLSON: Good

1 12/1/14 - FINANCE - BILL 140209, etc.
2 morning again. I soon have to pay rent
3 here.

4 My name is Clarena Tolson,
5 Revenue Commissioner and Chief
6 Collections Officer. I'm here today to
7 testify on Bill No. 140238, introduced by
8 Councilman Oh.

9 This bill amends Title 19 of
10 The Philadelphia Code, entitled "Finance,
11 Taxes and Collections," to provide for
12 automatic transfer of delinquent taxes
13 and fees to a qualified third party law
14 firm or collection agency.

15 Earlier this month -- I'm
16 sorry; middle of last month, I testified
17 before this Committee about the
18 tremendous progress we have made in
19 collecting past due taxes for the City
20 and School District, bringing in more
21 than \$100 million in past due real estate
22 taxes. This is the first time that
23 prior-year real estate collections have
24 exceeded that level. In Fiscal 2014, we
25 collected \$909 million for the School

1 12/1/14 - FINANCE - BILL 140209, etc.
2 District, \$16 million more than was
3 budgeted.

4 We are proud of the progress
5 made possible by legislative changes and
6 budgetary allocations by this body. We
7 are continuing this momentum to ensure
8 everyone pays their fair share for
9 schools and City services.

10 On behalf of the School
11 District, we collected over \$90 million
12 in prior-year taxes. That is more than a
13 \$25 million increase compared to the
14 previous year. It is also \$25 million
15 more than was collected when the City
16 held a tax amnesty to encourage those
17 that failed to file to pay to become
18 compliant. With the right tools, staff,
19 partners, and resources, we can make a
20 significant impact. The story is similar
21 with respect to the General Fund, with
22 real estate tax delinquent collections
23 increasing from 35 million in Fiscal '13
24 to 48 million in Fiscal '14 and wage
25 earnings and net profits delinquent

1 12/1/14 - FINANCE - BILL 140209, etc.
2 collections more than doubling the year
3 before.

4 To achieve these and other
5 improvements in delinquent collections,
6 we must apply tactics that will most
7 effectively and efficiently induce
8 payment. Some accounts will pay as soon
9 as they're aware of their debt; other
10 requires more, quote/unquote, nudging.
11 The goal is to obtain payment as quickly
12 and as efficiently as possible. To do
13 this, we allocate debts to different
14 enforcement paths.

15 Of the tax debts, close to 30
16 percent do not require enforcement
17 because it is either in payment
18 agreements, in bankruptcy, under appeal
19 or has been established within the last
20 90 days. Of the remaining debt, we use a
21 combination of internal staff,
22 co-counsel, and outside collection
23 agencies to pursue the delinquency.

24 Tools we use to collect taxes
25 include our commercial activity license

1 12/1/14 - FINANCE - BILL 140209, etc.
2 revocation program, which allows us to
3 close businesses that fail to meet their
4 obligation, and sequestration program
5 where a court-appointed receiver collects
6 rents from tenants and uses the funds to
7 repay tax debts. These two programs, new
8 in Fiscal '14, generated more than \$30
9 million in collections. We have also
10 increased the use of the Sheriff Sale
11 process and we will continue to do that.

12 We share the vision of this
13 bill, to collect as much past due tax as
14 possible to fund needed City services and
15 our schools. However, we cannot support
16 Bill No. 140238, which would appear to
17 assign all delinquent accounts to a
18 third-party collection agency after one
19 year and possibly to the Controller.

20 Our recent success stems from
21 being able to analyze the most efficient
22 and effective enforcement strategy for
23 each account rather than providing the
24 same treatment in every case. Sometimes
25 that is assigning a debt to a third-party

1 12/1/14 - FINANCE - BILL 140209, etc.
2 collection agency, but sometimes other
3 tactics are more likely to produce the
4 desired results. Moreover, as members of
5 this body well know, the desired result
6 frequently includes keeping a taxpayer in
7 his or her home and out of court, while
8 bringing the taxpayer into compliance or
9 moving properties that are unlikely to
10 ever pay and have become a blight on
11 their community back onto the tax rolls
12 and into productive and good use.
13 Automatic referral to third-party
14 collection reduces the City's ability to
15 influence the desired outcome, making it
16 less likely we can continue to achieve
17 these dual ends appropriately.

18 To further enhance the City's
19 ability to match debt with the best
20 enforcement strategy, the Department of
21 Revenue is making major technology
22 investments to improve our ability to
23 target the right enforcement strategy to
24 the right account. We are in the final
25 contract negotiations for a data

1 12/1/14 - FINANCE - BILL 140209, etc.
2 warehouse and collections case management
3 system. The data warehouse will contain
4 tax and water debt information as well as
5 other city, state, and federal data sets.
6 It will enable matching and linkage among
7 them. This will represent a quantum leap
8 forward in identifying who owes the City
9 and School District money and how best to
10 target them. As we build up a history of
11 debt and payment information in the
12 system, we will be able to score
13 accounts; that is, predicting the
14 likelihood of payment and the most
15 effective tool to use against that.

16 The case management system will
17 allow tremendously improved tracking of
18 collection efforts in an account-level
19 basis. It will automate certain tasks
20 such as triggering of a letter to a
21 debtor or moving a case to the most
22 appropriate enforcement path.

23 Not only do we expect these
24 systems to start producing results as
25 quickly as 90 days after project kickoff,

1 12/1/14 - FINANCE - BILL 140209, etc.
2 but the \$7.5 million cost will only be
3 paid to the vendor if and when
4 collections increase above a certain
5 baseline level.

6 With the right people,
7 technology, and partners, the Department
8 of Revenue will be able to continue to
9 reduce the outstanding debts owed to the
10 City and School District and ensure that
11 everyone pays their fair share in the
12 future. The Department of Revenue and
13 everyone that relies upon City services
14 and the School District appreciates
15 Council's continued support in these
16 collection efforts.

17 While we appreciate the good
18 intentions of the bill, we cannot agree
19 that it would ultimately work in the best
20 interests of taxpayers, schools, and the
21 City. Indeed, if implemented, the
22 one-size-fits-all approach would
23 represent a step backwards.

24 We thank you for the
25 opportunity to testify today, be happy to

1 12/1/14 - FINANCE - BILL 140209, etc.

2 answer any questions you may have.

3 COUNCILWOMAN TASC0: Thank you
4 very much.

5 The Chair recognizes Councilman
6 Oh, who is the sponsor of this bill.

7 COUNCILMAN OH: Thank you very
8 much. I didn't make an opening
9 statement, so I'd like to pretty much
10 kind of respond and make some
11 clarifications.

12 It was when the media reported
13 a half billion dollars in uncollected
14 debt at a time when we were faced with
15 AVI and increasing property taxes that
16 people became aware of the fact that the
17 City had this very large uncollected
18 delinquent tax owed and that, in many
19 cases, these delinquent taxes had been
20 unacted upon, other than sending notices
21 continuously, and I believe that the
22 average age of the uncollected tax
23 delinquencies are about ten years.

24 The different organizations
25 have estimated that over \$150 million of

1 12/1/14 - FINANCE - BILL 140209, etc.
2 this half billion dollars is collectible.
3 And I agree that Commissioner Tolson has
4 done a great job in collecting the taxes
5 that are owed currently and is doing a
6 great job, but that is in spite of the
7 poor system that we have here in
8 Philadelphia. Over many administrations,
9 there has been a continuous failure to
10 collect taxes.

11 This is not a one-size-fits-all
12 approach and, in fact, it does not
13 automatically transfer the file to a
14 third-party collection agency at all.
15 What it does is, it does not allow for
16 the City to fail to take action. That
17 action may be to forego the taxes. It
18 may be to negotiate. It may be to do a
19 number of things, but what it does not
20 allow the City to do is to simply ignore
21 the delinquent tax and let it build up
22 over ten years.

23 Under this legislation, the
24 City, which would have the tax collection
25 responsibilities, would ultimately after

1 12/1/14 - FINANCE - BILL 140209, etc.
2 one year, if it took no action on the
3 delinquency, other than sending notices,
4 it didn't enter into an agreement, it
5 didn't contact the taxpayer, it didn't
6 work out a payment plan, it took no
7 action, it would give the Controller the
8 option to request the file and to then
9 use the Controller's own tax collection
10 third-party entities. However, upon the
11 request, the City would then have 30 days
12 to take action. That action may be to
13 evaluate the file, to enter into
14 negotiation, to forego or to whatever it
15 wants to do.

16 So this mechanism is not that
17 it automatically sends the file to a
18 third-party collector who will
19 theoretically go to court. What it does
20 is, it provides a layer where if the
21 City, with its many tools to choose from,
22 chooses to take no action to resolve this
23 matter or to negotiate this matter, then
24 the Controller has the option to request
25 the file.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 I think one of the problems
3 that we're trying to address is the fact
4 that many people who are poor and who are
5 senior and who are needy, they need the
6 services, and I understand that there's
7 concern that they be acted upon and that
8 they cannot afford to pay these taxes. I
9 think those things should be addressed in
10 terms of the services that they need and
11 that they should not be forced out of
12 their homes. However, I think that the
13 policy that seems to have permeated
14 Philadelphia's Administration is that
15 because some cannot afford to pay, many
16 who can pay simply do not because they
17 understand that if they are speculators
18 or out-of-town landlords or other
19 business folks, that it's part of their
20 strategy to simply buy property or invest
21 in property and not pay the taxes,
22 because there isn't a policy of
23 collecting. If at the end of ten years
24 or 15 years someone passes away or
25 someone purchases a property, at that

1 12/1/14 - FINANCE - BILL 140209, etc.
2 point in time these taxes may be paid or
3 not. Some of these taxes are 25, 30
4 years old. We have heard that in our
5 hearings.

6 I think if there is going to be
7 some action taken to recognize that some
8 people cannot afford to pay taxes, that
9 that should be done up front. We should
10 let them know, not let them worry about
11 that, not overburden them. But for those
12 who can pay, I think it would be a good
13 policy for this City to let folks know
14 that when you come into Philadelphia, you
15 should assume that you're going to pay
16 your taxes.

17 But I am open-minded. I do
18 understand the concerns and I look
19 forward to further testimony.

20 Thank you.

21 COUNCILWOMAN TASC0: The Chair
22 recognizes Councilman Jones.

23 COUNCILMAN JONES: Thank you,
24 Madam Chair, and I'm going to not take a
25 long time, because my colleague is very

1 12/1/14 - FINANCE - BILL 140209, etc.
2 interested in this, but a couple of
3 clarification questions.

4 First of all, I agree that we
5 started this process, this journey under
6 AVI because we realized there was a half
7 billion dollar receivable and that we got
8 down to what that receivable could
9 actually be collected upon. Then we
10 started talking about certain ways to
11 ramp up, and so you got the tap on the
12 shoulder to be moved over. I don't know
13 if it was a punishment or what, but we
14 sought you out to do this.

15 COUNCILWOMAN TASC0: She did
16 such a good job in Streets.

17 COMMISSIONER TOLSON: I'm here
18 to serve, Councilman, however I could
19 help you.

20 COUNCILMAN JONES: So one of
21 the things that -- two-pronged.
22 Internally, we took a trip up to
23 Harrisburg and an unknown tax collector,
24 revenue czar who was told that -- we
25 heard that he did it better than most,

1 12/1/14 - FINANCE - BILL 140209, etc.
2 his name was, I think, Tom Wolf was
3 really doing a yeoperson's job of
4 bringing in revenues, and what we did
5 was, we saw under the continuum of
6 collections that he had certain
7 methodologies on how he did it. He had
8 predictive dialers. He had modernized
9 equipment. And then we said in the
10 budget that this is what we wanted for
11 the Revenue Department to have. Has that
12 been implemented at this point?

13 COMMISSIONER TOLSON: Yes, sir.
14 So we are probably within days of signing
15 our data warehouse agreement. I feel
16 comfortable saying that work has already
17 begun, and that said, even without the
18 contract in place, our staff is moving
19 full pace, and as you're aware, that's
20 been a couple of years in the making.

21 The Revenue Department has been
22 very serious. Commissioner Keith
23 Richardson was adamant and was very
24 intuitive in terms of his understanding
25 of how the needs of the Department and

1 12/1/14 - FINANCE - BILL 140209, etc.
2 the technology and trying to move this
3 forward in that stead. So when I came
4 into place, we were quite well underway
5 in terms of doing just what you're
6 talking about.

7 COUNCILMAN JONES: So you had
8 to ramp up. I'm assuming that's
9 personnel training as well on these types
10 of machines that we'll be able to, in a
11 period of time in the next year or so,
12 see marked increases in collection?

13 COMMISSIONER TOLSON: That's
14 correct. But even absent the technology
15 and infrastructure changes, we've already
16 made some major strides within the agency
17 to change, one, the external and internal
18 culture and understanding about what we
19 are -- why we are here, what our role is
20 within the major scheme of things,
21 creating a climate where we want people
22 to understand that they must pay their
23 fair share and that there are predictable
24 consequences if they do not.

25 So I am certainly in agreement

1 12/1/14 - FINANCE - BILL 140209, etc.
2 with you, Councilman Oh, with regard to
3 the need for everybody to understand they
4 should pay their fair share, and the City
5 is quite diverse in terms of its needs.
6 We have to meet people where they are,
7 address the concerns and needs that they
8 have individually as property owners, and
9 encourage them to get into programs that
10 can help those that may be more
11 challenged than others to not pay. And
12 for those that are able to pay that
13 simply don't pay because they thought we
14 were not going after them, I think that
15 they are beginning to understand that it
16 is a new day in the Department of
17 Revenue. We now have a Deputy
18 Commissioner for Collections. Mr. Marco
19 Muniz is in the audience here. He is
20 working with our Chief Counsel, Frank
21 Paiva, and together I think they're going
22 to be a fierce team of collectors on
23 behalf of the City and School District.
24 COUNCILMAN JONES: So my
25 response from the Block Captains Boot

1 12/1/14 - FINANCE - BILL 140209, etc.
2 Camp we do annually was, they loved you
3 as Commissioner of Streets. You were so
4 nice. But you scared them when you came
5 out and said, I will take your house,
6 don't make me do it. So I believe you.

7 The second part of this
8 question is the ability to lien
9 properties outside of the City of
10 Philadelphia, the authority to say if a
11 person is tax delinquent in West Philly,
12 North Philly, to go to their Conshohocken
13 or Bucks County home and lien their
14 property. Where are we on that
15 reciprocity?

16 COMMISSIONER TOLSON: I'm going
17 to ask Mr. Paiva to come up just so we
18 can complete this story, but I'll start
19 it while he moves to the microphone.

20 We've been working with the
21 courts on doing the implementation of
22 that very program. We've done it on a
23 small scale so far, but you can talk
24 about where we are overall in terms of
25 the overall administrative process.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 (Witness approached witness
3 table.)

4 MR. PAIVA: Good morning,
5 Council. My name is Frank Paiva. I am
6 the Chief Revenue Counsel.

7 Act 93 is the law that you're
8 referring to, and what that law did was,
9 it enabled cities throughout the
10 Commonwealth, municipalities throughout
11 the Commonwealth to transfer their liens
12 on properties that are delinquent within
13 their jurisdiction to a property outside
14 of the jurisdiction that is owned by the
15 same delinquent. Now, what has
16 transferred is actually a personal
17 judgment. It's not actually a lien as we
18 would normally view a real estate lien.

19 COUNCILMAN JONES: Does it
20 cause clouded title?

21 MR. PAIVA: Yes. It will
22 prevent them from selling it without
23 getting paid. And so it acts as a
24 judgment. It wouldn't have the priority
25 of a municipal claim, which would be the

1 12/1/14 - FINANCE - BILL 140209, etc.
2 top priority, super priority, but it
3 would have priority in time.

4 Now, when laws are passed,
5 there is a need for implementation, and
6 what we're still working with the courts
7 on is to try to get local rules passed
8 here in Philadelphia that will enable us
9 to take advantage of this law, and what
10 we're doing internally is, we're looking
11 to try to determine what are good
12 candidates. I mean, clearly we have a
13 lot of delinquents. Now, can we hook up
14 the delinquent to a property that they
15 have outside this jurisdiction. And so
16 that we're working on now, even though we
17 don't have the procedure in place.

18 COUNCILMAN JONES: How far are
19 we away from implementation? And I go by
20 fiscal years.

21 MR. PAIVA: You know, it's --

22 COUNCILMAN JONES: Rough guess.

23 MR. PAIVA: Well, I would say
24 it would happen in the first half of the
25 new year. That would be, I think,

1 12/1/14 - FINANCE - BILL 140209, etc.
2 realistic. These always seem to take
3 longer.

4 COUNCILMAN JONES: And then my
5 final question is, does this bill exempt
6 owner-occupied residential properties
7 from going into that third-party lien
8 situation?

9 COMMISSIONER TOLSON: Nothing
10 is exempt.

11 COUNCILMAN JONES: So nothing
12 is exempt. So Mrs. Johnson on Peach
13 Street who one year ago was working
14 becomes delinquent in the second year can
15 wind up on this list?

16 COMMISSIONER TOLSON: Yes.

17 MR. PAIVA: If she owns a
18 house, let's say, down the shore --

19 COMMISSIONER TOLSON: No. He's
20 talking about --

21 MR. PAIVA: Okay. Excuse me.

22 COUNCILMAN JONES: All right.
23 Thank you.

24 COUNCILWOMAN TASC0: Thank you
25 very much.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 The Chair recognizes Councilman
3 Johnson.

4 COUNCILMAN JOHNSON: Yes.

5 Thank you, Madam Chair.

6 I just had a few questions,
7 Commissioner Tolson, as well as your
8 Deputy Commissioner for Collections.

9 In terms of -- I know there
10 were some new practices put in place
11 regarding the collection of taxes, and so
12 I know we've made some improvements. So
13 can you give me the dollar amount that we
14 have collected over the last year in
15 terms of improvement-wise, please?

16 COMMISSIONER TOLSON: Yes.
17 Last year we collected \$102 million in
18 delinquent taxes.

19 COUNCILMAN JOHNSON: And that's
20 an increase of what percentage compared
21 to the prior year?

22 COMMISSIONER TOLSON: Somebody
23 will whisper that number to me very
24 shortly.

25 COUNCILMAN JOHNSON: That's

1 12/1/14 - FINANCE - BILL 140209, etc.
2 okay. Oftentimes we don't get credit for
3 actually improving some systems, so I
4 want to get an idea of what systems were
5 actually put in place, their actual
6 dollar amount that we have started to
7 collect, and then moving forward what can
8 we do to accelerate that -- what could be
9 done to accelerate that process.

10 COMMISSIONER TOLSON: Yes. I
11 think that the systems I mentioned
12 earlier have been major improvements, the
13 revocation of the commercial activity
14 license. I think that certainly there
15 may have been some negative press over
16 some activity that we took, but what it
17 also did was to make everyone aware that
18 the City is serious about collecting the
19 tax dollars that are owed and that we
20 have unfortunately had to move in a harsh
21 manner against those who have not paid
22 their taxes for extended periods of time.

23 The sequestration program has
24 been very successful. We are very
25 appreciative of Judge Herron for his

1 12/1/14 - FINANCE - BILL 140209, etc.
2 leadership in this stead. In that case,
3 we are using a private entity that, for
4 lack of a better word, acts as a receiver
5 for the City. We are allowed to take
6 over the property and then take the rents
7 to pay off the taxes. Again, we don't
8 like to have to do that, but after we
9 have exhausted other means of work with
10 other efforts with some taxpayers, we
11 have to go to that extreme level.

12 For Fiscal '15, the bills that
13 will be coming out very shortly, people
14 will be seeing a new type of -- some
15 people will be seeing a new type of bill.
16 We're piloting a bill that will show
17 people not only their 2015 taxes, but
18 also their delinquent taxes on the same
19 bill so that people are not confused that
20 they only have one portion to pay.
21 They'll start to understand they have a
22 history that they need to be paid.

23 I think that we are also
24 working very well with our counsel in
25 some contracts that he has tied to chase

1 12/1/14 - FINANCE - BILL 140209, etc.
2 property owners and the relatives of
3 property owners to make sure the bills
4 get to the right location. So it's been
5 a very aggressive program that's already
6 occurred in 2014. 2015 we'll look to
7 have even more effort put in place to
8 continue that work.

9 When the data warehouse comes
10 online, we think that within a short
11 period of time we'll have -- we'll see
12 some motion and I expect that -- it may
13 miss this fiscal year, but it will be
14 close to the end of this fiscal year
15 where we will see a bump in work from
16 that.

17 You asked the question about
18 how much --

19 COUNCILMAN JOHNSON: Percentage
20 increase, yeah, of collections.

21 COMMISSIONER TOLSON: In
22 delinquent school tax, went up 25
23 percent.

24 COUNCILMAN JOHNSON: Okay. And
25 what are your projections for delinquent

1 12/1/14 - FINANCE - BILL 140209, etc.
2 tax collections for this upcoming year?

3 COMMISSIONER TOLSON: For
4 Fiscal '15?

5 COUNCILMAN JOHNSON: Yeah, for
6 '15. Do you project outward for the next
7 several years?

8 COMMISSIONER TOLSON: Yes. I
9 don't think I have that number here,
10 Councilman. I will gladly work with you.

11 COUNCILMAN JOHNSON: Because
12 there will be a baseline number at a
13 minimum that you know you're going to
14 collect, correct?

15 COMMISSIONER TOLSON: Yes. So
16 our baseline goal for all of our taxes is
17 \$2.7 billion.

18 COUNCILMAN JOHNSON: Okay.

19 COMMISSIONER TOLSON: 910
20 million for the schools, but I'll get you
21 more detailed information. I think
22 you're looking for just the real estate
23 number, and I'll have to go get that for
24 you.

25 COUNCILMAN JOHNSON: Thank you

1 12/1/14 - FINANCE - BILL 140209, etc.

2 very much.

3 COMMISSIONER TOLSON: I don't
4 have that here.

5 COUNCILWOMAN TASC0: Excuse me.
6 I'm sorry. I was on another committee.

7 Any other questions?

8 COUNCILWOMAN BROWN: Yes.

9 COUNCILWOMAN TASC0:
10 Councilwoman Brown.

11 COUNCILWOMAN BROWN: Thank you.
12 Good morning.

13 COMMISSIONER TOLSON: Good
14 morning.

15 COUNCILWOMAN BROWN: Share with
16 us, please, currently what percentage of
17 delinquent taxes are referred to
18 third-party tax collectors.

19 COMMISSIONER TOLSON:
20 Approximately two-thirds.

21 COUNCILWOMAN BROWN:
22 Approximately what?

23 COMMISSIONER TOLSON:
24 Two-thirds.

25 COUNCILWOMAN BROWN: And if you

1 12/1/14 - FINANCE - BILL 140209, etc.
2 would, describe the types of matters or
3 circumstances that are referred to
4 third-party tax collectors.

5 COMMISSIONER TOLSON: There is
6 no single type. All types of taxes, all
7 types of circumstances with regard to
8 those taxpayers are referred, save for
9 things like bankruptcy, accounts that are
10 in dispute, somebody has an appeal in to
11 the Tax Review Board.

12 COUNCILWOMAN BROWN: So there
13 are triggers in the system that a flag
14 goes up to alert you that this is a
15 unique circumstance and, therefore,
16 requires subsequent alternative review?

17 COMMISSIONER TOLSON: That's
18 correct.

19 COUNCILWOMAN BROWN: So can you
20 outline what some of those triggers might
21 be? Death, as has been mentioned by the
22 sponsor of the bill, bankruptcy. Would
23 divorce be on that hit list?

24 COMMISSIONER TOLSON: No. That
25 would not be a flag in the system to say

1 12/1/14 - FINANCE - BILL 140209, etc.
2 not to transfer it to the collection
3 agency. It would really be those that
4 are under dispute and those that are in
5 bankruptcy. However, when there are
6 special circumstances that people bring
7 to our attention and the City is managing
8 that account, we're able to not
9 necessarily flag and assist them, but
10 work with the taxpayer in terms of how we
11 pursue our efforts with them.

12 COUNCILWOMAN BROWN: Very well.
13 What type of circumstances do
14 you feel do not lend themselves towards
15 referral to a third-party collector? Are
16 there any?

17 COMMISSIONER TOLSON: Any type
18 can go to a third-party collector. We
19 simply need to be able to manage the
20 terms of how that -- what the goals are.
21 I mean, the goal is not to have payment
22 without regard to the circumstances. You
23 wouldn't put up for Sheriff Sale
24 somebody's property that somebody is
25 injured, somebody who has extreme

1 12/1/14 - FINANCE - BILL 140209, etc.
2 circumstances or, say, even a modest
3 amount of debt.

4 COUNCILWOMAN BROWN: Or even
5 what?

6 COMMISSIONER TOLSON: Modest
7 amount of debt. You wouldn't want to
8 sell a property that had \$500 worth of
9 delinquency on it. A case like that, you
10 have to use some judgment with regard to
11 how you want to manage the situation.

12 COUNCILWOMAN BROWN: And what
13 currently is the interface with the
14 Controller's Office? Systemically what
15 happens with what you do and what the
16 Controller Office does around
17 collections?

18 COMMISSIONER TOLSON:
19 Collections really is managed within the
20 law group, the Law Tax Bureau of the
21 Revenue Department.

22 COUNCILWOMAN BROWN: Okay.

23 COMMISSIONER TOLSON: So they
24 were once called the Tax Bureau over in
25 the Law Department. Now they are part of

1 12/1/14 - FINANCE - BILL 140209, etc.
2 the Revenue Department. They are on
3 assignment to us, and they are
4 responsible per the Charter for the
5 collection of delinquent debt.

6 COUNCILWOMAN BROWN: Okay.
7 Last spring I sat down with Herb Wetzel
8 when there was a lot of percolating
9 discussion around this issue of revenue
10 collections or tax collections, and he
11 showed me a grid that listed property tax
12 owners who had not paid their taxes for
13 ten years or more, and interestingly
14 enough, the number -- I wish I could
15 remember the hard data -- did not live in
16 Philadelphia and were landlords, if you
17 will.

18 So what consideration or
19 procedures within the Department are
20 driven towards that particular type of
21 real estate owner?

22 COMMISSIONER TOLSON: Yes. We
23 have a couple of types of payment
24 agreements that are provided. There's
25 one for owner-occupants called OOPPA,

1 12/1/14 - FINANCE - BILL 140209, etc.
2 which Council remembers that it passed
3 not long ago, and that one offers terms
4 based upon the income level of the
5 property owner. And for those that have
6 the lowest level of income, they're
7 considered Tier 4 in the system. They
8 may pay as little as \$25 per month to
9 support the payment of their taxes, keep
10 their property off of any potential
11 listing for collection as long as they're
12 current in their payment.

13 COUNCILWOMAN BROWN: Is it fair
14 to say that many of them in that pool
15 might be seniors?

16 COMMISSIONER TOLSON: For sure.
17 We also offer support to senior
18 citizens who are of a certain income
19 level. There's a senior citizen discount
20 that is offered for their taxes as well.

21 For those who own their
22 properties but are not occupants and
23 instead are landlords or commercial
24 properties, for those we offer a standard
25 payment agreement, which means that they

1 12/1/14 - FINANCE - BILL 140209, etc.
2 will put down 50 percent of whatever
3 their debt is and then make payment
4 agreements over time.

5 COUNCILWOMAN BROWN: This is an
6 aside, but your comment regarding owners
7 who live in the property but is a rental
8 property triggers another question. So
9 just switch gears for a moment. On the
10 refuse collection tax, what is the law?
11 That you have to live in the property --
12 so it's a multi-unit property, duplex,
13 and the law says if you live in the
14 property, are or are you not required to
15 pay the refuse collection tax? What's
16 the law?

17 COMMISSIONER TOLSON: You pay
18 \$150, half of the tax if you live in a
19 duplex and you live in one half and you
20 rent the other half.

21 COUNCILWOMAN BROWN: Okay. I
22 need to share that with a constituent who
23 hit me with that question last week.
24 Okay. All right. I think that's it for
25 now. Thank you.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 COUNCILWOMAN TASC0: I have a
3 landlord who just won't understand that.
4 Every election day he's in my ear. He
5 just doesn't want to have to pay, because
6 his mother-in-law lives in the place.

7 In looking at the landlords who
8 do not live in the properties and who
9 live outside of the City, are you more
10 stringent on them in going after them for
11 the taxes? Because we see a lot of,
12 particularly in the 9th Councilmanic
13 District, a little bit in the Lower
14 Northeast, a number of folk from New York
15 came down, bought houses, are renting
16 them out. So I'm not sure if you've
17 done -- and we'll look at Herb's data to
18 see just how many of them are at least in
19 my district who are not paying their
20 taxes but are renting.

21 COMMISSIONER TOLSON: Yes. I
22 think it's fair to say that we've begun a
23 collaborative relationship with the
24 Department of License and Inspections
25 that working -- we're trying to build an

1 12/1/14 - FINANCE - BILL 140209, etc.
2 understanding that working with the City
3 and owning property in the City brings a
4 significant responsibility, and that's a
5 comment that Councilman Oh was saying,
6 that helping people understand that if
7 you do business here, that there's
8 certain expectations; that we are
9 beginning to collaborate there; that our
10 law group is starting to do some focused
11 effort on trying to understand properties
12 that are outside the City and what
13 best -- I'm sorry; property owners
14 outside the City and what best motivates
15 them to pay. We are finding some success
16 that those who are outside the City when
17 they are reminded that their properties
18 can go for Sheriff Sale or will go to
19 Sheriff Sale, they are often encouraged
20 to either do something about it or say
21 that they don't want to be bothered with
22 the property anymore, they make a
23 declaration about that.

24 COUNCILWOMAN TASC0: I didn't
25 understand what you just said.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 COMMISSIONER TOLSON: So if a
3 property owner is in another state, they
4 will either more closely -- once they
5 understand that we will follow them to
6 that next state, provide billing, advise
7 them that their property will go to
8 Sheriff Sale, that they are very
9 interested in trying to either resolve it
10 or declare that they are not going to be
11 able to resolve it and turn the property
12 over to the City.

13 I just had in my office a few
14 weeks ago a property owner from North
15 Carolina and he has ten properties in the
16 City, of which eight were tax delinquent,
17 and we had to share with him that we were
18 going to move to sell all of his
19 properties because of his delinquency.
20 And he didn't want to have to continue to
21 come back to Philadelphia to address the
22 problem, so instead he got into a payment
23 plan for most of them, and then for one
24 or two of them, he said, I can't pay the
25 taxes and it really should just go to

1 12/1/14 - FINANCE - BILL 140209, etc.
2 Sheriff Sale or something else should
3 happen to them, because he made it clear
4 to us what was going to be his position
5 on that.

6 So those type of -- developing
7 strategies for different types of
8 property owners is helpful, and part of
9 our data warehouse and case management
10 system will be aided in that. And then
11 we are also consolidating our strategies
12 to understand what property owners own
13 multiple properties. So joining together
14 that I just described with you for that
15 property owner in North Carolina that had
16 not just one property but multiple
17 properties can be tied together to
18 address a single taxpayer and trying to
19 use strategies to address that, as well
20 as looking at consolidating water bills
21 along with real estate taxes for the
22 purpose of pursuing Sheriff Sales.

23 COUNCILWOMAN TASC0: Okay. Any
24 other questions?

25 COUNCILMAN OH: If there are no

1 12/1/14 - FINANCE - BILL 140209, etc.

2 other questions, can I ask some
3 questions?

4 COUNCILWOMAN TASC0: Councilman
5 Oh.

6 COUNCILMAN OH: Thank you very
7 much.

8 From your testimony,
9 Commissioner, I'm gathering or my
10 impression is that there's two groups of
11 taxpayers, those who can afford to pay
12 and those who cannot afford to pay, and
13 that there is a desire to certainly
14 protect and to assist those who cannot
15 afford to pay so that we don't kick them
16 out of their homes, which creates more
17 problems, but at the same time, we want
18 to certainly collect the taxes from those
19 who can pay and simply are not paying.
20 Is that a fair enough summary?

21 COMMISSIONER TOLSON:
22 Councilman, I think that trying to
23 simplify the testimony, that does
24 simplify it, yes, and I think that we
25 want everyone to pay their fair share.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 COUNCILMAN OH: Yes.

3 COMMISSIONER TOLSON: So for
4 owner-occupants who make a de minimus
5 amount of money or have income of very
6 small levels, we try to work with them.

7 I had a gentleman in my office
8 two months ago whose income was less than
9 \$600 per month, and some of us might
10 wonder how this one lived on the type of
11 income, but people do it every day.

12 COUNCILMAN OH: Yes.

13 COMMISSIONER TOLSON: And he
14 owes a significant amount of real estate
15 taxes for his property. And certainly in
16 terms of public policies, it's probably
17 cheaper to keep him in his property
18 versus having him outside of his
19 property.

20 COUNCILMAN OH: Agreed.

21 COMMISSIONER TOLSON: So I was
22 happy to sign him up for a payment plan
23 of \$25 per month. That is what is
24 allowed under the OOPPA.

25 COUNCILMAN OH: So my question

1 12/1/14 - FINANCE - BILL 140209, etc.
2 is this, that there is in fact programs
3 and there is legal authority for you to
4 deal with persons who cannot afford to
5 pay their taxes such as the gentleman you
6 just described? And I think everybody is
7 happy that you did that, because that
8 person has so little money, they cannot
9 afford to pay, and it's better to keep
10 him in his home, but you already have
11 that ability; is that correct?

12 COMMISSIONER TOLSON: Yes. We
13 have some of those tools and we continue
14 to work on it and we continue to reach
15 out to those who have not engaged the
16 City as yet. As you're aware, that is
17 oftentimes very difficult to sometimes
18 help people help themselves.

19 COUNCILMAN OH: True.

20 COMMISSIONER TOLSON: So we
21 continue to work on that. I think that
22 is something that is an area where we
23 feel we're falling a little short, not
24 for lack of effort but just the reality
25 of who has signed up. So we have a lot

1 12/1/14 - FINANCE - BILL 140209, etc.

2 more work to do in that area.

3 COUNCILMAN OH: So the concern
4 that I raise is that because your office
5 already has the power to do that, that it
6 should be done uniformly, transparent,
7 available, and fair to all; that anyone
8 who needs that help, the City can work
9 with them within a year. But by
10 providing that service to some and not
11 pursuing the tax collection from others;
12 in other words, another person in the
13 same situation doesn't enter an agreement
14 for 15 years, a person in the same
15 situation enters an agreement of paying
16 25 a month. In other words, why wouldn't
17 everyone be subject to the same
18 opportunities so that the City can
19 resolve these matters more quickly?

20 COMMISSIONER TOLSON: Let me
21 just clarify, Councilman. I don't want
22 to suggest that we don't pursue taxes for
23 some people. We pursue taxes from
24 everyone. I think that my statement
25 about everyone paying their fair share is

1 12/1/14 - FINANCE - BILL 140209, etc.
2 just to relate that that level of payment
3 may be different for some versus another.
4 You could have two people in similar
5 houses with different incomes, but
6 because one is a senior citizen that
7 makes \$15,000 a year in Social Security
8 and that's it, their tax bills will be
9 slightly different. That's the fair
10 share.

11 COUNCILMAN OH: Right.

12 COMMISSIONER TOLSON: But each
13 of them has to pay whatever is their fair
14 share, and that's the point that I was
15 trying to make. So it is not that we
16 don't pursue payment from anyone. We
17 pursue it from everyone.

18 With regard to our desire to
19 have those who have not paid, I make that
20 comment only from the standpoint of there
21 are those who we have pursued, we've
22 sought legal remedy for them, we have
23 judgments for them, and they may not pay.
24 We have found that some people have not
25 paid because they didn't think they will

1 12/1/14 - FINANCE - BILL 140209, etc.
2 ever get caught. We are changing that
3 around.

4 So the ship has not made a 180
5 as yet, but we are certainly headed in
6 the right direction and we believe that
7 we are well underway, and once we have
8 some additional tools in the toolkit --
9 and believe me when I say to you that our
10 private partners, our co-counsel, the
11 lawyers that we work with, collection
12 agencies with attorneys, collection
13 agencies, are integral into the plan to
14 collect all the taxes that are due to the
15 City.

16 Now, our collection agencies,
17 right now we have two co-counsel that we
18 work with. They don't both perform at
19 the same level. One performs better than
20 the other, but they are both valuable to
21 us in the process of collecting the taxes
22 for the City. As we divide up what is
23 due to the City each year and trying to
24 spread that out, we could not do it
25 alone. We need to be able to work with

1 12/1/14 - FINANCE - BILL 140209, etc.
2 co-counsel. We need to be able to work
3 with collection agencies.

4 We have an early distribution
5 of our overdue taxes that occurs every
6 year. We've been moving that up over
7 time. The intent is to get people as
8 soon as possible with regard to what they
9 owe the City of Philadelphia and the
10 School District, to address them
11 frequently and to help them understand
12 that the debt will not go away.

13 COUNCILMAN OH: Thank you.
14 I'll just finally ask that of the \$500
15 million of long-term uncollected
16 delinquencies, what portion of that --
17 has that total number gone down? I know
18 it increases per year and then some of it
19 may be collected. Where are we with that
20 number as of today?

21 COMMISSIONER TOLSON: There's
22 \$365 million in real estate tax principal
23 that is due to the City, and that number
24 is going down as we increase our
25 collections. And we can share some more

1 12/1/14 - FINANCE - BILL 140209, etc.
2 information with you at a later time. I
3 should have a report for activity from
4 last year hopefully by the end of this
5 week that I can share with you I think
6 you'll find very helpful.

7 COUNCILMAN OH: All right.
8 Thank you very much.

9 Thank you very much, Madam
10 Chair.

11 COUNCILWOMAN TASC0:
12 Commissioner, if you under this bill
13 would be required to report the accounts
14 to the Controller and would authorize the
15 Controller to request transfer of
16 delinquent accounts with which the
17 Commissioner must comply, then what
18 happens to those delinquencies? Are they
19 automatically transferred to a third
20 party?

21 COMMISSIONER TOLSON: That's
22 what the legislation would do.

23 COUNCILWOMAN TASC0: And so
24 under what rules would the third party
25 operate? Are they able to just go and

1 12/1/14 - FINANCE - BILL 140209, etc.
2 take a person's property? While you work
3 with the homeowner or the owner to try
4 and work out a payment, these properties
5 are just given to this third party, whose
6 really goal is to collect the taxes and
7 whatever and we have no more control over
8 that.

9 COMMISSIONER TOLSON: My
10 understanding -- and I could be corrected
11 on this. My understanding is that the
12 goal for the legislation is to have the
13 foreclosure.

14 COUNCILWOMAN TASC0: So the
15 third-party collector has no
16 responsibility for trying to work out a
17 payment plan with the homeowner or
18 property owner?

19 COMMISSIONER TOLSON: They may,
20 but I think that the goal was to seek
21 foreclosure on all the properties that
22 are delinquent.

23 COUNCILMAN OH: May I respond
24 to that when you get a chance?

25 COUNCILWOMAN TASC0: Beg your

1 12/1/14 - FINANCE - BILL 140209, etc.

2 pardon?

3 COUNCILMAN OH: May I respond
4 to that when you're done?

5 COUNCILWOMAN TASC0: Well, I
6 have a real concern about that, because
7 looking at -- I don't mind going after
8 people who are taking advantage of the
9 City, some of these landlords who don't
10 live in the City, who come in to make
11 money off of the property, don't pay the
12 property tax. That's different. I'm not
13 sure I want to give them to a third
14 party. But in looking at the information
15 that we have seen in the last few weeks
16 relative to delinquent taxes, a lot of
17 them in my district are senior citizens
18 and they moved in the area when they were
19 younger, two-family, now the husband is
20 dead, the wife or the husband is on
21 Social Security and barely making it. So
22 I would not like to see them homeless,
23 because then we still have to take care
24 of them. They come to us. So they
25 belong in their homes, and I'm not sure

1 12/1/14 - FINANCE - BILL 140209, etc.

2 that I want to see them on the street or
3 not being able to stay in their homes.

4 So that's my concern about this
5 piece of legislation. At least we can
6 work with them, and I dare say the
7 majority of them do pay something. I
8 would dare say the majority of them do
9 pay something.

10 COMMISSIONER TOLSON:

11 Absolutely.

12 COUNCILWOMAN TASC0: And these
13 other people who are getting away with
14 it, then we need to be more aggressive in
15 going after them --

16 COMMISSIONER TOLSON: We agree.

17 COUNCILWOMAN TASC0: -- as a
18 city, without going to a third party.

19 COMMISSIONER TOLSON: We agree.

20 COUNCILWOMAN TASC0:

21 Councilwoman Blackwell.

22 COUNCILWOMAN BLACKWELL: I
23 totally agree with all of that our
24 Chairperson has said. And we already
25 have collection agencies. They collect.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 And we try to reach out for people in
3 need and where we already have a
4 relationship with people who understand
5 that we have to call for people in need.
6 To bring someone else in, which is why we
7 so often oppose privatization, because
8 forget the public and the public in need
9 and seniors and people who are destitute,
10 that's a hard pill for us to be asked to
11 swallow.

12 Thank you.

13 COUNCILWOMAN TASC0: We have a
14 37 percent poverty rate in this City and
15 we have to be very mindful of that.

16 COMMISSIONER TOLSON: And I
17 would add that we have nearly 94 percent
18 pay their real estate taxes on time, and
19 I'm certainly thankful to the many
20 seniors and people in poverty who do pay
21 their bills on time.

22 COUNCILWOMAN TASC0: My
23 neighbor doesn't like that refuse tax,
24 but he's in my ear all the time. But he
25 pays it. I tell him he has to pay it.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 There's nothing I can do about it.

3 Any other comments or
4 questions?

5 Councilwoman Brown.

6 COUNCILWOMAN BROWN: Thank you.

7 Thank you very much, Madam Chair Lady.

8 I want to echo my deep concerns
9 too about how we treat seniors, and know
10 that your office has been wonderful in
11 attending the senior citizen forums that
12 we have throughout the City where every
13 single year, even after eight years, we
14 discover seniors who are not aware of the
15 procedures you have in place to help them
16 along the way, because they want to do
17 the right thing, but too often they
18 simply are not aware of the tools that
19 you have there at the Revenue Department.
20 So just kudos to always making sure that
21 your department is represented at these
22 forums. And when we don't do that, then
23 they end up in poverty anyway and we
24 still, as Councilwoman said, still have
25 to take care of them.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 So I think we have to be smart
3 about how we help them do the right thing
4 and not -- and leave, quite frankly,
5 foreclosure as not an option, but help
6 them in other ways to get done what they
7 want to do anyway.

8 Thank you.

9 COUNCILMAN OH: And if I may
10 respond. I'd just like to point out that
11 the purpose of my bill is not to move
12 things to foreclosure. Actually, the
13 point of the bill is to ensure that the
14 City does not choose inaction as an
15 option, which has led to a large amount
16 of long past overdue delinquencies,
17 including people who can pay. And so I
18 think the issue is not the City can't
19 work with people who are poor and unable
20 to, but that the City has chosen -- and
21 no aspersions on the Commissioner. She's
22 done a great job, but she was put in
23 after the publicity was made, and for a
24 long time the City has not handled this
25 in a uniform and fair manner. And I

1 12/1/14 - FINANCE - BILL 140209, etc.
2 think the point of this bill is not to
3 foreclose on people, but rather to ensure
4 that the City takes action. If the year
5 has passed should a third party, be it
6 the Controller, whomever this legislation
7 indicates, requests a file, the City has
8 another 30 days to enter into agreement
9 or to forego or do a payment plan or
10 whatever it chooses to do, but it just
11 simply requires that the City do it in a
12 timely fashion as opposed to taking no
13 action for ten or 15 years.

14 Thank you.

15 COUNCILWOMAN TASC0: Well, I
16 think that we're talking of the past. We
17 moved now to the 20th century and we have
18 Ms. Tolson, who is doing a good job in
19 moving that department into the 20th
20 century, and maybe next year we'll get to
21 the 21st century, but at least it's a
22 beginning and they've done a good job of
23 collecting the taxes. I don't want some
24 collector calling my seniors harassing
25 them, giving them heart attacks and high

1 12/1/14 - FINANCE - BILL 140209, etc.
2 blood pressure. So I'll take the City.
3 They're doing a good job. She does it
4 with compassion and she still collects
5 the taxes. So that's where I am on this
6 bill, and we'll talk about it.

7 COUNCILMAN OH: Thank you.

8 COUNCILWOMAN TASC0: Yes.

9 COUNCILWOMAN BROWN: I do have
10 a question for the sponsor of the bill.

11 Please help us understand why
12 12 months or one year became the number,
13 the trigger for subsequent action.

14 COUNCILMAN OH: Based on best
15 practices studies looking at
16 municipalities across the United States
17 that have been able to get a higher
18 number of tax collections and also have
19 done so without harming those who are
20 indigent or poor, the key has been that
21 they do it in a year pretty much
22 universally, a year, maybe two years.
23 But the point of it is by doing it that
24 way, it becomes predictable and stable,
25 because most of tax collection is

1 12/1/14 - FINANCE - BILL 140209, etc.
2 voluntary. What the City is able to do
3 is get people who want to pay or who is
4 going to pay to pay. You may get more
5 people, but the problem is with people
6 who choose not to pay as a business
7 strategy or other things, but when they
8 enter a jurisdiction where it appears
9 uniform, transparent, unmovable, that
10 because of that they pay voluntarily, and
11 that has been the key to it.

12 COUNCILWOMAN TASC0: Well, I
13 think we're going to go after these
14 business people who come in, rent those
15 properties, and don't pay. I think
16 that's the audience we need to go after,
17 and she's moving in that direction. And
18 we already have people who are collecting
19 taxes, so they know where we stand on
20 going after those individuals.

21 Any other questions or
22 comments?

23 (No response.)

24 COUNCILWOMAN TASC0: Next to
25 testify is Mr. Butkovitz, the Controller.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 Are you sure you want to come up here?

3 And Jason Salus, Treasurer of Montgomery
4 County. Didn't you get the message?

5 (Witnesses approached witness
6 table.)

7 COUNCILWOMAN TASC0: Excuse me.
8 Councilwoman Blackwell will take over for
9 me.

10 COUNCILWOMAN BLACKWELL: Good
11 afternoon -- good morning.

12 CONTROLLER BUTKOVITZ: Good
13 morning.

14 COUNCILWOMAN BLACKWELL:
15 Welcome. Feel free to identify yourself
16 for the record and begin your testimony.

17 CONTROLLER BUTKOVITZ: Well,
18 good morning, Chairman Blackwell,
19 Councilman Oh, the other members of the
20 Committee. I want to introduce, I have
21 my First Deputy Controller, Bill Rubin,
22 here, as well as our Policy Director,
23 Dr. Jeffrey Hornstein.

24 I'd like to thank you and the
25 other members of the Finance Committee

1 12/1/14 - FINANCE - BILL 140209, etc.
2 for the opportunity to testify today on
3 Bill No. 140238 regarding the City's tax
4 collection efforts and enforcement.

5 As I have previously stated,
6 uncollected taxes, along with fines and
7 fees, are placing an extreme burden on
8 the City's ability to provide necessary
9 services for all citizens. Our office
10 has made it a priority to identify
11 hundreds of millions of dollars worth of
12 revenue and saving opportunities related
13 to delinquencies.

14 However, for the City to
15 realize these revenues, the
16 Administration and all appropriate
17 departments and agencies need to take
18 necessary actions to collect the
19 delinquent balances owed.

20 For example, our review of the
21 Department of Revenue's delinquent real
22 estate taxes found the City and School
23 District lost a combined total of \$120
24 million over two years, Fiscal Years 2011
25 and 2012, as a result of poor collections

1 12/1/14 - FINANCE - BILL 140209, etc.
2 and enforcement. This is a serious
3 revenue loss, and it demonstrates how the
4 effects of poor real estate collections
5 are hurting all Philadelphians.

6 The reasons for the poor
7 collection rate included:

8 During the time of the review,
9 the City made no attempt to send out late
10 notices to property owners after the
11 March 31st due date and instead waited
12 nine months to contact them.

13 Payment plans were ineffective
14 and often difficult to enforce once a
15 property became delinquent.

16 Once a property was moved from
17 delinquent to foreclosure, it took nearly
18 two and a half years and sometimes
19 reportedly upward of six years to move
20 the property to more responsible
21 ownership, one of the worst records of
22 any large United States city.

23 While Bill No. 140238 does take
24 necessary steps for the City to become
25 more aggressive in its delinquent tax

1 12/1/14 - FINANCE - BILL 140209, etc.
2 collections, I would suggest examining
3 additional recommendations that were also
4 provided in our review. This includes:

5 Report delinquent property
6 owners to credit bureaus; improve the
7 City's contractor efforts to contact past
8 due property taxpayers immediately
9 following the tax deadline; annually
10 assess its tax lien digest to identify a
11 poll of redeemable quality liens and
12 consider the feasibility of redeeming
13 those liens through a negotiated bulk tax
14 lien sale.

15 Along with stepping up
16 enforcement procedures, the Department of
17 Revenue needs to provide adequate
18 oversight of the billing and collection
19 functions of other City departments. As
20 we found in our latest annual financial
21 audit of all departments, Revenue did not
22 routinely provide guidance to the
23 departments to regularly communicate with
24 department personnel performing the
25 billing and receivable duties, some of

1 12/1/14 - FINANCE - BILL 140209, etc.

2 whom were not trained as accountants.

3 The Department of Revenue needs
4 to monitor all City departments
5 responsible for billing and collecting
6 tax revenues.

7 In addition, while I agree with
8 the bill's current language of requiring
9 the Department of Revenue to provide a
10 monthly report to the Controller's Office
11 containing any and all tax delinquencies
12 that have occurred in the previous month,
13 there is an issue about whether the
14 Controller's Office can assume
15 responsibility for the accounting and
16 transferring of the collection process to
17 a qualified third-party law firm or
18 collection agency.

19 This potentially presents a
20 conflict of interest between the City
21 Controller's current authority and duty
22 to the City of Philadelphia to prepare
23 the annual City accounting financial
24 report, which audits the receivables or
25 delinquent accounts for all monies owed

1 12/1/14 - FINANCE - BILL 140209, etc.
2 the City. In addition, it could impede
3 our independence, which would preclude us
4 from performing any financial opinion
5 audits. This is a matter of -- what
6 would be necessary as a pre-condition to
7 this would be to get an opinion from the
8 GAO, who writes The Yellow Book, because
9 there are certain functions that our
10 office does perform that would
11 conceivably be considered a conflict of
12 interest right now. We do pre-audit
13 function, we issue checks, and yet we
14 audit, but I would want to call the
15 Councilman's attention to the fact that
16 there is an issue there and that's an
17 issue that would have to be resolved.
18 And, of course, the second issue, you
19 know I'm always happy to help and it
20 always comes in with a request for the
21 necessary money and staffing to perform
22 the additional function.

23 So, in my opinion, City Council
24 needs to amend the bill as it currently
25 stands and, as it stands right now,

1 12/1/14 - FINANCE - BILL 140209, etc.
2 remove the language from Section 19-513
3 Subsection (3).

4 With that said, in Philadelphia
5 there is much room for improvement in
6 collecting what is owed. I believe that
7 positive results can be achieved if
8 appropriate action is pursued.

9 Thank you.

10 COUNCILWOMAN BLACKWELL: Thank
11 you very much. We're ready to entertain
12 any questions on this.

13 (No response.)

14 COUNCILWOMAN BLACKWELL: As you
15 may know, Mr. Controller, we appreciate
16 the job that you and your team does, but
17 we're also -- we have other people in the
18 back who collect taxes and who we call,
19 and I'm worried about paying more to --
20 certainly without further discussion on
21 this issue, expanding the role to get
22 more money when at this point we can come
23 up with a system to more expedite what we
24 need to collect if we decide that's what
25 we want to do. But we're still worried

1 12/1/14 - FINANCE - BILL 140209, etc.
2 about that little old lady, and we think
3 we got collection agencies now that are
4 responsive and that we're used to working
5 with. We are afraid to update that and
6 to try to increase more collections for
7 those who have not. Different, if you
8 have it, you pay it, as was said over and
9 over again, but the people who don't and
10 who can't afford, as Councilman Oh said,
11 that's a whole different story.

12 CONTROLLER BUTKOVITZ: But the
13 City can define the standards for payment
14 agreements. City Council has got the
15 ability to say that people within certain
16 income criteria or with other criteria
17 are going to be given a certain amount to
18 pay. This is really driven by the
19 Inquirer's extensive analysis of data
20 from many cities indicating that
21 Philadelphia was in a category virtually
22 by itself, only Philadelphia and Detroit,
23 that everybody else in the country
24 manages to get this done. And there are
25 people who are hard-pressed in many

1 12/1/14 - FINANCE - BILL 140209, etc.
2 cities, and I think you raise a
3 legitimate point and it's one that we
4 have always been -- you know, when we
5 dealt with the tax amnesty and so on, we
6 understand that there are, what was it,
7 12 percent of the people in the City are
8 living on \$12,000 or \$15,000 a year and
9 that they cannot survive on that amount
10 of money. But I think the remedy for
11 that is the Council provide in the
12 legislation, just as they did in the LOOP
13 legislation and as has -- this is really
14 a pretty well-established precedent that
15 you figure out what the level is, what
16 the threshold is for survival or for
17 relief and you just put that into the
18 law. Because the City can't afford to
19 carry half a billion dollars and then
20 write off probably a quarter of a billion
21 dollars in unpaid taxes.

22 Our review of the Five Year
23 Plan shows we're going to be in a narrow
24 margin coming over the next five years.
25 There's going to be increasing demands

1 12/1/14 - FINANCE - BILL 140209, etc.
2 for the City to continue to contribute
3 more to the schools, although we have a
4 new Governor. Really what happened in
5 the Legislature probably indicates that
6 the situation for the schools is not
7 going to be fundamentally different. So
8 when you're weighing the obligations that
9 the City is going to have to do to take
10 care of people who need service, there's
11 got to be revenue to balance that. And I
12 totally agree with not squeezing the
13 people who just cannot do it, but I think
14 there's a way you can do that.

15 COUNCILWOMAN BLACKWELL: Thank
16 you.

17 Do we have more questions from
18 members of the Committee?

19 (No response.)

20 CONTROLLER BUTKOVITZ: Well,
21 thank you.

22 COUNCILWOMAN BLACKWELL: Thank
23 you. Thank you to you and the team.
24 Thank you. Thank you for coming over.

25 Well, members of the Committee,

1 12/1/14 - FINANCE - BILL 140209, etc.

2 I think we'll wait to see what the
3 Chairperson would like to do.

4 Is there anyone else who wants
5 to testify on this bill?

6 (Witness approached witness
7 table.)

8 COUNCILWOMAN BLACKWELL: Thank
9 you.

10 MR. SALUS: Can I begin?

11 COUNCILWOMAN BLACKWELL: Please
12 identify yourself and make your
13 testimony.

14 MR. SALUS: Good morning. My
15 name is Jason Salus and I'm the Treasurer
16 of Montgomery County.

17 Members of the Committee, thank
18 you for inviting me to speak with you
19 today.

20 In January of 2012, I had the
21 privilege of being sworn in as Montgomery
22 County Treasurer. One of the units in my
23 office is the Tax Claim Bureau, which is
24 responsible for collecting delinquent
25 county, municipal, and school property

1 12/1/14 - FINANCE - BILL 140209, etc.
2 taxes. The focus of my testimony this
3 morning will be on some of the reforms
4 that we've made in recent years to
5 delinquent tax collection procedures in
6 Montgomery County as well as to provide a
7 brief snapshot of the results of our
8 approach.

9 Beginning in 2012, the
10 Montgomery County Tax Claim Bureau began
11 utilizing a new vendor, Northeast Revenue
12 Services, for delinquent tax collection
13 mechanics. While my senior staff directs
14 and manages this third-party vendor,
15 their independent expertise has allowed
16 us to significantly streamline our
17 collection efforts.

18 By default, the Montgomery
19 County Tax Claim Bureau collects
20 delinquent real estate taxes utilizing
21 provisions of the Real Estate Tax Sale
22 Law, also known as RETSL, which provides
23 for delinquent tax notifications and the
24 use of bulk real estate tax sales to
25 collect chronically delinquent accounts.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 Delinquent taxes are returned
3 to our office by the local tax collectors
4 in each of our municipalities and school
5 districts each January. The Tax Claim
6 Bureau utilizes several notification
7 procedures as prescribed in RETSL to
8 inform a taxpayer that their real estate
9 taxes have become delinquent. These
10 notifications include a courtesy letter,
11 a notice of Return and Claim which is
12 delivered to the taxpayer by certified
13 mail, and reminder letters. If the
14 certified Return and Claim mailing is not
15 deliverable, it is posted on the property
16 physically. If the property remains
17 delinquent into the following year, the
18 owner is advised of the beginning of
19 Upset Sale proceedings in a public notice
20 of sale letter from the Bureau as well as
21 a subsequent Sheriff posting on the
22 property and public advertisements.

23 Through the course of the
24 mandatory annual bulk real estate sales
25 as prescribed in RETSL, all delinquent

1 12/1/14 - FINANCE - BILL 140209, etc.
2 parcels that are not entered into a
3 payment plan or protected by bankruptcy
4 or a hardship plan that we offer move to
5 sale within two years of delinquency.
6 The bulk sales are a powerful and
7 cost-effective tool and result in uniform
8 enforcement of delinquencies. These
9 sales are conducted in coordination with
10 my office and our third-party collector,
11 not the County Sheriff. Parcels are
12 offered for Upset Sale in the second
13 September after their delinquency. So
14 this September we offered for sale
15 properties that were delinquent on their
16 2012 taxes.

17 The minimum bid for a parcel at
18 Upset Sale is taxes, costs, and municipal
19 liens. All other liens and mortgages
20 remain attached to those parcels at Upset
21 Sale. Historically, over 80 percent of
22 the parcels listed for this first sale,
23 this Upset Sale, make payment or enter
24 into payment plans prior to the sale
25 commencing.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 Parcels exposed but not sold at
3 our Upset Sale are then eligible for
4 private sale. For these over-the-counter
5 sales, potential buyers may submit a bid
6 to the Tax Claim Bureau. Prior to any
7 private sale being finalized, all taxing
8 authorities - the County, the School
9 District, and the municipality - must
10 approve those bids. Private sales also
11 include all liens and mortgages and
12 encumbrances at the time of sale.

13 Properties still not sold are
14 advertised for a judicial Free and Clear
15 Sale for a minimum bid of costs. The
16 minimum bid of the Free and Clear Sale is
17 much less than the tax balance, but has
18 the effect of getting the property into
19 the hands of a new taxpayer owner.
20 Delinquent taxes, liens, and mortgages
21 are divested from the parcel at the time
22 of sale, and more valuable properties
23 receiving higher bids will result in
24 recovery of some or all delinquent taxes.

25 Parcels not sold at that sale

1 12/1/14 - FINANCE - BILL 140209, etc.
2 are transferred to a repository, which is
3 similar to a land bank, where prospective
4 buyers can make over-the-counter offers
5 for as little as \$500. While bids over
6 the minimum will be applied to collection
7 costs and tax balances, the main effect
8 is to get those properties into the hands
9 of new owners and back on the tax rolls.

10 In September 2012, on my
11 recommendation and supported by the
12 findings in the Commonwealth Court case
13 Pennsylvania Land Title Association
14 versus East Stroudsburg Area School
15 District, the Montgomery County
16 Commissioners adopted a resolution
17 enabling the Tax Claim Bureau to use both
18 the RETSL law, as described above, as
19 well as the Municipal Claims and Tax Lien
20 Act, MCTLA, concurrently for collection
21 purposes. This followed similar
22 legislation in Berks, Washington, and
23 York Counties. In Montgomery County, we
24 refer to this as the Hybrid Program.

25 The MCTLA further incentivizes

1 12/1/14 - FINANCE - BILL 140209, etc.

2 payment of delinquent tax balances by
3 passing along the 5 percent collection
4 charge to the delinquent taxpayer.

5 Therefore, this fixed percentage is now
6 borne by the delinquent taxpayer rather
7 than the county or municipalities and
8 school districts. Additionally, the
9 MCTLA also enables the Tax Claim Bureau
10 to file a delinquent tax lien within the
11 County Prothonotary if payment is not
12 made. When a lien is filed, a 1 percent
13 legal fee is assessed on the delinquent
14 balance.

15 As a result of this unique
16 RETSL-MCTLA hybrid approach, taxing
17 authorities that have opted into our
18 program have realized dramatic
19 improvements in their collection rates as
20 well as reduced collection costs.

21 Immediately following the implementation
22 of the program, collections increased 400
23 percent during the first 50 days of 2013
24 compared to that same period in 2012. By
25 December 2013, after our first full year

1 12/1/14 - FINANCE - BILL 140209, etc.
2 of operating the Hybrid Program, we saw
3 one-year collection rates rise by more
4 than 7 points to nearly 69 percent
5 compared to when the County used only the
6 Real Estate Tax Sale Law prior to my
7 administration.

8 Through November 2014, our
9 overall two-year collection rate for
10 delinquencies was 94.58 percent. This
11 speaks to the impact again of the bulk
12 real estate Upset Sale, which took place
13 this September, resolving many of the
14 chronic 2012 tax year delinquencies.

15 And I'd also point out that
16 that 94.58 percent does not include
17 interest and we've not excluded
18 bankruptcies and difficult-to-collect
19 accounts. That's a total
20 apples-to-apples comparison.

21 The hybrid approach has also
22 helped some of our local taxing
23 authorities resolve chronic delinquencies
24 where they exist. For example, when the
25 Norristown Area School District, one of

1 12/1/14 - FINANCE - BILL 140209, etc.
2 the most financially challenged school
3 districts in the county, returned their
4 collections to the Tax Claim Bureau in
5 January 2013, we found delinquencies
6 going back as far as nine years. In
7 previous years, the District had been
8 utilizing only the MCTLA and had focused
9 on short-term collections rather than
10 resolving longstanding chronic
11 delinquencies. Our team worked closely
12 with the District to identify these
13 long-term delinquencies and moved
14 chronically delinquent parcels through
15 the collection process expeditiously. As
16 a result, in the first year through
17 December 2013, the Tax Claim Bureau
18 collected approximately \$7 million of a
19 total \$10 million delinquent real estate
20 tax balance that had been returned to us
21 in January 2013. Three million dollars
22 of that was from properties with at least
23 two years of delinquency. After being
24 with the Tax Claim Bureau for over 18
25 months, most of these chronic

1 12/1/14 - FINANCE - BILL 140209, etc.
2 delinquencies have been resolved and the
3 District has seen an overall increase in
4 collections and a decrease in outstanding
5 tax liens.

6 The Norristown School
7 District's recently completed June 2014
8 audit illustrates this point best. In
9 June 2011, the Norristown Area School
10 District had outstanding tax liens
11 totalling \$5.1 million. By June 2013,
12 that number had jumped to \$6.7 million in
13 outstanding delinquencies. By June 2014,
14 through the work of the Tax Claim Bureau
15 and District staff, that number fell to
16 \$5.7 million, a decrease of \$1 million,
17 or 15 percent. As a result, the
18 District's cash position has also
19 improved.

20 Finally, one of the most
21 important aspects of our approach in
22 Montgomery County is to work closely with
23 taxpayers to resolve their delinquencies
24 early and efficiently. This helps
25 taxpayers avoid having liens filed

1 12/1/14 - FINANCE - BILL 140209, etc.
2 against them and incurring fees
3 throughout the process. The Tax Claim
4 Bureau works with delinquent taxpayers
5 who have not defaulted on prior
6 agreements to establish realistic payment
7 plans made up of monthly installments to
8 satisfy the delinquent balance.
9 Additionally, the Bureau offers qualified
10 taxpayers who are experiencing financial
11 difficulty the opportunity to apply for
12 hardship agreements, which allow for even
13 more flexibility than a standard payment
14 plan. My office also works closely with
15 various County departments and non-profit
16 agencies that may be able to aid
17 individuals experiencing financial
18 hardship.

19 In closing, there's no silver
20 bullet in our delinquent tax collection
21 toolbox. Each mechanism is important in
22 the operation of a cohesive, successful
23 program. However, the RETSL-MCTLA Hybrid
24 Program administered through Northeast
25 Revenue Services and overseen by my

1 12/1/14 - FINANCE - BILL 140209, etc.
2 office has proven effective in Montgomery
3 County. Should the City of Philadelphia
4 consider implementing any of these
5 elements of the program, my team would be
6 happy to provide any guidance and
7 assistance that would be helpful.

8 Thank you.

9 COUNCILWOMAN TASC0: Thank you
10 very much.

11 Anyone have questions?

12 (No response.)

13 COUNCILWOMAN TASC0: I do. You
14 all went to the -- I'm sorry I missed
15 your beginning. I went out. Is this the
16 Retail Estate Law Sale?

17 MR. SALUS: Real Estate Tax
18 Sale, RETSL.

19 COUNCILWOMAN TASC0: And then
20 what you did, you contracted out to a
21 firm to collect the taxes?

22 MR. SALUS: Correct. They do
23 the day-to-day mechanics of sending out
24 the notices and taking in the payments,
25 but it's all based on guidelines that is

1 12/1/14 - FINANCE - BILL 140209, etc.

2 set by my office and the County.

3 COUNCILWOMAN TASC0: Was that
4 also due to your leasing this out or
5 farming it out or placing out, was due to
6 the fact you didn't have the staff?

7 MR. SALUS: There was another
8 vendor actually in place prior to my
9 administration. This was an
10 organizational decision made by the
11 County probably about a half a dozen
12 years ago. So this vendor provided
13 continuity from what the County in terms
14 of how we operated logistically
15 previously.

16 COUNCILWOMAN TASC0: So you had
17 someone prior to that, this company
18 coming in?

19 MR. SALUS: The County did,
20 correct.

21 COUNCILWOMAN TASC0: The County
22 had someone.

23 MR. SALUS: Correct.

24 COUNCILWOMAN TASC0: But you
25 also changed Commissioners too, didn't

1 12/1/14 - FINANCE - BILL 140209, etc.

2 you?

3 MR. SALUS: We did.

4 COUNCILWOMAN TASC0: Let me ask
5 you a question. What part of your
6 county -- Montgomery County is pretty
7 big. Where do you have the highest
8 delinquency in terms of your townships?

9 MR. SALUS: In terms of rates,
10 delinquency rates, I would say it's
11 probably Norristown and Pottstown. The
12 Norristown School District has had, as I
13 said, a number of challenges. They had a
14 number of issues with landlords that
15 owned hundreds of properties. We collect
16 for Pottstown borough, but not the
17 Pottstown School District, so I can't
18 speak in great detail to that.

19 COUNCILWOMAN TASC0: In
20 Norristown are you talking about
21 landlords who are renting or are you
22 talking about homeowners? You're not
23 talking about homeowners in Norristown.

24 MR. SALUS: In terms of
25 delinquencies?

1 12/1/14 - FINANCE - BILL 140209, etc.

2 COUNCILWOMAN TASC0: Yes.

3 MR. SALUS: It's both.

4 COUNCILWOMAN TASC0: It's both?

5 MR. SALUS: It's both.

6 COUNCILWOMAN TASC0: The
7 largest percentage is what? Landlords
8 who rent?

9 MR. SALUS: Landlords? I don't
10 have that data with me. I would say that
11 of what we collect, the greatest
12 concentration of delinquent landlords is
13 probably in Norristown. To quantify it,
14 I could get back to Council with that.

15 COUNCILWOMAN TASC0: So it's
16 similar to some of the areas we have in
17 Philadelphia, which Norristown is similar
18 in terms of economics to some of the
19 areas of Philadelphia, right?

20 MR. SALUS: There's challenges,
21 yes.

22 COUNCILWOMAN TASC0: Yes.

23 MR. SALUS: They have
24 challenges.

25 COUNCILWOMAN TASC0: Okay. I

1 12/1/14 - FINANCE - BILL 140209, etc.

2 think that's it.

3 Any other questions?

4 (No response.)

5 COUNCILWOMAN TASC0: Thank you

6 very much.

7 MR. SALUS: Thank you.

8 COUNCILWOMAN TASC0: Next we

9 have Mr. Thomas Ginsberg.

10 (Witness approached witness

11 table.)

12 COUNCILWOMAN TASC0: Good

13 afternoon. Thank you for coming and

14 thank you for your testimony.

15 MR. GINSBERG: Thank you very

16 much. I'm Thomas Ginsberg. Thank you

17 very much for the opportunity to present

18 our research about Philadelphia's

19 property tax delinquency challenge.

20 Pew's Charitable Trusts

21 Philadelphia research initiative looks at

22 key public interest issues in the City.

23 We seek to inform the discussion and we

24 do not take positions on City

25 legislation.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 Our initial study, released
3 about 18 months ago, looked at
4 Philadelphia compared to 35 other mostly
5 large localities nationwide in Fiscal
6 2010-'11. That was the last year that
7 comparable data was available for all
8 these cities. At that time,
9 Philadelphia's same-year delinquency
10 rate; that is, the percentage of property
11 taxes unpaid within the same initial year
12 that they were due, was 9 percent. That
13 was roughly in line with rates in other
14 high-poverty cities, but it was more than
15 double the 36 city median rate of 3.8
16 percent. Among those 36 cities,
17 Philadelphia had the fifth highest
18 delinquency rate.

19 Our study found that some of
20 the other cities had a variety of ways of
21 keeping property tax delinquency lower
22 than Philadelphia did. They included
23 keeping the number of new delinquencies
24 in check through prompt and clear action
25 to collect taxes as soon as they become

1 12/1/14 - FINANCE - BILL 140209, etc.
2 due. They also adhered to strict
3 timetables for following through on
4 threats of Sheriff Sale or tax lien
5 sales. We also found that long-term
6 multi-year delinquencies were a major
7 problem for Philadelphia. Our study
8 concluded that the City over time should
9 have been able to collect about 30
10 percent of its total outstanding property
11 tax debt if it used all of its statutory
12 powers. At the time, the figure came to
13 about 155 million out of the 515 million
14 that was due.

15 Since our study was released,
16 there have been several changes in the
17 way Philadelphia handles unpaid property
18 taxes. Many of those were testified here
19 today. Those changes include the City
20 Council's vote for a strict one-year
21 deadline for the City to take action on
22 delinquencies, along with its enactment
23 of a new uniform system of catch-up
24 payment plans for residential
25 owner-occupants. The City, along with

1 12/1/14 - FINANCE - BILL 140209, etc.
2 its contracted tax collection firms and
3 the Sheriff's Office, have made internal
4 procedural and payment changes that have
5 allowed more resources to be dedicated to
6 pursuing delinquencies and more
7 foreclosed properties to go into line for
8 auction. In addition, the City's real
9 estate market, as reflected in the number
10 and the price of homes for sale, has
11 picked up since our last study, and that
12 market activity in turn can help keep the
13 pipeline of foreclosed properties moving
14 and the threat of foreclosure sale
15 credible.

16 In the past two years,
17 Philadelphia's delinquency rate has
18 improved modestly, both in absolute terms
19 and in comparison to the other cities in
20 our initial study. Philadelphia's
21 same-year delinquency rate fell below 7
22 percent in Fiscal 2011-'12. That
23 followed the trend across all the cities,
24 according to our updated analysis. As a
25 group, their median delinquency rate went

1 12/1/14 - FINANCE - BILL 140209, etc.
2 from below 4 percent to below 3 percent.
3 Since Philadelphia's delinquency rate
4 fell at a slightly faster clip, the City
5 has now improved its overall ranking,
6 moving from that fifth highest
7 delinquency rate now to ninth highest out
8 of the 36 cities.

9 The delinquency rate is still
10 relatively high and the City faces other
11 tests such as whether its payment plan
12 payers will continue to default at a
13 higher rate like they were. Still, the
14 falling delinquency rate shows that
15 Philadelphia is moving in the right
16 direction.

17 Thank you for giving me this
18 opportunity. I'll answer any questions
19 you have.

20 COUNCILWOMAN TASC0: Thank you
21 very much for your testimony. We
22 appreciate your coming out.

23 Any questions?

24 (No response.)

25 COUNCILWOMAN TASC0: Well, at

1 12/1/14 - FINANCE - BILL 140209, etc.
2 least there's a ray of hope here. I
3 think the change, improvement is a result
4 of our Revenue Department as well as the
5 will of this Council to see that people
6 pay their taxes. Thank you.

7 MR. GINSBERG: Thank you.

8 COUNCILWOMAN TASC0: Next we
9 have Ms. Sharon Humble and Richard Perr.
10 (Witnesses approached witness
11 table.)

12 COUNCILWOMAN TASC0: And, Ms.
13 Humble, we don't need that testimony.
14 We'll put it in the record.

15 MS. HUMBLE: That's what it's
16 for. Thank you.

17 COUNCILWOMAN TASC0: Since we
18 know basically what you do, could we ask
19 you some questions?

20 MS. HUMBLE: Sure.

21 COUNCILWOMAN TASC0: You've
22 heard the testimony. You've been here
23 all day, all morning, in terms of what is
24 happening with the Revenue Department and
25 our ability to increase collections.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 What are you doing in order to help our
3 Revenue Department increase the tax
4 collection and what are some of the
5 procedures you use in collecting taxes?
6 Please identify yourself and tell us what
7 you do.

8 MS. HUMBLE: Sure. My name is
9 Sharon Humble. I'm the Managing Partner
10 for Linebarger, Goggan, Blair and Sampson
11 in Philadelphia. We are one of the
12 City's co-counsel in third-party
13 collections.

14 So to clarify, presently the
15 City is utilizing third-party collection
16 vendors, both law firms and agencies. So
17 we help the City with that. Once the
18 accounts are turned over to our firm, we
19 start by doing regular monthly and
20 sometimes more-than-once-a-month
21 collection notices to the taxpayers,
22 advising them of their need to pay and
23 the availability of the different
24 programs for them to pay.

25 So, for example, if they need a

1 12/1/14 - FINANCE - BILL 140209, etc.
2 payment plan agreement, if they are the
3 long-term owner-occupants, they can still
4 get the OOPPA agreements. We advise them
5 of all these matters so that they can
6 come forward and pay.

7 So we understand the bill
8 that's proposed, those options would
9 still be available to any taxpayers whose
10 accounts might be turned over to
11 third-party collectors, just as they are
12 now. So we offer in-person taxpayer
13 assistance. So the taxpayers can come
14 into our office, they can get a payment
15 history, they can meet with the taxpayer
16 assistants to have their accounts
17 explained to them and how to pay. We
18 listen to them regarding financial
19 reasons that they may not be able to pay
20 at the moment and we enter them into
21 payment agreements. We then administer
22 the payment agreements with the monthly
23 payment amounts and with breach letters
24 going out if they miss payments and then
25 with default and warning of default

1 12/1/14 - FINANCE - BILL 140209, etc.
2 letters if they are getting close to
3 missing a payment. If they still do not
4 pay or if they default, those accounts
5 get targeted for Sheriff Sale, because
6 often we have to do that in order to
7 motivate payment. Some of these
8 properties are owned, as you know, by
9 these absentee landlords or absentee
10 investors and it is part of their
11 business plan not to pay until they are
12 forced to pay. And so we can file a
13 lawsuit and they still may not pay at
14 that point because it may not meet their
15 timing, until it's actually set for
16 Sheriff Sale. So one thing that does
17 help and one thing that has been
18 occurring in the last few years has been
19 the expansion of the court's capacity to
20 handle more of these filings and the
21 Sheriff's Office's capacity to handle
22 more of these filings and then to
23 distribute the funds that come in so that
24 more can be handled and faster.

25 Additionally, one of the things

1 12/1/14 - FINANCE - BILL 140209, etc.
2 that distinguishes Philadelphia from some
3 of these other jurisdictions that you've
4 heard about is that Philadelphia has a
5 large number of vacant and abandoned
6 properties that make up the tax
7 delinquent portfolio. So since there is
8 nobody to write the check or to enter the
9 payment agreement, those properties are
10 moved through Sheriff Sale to put them in
11 the hands of a new owner, who will then
12 pay the taxes and maintain the
13 properties. So in that way, part of this
14 tax collection process is part of
15 sustainable communities for the City,
16 because we're getting those properties
17 back onto the revenue-producing tax
18 rolls. So that's a large part of what we
19 do.

20 One thing I did want to note
21 regarding this bill and the City's
22 present practice is, the City presently
23 is doing better at faster assignment of
24 accounts than the bill provides for.
25 Starting when we were first retained by

1 12/1/14 - FINANCE - BILL 140209, etc.
2 the City in 2004, accounts were not
3 assigned out for collection unless they
4 were at least in their third year of
5 delinquency. Starting in 2009, the City
6 changed that practice and started
7 referring out accounts within their first
8 year of delinquency. The accounts would
9 come in about May or June. And starting
10 this year, in 2014, the City improved on
11 its already improved fast turnaround and
12 assign the new accounts in February. I
13 mean, within eight weeks of the liens
14 getting filed. So that's a very rapid
15 response to getting those accounts into
16 collection, and we think the City should
17 be applauded for that. So they have
18 really raised the bar, and we would
19 suggest that any bill that might go
20 through or any changes to City law at
21 least meet the standard that the City has
22 set right now for fast collections.

23 So, again, any account that
24 comes to us, the City retains control,
25 because the City has not sold the lien.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 So, therefore, the City mandates the
3 standards for payment plan agreements.

4 The City mandates the standards for how
5 the accounts are treated. If they want
6 penalty or interest waivers, the City is
7 still in charge of that. And so the
8 senior citizens, the persons who are
9 financially hardshipped are still
10 protected.

11 COUNCILWOMAN TASC0: Are you
12 familiar with any of the companies who
13 would under this bill be given the sole
14 control of a case how they operate or
15 would operate? Are they any more
16 effective than you are in what you're
17 doing? What gives them -- I guess what
18 would give them the ability to be more
19 effective than what we're doing now?

20 MS. HUMBLE: I mean, there's no
21 difference. This does not call for the
22 accounts to be assigned out to somebody
23 who could do it faster. It would
24 basically result in these accounts that
25 come to our firm or whoever else the City

1 12/1/14 - FINANCE - BILL 140209, etc.
2 might hire to do it faster, but our firm
3 is a national leader in collecting
4 government receivables, and I would say
5 that our firm probably collects more than
6 any other law firm in the nation of
7 delinquent real estate taxes.

8 And so this does not afford
9 them any new tools than we have access to
10 already. And so, if anything, the City
11 does not want to experience a loss of
12 momentum in what we're already doing to
13 collect the taxes. And we have new
14 programs that we're always putting in
15 place and upgrades to continue to meet
16 the demands of both the technology
17 requirements as well as the people who
18 want to acquire the properties.

19 COUNCILWOMAN TASC0: Okay.

20 Any questions?

21 Councilwoman.

22 We do have another hearing
23 that's coming in on us right now, so
24 we're going to move quickly.

25 COUNCILWOMAN BLACKWELL: That's

1 12/1/14 - FINANCE - BILL 140209, etc.
2 right. But we want to thank you for your
3 ability to being willing to negotiate
4 with some of these people in need. It is
5 really hard when people come and it's
6 going to be especially hard during the
7 holiday time, people who just don't have
8 it. And so we appreciate our ability to
9 work together to help people in need.

10 MS. HUMBLE: Sure. And I just
11 want to make sure that my panel mate here
12 has a chance to speak, because he is here
13 speaking on the Collectors Association,
14 and our firm is a long-term member of
15 MACA and so we respect a great deal of
16 what he is doing.

17 MR. PERR: Thank you. And we
18 just wanted to make --

19 COUNCILWOMAN TASC0: Identify
20 yourself for the record.

21 MR. PERR: I'm sorry. Richard
22 Perr. I'm with Fineman, Krekstein and
23 Harris here in Philadelphia. I also sit
24 on the Board of Directors of the
25 Mid-Atlantic Collectors Association,

1 12/1/14 - FINANCE - BILL 140209, etc.
2 which represents over 150 agencies,
3 employing over 10,000 people in this
4 area.

5 We just want to emphasize that
6 there are third-party agencies in this
7 area who are trained to have the ability,
8 who are law-abiding, who are ethical, who
9 continue to do this work throughout this
10 region and are more than capable of
11 handling the tasks that are put forward
12 by the City in whatever manner and
13 direction they were given. Collection
14 agencies act and recover in Pennsylvania
15 last year \$2.5 billion back into the
16 economy. This is individuals and
17 companies who are trained to do this, who
18 do so effectively, and who do so within
19 the rights of the people who are being
20 collected upon. And I noticed comments
21 throughout this morning and I wanted to
22 emphasize that members of MACA are
23 ethically trained. They go through
24 continuing education, and they respond
25 and are directed by specifically the

1 12/1/14 - FINANCE - BILL 140209, etc.
2 instructions given to them by their
3 clients. So as the commentary has come
4 about regarding seniors, regarding other
5 people who are in need, third-party
6 collectors already work with their
7 clients and with individuals to make sure
8 that payments are necessary and
9 affordable, and it's done in a respectful
10 and appropriate manner.

11 So we support the legislation
12 and say that there already in place are
13 dozens and dozens of agencies that are
14 here to help the City that work within
15 the law and are more than happy to help
16 participate both if this legislation is
17 passed and otherwise.

18 So thank you.

19 COUNCILWOMAN TASC0: So you
20 come in to support the bill?

21 MR. PERR: Yes.

22 COUNCILWOMAN TASC0: Sharon,
23 are you coming to support the bill?

24 MS. HUMBLE: I'm here to
25 support the bill. I do agree with the

1 12/1/14 - FINANCE - BILL 140209, etc.
2 memo provided by the Law Department that
3 there is some changes that would need to
4 be made because of the Charter's
5 authority over collections. But we do
6 support it. Our firm basically owns
7 in-house a large collection agency with
8 the predictive dialers and the call
9 centers and the mailing houses, and I
10 think sometimes people don't realize
11 that.

12 COUNCILWOMAN TASC0: Okay.

13 Any questions or comments?

14 (No response.)

15 COUNCILWOMAN TASC0: Thank you
16 very much.

17 MS. HUMBLE: Thank you very
18 much for your time. We appreciate it
19 very much.

20 COUNCILWOMAN TASC0: Is there
21 anyone else here to testify on this bill,
22 Bill 140238?

23 (No response.)

24 COUNCILWOMAN TASC0: There
25 being none, we will now go into our

1 12/1/14 - FINANCE - BILL 140209, etc.
2 public meeting.

3 The Chair asks Councilwoman
4 Blackwell to offer the amendment to Bill
5 140209.

6 COUNCILWOMAN BLACKWELL: Thank
7 you, Madam Chair. I move that Bill No.
8 140209 -- I move that the amendment to
9 Bill No. 140209 be adopted.

10 (Duly seconded.)

11 COUNCILWOMAN TASC0: It has
12 been moved and seconded that the
13 amendment to Bill 140209 be adopted.

14 All in favor?

15 (Aye.)

16 COUNCILWOMAN TASC0: Is there
17 any opposition?

18 (No response.)

19 COUNCILWOMAN TASC0: Now I ask
20 Councilwoman Blackwell to move Bill
21 140209.

22 COUNCILWOMAN BLACKWELL: Thank
23 you, Madam Chair. I move that Bill No.
24 140209, as amended, be reported out of
25 Committee with a favorable recommendation

1 12/1/14 - FINANCE - BILL 140209, etc.
2 and a recommendation for a suspension of
3 the rules so as to permit first reading
4 at our next session of Council.

5 (Duly seconded.)

6 COUNCILWOMAN TASC0: It has
7 been moved that Bill No. 140209, as
8 amended, be reported out of Committee
9 with a favorable recommendation and the
10 rules of Council be suspended so this
11 bill can be heard at Council's next
12 session.

13 All in favor?

14 (Aye.)

15 COUNCILWOMAN TASC0: Is there
16 any opposition?

17 (No response.)

18 COUNCILWOMAN TASC0: Thank you.
19 There being none, the motion is carried.

20 The Chair recognizes
21 Councilwoman Blackwell for Bill No.
22 140884.

23 COUNCILWOMAN BLACKWELL: Thank
24 you, Madam Chair. I move that Bill
25 140884 be reported out of Committee with

1 12/1/14 - FINANCE - BILL 140209, etc.
2 a favorable recommendation and also a
3 recommendation for a suspension of the
4 rules so as to permit first reading at
5 our next session of Council.

6 (Duly seconded.)

7 COUNCILWOMAN TASC0: It has
8 been moved and seconded that Bill 140884
9 be reported out of Committee with a
10 favorable recommendation and a request
11 that the rules of Council be suspended so
12 this bill can be heard at Council's next
13 session.

14 All in favor?

15 (Aye.)

16 COUNCILWOMAN TASC0: The motion
17 is carried.

18 We will hold Bill, at the
19 request of the sponsor, 140238 until the
20 call of the Chair.

21 COUNCILMAN OH: Thank you.

22 COUNCILWOMAN TASC0: Now, I was
23 trying to wait for Councilman Johnson,
24 but we have another committee waiting.
25 Let us move with Bill 140828.

1 12/1/14 - FINANCE - BILL 140209, etc.

2 Councilwoman.

3 COUNCILWOMAN BLACKWELL: Thank
4 you, Madam Chair. I move that Bill No.
5 140828 be reported out of Committee with
6 a favorable recommendation and also that
7 the rules of Council be suspended so as
8 to permit first reading at our next
9 session of Council.

10 (Duly seconded.)

11 COUNCILWOMAN TASC0: It has
12 been moved and properly seconded that
13 Bill 140828 be reported out of Committee
14 with a favorable recommendation and that
15 the Council rules be suspended so this
16 bill can be heard at Council's next
17 session.

18 All in favor?

19 (Aye.)

20 COUNCILWOMAN TASC0: Is there
21 any opposition?

22 (No response.)

23 COUNCILWOMAN TASC0: There
24 being none, the motion is carried.

25 There being no further business

Committee on Finance
December 1, 2014

Page 122

1 12/1/14 - FINANCE - BILL 140209, etc.
2 before this Committee today, we are
3 adjourned.

4 Thank you all for coming.

5 (Committee on Finance concluded
6 at 12:15 p.m.)

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STREHLOW & ASSOCIATES, INC.
(215) 504-4622

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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.

MICHELE L. MURPHY
RPR-Notary Public

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

Committee on Finance
December 1, 2014

Page 1

A	absentee	82:8 102:24	advertised	agreeable 7:9	44:6 51:3,7	93:21 95:21	114:13,25
\$1 5:20 95:16	109:9,9	103:21	18:4 90:14	Agreed 60:20	60:5,14	approached	assume 34:15
\$10 94:19	absolute	actions 77:18	advertisem...	agreement	72:15 83:17	4:7 19:8	80:14
\$10,000 5:22	104:18	active 12:17	88:22	32:4 36:15	84:9	40:2 76:5	assuming
\$100 23:21	Absolutely	activity 25:25	advise 57:6	37:25 53:25	amounts	86:6 101:10	37:8
\$102 43:17	69:11	44:13,16	108:4	62:13,15	108:23	106:10	attached
\$12,000 84:8	accelerate	66:3 104:12	advised 88:18	73:8 108:2	analysis	appropriate	89:20
\$120 77:23	44:8,9	acts 40:23	advising	110:9	83:19	28:22 77:16	attacks 73:25
\$15,000 63:7	accepting	45:4	107:22	agreements	104:24	82:8 116:10	attempt 78:9
84:8	14:23	actual 44:5	Afessa 19:6	25:18 52:24	analyze 26:21	appropriat...	attending
\$150 30:25	access 5:11	adamant	19:18,22,23	54:4 83:14	and/or	27:17	71:11
54:18	9:4,11	36:23	20:7 21:20	96:6,12	123:22	approve	attention
\$16 24:2	113:9	add 18:10	21:23 22:2	108:4,21,22	annual 79:20	90:10	50:7 81:15
\$2.2 6:19	account	70:17	22:8,18	112:3	80:23 88:24	approved	attorneys
\$2.5 115:15	26:23 27:24	addition 80:7	afford 33:8	aid 96:16	annually 5:21	16:8	18:22 64:12
\$2.7 47:17	50:8 111:23	81:2 104:8	33:15 34:8	aided 58:10	39:2 79:9	approximat...	auction 104:8
\$25 24:13,14	account-level	additional	59:11,12,15	aims 9:7	answer 30:2	48:20,22	audience
53:8 60:23	28:18	18:23 64:8	61:4,9	alert 49:14	105:18	94:18	38:19 75:16
\$30 26:8	accountants	79:3 81:22	83:10 84:18	alike 18:8	anymore	area 61:22	audit 79:21
\$365 65:22	18:21 80:2	Additionally	113:8	allocate 25:13	56:22	62:2 68:18	81:14 95:8
\$5.1 95:11	accounting	92:8 96:9	affordable	allocations	anyway 71:23	91:14 93:25	audits 80:24
\$5.7 95:16	80:15,23	109:25	116:9	24:6	72:7	95:9 115:4	81:5
\$500 51:8	accounts 25:8	address 8:23	afraid 83:5	allow 6:16	appeal 25:18	115:7	authorities
65:14 91:5	26:17 28:13	33:3 38:7	afternoon	28:17 31:15	49:10	areas 11:11	90:8 92:17
\$6.7 95:12	49:9 66:13	57:21 58:18	76:11	31:20 96:12	appear 26:16	100:16,19	93:23
\$600 60:9	66:16 80:25	58:19 65:10	101:13	allowed 45:5	appears 75:8	aside 8:7 54:6	authority
\$7 94:18	87:25 93:19	addressed	age 30:22	60:24 87:15	applauded	asked 46:17	39:10 61:3
\$7.5 29:2	107:18	33:9	agencies	104:5	111:17	70:10	80:21 117:5
\$90 24:11	108:10,16	adequate	25:23 64:12	allows 26:2	apples-to-a...	asks 118:3	Authorizati...
\$909 23:25	109:4	79:17	64:13,16	alternative	93:20	aspects 95:21	3:23 17:12
a.m 1:7	110:24	adhered	65:3 69:25	49:16	application	aspersions	authorize
abandoned	111:2,7,8	103:2	77:17 83:3	alters 17:17	14:25	72:21	66:14
110:5	111:12,15	adjourned	96:16	amend 7:10	applications	assess 79:10	authorized
ability 27:14	112:5,22,24	122:3	107:16	81:24	14:23	assessed	3:14 14:5
27:19,22	accurate	administer	115:2,6,14	amended	applied 15:11	92:13	automate
39:8 61:11	19:15	108:21	116:13	118:24	91:6	assign 26:17	28:19
77:8 83:15	accurately	administered	agency 3:6	119:8	apply 3:13,18	111:12	automatic 3:3
106:25	123:5	96:24	23:14 26:18	amending	14:5,10	assigned	23:12 27:13
112:18	achieve 25:4	administrat...	27:2 31:14	2:17,25 3:9	25:6 96:11	111:3	automatical...
114:3,8	27:16	18:8 33:14	37:16 50:3	3:21	123:20	112:22	31:13 32:17
115:7	achieved 82:7	77:16 93:7	80:18 117:7	amendment	appreciate	assigning	66:19
able 9:5	acquire	98:9	aggressive	17:22 20:25	10:3 15:4	26:25	availability
12:11 26:21	113:18	Administra...	46:5 69:14	118:4,8,13	29:17 82:15	assignment	107:23
28:12 29:8	act 40:7	7:8	78:25	amendments	105:22	52:3 110:23	available
37:10 38:12	91:20	administrat...	ago 42:13	7:7	114:8	assist 50:9	3:17 14:9
50:8,19	115:14	31:8	53:3 57:14	amends 4:24	117:18	59:14	18:5 62:7
57:11 64:25	acted 33:7	administrat...	60:8 98:12	13:24 17:10	appreciates	assistance	102:7 108:9
65:2 66:25	action 12:19	39:25	102:3	23:9	29:14	11:19 97:7	Avenue 8:17
69:3 74:17	31:16,17	adopted	agree 29:18	amnesty	appreciative	108:13	8:21 11:11
75:2 96:16	32:2,7,12	91:16 118:9	31:3 35:4	24:16 84:5	44:25	assistants	average
103:9	32:12,22	118:13	69:16,19,23	amount 5:19	approach	108:16	30:22
108:19	34:7 73:4	advantage	80:7 85:12	6:12 16:10	29:22 31:12	Association	AVI 30:15
absent 37:14	73:13 74:13	41:9 68:8	116:25	16:13 43:13	87:8 92:16	91:13	35:6

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 2

avoid 95:25	beautiful	26:1,13,16	115:1 116:1	BOBBY 1:12	94:17,24	carried	118:7,23
aware 18:15	8:13	27:1 28:1	116:20,23	body 24:6	95:14 96:4	119:19	119:20,24
25:9 30:16	Beg 67:25	29:1,18	116:25	27:5	96:9	120:17	120:20
36:19 44:17	began 87:10	30:1,6 31:1	117:1,21,22	Book 81:8	bureaus 79:6	121:24	121:4
61:16 71:14	beginning	32:1 33:1	118:1,4,7,9	Boot 38:25	business 2:18	carry 84:19	Chairman
71:18	38:15 56:9	34:1 35:1	118:13,20	borne 92:6	5:2,11,16	case 26:24	76:18
Aye 118:15	73:22 87:9	36:1 37:1	118:23	borough	5:20 6:8,18	28:2,16,21	Chairperson
119:14	88:18 97:15	38:1 39:1	119:1,7,11	99:16	6:19 9:6	45:2 51:9	69:24 86:3
120:15	begun 36:17	40:1 41:1	119:21,24	bothered	11:13,14	58:9 91:12	Chairwoman
121:19	55:22	42:1,5 43:1	120:1,8,12	56:21	33:19 56:7	112:14	4:16 7:19
B	behalf 3:14	44:1 45:1	120:18,25	bottom 9:8	75:6,14	cases 30:19	13:16
B 1:10	14:6 24:10	45:15,16,19	121:1,4,13	bought 55:15	109:11	cash 95:18	challenge
back 27:11	38:23	46:1 47:1	121:16	breach	121:25	catch-up	101:19
57:21 82:18	believe 30:21	48:1 49:1	122:1	108:23	businesses	103:23	challenged
91:9 94:6	39:6 64:6,9	49:22 50:1	bill's 80:8	brief 87:7	2:21 5:5,8	category	38:11 94:2
100:14	82:6	51:1 52:1	billing 57:6	bring 50:6	5:15,22	83:21	challenges
110:17	belong 68:25	53:1 54:1	79:18,25	70:6	6:10 7:25	caught 64:2	99:13
115:15	benefit 7:2	55:1 56:1	80:5	bringing	8:5,15,20	cause 40:20	100:20,24
backwards	Berks 91:22	57:1 58:1	billion 30:13	23:20 27:8	8:24 9:3,8	caused 6:8	Chamber
29:23	best 27:19	59:1 60:1	31:2 35:7	36:4	10:19 11:15	centers 117:9	9:20
balance 85:11	28:9 29:19	61:1 62:1	47:17 84:19	brings 56:3	11:21 12:12	century 73:17	chance 67:24
90:17 92:14	56:13,14	63:1 64:1	84:20	Brown 1:14	20:11 26:3	73:20,21	114:12
94:20 96:8	74:14 95:8	65:1 66:1	115:15	2:5 12:4,6	Butkovitz	certain 2:20	change 18:4
balances 6:16	better 35:25	66:12 67:1	bills 1:16 2:15	48:8,10,11	75:25 76:12	2:23 3:6,15	18:15 21:13
77:19 91:7	45:4 61:9	68:1 69:1	14:20,21	48:15,21,25	76:17 83:12	3:18 4:2 5:3	37:17 106:3
92:2	64:19	70:1 71:1	45:12 46:3	49:12,19	85:20	5:7 14:6,10	changed
bank 91:3	110:23	72:1,11,13	58:20 63:8	50:12 51:4	buy 33:20	17:15 28:19	98:25 111:6
bankruptcies	bid 89:17	73:1,2 74:1	70:21	51:12,22	buyers 90:5	29:4 35:10	changes 6:9
93:18	90:5,15,16	74:6,10	BIRT 6:20	52:6 53:13	91:4	36:6 53:18	7:4 18:11
bankruptcy	bids 90:10,23	75:1 76:1	bit 55:13	54:5,21	C	56:8 81:9	20:10 21:4
25:18 49:9	91:5	76:21 77:1	Blackwell	71:5,6 74:9	call 4:5 13:3	83:15,17	24:5 37:15
49:22 50:5	big 99:7	77:3 78:1	1:11 2:7,9	Bucks 39:13	17:2 70:5	certainly	103:16,19
89:3	bill 2:16,24	78:23 79:1	8:9 10:9,10	budget 36:10	81:14 82:18	37:25 44:14	104:4
bar 111:18	3:1,8,20 4:1	80:1 81:1	11:16 12:8	budgetary	112:21	59:13,18	111:20
barely 68:21	4:6,22,24	81:24 82:1	69:21,22	24:6	117:8	60:15 64:5	117:3
barring 18:2	5:1 6:1,2,20	83:1 84:1	76:8,10,14	budgeted	120:20	70:19 82:20	changing
base 17:17	7:1,8,23,24	85:1 86:1,5	76:18 82:10	16:10,13	called 51:24	CERTIFIC...	64:2
based 7:9	8:1 9:1,21	87:1 88:1	82:14 85:15	24:3	52:25	123:2	Chapter 2:17
20:3 53:4	10:1,8 11:1	89:1 90:1	85:22 86:8	build 28:10	calling 73:24	certification	3:9,14,21
74:14 97:25	12:1 13:1,4	91:1 92:1	86:11	31:21 55:25	Camp 39:2	123:19	4:24 13:24
baseline 29:5	13:22,24	93:1 94:1	113:25	bulk 79:13	candidates	certified	14:6 17:10
47:12,16	14:1,12	95:1 96:1	118:4,6,20	87:24 88:24	41:12	88:12,14	charge 92:4
basically 8:14	15:1,2 16:1	97:1 98:1	118:22	89:6 93:11	capable	CERTIFY	112:7
106:18	17:1,2,8,10	99:1 100:1	119:21,23	bullet 96:20	115:10	123:3	Charitable
112:24	17:17 18:1	101:1 102:1	121:3	bump 46:15	capacity	certifying	101:20
117:6	18:7,10	103:1 104:1	Blair 107:10	burden 9:8	109:19,21	123:23	Charter 52:4
basis 28:19	19:1,11,20	105:1 106:1	blight 27:10	77:7	capped 5:20	Chair 1:10	Charter's
Bass 1:10	19:25,25	107:1 108:1	Block 38:25	Bureau 51:20	7:16 11:5	11:23,25	117:4
2:10 4:12	20:1 21:1,3	108:7 109:1	Blondell 1:14	51:24 86:23	Captains	30:5 34:21	chase 45:25
4:23 7:17	21:14 22:1	110:1,21,24	2:5	87:10,19	38:25	34:24 43:2	cheaper
7:18 10:12	22:20,21	111:1,19	blood 74:2	88:6,20	care 68:23	43:5 66:10	60:17
12:20	23:1,7,9	112:1,13	Board 49:11	90:6 91:17	71:25 85:10	71:7 118:3	check 102:24
bear 12:9	24:1 25:1	113:1 114:1	114:24	92:9 94:4	Carolina		110:8

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 3

checks 81:13	65:9,23	clarify 62:21	43:14,17	78:4 79:2	commended	69:10,16,19	24:18
Chief 4:19	68:9,10	107:14	65:19 94:18	83:6 92:22	12:15	70:16 72:21	comply 66:17
13:7,19	69:18 70:14	clear 58:3	115:20	94:4,9 95:4	comment	Commissio...	conceivably
17:6 23:5	71:12 72:14	90:14,16	collectible	106:25	15:19 54:6	91:16 98:25	81:11
38:20 40:6	72:18,20,24	102:24	31:2	107:13	56:5 63:20	committed	concentrati...
choose 32:21	73:4,7,11	clearly 41:12	collecting	111:22	commentary	14:18	100:12
72:14 75:6	74:2 75:2	Clerk 2:14,16	23:19 31:4	117:5	116:3	committee	concern 33:7
chooses 32:22	77:14,22	clients 116:3	33:23 44:18	collector	comments	1:3 2:9,12	62:3 68:6
73:10	78:9,22,24	116:7	64:21 73:23	32:18 35:23	12:7 71:3	4:17 7:22	69:4
chosen 72:20	79:19 80:4	climate 37:21	75:18 80:5	50:15,18	75:22	12:3,23	concerns
chronic 93:14	80:20,22,23	clip 105:4	82:6 86:24	67:15 73:24	115:20	13:17 23:17	34:18 38:7
93:23 94:10	81:2,23	close 25:15	107:5 113:3	89:10	117:13	48:6 76:20	71:8
94:25	83:13,14	26:3 46:14	collection 3:6	collectors	Commerce	76:25 85:18	concluded
chronically	84:7,18	109:2	23:14 25:22	38:22 48:18	9:20	85:25 86:17	103:8 122:5
87:25 94:14	85:2,9 97:3	closely 7:4	26:18 27:2	49:4 88:3	commercial	118:25	concurrently
CINDY 1:10	101:22,24	57:4 94:11	27:14 28:18	108:11	10:20 11:9	119:8,25	91:20
circumstance	102:15	95:22 96:14	29:16 31:14	114:13,25	25:25 44:13	120:9,24	conditions
49:15	103:8,19,21	closing 96:19	31:24 32:9	116:6	53:23	121:5,13	2:23 3:7,19
circumstan...	103:25	clouded	37:12 43:11	collects 26:5	Commissio...	122:2,5	4:2 5:7
49:3,7 50:6	105:4,10	40:20	50:2 52:5	74:4 87:19	4:6,15,19	Commonwe...	14:11 17:16
50:13,22	107:15,17	co-counsel	53:11 54:10	113:5	9:14 13:3,5	40:10,11	conducted
51:2	110:15,22	25:22 64:10	54:15 62:11	combination	13:7,14,19	91:12	18:24 89:9
cities 40:9	111:2,5,10	64:17 65:2	64:11,12,16	25:21	15:24 16:6	communicate	conflict 80:20
83:20 84:2	111:16,20	107:12	65:3 69:25	combined	16:12,17	79:23	81:11
102:8,14,16	111:21,24	Code 2:18 3:2	74:25 77:4	77:23	17:2,4,6	communities	confused
102:20	111:25	3:10,22	78:7 79:18	come 9:5	19:5,13	110:15	45:19
104:19,23	112:2,4,6	4:25 13:25	80:16,18	34:14 39:17	20:5 21:6	community	consequences
105:8	112:25	17:11 23:10	83:3 87:5	57:21 68:10	22:22,25	10:20 27:11	37:24
citizen 53:19	113:10	codifies 15:2	87:12,17	68:24 75:14	23:5 31:3	companies	Conshohoc...
63:6 71:11	115:12	18:7	91:6,20	76:2 82:22	35:17 36:13	112:12	39:12
citizens 53:18	116:14	cohesive	92:3,19,20	108:6,13	36:22 37:13	115:17	consider
68:17 77:9	City's 27:14	96:22	93:3,9	109:23	38:18 39:3	company	79:12 97:4
112:8	27:18 77:3	collaborate	94:15 96:20	111:9	39:16 42:9	98:17	consideration
city 1:2,6	77:8 79:7	56:9	104:2 107:4	112:25	42:16,19	comparable	52:18
4:20 9:10	104:8	collaborative	107:15,21	114:5 116:3	43:7,8,16	102:7	considered
13:20 23:19	107:12	55:23	110:14	116:20	43:22 44:10	compared	53:7 81:11
24:9,15	110:21	colleague	111:3,16	comes 46:9	46:21 47:3	5:18 24:13	consistent
26:14 28:5	claim 40:25	34:25	115:13	81:20	47:8,15,19	43:20 92:24	14:16
28:8 29:10	86:23 87:10	collect 25:24	117:7	111:24	48:3,13,19	93:5 102:4	consolidating
29:13,21	87:19 88:5	26:13 31:10	collections	comfortable	48:23 49:5	comparison	58:11,20
30:17 31:16	88:11,14	44:7 47:14	3:3 4:20	36:16	49:17,24	93:20	constituent
31:20,24	90:6 91:17	59:18 64:14	13:8,20	coming 45:13	50:17 51:6	104:19	54:22
32:11,21	92:9 94:4	67:6 69:25	17:7 23:6	84:24 85:24	51:18,23	compassion	construction
34:13 38:4	94:17,24	77:18 82:18	23:11,23	98:18	52:22 53:16	74:4	9:9 11:10
38:23 39:9	95:14 96:3	82:24 87:25	24:22 25:2	101:13	54:17 55:21	complain	11:12
44:18 45:5	Claims 91:19	97:21 99:15	25:5 26:9	105:22	57:2 59:9	10:16	contact 32:5
50:7 55:9	Clarena 4:18	100:11	28:2 29:4	113:23	59:21 60:3	complete	78:12 79:7
56:2,3,12	13:6,18	102:25	36:6 38:18	116:23	60:13,21	39:18	contain 28:3
56:14,16	17:5 23:4	103:9	43:8 46:20	122:4	61:12,20	completed	contained
57:12,16	clarification	113:13	47:2 51:17	commencing	62:20 63:12	95:7	123:5
61:16 62:8	19:11 35:3	collected	51:19 52:10	89:25	65:21 66:12	compliance	containing
62:18 64:15	clarifications	23:25 24:11	52:10 65:25	commend	66:17,21	27:8	80:11
64:22,23	30:11	24:15 35:9	74:18 77:25	10:17	67:9,19	compliant	continue

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 4

26:11 27:16	3:25 17:15	43:25 46:19	67:14,25	97:3 98:2	dare 19:14	95:16	43:18 45:18
29:8 46:8	17:19 20:2	46:24 47:5	68:5 69:12	98:11,13,19	69:6,8	dedicated	46:22,25
57:20 61:13	corps 17:21	47:10,11,18	69:17,20,21	98:21 99:6	data 6:3	104:5	48:17 52:5
61:14,21	correct 37:14	47:25 56:5	69:22 70:13	99:6	27:25 28:3	deep 71:8	57:16 66:16
85:2 105:12	47:14 49:18	58:25 59:4	70:22 71:5	couple 35:2	28:5 36:15	default 87:18	67:22 68:16
113:15	61:11 97:22	59:6,22	71:6,24	36:20 52:23	46:9 52:15	105:12	77:19,21
115:9	98:20,23	60:2,12,20	73:15 74:8	course 81:18	55:17 58:9	108:25,25	78:15,17,25
continued	123:8	60:25 61:19	74:9 75:12	88:23	83:19	109:4	79:5 80:25
14:23 29:15	corrected	62:3,21	75:24 76:7	court 27:7	100:10	defaulted	86:24 87:5
continuing	67:10	63:11 65:13	76:8,10,14	32:19 91:12	102:7	96:5	87:12,20,23
24:7 115:24	corridor 8:15	66:7 67:23	82:10,14	court's	date 12:16	defer 5:22	87:25 88:2
continuity	12:14	68:3 72:9	85:15,22	109:19	16:5,6	deferral 6:24	88:9,17,25
98:13	corridors	74:7,14	86:8,11	court-appoint...	78:11	deferrals 2:20	89:15 90:20
continuous	10:21	76:19 83:10	97:9,13,19	26:5	DAVID 1:14	5:4 6:16	90:24 92:2
31:9	cost 29:2	120:21,23	98:3,16,21	courtesy	day 38:16	define 17:20	92:4,6,10
continuously	cost-effective	Councilma...	98:24 99:4	88:10	55:4 60:11	19:7 83:13	92:13 94:14
30:21	89:7	81:15	99:19 100:2	courts 39:21	106:23	definition	94:19 96:4
continuum	costs 89:18	Councilma...	100:4,6,15	41:6	day-to-day	3:24 17:13	96:8,20
36:5	90:15 91:7	55:12	100:22,25	CPA 19:6	97:23	19:15	100:12
contract	92:20	Councilme...	101:5,8,12	craft 9:15	days 5:10	degree 8:16	110:7 113:7
27:25 36:18	Council 1:2	12:8 15:5	105:20,25	creates 59:16	18:6 25:20	delinquencies	delinquents
contracted	40:5 53:2	Councilwo...	106:8,12,17	creating	28:25 32:11	30:23 65:16	41:13
97:20 104:2	81:23 83:14	1:10,10,11	106:21	37:21	36:14 73:8	66:18 72:16	deliverable
contractor	84:11	1:14 2:2,5,6	112:11	credible	92:23	77:13 80:11	88:15
79:7	100:14	2:9,10 4:3,9	113:19,21	104:15	de 60:4	89:8 93:10	delivered
contracts	106:5 119:4	4:10,12,13	113:25	credit 5:8,16	dead 68:20	93:14,23	88:12
45:25	119:10	4:23 6:3	114:19	5:19,23 6:5	deadline 3:13	94:5,11,13	demands
contribute	120:5,11	7:14,17,18	116:19,22	6:12,13,17	3:18 14:4,9	95:2,13,23	84:25
85:2	121:7,9,15	7:21 8:9	117:12,15	6:21 7:5	79:9 103:21	99:25	113:16
control 67:7	Council's	10:2,7,9,10	117:20,24	44:2 79:6	deal 61:4	102:23	demonstrates
111:24	29:15	10:12,23,25	118:3,6,11	credited	114:15	103:6,22	78:3
112:14	103:20	11:2,16,24	118:16,19	17:22	dealt 84:5	104:6	denied 14:25
123:22	119:11	12:4,6,18	118:20,22	credits 7:24	Death 49:21	delinquency	DENNIS 1:13
Controller	120:12	12:20,21,25	119:6,15,18	Cresheim	debt 25:9,20	25:23 32:3	department
26:19 32:7	121:16	13:9 15:16	119:21,23	8:20	26:25 27:19	51:9 57:19	9:13 14:17
32:24 51:16	Councilman	16:22,25	120:7,16,22	criteria 83:16	28:4,11	89:5,13	15:8 17:25
66:14,15	1:11,12,12	19:3,10,16	121:2,3,11	83:16	30:14 51:3	94:23 99:8	19:24 27:20
73:6 75:25	1:13,13,14	19:19 21:17	121:20,23	critical 7:7	51:7 52:5	99:10	29:7,12
76:12,17,21	1:15 2:6,7	21:21,24	counsel 38:20	culture 37:18	54:3 65:12	101:19	36:11,21,25
82:15 83:12	2:11 10:24	22:6,10,13	40:6 45:24	curious 12:15	103:11	102:9,18,21	38:16 51:21
85:20	11:2,4 12:2	22:19,23	Counties	current 14:16	debtor 28:21	104:17,21	51:25 52:2
Controller's	12:2 13:23	30:3 34:21	91:23	53:12 80:8	debts 25:13	104:25	52:19 55:24
32:9 51:14	15:18,20	35:15 42:24	country	80:21	25:15 26:7	105:3,7,9	71:19,21
80:10,14,21	16:2,9,15	48:5,8,9,10	83:23	currently	29:9	105:14	73:19 77:21
coordination	16:19 17:9	48:11,15,21	county 39:13	31:5 48:16	December 1:7	111:5,8	79:16,24
89:9	23:8 30:5,7	48:25 49:12	76:4 86:16	51:13 81:24	92:25 94:17	delinquent	80:3,9
corp 20:18	34:22,23	49:19 50:12	86:22,25	CURTIS 1:13	decide 82:24	3:4 23:12	106:4,24
corporation	35:18,20	51:4,12,22	87:6,10,19	customer	decision	24:22,25	107:3 117:2
11:9 19:4	37:7 38:2	52:6 53:13	89:11 90:8	18:18	21:14 98:10	25:5 26:17	Department...
20:4,7,8,13	38:24 40:19	54:5,21	91:15,23	customers 9:5	declaration	30:18,19	15:3
20:20 21:9	41:18,22	55:2 56:24	92:7,11	9:11	56:23	31:21 39:11	departments
21:18	42:4,11,22	58:23 59:4	93:5 94:3	czar 35:24	declare 57:10	40:12,15	77:17 79:19
corporations	43:2,4,19	66:11,23	95:22 96:15		decrease 95:4	41:14 42:14	79:21,23
				D			

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 5

Deputy 38:17 43:8 76:21	105:16 115:13	divested 90:21	earlier 23:15 44:12	15:10 16:3 90:3	entities 32:10 entitled 2:18	93:17 exclusions	facelift 8:4
describe 49:2	Director 19:23 76:22	divide 64:22	early 65:4	emphasize 115:5,22	3:2,10,22 5:2 14:2,22	2:20 5:4	faces 105:10
described 58:14 61:6 91:18	Directors 114:24	21:19	earn 22:4	employing 115:3	17:12 23:10	Excuse 16:20	fact 30:16
designation 20:11	directs 87:13	divorce 49:23	earning 20:4 21:12	enable 28:6 41:8	entity 45:3 equal 5:17	20:5 42:21 48:5 76:7	31:12 33:3 61:2 81:15
desire 59:13 63:18	discount 53:19	doing 31:5 36:3 37:5 39:21 41:10	earnings 21:2 24:25	enabled 40:9	equipment 36:9	exempt 42:5 42:10,12	98:6
desired 27:4 27:5,15	discounts 14:22	73:18 74:3 74:23 107:2	ears 13:12	enables 92:9	erased 6:21	exemption 3:13,16	failed 24:17
desperate 8:3 9:3	discover 71:14	107:19 110:23	East 91:14	enabling 91:17	especially 114:6	14:5,8	failure 31:9
destitute 70:9	discuss 15:12	112:17,19	echo 11:6 71:8	enactment 103:22	establish 96:6	Exemptions 3:11 14:2	fair 14:19
detail 99:18	discussion 52:9 82:20	113:12	economics 100:18	encourage 24:16 38:9	established 25:19	exhausted 45:9	24:8 29:11 37:23 38:4
detailed 47:21	101:23	114:16	economy 115:16	encouraged 56:19	establishme... 9:12	exist 93:24	53:13 55:22 59:20,25
determine 41:11	dispute 49:10 50:4	dollar 35:7 43:13 44:6	education 115:24	encumbran... 90:12	estate 23:21 23:23 24:22	expanding 82:21	62:7,25 63:9,13
Detroit 83:22	disruption 6:9	dollars 9:4 30:13 31:2 44:19 77:11	effect 21:7 90:18 91:7	ends 8:6 27:17	40:18 47:22 52:21 58:21	expansion 109:19	72:25 falling 61:23
devastate 11:14	distinguishes 110:2	84:19,21 94:21	effective 12:16 17:25 18:11 26:22	enforce 78:14	60:14 65:22 70:18 77:22	expect 28:23 46:12	105:14 familiar 8:10
devastated 11:18	distressed 2:21 5:5	double 102:15	28:15 97:2 112:16,19	enforcement 25:14,16 26:22 27:20	78:4 87:20 87:21,24	expectations 56:8	family-owned 11:15
developing 58:6	distribute 109:23	doubling 25:2	effectively 25:7 115:18	27:23 28:22 77:4 78:2	88:8,24 93:6,12	expedite 82:23	far 39:23
Development 11:9	distributed 20:24	dozen 98:11	effects 78:4	79:16 89:8	94:19 97:16 97:17 104:9	expeditiously 94:15	41:18 94:6 farming 98:5
dialers 36:8 117:8	distribution 20:3,15,19	dozens 116:13,13	efficient 26:21	engaged 61:15	113:7	expense 8:5	fashion 73:12
died 12:13	21:4,12	Dr 76:23	efficiently 25:7,12 95:24	engaging 15:9	estimated 30:25	experience 113:11	fast 111:11
difference 5:18 10:19 112:21	65:4	driven 52:20 83:18	effort 46:7 56:11 61:24	enhance 27:18	ethical 115:8 115:23	experiencing 96:10,17	111:22 109:24
different 25:13 30:24 58:7 63:3,5 63:9 68:12 83:7,11 85:7 107:23	distributions 3:25 17:14 21:9	dual 27:17 due 5:23 23:19,21 26:13 64:14 64:23 65:23 78:11 79:8 98:4,5 102:12 103:2,14	efforts 15:4 15:12 28:18 29:16 45:10 50:11 77:4 79:7 87:17	enroll 14:14 enrolled 15:6 16:4	ethically 115:23 evaluate 32:13 everybody 38:3 61:6 83:23	expert 8:5 113:11 expertise 87:15	fast 111:11 111:22 109:24 110:23 112:23 113:2
difficult 9:11 61:17 78:14	district 8:17 23:20 24:2 24:11 28:9 29:10,14 38:23 55:13 55:19 65:10 68:17 77:23 90:9 91:15 93:25 94:7 94:12 95:3 95:10,15 99:12,17	due 5:23 23:19,21 26:13 64:14 64:23 65:23 78:11 79:8 98:4,5 102:12 103:2,14	eight 57:16 71:13 111:13	ensuring 14:18 enter 32:4,13 62:13 73:8 75:8 89:23 108:20 110:8	ethically 115:23 evaluate 32:13 everybody 38:3 61:6 83:23	explained 108:17 explanatory 18:15 exposed 90:2 extended 44:22 extending 3:12 14:4 extensive 83:19 external 37:17 extreme 45:11 50:25 77:7	favorable 118:25 119:9 120:2 120:10 121:6,14 feasibility 79:12 February 111:12 federal 20:10 20:14,16 21:2 28:5 fee 92:13 feel 36:15
difficult-to-... 93:18	93:25 94:7 94:12 95:3 95:10,15 99:12,17	Duly 118:10 119:5 120:6 121:10 duplex 54:12 54:19	either 13:13 25:17 56:20 57:4,9	entered 89:2 enters 62:15 entertain 82:11 entire 6:20	evidence 123:4 exactly 21:15 21:20,23 examining 79:2 example 77:20 93:24 107:25 examples 8:8 exceeded 23:24 excluded	exposed 90:2 extended 44:22 extending 3:12 14:4 extensive 83:19 external 37:17 extreme 45:11 50:25 77:7	favorable 118:25 119:9 120:2 120:10 121:6,14 feasibility 79:12 February 111:12 federal 20:10 20:14,16 21:2 28:5 fee 92:13 feel 36:15
direction 64:6 75:17	diverse 38:5	E ear 55:4 70:24	eligible 3:15 5:21 6:12 14:7,13			F faced 30:14	

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 6

50:14 61:23	52:1 53:1	97:21	104:14	26:8	58:4 65:24	half 30:13	hear 2:15 4:6
76:15	54:1 55:1	107:18	forego 31:17	gentleman	68:7 69:15	31:2 35:6	13:12
fees 3:4 23:13	56:1 57:1	112:25	32:14 73:9	60:7 61:5	69:18 75:4	41:24 54:18	heard 34:4
77:7 96:2	58:1 59:1	113:2,5,6	foregoing	Germantown	75:13,20	54:19,20	35:25
fell 95:15	60:1 61:1	114:14	123:7,19	8:17,21,22	83:17 84:23	78:18 84:19	106:22
104:21	62:1 63:1	117:6	forget 70:8	getting 40:23	84:25 85:7	98:11	110:4
105:4	64:1 65:1	firms 104:2	forms 18:17	69:13 90:18	85:9 94:6	Hall 1:6	119:11
fierce 38:22	66:1 67:1	107:16	forums 71:11	109:2	108:24	handle	120:12
fifth 102:17	68:1 69:1	first 3:16 7:20	71:22	110:16	113:24	109:20,21	121:16
105:6	70:1 71:1	14:8 23:22	forward 28:8	111:14,15	114:6	handled	hearing 2:13
figure 84:15	72:1 73:1	35:4 41:24	34:19 37:3	Ginsberg	good 2:2 4:14	72:24	7:22 18:2
103:12	74:1 75:1	76:21 89:22	44:7 108:6	101:9,15,16	4:15,16	109:24	113:22
file 24:17	76:1,25	92:23,25	115:11	106:7	13:5,16	handles	hearings 34:5
31:13 32:8	77:1 78:1	94:16	found 63:24	give 19:14,19	15:22,24	103:17	heart 73:25
32:13,17,25	79:1 80:1	110:25	77:22 79:20	32:7 43:13	17:4 19:16	handling	heart-wren...
73:7 92:10	81:1 82:1	111:7 119:3	94:5 102:19	68:13	19:18 22:25	115:11	12:10
109:12	83:1 84:1	120:4 121:8	103:5	112:18	27:12 29:17	hands 90:19	held 24:16
filed 92:12	85:1 86:1	fiscal 23:24	Frank 38:20	given 18:6	34:12 35:16	91:8 110:11	help 9:24
95:25	87:1 88:1	24:23,24	40:5	67:5 83:17	40:4 41:11	happen 8:5	35:19 38:10
111:14	89:1 90:1	26:8 41:20	Frankford	112:13	48:12,13	41:24 58:3	61:18,18
filings 109:20	91:1 92:1	45:12 46:13	11:11	115:13	73:18,22	happened	62:8 65:11
109:22	93:1 94:1	46:14 47:4	frankly 72:4	116:2	74:3 76:10	85:4	71:15 72:3
final 27:24	95:1 96:1	77:24 102:5	free 76:15	gives 112:17	76:11,12,18	happening	72:5 74:11
42:5	97:1 98:1	104:22	90:14,16	giving 15:14	86:14	106:24	81:19
finalized 90:7	99:1 100:1	five 84:22,24	frequently	18:25 73:25	101:12	happens	104:12
finally 65:14	101:1 102:1	fixed 92:5	27:6 65:11	105:17	gotten 10:14	51:15 66:18	107:2,17
95:20	103:1 104:1	flag 49:13,25	front 34:9	gladly 47:10	government	happy 15:12	109:17
Finance 1:3	105:1 106:1	50:9	full 36:19	go 11:20	20:17 21:3	18:9 29:25	114:9
3:1,2 4:1,17	107:1 108:1	flexibility	92:25	32:19 39:12	113:4	60:22 61:7	116:14,15
5:1 6:1 7:1	109:1 110:1	96:13	fully 123:5	41:19 45:11	Governor	81:19 97:6	helped 93:22
7:22 8:1 9:1	111:1 112:1	flyer 18:16	function	47:23 50:18	85:4	116:15	helpful 58:8
10:1 11:1	113:1 114:1	focus 87:2	81:13,22	56:18,18	grant 5:15	harassing	66:6 97:7
12:1 13:1	115:1 116:1	focused 56:10	functions	57:7,25	great 8:12	73:24	helping 9:15
13:17 14:1	117:1 118:1	94:8	79:19 81:9	65:12 66:25	31:4,6	hard 13:11	56:6
15:1 16:1	119:1 120:1	folk 55:14	fund 24:21	75:13,16	72:22 99:18	52:15 70:10	helps 95:24
17:1 18:1	121:1 122:1	folks 13:12	26:14	104:7	114:15	114:5,6	Henon 1:12
19:1 20:1	122:5	33:19 34:13	fundament...	111:19	greatest	hard-pressed	12:3
21:1 22:1	financial 8:19	follow 57:5	85:7	115:23	100:11	83:25	Herb 52:7
23:1,10	79:20 80:23	followed	funds 17:21	117:25	GREENLEE	hardship	Herb's 55:17
24:1 25:1	81:4 96:10	91:21	26:6 109:23	goal 25:11	1:11	89:4 96:12	Herron 44:25
26:1 27:1	96:17	104:23	further 8:21	47:16 50:21	grid 52:11	96:18	high 73:25
28:1 29:1	108:18	following	27:18 34:19	67:6,12,20	group 51:20	hardshipped	105:10
30:1 31:1	financially	79:9 88:17	82:20 91:25	goals 50:20	56:10	112:9	high-poverty
32:1 33:1	94:2 112:9	92:21 103:3	121:25	goes 49:14	104:25	harm 6:7 7:5	102:14
34:1 35:1	find 66:6	forced 33:11	future 29:12	Goggan	groups 59:10	harmed 7:25	higher 74:17
36:1 37:1	finding 56:15	109:12		107:10	guess 22:13	harming	90:23
38:1 39:1	findings	foreclose 73:3	G	going 16:16	41:22	74:19	105:13
40:1 41:1	91:12	foreclosed	GAO 81:8	19:5 34:6	112:17	Harris	highest 99:7
42:1 43:1	Fineman	104:7,13	gathering	34:15,24	guidance	114:23	102:17
44:1 45:1	114:22	foreclosure	59:9	38:14,21	79:22 97:6	Harrisburg	105:6,7
46:1 47:1	fines 77:6	67:13,21	gears 54:9	39:16 42:7	guidelines	35:23	highlighted
48:1 49:1	firm 3:5	72:5,12	General	47:13 55:10	97:25	harsh 44:20	18:19
50:1 51:1	23:14 80:17	78:17	24:21	57:10,18	H	headed 64:5	hire 113:2
			generated				

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 7

Historically 89:21 history 28:10 45:22 108:15 hit 49:23 54:23 hold 120:18 holiday 114:7 home 27:7 39:13 61:10 homeless 68:22 homeowner 14:13 67:3 67:17 homeowners 15:6 99:22 99:23 homes 33:12 59:16 68:25 69:3 104:10 hook 41:13 hope 106:2 hopefully 66:4 Hornstein 76:23 house 39:5 42:18 houses 55:15 63:5 117:9 Humble 106:9,13,15 106:20 107:8,9 112:20 114:10 116:24 117:17 hundreds 12:12 77:11 99:15 hurting 78:5 husband 68:19,20 hybrid 91:24 92:16 93:2 93:21 96:23	86:12 94:12 107:6 114:19 identifying 28:8 ignore 31:20 illustrates 95:8 immediately 79:8 92:21 impact 8:19 24:20 93:11 impacted 6:5 9:9 impacts 6:2 19:21 impede 81:2 implement 6:24 implementa... 39:21 41:5 41:19 92:21 implemented 29:21 36:12 implementi... 97:4 important 10:17 95:21 96:21 imposed 17:18 impression 59:10 improve 27:22 79:6 improved 28:17 95:19 104:18 105:5 111:10,11 improvement 82:5 106:3 improvement... 43:15 improvement... 25:5 43:12 44:12 92:19 improving 44:3 in-house 117:7 in-person 108:12	inaction 72:14 incentivizes 91:25 include 6:9 14:21 25:25 88:10 90:11 93:16 103:19 included 18:16 78:7 102:22 includes 27:6 79:4 including 72:17 income 2:19 3:24 5:2,12 5:16 17:13 17:18,20 18:17 20:20 22:5 53:4,6 53:18 60:5 60:8,11 83:16 incomes 63:5 increase 24:13 29:4 43:20 46:20 65:24 83:6 95:3 106:25 107:3 increased 26:10 92:22 increases 37:12 65:18 increasing 24:23 30:15 84:25 incurring 96:2 independence 81:3 independent 87:15 indicates 73:7 85:5 indicating 83:20 indigent 74:20 individual 20:22	individually 38:8 individuals 75:20 96:17 115:16 116:7 induce 25:7 ineffective 78:13 inflicted 7:5 influence 27:15 inform 88:8 101:23 information 6:23 19:20 28:4,11 47:21 66:2 68:14 infrastruct... 37:15 initial 102:2 102:11 104:20 initiative 101:21 injured 50:25 Inquirer's 83:19 Inspections 55:24 installments 96:7 instructions 116:2 integral 64:13 intent 65:7 intentions 29:18 interest 80:20 81:12 93:17 101:22 112:6 interested 35:2 57:9 interestingly 52:13 interests 29:20 interface 51:13 internal	25:21 37:17 104:3 internally 35:22 41:10 interruption 11:13 introduce 76:20 introduced 4:22 5:14 13:22 17:9 20:2 23:7 intuitive 36:24 invest 33:20 investment 6:23 investments 27:22 investors 109:10 inviting 86:18 issue 52:9 72:18 80:13 81:13,16,17 81:18 82:21 issues 99:14 101:22	Jones 1:13 2:7 10:24 11:3,4 12:9 34:22,23 35:20 37:7 38:24 40:19 41:18,22 42:4,11,22 journey 35:5 JR 1:13 Judge 44:25 judgment 40:17,24 51:10 judgments 63:23 judicial 90:14 jumped 95:12 June 95:7,9 95:11,13 111:9 jurisdiction 40:13,14 41:15 75:8 jurisdictions 110:3	84:4 106:18 109:8 known 87:22 Krekstein 114:22 kudos 71:20 L L 123:14 lack 45:4 61:24 lady 71:7 83:2 land 91:3,13 landlord 55:3 landlords 33:18 52:16 53:23 55:7 68:9 99:14 99:21 100:7 100:9,12 109:9 language 7:10 80:8 82:2 large 30:17 72:15 78:22 102:5 110:5 110:18 117:7 largest 100:7 lasts 5:10 late 78:9 lateness 15:2 latest 79:20 launch 14:24 law 3:5 15:3 23:13 40:7 40:8 41:9 51:20,20,25 54:10,13,16 56:10 80:17 84:18 87:22 91:18 93:6 97:16 107:16 111:20 113:6 116:15 117:2 law-abiding 115:8 laws 41:4 lawsuit	109:13 lawyers 64:11 layer 32:20 leader 2:8 113:3 leadership 45:2 leap 28:7 leasing 98:4 leave 72:4 led 72:15 left 16:16 legal 61:3 63:22 92:13 legislation 5:14 7:11 9:7,15 10:13,18 11:7 17:23 18:9 31:23 66:22 67:12 69:5 73:6 84:12,13 91:22 101:25 116:11,16 legislative 24:5 Legislature 85:5 legitimate 84:3 lend 50:14 lessen 9:7 let's 42:18 letter 28:20 88:10,20 letters 88:13 108:23 109:2 level 23:24 29:5 45:11 53:4,6,19 63:2 64:19 84:15 levels 60:6 license 25:25 44:14 55:24 lien 39:8,13 40:17,18 42:7 79:10 79:14 91:19 92:10,12
I idea 44:4 identify 76:15 77:10 79:10				joined 12:3 joining 58:13	81:19 82:15		

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 8

103:4 111:25 liens 40:11 79:11,13 89:19,19 90:11,20 95:5,10,25 111:13 life 11:8 lights 11:20 likelihood 28:14 limited 20:9 line 102:13 104:7 Linebarger 107:10 lines 9:9 linkage 28:6 list 42:15 49:23 listed 52:11 89:22 listen 12:10 108:18 listing 53:11 little 53:8 55:13 61:8 61:23 83:2 91:5 live 52:15 54:7,11,13 54:18,19 55:8,9 68:10 lived 60:10 lives 55:6 living 84:8 local 41:7 88:3 93:22 localities 102:5 location 46:4 logistically 98:14 long 11:20 34:25 53:3 53:11 72:16 72:24 long-term 65:15 94:13 103:5 108:3 114:14	longer 42:3 longstanding 94:10 Longtime 3:11 14:2 look 34:18 46:6 55:17 looked 102:3 looking 41:10 47:22 55:7 58:20 68:7 68:14 74:15 looks 8:12 101:21 LOOP 14:13 14:24 15:10 16:4,10 84:12 loss 6:14 78:3 113:11 lost 77:23 lot 41:13 52:8 55:11 61:25 68:16 loved 39:2 lower 5:12 55:13 102:21 lowest 53:6 M MACA 114:15 115:22 machines 37:10 Madam 7:19 11:5,23 34:24 43:5 66:9 71:7 118:7,23 119:24 121:4 mail 88:13 mailing 88:14 117:9 main 91:7 maintain 110:12 maintenance 8:4 major 10:18 10:18 27:21 37:16,20	44:12 103:6 majority 2:8 69:7,8 making 27:15 27:21 36:20 68:21 71:20 manage 50:19 51:11 managed 51:19 management 28:2,16 58:9 manages 83:24 87:14 managing 50:7 107:9 mandates 112:2,4 mandatory 88:24 manner 6:7 44:21 72:25 115:12 116:10 March 78:11 Marco 38:18 margin 84:24 MARIAN 1:10 MARK 1:15 marked 37:12 market 8:10 8:13 11:12 11:16 12:13 104:9,12 match 27:19 matching 28:6 mate 114:11 matter 9:25 32:23,23 81:5 123:7 matters 49:2 62:19 108:5 MCTLA 91:20,25 92:9 94:8 mean 20:12 41:12 50:21 111:13 112:20	meaning 14:19 means 45:9 53:25 123:21 mechanics 87:13 97:23 mechanism 32:16 96:21 media 30:12 median 102:15 104:25 meet 8:6 26:3 38:6 108:15 109:14 111:21 113:15 meeting 118:2 member 2:8 114:14 members 2:11 4:17 7:21 13:17 20:18 27:4 76:19,25 85:18,25 86:17 115:22 memo 117:2 mentioned 44:11 49:21 message 76:4 methodolog... 36:7 mic 13:10,15 MICHELE 123:14 microphone 39:19 Mid-Atlantic 114:25 middle 23:16 million 5:21 6:20 16:14 16:16 23:21 23:25 24:2 24:11,13,14 24:23,24 26:9 29:2 30:25 43:17 47:20 65:15	65:22 77:24 94:18,19,21 95:11,12,16 95:16 103:13,13 millions 77:11 mind 68:7 mindful 70:15 minimum 47:13 89:17 90:15,16 91:6 minus 60:4 missed 3:17 14:9 97:14 missing 109:3 modeled 5:25 modernized 36:8 modest 51:2,6 modestly 104:18 modifying 3:23 17:13 moment 16:13 54:9 108:20 momentum 24:7 113:12 Monday 1:7 money 21:11 28:9 60:5 61:8 68:11 81:21 82:22 84:10 monies 80:25 monitor 80:4 Montgomery 76:3 86:16 86:21 87:6 87:10,18 91:15,23 95:22 97:2 99:6 month 23:15 23:16 53:8 60:9,23 62:16 80:12 monthly 80:10 96:7 107:19	108:22 months 60:8 74:12 78:12 94:25 102:3 more-than... 107:20 morning 2:3 4:14,16,16 13:6,16 15:22,23,25 17:5 19:17 19:18 23:2 40:4 48:12 48:14 76:11 76:13,18 86:14 87:3 106:23 115:21 mortgages 89:19 90:11 90:20 mother-in-L... 55:6 motion 46:12 119:19 120:16 121:24 motivate 109:7 motivates 56:14 move 37:2 44:20 57:18 72:11 78:19 89:4 113:24 118:7,8,20 118:23 119:24 120:25 121:4 moved 35:12 68:18 73:17 78:16 94:13 110:10 118:12 119:7 120:8 121:12 moves 39:19 moving 27:9 28:21 36:18 44:7 65:6 73:19 75:17 104:13	105:6,15 multi-unit 54:12 multi-year 103:6 multiple 58:13,16 municipal 40:25 86:25 89:18 91:19 municipalit... 40:10 74:16 88:4 92:7 municipality 90:9 Muniz 38:19 MURPHY 123:14 mutually 7:9 N name 4:18 8:2 13:6,18 17:5 19:22 23:4 36:2 40:5 86:15 107:8 narrow 84:23 nation 113:6 national 113:3 nationwide 102:5 near 5:9 nearby 2:22 5:6 nearly 70:17 78:17 93:4 necessarily 50:9 necessary 77:8,18 78:24 81:6 81:21 116:8 need 7:2 8:3 9:3,5 12:14 19:11 33:5 33:10 38:3 41:5 45:22 50:19 54:22 64:25 65:2 69:14 70:3 70:5,8 75:16 77:17	82:24 85:10 106:13 107:22,25 114:4,9 116:5 117:3 needed 6:24 18:24 26:14 needs 8:23 36:25 38:5 38:7 62:8 79:17 80:3 81:24 needy 33:5 negative 44:15 negatively 6:5 negotiate 31:18 32:23 114:3 negotiated 79:13 negotiation 32:14 negotiations 27:25 neighbor 70:23 net 3:24 5:11 17:13 20:21 24:25 never 15:11 new 15:9 16:16 18:19 26:7 38:16 41:25 43:10 45:14,15 55:14 85:4 87:11 90:19 91:9 102:23 103:23 110:11 111:12 113:9,13 nice 39:4 nine 78:12 94:6 ninth 105:7 non-profit 96:15 normally 40:18 Norristown
--	--	--	---	---	---	---	---

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 9

93:25 95:6 95:9 99:11 99:12,20,23 100:13,17 North 39:12 57:14 58:15 Northeast 55:14 87:11 96:24 note 110:20 notes 123:6 notice 88:11 88:19 noticed 115:20 notices 30:20 32:3 78:10 97:24 107:21 notification 88:6 notifications 87:23 88:10 November 93:8 nudging 25:10 number 8:18 20:8 31:19 43:23 47:9 47:12,23 52:14 55:14 65:17,20,23 74:12,18 95:12,15 99:13,14 102:23 104:9 110:5 numbers 16:3	occupants 53:22 occurred 46:6 80:12 occurring 17:21 109:18 occurs 65:5 offer 53:17,24 89:4 108:12 118:4 offered 53:20 89:12,14 offers 53:3 91:4 96:9 office 51:14 51:16 57:13 60:7 62:4 71:10 77:9 80:10,14 81:10 86:23 88:3 89:10 96:14 97:2 98:2 104:3 108:14 Office's 109:21 Officer 4:20 13:8,20 17:7 23:6 oftentimes 44:2 61:17 Oh 1:14 2:11 16:19 23:8 30:6,7 38:2 56:5 58:25 59:5,6 60:2 60:12,20,25 61:19 62:3 63:11 65:13 66:7 67:23 68:3 72:9 74:7,14 76:19 83:10 120:21 okay 16:20 42:21 44:2 46:24 47:18 51:22 52:6 54:21,24 58:23 100:25 113:19	117:12 old 34:4 83:2 once 51:24 57:4 64:7 78:14,16 107:17 one-size-fits... 29:22 31:11 one-year 93:3 103:20 online 18:5 46:10 OOPPA 52:25 60:24 108:4 open-minded 34:17 opening 30:8 operate 66:25 112:14,15 operated 98:14 operating 93:2 operation 96:22 operational 6:22 opinion 81:4 81:7,23 opportunities 62:18 77:12 opportunity 7:12 14:14 15:15 19:2 29:25 77:2 96:11 101:17 105:18 oppose 70:7 opposed 73:12 opposition 118:17 119:16 121:21 opted 92:17 option 11:22 32:8,24 72:5,15 options 108:8 order 107:2 109:6	ordinance 2:17,24 3:8 3:20 12:19 21:15 organizatio... 98:10 organizations 30:24 out-of-town 33:18 outcome 27:15 outline 49:20 outreach 15:9 18:23 outside 25:22 39:9 40:13 41:15 55:9 56:12,14,16 60:18 outstanding 29:9 95:4 95:10,13 103:10 outward 47:6 over-the-co... 90:4 91:4 overall 5:21 39:24,25 93:9 95:3 105:5 overburden 34:11 overdue 65:5 72:16 overseen 96:25 oversight 79:18 owe 65:9 owed 29:9 30:18 31:5 44:19 77:19 80:25 82:6 owes 28:8 60:14 owned 40:14 99:15 109:8 owner 52:21 53:5 57:3 57:14 58:15 67:3,18 88:18 90:19	110:11 owner-occu... 3:11 14:3 52:25 60:4 103:25 108:3 owner-occu... 42:6 owners 3:15 14:7 38:8 46:2,3 52:12 54:6 56:13 58:8 58:12 78:10 79:6 91:9 ownership 78:21 owning 56:3 owns 42:17 117:6 P p.m 122:6 pace 36:19 paid 29:3 34:2 40:23 44:21 45:22 52:12 63:19 63:25 Paiva 38:21 39:17 40:4 40:5,21 41:21,23 42:17,21 panel 10:5 114:11 parcel 89:17 90:21 parcels 89:2 89:11,20,22 90:2,25 94:14 pardon 68:2 part 33:19 39:7 51:25 58:8 99:5 109:10 110:13,14 110:18 participate 116:16 participating 2:12 particular	8:8 52:20 particularly 55:12 Partner 107:9 partners 24:19 29:7 64:10 partnership 20:13,14 party 3:5 23:13 66:20 66:24 67:5 68:14 69:18 73:5 passed 41:4,7 53:2 73:5 116:17 passes 33:24 passing 92:3 path 28:22 paths 25:14 pay 14:20 23:2 24:17 25:8 27:10 33:8,15,16 33:21 34:8 34:12,15 37:22 38:4 38:11,12,13 45:7,20 53:8 54:15 54:17 55:5 56:15 57:24 59:11,12,15 59:19,25 61:5,9 63:13,23 68:11 69:7 69:9 70:18 70:20,25 72:17 75:3 75:4,4,6,10 75:15 83:8 83:18 106:6 107:22,24 108:6,17,19 109:4,11,12 109:13 110:12 payers 105:12 paying 55:19	59:19 62:15 62:25 82:19 payment 25:8 25:11,17 28:11,14 32:6 50:21 52:23 53:9 53:12,25 54:3 57:22 60:22 63:2 63:16 67:4 67:17 73:9 78:13 83:13 89:3,23,24 92:2,11 96:6,13 103:24 104:4 105:11 108:2,14,21 108:22,23 109:3,7 110:9 112:3 payments 97:24 108:24 116:8 pays 14:18 24:8 29:11 70:25 Peach 42:12 penalty 112:6 Pennsylvania 1:6 91:13 115:14 people 10:14 11:21 29:6 30:16 33:4 34:8 37:21 38:6 45:13 45:15,17,19 50:6 56:6 60:11 61:18 62:23 63:4 63:24 65:7 68:8 69:13 70:2,4,5,9 70:20 72:17 72:19 73:3 75:3,5,5,14 75:18 82:17 83:9,15,25 84:7 85:10	85:13 106:5 113:17 114:4,5,7,9 115:3,19 116:5 117:10 percent 5:12 5:17 6:17 6:18 25:16 46:23 54:2 70:14,17 84:7 89:21 92:3,12,23 93:4,10,16 95:17 102:12,16 103:10 104:22 105:2,2 percentage 43:20 46:19 48:16 92:5 100:7 102:10 percolating 52:8 perform 64:18 81:10 81:21 performing 79:24 81:4 performs 64:19 period 18:13 37:11 46:11 92:24 periods 44:22 permeated 33:13 permit 119:3 120:4 121:8 Perr 106:9 114:17,21 114:22 116:21 person 39:11 61:8 62:12 62:14 person's 67:2 personal 40:16 personnel 37:9 79:24
---	--	--	---	--	--	--	---

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 10

persons 61:4 112:8	98:5 plan 32:6 57:23 60:22 64:13 67:17 73:9 84:23 89:3,4 96:14 105:11 108:2 109:11 112:3 plans 78:13 89:24 96:7 103:24 please 13:10 22:23 43:15 48:16 74:11 86:11 107:6 point 34:2 36:12 63:14 72:10,13 73:2 74:23 82:22 84:3 93:15 95:8 109:14 points 93:4 policies 14:16 60:16 policy 18:7 19:23 21:13 33:13,22 34:13 76:22 poll 79:11 pool 53:14 poor 31:7 33:4 72:19 74:20 77:25 78:4,6 portfolio 110:7 portion 45:20 65:16 position 58:4 95:18 positions 101:24 positive 82:7 possible 24:5 25:12 26:14 65:8 possibly 26:19 posted 88:15	posting 88:21 potential 53:10 90:5 potentially 80:19 Pottstown 99:11,16,17 poverty 70:14 70:20 71:23 power 62:5 powerful 89:6 powers 103:12 practice 110:22 111:6 practices 15:3 43:10 74:15 pre-audit 81:12 pre-condition 81:6 precedent 84:14 preclude 81:3 predictable 37:23 74:24 predicting 28:13 predictive 36:8 117:8 prepare 80:22 preparers 18:22 prescribed 88:7,25 presence 2:4 present 1:9 101:17 110:22 presently 107:14 110:22 presents 80:19 press 44:15 pressure 74:2 pretty 30:9 74:21 84:14 99:6 prevent 40:22	previous 24:14 80:12 94:7 previously 77:5 98:15 price 104:10 principal 65:22 prior 5:13 20:24 21:24 22:2 43:21 89:24 90:6 93:6 96:5 98:8,17 prior-year 23:23 24:12 priority 40:24 41:2 41:2,3 77:10 private 45:3 64:10 90:4 90:7,10 privatization 70:7 privilege 86:21 probably 36:14 60:16 84:20 85:5 98:11 99:11 100:13 113:5 problem 57:22 75:5 103:7 problems 33:2 59:17 procedural 104:4 procedure 41:17 procedures 52:19 71:15 79:16 87:5 88:7 107:5 proceed 8:25 22:24 proceedings 88:19 123:4 process 26:11 35:5 39:25 44:9 64:21	80:16 94:15 96:3 110:14 produce 27:3 producing 28:24 productive 27:12 professionals 18:20 profit 20:21 profits 6:11 6:14 7:25 24:25 program 6:24 14:15,24 15:7 16:11 26:2,4 39:22 44:23 46:5 91:24 92:18,22 93:2 96:23 96:24 97:5 programs 14:17 26:7 38:9 61:2 107:24 113:14 progress 23:18 24:4 project 5:9 6:6 8:11 10:15 28:25 47:6 projections 46:25 projects 2:22 5:6 7:6 8:2 8:18,25 9:10 prompt 102:24 promulgated 17:24 properly 19:7 121:12 properties 3:12 14:4 15:10 16:7 16:18,20 27:9 39:9 40:12 42:6 53:22,24 55:8 56:11	56:17 57:15 57:19 58:13 58:17 67:4 67:21 75:15 89:15 90:13 90:22 91:8 94:22 99:15 104:7,13 109:8 110:6 110:9,13,16 113:18 property 3:15 14:7 30:15 33:20,21,25 38:8 39:14 40:13 41:14 45:6 46:2,3 50:24 51:8 52:11 53:5 53:10 54:7 54:8,11,12 54:14 56:3 56:13,22 57:3,7,11 57:14 58:8 58:12,15,16 60:15,17,19 67:2,18 68:11,12 78:10,15,16 78:20 79:5 79:8 86:25 88:15,16,22 90:18 101:19 102:10,21 103:10,17 proportional 6:7 proposed 6:4 7:10 108:8 proposing 11:22 prospective 91:3 protect 59:14 protected 89:3 112:10 Prothonotary 92:11 proud 24:4 proven 97:2 provide 3:3	7:24 23:11 57:6 77:8 79:17,22 80:9 84:11 87:6 97:6 provided 52:24 79:4 98:12 117:2 provides 32:20 87:22 110:24 providing 2:19 5:3 26:23 62:10 provision 6:15 provisions 87:21 public 2:22 5:6,9 6:6 7:6 8:2,18 8:24 18:5 60:16 70:8 70:8 88:19 88:22 101:22 118:2 123:15 publicity 72:23 publicly 11:7 punishment 35:13 purchases 33:25 purporting 21:16 purpose 58:22 72:11 purposes 20:15 91:21 pursue 25:23 50:11 62:22 62:23 63:16 63:17 pursued 63:21 82:8 pursuing 58:22 62:11 104:6 put 43:10 44:5 46:7 50:23 54:2	72:22 84:17 106:14 110:10 115:11 puts 17:23 putting 113:14 Q qualified 3:5 23:13 80:17 96:9 qualifying 5:15 quality 79:11 quantify 100:13 quantum 28:7 quarter 84:20 question 12:5 16:3 39:8 42:5 46:17 54:8,23 60:25 74:10 99:5 questions 10:4 12:22 15:17 16:23 22:11 30:2 35:3 43:6 48:7 58:24 59:2,3 71:4 75:21 82:12 85:17 97:11 101:3 105:18,23 106:19 113:20 117:13 quickly 25:11 28:25 62:19 113:24 quite 37:4 38:5 72:4 quorum 2:4 quote/unqu... 25:10 R raise 62:4 84:2 raised 111:18 ramp 35:11
------------------------------	---	--	--	---	---	--	--

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 11

37:8 ranking 105:5 rapid 111:14 rate 70:14 78:7 93:9 102:10,15 102:18 104:17,21 104:25 105:3,7,9 105:13,14 rates 92:19 93:3 99:9 99:10 102:13 ray 106:2 reach 18:21 61:14 70:2 read 2:14 reading 119:3 120:4 121:8 ready 82:11 real 23:21,23 24:22 40:18 47:22 52:21 58:21 60:14 65:22 68:6 70:18 77:21 78:4 87:20 87:21,24 88:8,24 93:6,12 94:19 97:17 104:8 113:7 realistic 42:2 96:6 reality 61:24 realize 77:15 117:10 realized 35:6 92:18 really 9:17,18 10:15,15 36:3 50:3 51:19 57:25 67:6 83:18 84:13 85:4 111:18 114:5 reasons 78:6 108:19 Receipts 2:19	5:2,17 receivable 35:7,8 79:25 receivables 80:24 113:4 receive 22:5,7 22:9 received 17:22 21:9 receiver 26:5 45:4 receiving 20:19 21:11 90:23 reciprocity 39:15 recognize 34:7 recognizes 7:16 11:25 30:5 34:22 43:2 119:20 recommend... 91:11 118:25 119:2,9 120:2,3,10 121:6,14 recommend... 9:14 79:3 record 76:16 106:14 114:20 records 78:21 recover 115:14 recovery 90:24 redeemable 79:11 redeeming 79:12 reduce 29:9 92:20 reduces 27:14 reductions 6:11 refer 91:24 referral 27:13 50:15 referred	48:17 49:3 49:8 referring 40:8 111:7 reflected 104:9 reforms 87:3 refuse 54:10 54:15 70:23 regard 17:19 38:2 49:7 50:22 51:10 63:18 65:8 regarding 43:11 54:6 77:3 108:18 110:21 116:4,4 region 115:10 regular 107:19 regularly 79:23 regulation 18:3,11 21:15 regulations 17:24 relate 63:2 related 77:12 relating 2:21 5:4 relationship 55:23 70:4 relative 68:16 relatively 105:10 relatives 46:2 released 102:2 103:15 relief 84:17 relies 29:13 remain 89:20 remaining 6:17 25:20 remains 88:16 remedy 63:22 84:10 remember 52:15 remembers	53:2 reminded 56:17 reminder 88:13 remove 82:2 removes 6:15 rent 23:2 54:20 75:14 100:8 rental 54:7 renting 55:15 55:20 99:21 rents 26:6 45:6 repay 26:7 repeating 12:9 report 66:3 66:13 79:5 80:10,24 reported 30:12 118:24 119:8,25 120:9 121:5 121:13 reportedly 78:19 reporter 123:23 reports 5:11 repository 91:2 represent 28:7 29:23 represented 71:21 represents 115:2 reproduction 123:20 request 32:8 32:11,24 66:15 81:20 120:10,19 requests 18:3 73:7 require 25:16 required 18:6 54:14 66:13 requirement 6:10	requirements 113:17 requires 25:10 49:16 73:11 requiring 80:8 research 101:18,21 resident 20:23 residential 3:12 14:3 42:6 103:24 residents 16:4 20:17 21:10 resolution 91:16 resolve 32:22 57:9,11 62:19 93:23 95:23 resolved 81:17 95:2 resolving 93:13 94:10 resources 24:19 104:5 respect 3:24 17:14 24:21 114:15 respectful 116:9 respond 30:10 67:23 68:3 72:10 115:24 response 10:6 12:24 16:24 22:12 38:25 75:23 82:13 85:19 97:12 101:4 105:24 111:15 117:14,23 118:18 119:17 121:22 responsibili... 31:25 responsibility	56:4 67:16 80:15 responsible 52:4 78:20 80:5 86:24 responsive 83:4 result 2:22 5:5 6:8 27:5 77:25 89:7 90:23 92:15 94:16 95:17 106:3 112:24 results 27:4 28:24 82:7 87:7 retail 6:18,19 97:16 retained 110:25 retains 111:24 RETSL 87:22 88:7,25 91:18 97:18 RETSL-M... 92:16 96:23 Return 88:11 88:14 returned 88:2 94:3,20 revelation 21:7 revenue 4:19 9:13 13:7 13:19 14:17 17:6 19:24 23:5 27:21 29:8,12 35:24 36:11 36:21 38:17 40:6 51:21 52:2,9 71:19 77:12 78:3 79:17 79:21 80:3 80:9 85:11 87:11 96:25 106:4,24 107:3 Revenue's 77:21	revenue-pr... 110:17 revenues 36:4 77:15 80:6 review 49:11 49:16 77:20 78:8 79:4 84:22 revocation 26:2 44:13 Reynolds 1:14 2:5 Richard 106:9 114:21 Richardson 36:23 right 22:10 24:18 27:23 27:24 29:6 42:22 46:4 54:24 63:11 64:6,17 66:7 71:17 72:3 81:12 81:25 100:19 105:15 111:22 113:23 114:2 rights 115:19 rise 93:3 role 37:19 82:21 rolls 27:11 91:9 110:18 room 1:6 82:5 Rough 41:22 roughly 16:15 102:13 round 15:9 routinely 79:22 RPR-Notary 123:15 Rubin 76:21 rules 41:7 66:24 119:3 119:10 120:4,11 121:7,15	S S 3:25 17:14 17:19,20 19:4 20:2,4 20:7,12,18 20:20 21:8 21:18 sale 26:10 50:23 56:18 56:19 57:8 58:2 79:14 87:21 88:19 88:20 89:5 89:12,14,18 89:21,22,23 89:24 90:3 90:4,7,12 90:15,16,22 90:25 93:6 93:12 97:16 97:18 103:4 104:10,14 109:5,16 110:10 sales 5:18 6:11,19 58:22 87:24 88:24 89:6 89:9 90:5 90:10 103:5 Salus 76:3 86:10,14,15 97:17,22 98:7,19,23 99:3,9,24 100:3,5,9 100:20,23 101:7 same-year 102:9 104:21 Sampson 107:10 sat 52:7 satisfy 96:8 save 49:8 saving 77:12 saw 36:5 93:2 saying 21:22 36:16 56:5 says 54:13 scale 39:23 scared 39:4
--	--	---	--	--	---	---	---

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 12

scheme 37:20	53:17,19	50:23 56:18	62:15 85:6	stable 74:24	26:22 27:20	116:23,25	42:2 45:5,6
school 3:22	63:6 68:17	56:19 57:8	six 78:19	staff 5:25 6:4	27:23 33:20	117:6	67:2 68:23
17:12,18	71:11 87:13	58:2,22	slightly 63:9	24:18 25:21	75:7	supported	71:25 74:2
18:16 23:20	112:8	88:21 89:11	105:4	36:18 87:13	streamline	91:11	76:8 77:17
23:25 24:10	seniors 53:15	103:4 109:5	small 8:5	95:15 98:6	87:16	supporters	78:23 85:9
28:9 29:10	70:9,20	109:16	10:19 20:8	staffing 81:21	street 8:10,13	9:21	101:24
29:14 38:23	71:9,14	110:10	20:11 39:23	staffs 15:5	11:12,16,17	supportive	103:21
46:22 65:10	73:24 116:4	Sheriff's	60:6	stand 75:19	12:13 42:13	9:17,18	taken 34:7
77:22 86:25	September	104:3	smart 72:2	standard	69:2	sure 9:2 46:3	123:6
88:4 90:8	16:8 89:13	109:21	snapshot 87:7	53:24 96:13	streets 8:3	53:16 55:16	takes 73:4
91:14 92:8	89:14 91:10	ship 64:4	Social 63:7	111:21	35:16 39:3	68:13,25	talk 39:23
93:25 94:2	93:13	shore 42:18	68:21	standards	strict 103:2	71:20 76:2	74:6
95:6,9	sequestration	short 46:10	sold 90:2,13	83:13 112:3	103:20	106:20	talking 35:10
99:12,17	26:4 44:23	61:23	90:25	112:4	strides 37:16	107:8	37:6 42:20
schools 24:9	serious 36:22	short-term	111:25	standpoint	stringent	114:10,11	73:16 99:20
26:15 29:20	44:18 78:2	94:9	sole 112:13	63:20	55:10	116:7	99:22,23
47:20 85:3	serve 35:18	shortly 15:8	somebody	stands 81:25	strong 9:21	survival	tap 35:11
85:6	service 18:18	43:24 45:13	43:22 49:10	81:25	Stroudsburg	84:16	target 6:4
score 28:12	62:10 85:10	shoulder	50:24,25	start 28:24	91:14	survive 84:9	27:23 28:10
season 18:23	services 24:9	35:12	112:22	39:18 45:21	studies 74:15	suspended	targeted
second 20:6	26:14 29:13	show 45:16	somebody's	107:19	study 102:2	119:10	109:5
39:7 42:14	33:6,10	showed 52:11	50:24	started 35:5	102:19	120:11	Tasco 1:10
81:18 89:12	77:9 87:12	shows 84:23	soon 23:2	35:10 44:6	103:7,15	121:7,15	2:2,10 4:3,9
seconded	96:25	105:14	25:8 65:8	111:6	104:11,20	suspension	4:13,16
118:10,12	session 119:4	sign 60:22	102:25	starting 21:5	subject 20:16	119:2 120:3	7:14,21
119:5 120:6	119:12	signed 61:25	sorry 2:3	21:8,16	20:21 62:17	sustainable	10:2,7,23
120:8	120:5,13	significant	23:16 48:6	22:3 56:10	submit 90:5	110:15	11:2,24
121:10,12	121:9,17	6:22 8:19	56:13 97:14	110:25	Subsection	sustained	12:18,21,25
Section 82:2	set 98:2	24:20 56:4	114:21	111:5,9	82:3	6:14	13:9,16
Security 63:7	109:15	60:14	sought 18:7	state 21:3	subsequent	swallow 70:11	15:16 16:22
68:21	111:22	significantly	35:14 63:22	28:5 57:3,6	49:16 74:13	switch 54:9	16:25 19:3
see 6:20	sets 28:5	87:16	speak 13:10	stated 77:5	88:21	sworn 86:21	19:10,16,19
37:12 46:11	Seventeen	signing 36:14	86:18 99:18	statement	success 26:20	system 28:3	21:17,21,24
46:15 55:11	16:17	silver 96:19	114:12	30:9 62:24	56:15	28:12,16	22:6,10,13
55:18 68:22	share 11:17	similar 24:20	speaking	States 74:16	successful	31:7 49:13	22:19,23
69:2 86:2	14:19 20:24	63:4 91:3	114:13	78:22	44:24 96:22	49:25 53:7	30:3 34:21
106:5	24:8 26:12	91:21	speaks 93:11	statutory	suffered	58:10 82:23	35:15 42:24
seeing 45:14	29:11 37:23	100:16,17	special 50:6	103:11	10:15 11:10	103:23	48:5,9 55:2
45:15	38:4 48:15	simplify	specifically	stay 69:3	suggest 62:22	Systemically	56:24 58:23
seek 67:20	54:22 57:17	59:23,24	115:25	stead 37:3	79:2 111:19	51:14	59:4 66:11
101:23	59:25 62:25	simply 31:20	speculators	45:2	summary	systems 28:24	66:23 67:14
seen 68:15	63:10,14	33:16,20	33:17	stems 26:20	59:20	44:3,4,11	67:25 68:5
95:3	65:25 66:5	38:13 50:19	spite 31:6	stenographic	super 41:2		69:12,17,20
sell 51:8	shareholder	59:19 71:18	sponsor 18:8	123:6	supervision	T	70:13,22
57:18	21:18	73:11	30:6 49:22	step 29:23	123:22	table 4:8 19:9	73:15 74:8
selling 40:22	shareholders	single 14:25	74:10	stepping	support 7:8	40:3 76:6	75:12,24
seminars	20:9,12,22	49:6 58:18	120:19	79:15	9:19,24	86:7 101:11	76:7 97:9
18:20	20:23	71:13	spread 64:24	steps 78:24	11:6 13:22	106:11	97:13,19
send 78:9	shares 22:14	sir 15:25	spring 52:7	story 24:20	14:12 17:8	tactics 25:6	98:3,16,21
sending 30:20	Sharon 106:9	16:13 36:13	squeezing	39:18 83:11	18:9 26:15	27:3	98:24 99:4
32:3 97:23	107:9	sit 114:23	85:12	strategies	29:15 53:9	take 12:19	99:19 100:2
sends 32:17	116:22	situation 42:8	SQUILLA	58:7,11,19	53:17	31:16 32:12	100:4,6,15
senior 33:5	Sheriff 26:10	51:11 62:13	1:15	strategy	116:11,20	32:22 34:24	100:22,25
						39:5 41:9	

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 13

101:5,8,12	92:2,9,10	taxing 20:25	testifies 4:11	106:6,7,16	49:4 50:15	65:20 77:2	townships
105:20,25	93:6,14	21:8 90:7	testify 4:21	114:2,17	50:18 67:15	86:19	99:8
106:8,12,17	94:4,17,20	92:16 93:22	7:13 10:8	116:18	80:17 87:14	103:19	tracking
106:21	94:24 95:5	taxpayer 6:15	13:21 15:15	117:15,17	89:10	122:2	28:17
112:11	95:10,14	27:6,8 32:5	17:2,8 19:2	118:6,22	107:12,15	told 35:24	trained 80:2
113:19	96:3,20	50:10 58:18	23:7 29:25	119:18,23	108:11	Tolson 4:6,15	115:7,17,23
114:19	97:17	88:8,12	75:25 77:2	120:21	115:6 116:5	4:18 13:4,5	training 37:9
116:19,22	101:19	90:19 92:4	86:5 117:21	121:3 122:4	Thomas	13:7,14,18	transcript
117:12,15	102:21	92:6 108:12	testifying	thankful	101:9,16	15:22,24	123:8,20
117:20,24	103:4,11	108:15	22:21	70:19	thought	16:6,12,17	transfer 3:4
118:11,16	104:2 107:3	taxpayers 7:2	testimony	theoretically	22:15 38:13	17:4,5 19:5	23:12 31:13
118:19	110:6,14,17	18:14 29:20	7:23 10:3	32:19	thousand	19:13 20:5	40:11 50:2
119:6,15,18	taxation	45:10 49:8	13:2 22:17	thing 8:16	16:18	22:20,22,25	66:15
120:7,16,22	17:20	59:11 79:8	34:19 59:8	71:17 72:3	threat 104:14	23:4 31:3	transferred
121:11,20	taxed 20:3,13	95:23,25	59:23 76:16	109:16,17	threats 103:4	35:17 36:13	40:16 66:19
121:23	20:19,23	96:4,10	86:13 87:2	110:20	three 5:24	37:13 39:16	91:2
tasks 28:19	21:19 22:4	107:21	101:14	things 31:19	94:21	42:9,16,19	transferring
115:11	taxes 2:19 3:2	108:9,13	105:21	33:9 35:21	threshold	43:7,16,22	80:16
tax 3:10,22	3:4 5:3,23	team 38:22	106:13,22	37:20 49:9	84:16	44:10 46:21	transparent
5:17 6:2,4	23:11,12,19	82:16 85:23	tests 105:11	72:12 75:7	tie 7:5	47:3,8,15	62:6 75:9
6:16 7:24	23:22 24:12	94:11 97:5	thank 4:3,13	109:25	tied 45:25	47:19 48:3	Treasurer
14:2 17:12	25:24 30:15	teams 18:18	7:12,14,18	think 8:8	58:17	48:13,19,23	76:3 86:15
17:18 18:2	30:19 31:4	technical	7:20 9:13	33:2,9,12	Tier 53:7	49:5,17,24	86:22
18:17,20,21	31:10,17	19:15	9:18,23	34:6,12	Tilahun 19:6	50:17 51:6	treat 71:9
18:22,23	33:8,21	technology	10:2,10,12	36:2 38:14	19:22	51:18,23	treated 112:5
20:16,21	34:2,3,8,16	6:23 27:21	10:22,23	38:21 41:25	time 13:11	52:22 53:16	treatment
24:16,22	43:11,18	29:7 37:2	11:4,22,23	44:11,14	15:13 23:22	54:17 55:21	18:19 26:24
25:15 26:7	44:22 45:7	37:14	11:24 12:21	45:23 46:10	30:14 34:2	57:2 59:21	tremendous
26:13 27:11	45:17,18	113:16	12:25 15:14	47:9,21	34:25 37:11	60:3,13,21	23:18
28:4 30:18	47:16 48:17	tell 70:25	15:21 16:20	54:24 55:22	41:3 44:22	61:12,20	tremendously
30:22 31:21	49:6 52:12	107:6	16:22 18:25	59:22,24	46:11 54:4	62:20 63:12	28:17
31:24 32:9	53:9,20	ten 12:11	19:3 22:16	61:6,21	59:17 65:7	65:21 66:21	trend 104:23
35:23 39:11	55:11,20	30:23 31:22	22:18 29:24	62:24 63:25	66:2 70:18	67:9,19	trigger 74:13
44:19 46:22	57:25 58:21	33:23 52:13	30:3,7	66:5 67:20	70:21,24	69:10,16,19	triggering
47:2 48:18	59:18 60:15	57:15 73:13	34:20,23	72:2,18	72:24 78:8	70:16 73:18	28:20
49:4,11	61:5 62:22	tenants 26:6	42:23,24	73:2,16	90:12,21	Tom 36:2	triggers
51:20,24	62:23 64:14	terms 2:23	43:5 47:25	75:13,15	102:8 103:8	tool 28:15	49:13,20
52:10,11	64:21 65:5	3:7,19 4:2	48:11 54:25	83:2 84:2	103:12	89:7	54:8
54:10,15,18	67:6 68:16	5:7 14:10	59:6 65:13	84:10 85:13	114:7	toolbox 96:21	trip 35:22
57:16 62:11	70:18 73:23	17:15 33:10	66:8,9	86:2 101:2	117:18	toolkit 64:8	true 61:19
63:8 65:22	74:5 75:19	36:24 37:5	70:12 71:6	106:3	timely 73:12	tools 24:18	123:7
68:12 70:23	77:6,22	38:5 39:24	71:7 72:8	111:16	timetables	25:24 32:21	truly 9:16
74:18,25	82:18 84:21	43:9,15	73:14 74:7	117:10	103:3	61:13 64:8	Trusts 101:20
77:3 78:25	87:2,20	50:10,20	76:24 82:9	third 3:5	timing 109:15	71:18 113:9	try 41:7,11
79:9,10,13	88:2,9	53:3 60:16	82:10 85:15	23:13 66:19	title 2:25 23:9	top 41:2	60:6 67:3
80:6,11	89:16,18	98:13 99:8	85:21,22,23	66:24 67:5	40:20 91:13	total 16:10,12	70:2 83:6
84:5 86:23	90:20,24	99:9,24	85:24,24	68:13 69:18	today 2:15	65:17 77:23	trying 33:3
87:5,10,12	97:21	100:18	86:8,17	73:5 111:4	4:21 7:13	93:19 94:19	37:2 55:25
87:19,21,23	102:11,25	104:18	97:8,9	third-party	7:23 13:11	103:10	56:11 57:9
87:24 88:3	103:18	106:23	101:5,7,13	26:18,25	13:21 15:15	totalling	58:18 59:22
88:5 90:6	106:6 107:5	testified 21:6	101:14,15	27:13 31:14	17:7 18:3	95:11	63:15 64:23
90:17 91:7	110:12	23:16	101:16	32:10,18	18:12 19:2	totally 69:23	67:16
91:9,17,19	113:7,13	103:18	105:17,20	42:7 48:18	23:6 29:25	85:12	120:23

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 14

turn 57:11 104:12 turnaround 111:11 turned 107:18 108:10 two 8:8 26:7 57:24 59:10 60:8 63:4 64:17 74:22 77:24 78:18 89:5 94:23 104:16 two-family 68:19 two-pronged 35:21 two-thirds 48:20,24 two-year 93:9 type 11:19 45:14,15 49:6 50:13 50:17 52:20 58:6 60:10 types 37:9 49:2,6,7 52:23 58:7	67:11 underway 37:4 64:7 unfortunat... 44:20 uniform 72:25 75:9 89:7 103:23 uniformly 62:6 unique 49:15 92:15 United 74:16 78:22 units 86:22 universally 74:22 unknown 35:23 unmovable 75:9 unpaid 84:21 102:11 103:17 upcoming 47:2 update 83:5 updated 18:18 104:24 upgrades 113:15 Upset 88:19 89:12,18,20 89:23 90:3 93:12 upward 78:19 use 25:20,24 26:10 27:12 28:15 32:9 51:10 58:19 87:24 91:17 107:5 uses 26:6 utilization 6:25 utilizes 88:6 utilizing 87:11,20 94:8 107:15	valuable 14:15 64:20 90:22 variety 102:20 various 96:15 vendor 29:3 87:11,14 98:8,12 vendors 107:16 versus 60:18 63:3 91:14 view 40:18 virtually 83:21 vision 26:12 voluntarily 75:10 voluntary 75:2 vote 103:20	86:4 warehouse 28:2,3 36:15 46:9 58:9 warning 108:25 Washington 91:22 watch 12:10 water 28:4 58:20 way 11:20 71:16 74:24 85:14 103:17 110:13 ways 35:10 72:6 102:20 we'll 37:10 46:6,11,11 55:17 73:20 74:6 86:2 106:14 we're 9:17 13:10 20:25 33:3 41:6 41:10,10,16 45:16 50:8 55:25 61:23 73:16 75:13 82:11,17,25 83:4 84:23 110:16 112:19 113:12,14 113:24 we've 11:17 37:15 39:20 39:22 43:12 55:22 63:21 65:6 87:4 93:17 website 18:17 week 54:23 66:5 weeks 57:14 68:15 111:13 weighing 85:8 Welcome 76:15 well-establi...	84:14 went 11:14 46:22 97:14 97:15 104:25 West 8:13 39:11 Wetzel 52:7 whisper 43:23 wife 68:20 WILLIAM 1:11 willing 114:3 wind 42:15 wipe 9:2 wiped 8:14 wish 52:14 witness 4:7,7 15:17 19:8 19:8 40:2,2 76:5 86:6,6 101:10,10 106:10 Witnesses 76:5 106:10 Wolf 36:2 wonder 60:10 wonderful 71:10 word 45:4 words 62:12 62:16 work 29:19 32:6 36:16 45:9 46:8 46:15 47:10 50:10 60:6 61:14,21 62:2,8 64:11,18,25 65:2 67:2,4 67:16 69:6 72:19 95:14 95:22 114:9 115:9 116:6 116:14 worked 6:3 11:8 15:6 94:11 working 8:6 9:16 38:20 39:20 41:6	41:16 42:13 45:24 55:25 56:2 83:4 works 2:22 5:6,9 6:6 7:6 8:2,18 8:25 96:4 96:14 worried 82:19,25 worry 34:10 worst 78:21 worth 51:8 77:11 wouldn't 40:24 50:23 51:7 62:16 write 84:20 110:8 writes 81:8 X Y yeah 46:20 47:5 year 3:16 5:13,18 6:21 14:8 16:16 18:2 20:10 24:14 25:2 26:19 32:2 37:11 41:25 42:13 42:14 43:14 43:17,21 46:13,14 47:2 62:9 63:7 64:23 65:6,18 66:4 71:13 73:4,20 74:12,21,22 84:8,22 88:17 92:25 93:14 94:16 102:6,11 111:4,8,10 115:15 years 5:24 12:11 30:23 31:22 33:23 33:24 34:4 36:20 41:20	47:7 52:13 62:14 71:13 73:13 74:22 77:24,24 78:18,19 84:24 87:4 89:5 94:6,7 94:23 98:12 104:16 109:18 Yellow 81:8 yeoperson's 36:3 York 55:14 91:23 young 13:12 younger 68:19 Z 0 1 1 1:7 92:12 1,000 18:21 10 5:12 10,000 115:3 10:25 1:7 100 6:18 11 102:6 12 74:12 84:7 104:22 12/1/14 3:1 4:1 5:1 6:1 7:1 8:1 9:1 10:1 11:1 12:1 13:1 14:1 15:1 16:1 17:1 18:1 19:1 20:1 21:1 22:1 23:1 24:1 25:1 26:1 27:1 28:1 29:1 30:1 31:1 32:1 33:1 34:1 35:1 36:1 37:1 38:1 39:1 40:1 41:1 42:1 43:1 44:1 45:1	46:1 47:1 48:1 49:1 50:1 51:1 52:1 53:1 54:1 55:1 56:1 57:1 58:1 59:1 60:1 61:1 62:1 63:1 64:1 65:1 66:1 67:1 68:1 69:1 70:1 71:1 72:1 73:1 74:1 75:1 76:1 77:1 78:1 79:1 80:1 81:1 82:1 83:1 84:1 85:1 86:1 87:1 88:1 89:1 90:1 91:1 92:1 93:1 94:1 95:1 96:1 97:1 98:1 99:1 100:1 101:1 102:1 103:1 104:1 105:1 106:1 107:1 108:1 109:1 110:1 111:1 112:1 113:1 114:1 115:1 116:1 117:1 118:1 119:1 120:1 121:1 122:1 12:15 122:6 13 24:23 14 24:24 26:8 140209 1:16 2:16 3:1 4:1 4:6,22 5:1 6:1 7:1,23 8:1 9:1 10:1 11:1 12:1 13:1 14:1 15:1 16:1 17:1 18:1 19:1 20:1 21:1 22:1
---	---	---	--	--	--	---	--

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

Committee on Finance
December 1, 2014

Page 15

23:1 24:1	122:1	21:5,8,16	93 40:7				
25:1 26:1	140238 1:16	23:24 46:6	94 6:17 70:17				
27:1 28:1	2:24 22:20	93:8 95:7	94.58 93:10				
29:1 30:1	23:7 26:16	95:13	93:16				
31:1 32:1	77:3 78:23	111:10	9th 55:12				
33:1 34:1	117:22	2015 12:20					
35:1 36:1	120:19	45:17 46:6					
37:1 38:1	140828 1:16	20th 73:17,19					
39:1 40:1	3:8 13:4,22	21st 73:21					
41:1 42:1	15:2 120:25	25 34:3 46:22					
43:1 44:1	121:5,13	62:16					
45:1 46:1	140884 1:16						
47:1 48:1	3:20 17:3,8	3					
49:1 50:1	119:22,25	3 16:16 82:3					
51:1 52:1	120:8	105:2					
53:1 54:1	15 33:24	3.8 102:15					
55:1 56:1	45:12 47:4	30 5:10 18:6					
57:1 58:1	47:6 62:14	25:15 32:11					
59:1 60:1	73:13 95:17	34:3 73:8					
61:1 62:1	150 115:2	103:9					
63:1 64:1	155 103:13	30-day 18:13					
65:1 66:1	17,000 16:19	31st 78:11					
67:1 68:1	17,611 16:7	35 24:23					
69:1 70:1	18 94:24	102:4					
71:1 72:1	102:3	36 102:15,16					
73:1 74:1	180 64:4	105:8					
75:1 76:1	19 2:25 23:9	37 70:14					
77:1 78:1	19-1800 3:21						
79:1 80:1	17:11	4					
81:1 82:1	19-2600 2:17	4 53:7 105:2					
83:1 84:1	4:25	400 1:6 92:22					
85:1 86:1	19-3900 3:9	48 24:24					
87:1 88:1	13:25						
89:1 90:1	19-513 82:2	5					
91:1 92:1		5 92:3					
93:1 94:1	2	50 5:17 11:15					
95:1 96:1	20 16:14	20:9 54:2					
97:1 98:1	20,000 5:20	92:23					
99:1 100:1	2004 111:2	515 103:13					
101:1 102:1	2007 22:3						
103:1 104:1	2009 111:5	6					
105:1 106:1	2010 102:6	69 93:4					
107:1 108:1	2011 77:24						
109:1 110:1	95:9 104:22	7					
111:1 112:1	2012 77:25	7 93:4 104:21					
113:1 114:1	86:20 87:9						
115:1 116:1	89:16 91:10	8					
117:1 118:1	92:24 93:14	80 89:21					
118:5,8,9	2013 22:3						
118:13,21	92:23,25	9					
118:24	94:5,17,21	9 102:12					
119:1,7	95:11	90 25:20					
120:1 121:1	2014 1:7	28:25					
	15:11 18:2	910 47:19					

STREHLOW & ASSOCIATES, INC.
(215) 504-4622