COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, December 14, 2005
2:20 p.m.

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PRESENT:
COUNCIL PRESIDENT ANNA C. VERNA
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN JACK KELLY
COUNCILMAN JAMES F. KENNEY
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COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN JUAN RAMOS
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

BILL 051102 - An ordinance amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by adding a new Section 19-1801.1 providing for a cap on tax increases, under certain terms and conditions.

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COUNCIL PRESIDENT VERNA: Good afternoon, everyone. This is the public hearing of the Committee of the Whole regarding Bill No. 051102.

I would ask Mr. McPherson to please read the title of the bill.

MR. McPHERSON: An ordinance amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by adding a new Section 19-1801.1 providing for a cap on tax increases, under certain terms and conditions.

COUNCIL PRESIDENT VERNA: Thank you.

Who will be testifying for the School District?

Good afternoon. Nice seeing you. Please identify yourself for the record and proceed with your testimony.

MS. OLANIPEKUN-LEWIS: Good afternoon, President Verna. My name is Folasade Olanipekun, O-L-A-N-I-P-E-K-U-N, Lewis. I'm the Chief Financial Officer

for the School District of Philadelphia.

Unfortunately, Paul Vallas is unable to be with us here today and I've been asked to read his testimony into the record.

Good afternoon, Council President Verna and members of City Council. I am Paul Vallas, Chief Executive Officer of the School District of Philadelphia. I am here today to testify against Bill No. 151102 (sic), a bill that proposes to cap the School District's position of the real property taxes at 4 percent of the prior year's levy.

The School District opposes Bill No. 051102 for several reasons. First, as you are aware, the School District receives 58 percent of the tax levied on real property. Because Bill 051102 only caps the District's portion of the tax, this bill would have a disproportionate effect on future revenues to the School District.

Second, while we recognize and greatly appreciate the additional financial support to the District from the Mayor and City Council, it is important to note that Philadelphia makes the lowest local contribution percentage-wise to its public school systems than any of the five surrounding counties. It is also among the lowest in the nation, and that share continues to decrease each year.

Finally, it is imperative that the School District and the City of Philadelphia develop a strategy to increase the District's revenue in order to sustain current reform efforts underway and support the District in achieving its mission of preparing students to become life-long learners and productive members of society.

Any cap that would potentially reduce revenue for an already-distressed School District would have a detrimental impact on our students and the City as a

whole.

The School District has made significant progress in the last three years. Much of that progress has been the results of investments made by the City and the Commonwealth. As a result of those investments, our students' PSSA and TerraNova test scores have increased for three consecutive years. We have dramatically increased the number of schools making Adequate Yearly Progress, AYP, under the No Child Left Behind from 22 in 2002 to 132 in 2005. We embarked upon a $1.5 million capital program to build new schools and renovate existing ones -- that should be 1.5 billion -- and we have continually worked to seed honors, advanced placement and other gifted programs in all of our elementary and secondary schools so that every family throughout Philadelphia can have high quality academic programs in their neighborhoods.

Despite the progress, much work

remains to be done. Any caps that would reduce future revenue going to the District would undermine the progress and limit the District's ability to provide expanded and enhanced educational opportunities for the school children of Philadelphia.

And that concludes Mr. Vallas's testimony.

COUNCIL PRESIDENT VERNA: Thank you very much.

The Chair recognizes Councilman O'Neill.

COUNCILMAN O'NEILL: Yes, Madam President. Thank you. Just one question initially for the witness.

In the second paragraph of Mr. Vallas's statement, he says "because Bill 051102 only caps the District's portion of the tax" and then goes on about the disproportionate effect.

Are you or Mr. Vallas or the School District aware that City Council passed Bill 020577, which caps the City

portion at 4 percent? This is all subject to state authorization. But no one is trying to treat the School District disproportionately or in any way differently than the City. And that's not clear from the testimony.

MS. OLANIPEKUN-LEWIS: Good afternoon, Councilman O'Neill.

I think the reference to the disproportionate amount is that we receive 58 percent of the total millage.

COUNCILMAN O'NEILL: Right, but it says "only" in that sentence, "only caps the District's portion of the tax." It actually caps the City's 42 percent. That's already been done.

MS. OLANIPEKUN-LEWIS: Okay.

COUNCILMAN O'NEILL: Subject to state authorization.

I just wanted to make sure that the District is aware of that. Nobody is targeting the District's 58 percent, just trying actually to make it the same. Because people pay one tax bill. They

don't realize what proportion goes to you as Finance Director for the School District and our Finance Director for the City. But we should all agree on that particular point.

MS. OLANIPEKUN-LEWIS: Okay, sir.

COUNCILMAN O'NEILL: I may have other questions, but I'll turn it over to the Chair.

COUNCIL PRESIDENT VERNA: Thank you very much.

In the testimony that you read, you mention that the School District wants to develop a strategy to increase the District's revenue. Is the District looking at the move to full valuation as a means of generating additional funds for the District?

MS. OLANIPEKUN-LEWIS: Council President Verna, the District is actively looking at this new proposal by the BRT and we have yet to come up with a position on the -- we're looking at the

impact to the School District financially. So we're still doing the analysis to determine whether or not it's going to be a positive or negative impact to us. At this time, we're not prepared to provide an opinion either way.

COUNCIL PRESIDENT VERNA: With that being said, is it the District's position that the City of Philadelphia does not contribute its fair share of revenues to fund education?

MS. OLANIPEKUN-LEWIS: I believe the District's position is that we would request additional shares, given that our per-pupil cost is one of the lowest in the surrounding area and in the nation. By way of example, in this fiscal year, the School District per-pupil cost is $9,074 compared to surrounding areas, which in excess of $15,000 and in some instance $22,000 per pupil.

COUNCIL PRESIDENT VERNA: When you talk about surrounding areas, what

are you talking about? Bucks County, Montgomery County, Delaware County?

MS. OLANIPEKUN-LEWIS: The five surrounding areas, yes, ma'am.

COUNCIL PRESIDENT VERNA: They're really much smaller school districts than what we have.

MS. OLANIPEKUN-LEWIS: That's true.

COUNCIL PRESIDENT VERNA: I understand that you're looking for additional funding. Does the School District and the School Reform Commission believe that the state is adequately funding the school system?

MS. OLANIPEKUN-LEWIS: We're an equal opportunity asker. Not only are we going to the City, we're going to the state to ask for additional funding as well.

COUNCIL PRESIDENT VERNA: When the state took over the operation of our School District, they passed Act 46 to ensure that we did not decrease our

funding to the School District.

Is it your position that Act 46 would prohibit the City from reducing your tax rate due to full valuation if implemented by the BRT?

MS. OLANIPEKUN-LEWIS: We are still looking at the relationship between the proposed valuation effort, and that's the Act 46. I believe our initial position is we don't believe that it's permissible, but it's very initial, Council President, because we're still doing the analysis.

COUNCIL PRESIDENT VERNA: What is permissible?

MS. OLANIPEKUN-LEWIS: Whether or not the moving to full valuation is permissible given Act 46, the relationship of the current legislation to what's being proposed. We're still not clear on that.

COUNCIL PRESIDENT VERNA: I guess we can't go into the issues about the full valuation if you say that you're

still looking into it.

MS. OLANIPEKUN-LEWIS: Yes, ma'am.

COUNCIL PRESIDENT VERNA: But I would be rather curious to know if the School Reform Commission believes that the BRT's move to full valuation should be revenue-neutral to both the City and the School District.

MS. OLANIPEKUN-LEWIS: Again, Council President Verna, I believe that until we've concluded our analysis, that it would be a little premature to articulate the School District's position on this desire to go to full valuation.

COUNCIL PRESIDENT VERNA: Are there any questions or comments of this witness?

COUNCILMAN O'NEILL: Madam President.

COUNCIL PRESIDENT VERNA: Councilman O'Neill.

COUNCILMAN O'NEILL: You mentioned the surrounding areas, the

counties that surrounds the School District. I would point out that we are surrounded by some of the wealthiest school districts and townships, local governments, in the country, and we certainly don't fit into that. I think everyone would agree that Philadelphia is not one of the richest cities in the country. In fact, to the contrary.

And I wonder if the School District, while it's doing its analysis and its comparisons -- and I think it's legitimate to make them as long as it's a fair comparison and a fair analysis -- looks at other school districts that have our median income, for instance, or, in addition to that, our level of poverty, our percentage of people living under the poverty guidelines.

We have an enormous number of the second, people living under poverty, and we don't have, I believe what I've seen, anywhere near the income levels that these $15,000 to $22,000 per pupil

school districts have. I mean, that's an issue that's nationwide about how to try to equalize that, but it's mainly being done where it is being done, at the state level, trying to bring more equalization into how much is being spent per student.

But I think there is a recognition that if you leave it the way it is today, certain areas can just afford to spend a lot more money per pupil in public education than Philadelphia.

So I would ask if you haven't done those comparisons, if you could and you could share them with us.

MS. OLANIPEKUN-LEWIS: The Chief Academic Officer, Greg Thornton, for the School District of Philadelphia has those statistics and --

COUNCILMAN O'NEILL: If he could share them with us, it would be helpful, because I'd like to see where other jurisdictions that combine both our income average and also our level of

poverty would be in terms of per-pupil contribution.

MS. OLANIPEKUN-LEWIS: Okay.

COUNCILMAN O'NEILL: The other thing, I wanted just some clarity. The full valuation going to 100 percent assessment, the District has questions about whether it is legal under Act 46?

MS. OLANIPEKUN-LEWIS: We're still doing the evaluation. It's very early on. We're not saying -- we just have questions about whether or not how Act 46 -- the relationship of Act 46 to the proposed full valuation is going to --

COUNCILMAN O'NEILL: I would say it's not that early on. Until something changes, they're ready to do it in the next couple of months. So I would think we're pretty far down the road, until somebody puts the brakes on it, to having full valuation.

MS. OLANIPEKUN-LEWIS: I didn't want to suggest that we think it's

illegal. We just haven't done the analysis, completed the analysis. We're doing it right now.

COUNCILMAN O'NEILL: If you could share that with us as well, it would be helpful, the Act 46 analysis. And it's my understanding that Act 46 would have to be amended even to allow this --

MS. OLANIPEKUN-LEWIS: That's what we think.

COUNCILMAN O'NEILL: -- 4 percent cap.

I just thank you for your testimony.

MS. OLANIPEKUN-LEWIS: Thank you.

COUNCIL PRESIDENT VERNA: Thank you, Councilman.

Are there any other questions or comments from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA:

Seeing none, I thank you very much.

We will now hear from the Administration.

Good afternoon.

MR. McNEELEY: Good afternoon, Council President Verna and members of City Council. I'm Shawn McNeeley, Director of Policy for the City of Philadelphia. I appear before you today to offer testimony on Bill No. 051102, which would cap the annual growth in a property's School District real estate tax levy at 4 percent, if that property had not been sold, transferred or improved.

This bill is virtually identical to Bill No. 020601, which was not approved by City Council. The Administration testified that it could not support Bill No. 020601, and we also do not support Bill No. 051102.

The School District has made significant academic and fiscal progress since the partnership between the

Commonwealth and the City was reached in 2001, but the long-term financial health of the District is not assured. The District's deficit-financing bonds that were issued in 2002 will be exhausted in fiscal year 2006, and it is not clear that the District's budget is structurally balanced in the long run.

We do not know at this time what the precise impact of Bill No. 051102 would be going forward because we do not have new assessment data from the BRT for tax year 2007, which will be the first time in several years that a substantial number of properties will be reassessed. However, based on estimates made at the time for Bill No. 020601, we are concerned that a 4 percent cap would constrain growth in the District's real estate tax revenues to levels insufficient to meet instructional needs, improve performance and ensure balanced budgets.

The District reached the point

of fiscal distress because for years revenue from the state subsidy and the real estate tax did not keep pace with inflation and the District's mandated costs. The Administration is concerned that Bill No. 051102 would return us to exactly that point, jeopardizing both the progress made by Mr. Vallas and the School Reform Commission and their staff and students and the significant financial investments made by the City and the Commonwealth.

The Administration and City Council technical staff agreed on the potential impacts of various real estate tax cap and tax deferral bills that were introduced in 2002, the last time that significant property reassessments were conducted. At that time, a 4 percent cap on School District real estate tax levies was estimated to result in $18 million less revenue for the School District for FY03 compared to what it received without the cap.

Historically, in a given year, the BRT increases some property assessments, decreases some assessments and leaves the vast majority of assessments unchanged. If growth in an individual property's levy is capped at 4 percent, except for transferred properties, and the levy on most properties either stays the same or drops, then the growth in the total tax collections will likely be less than 4 percent in each year, possibly substantially less.

Total assessments in Philadelphia increased by 4-1/2 percent for tax year/fiscal year 2003, but a 4 percent cap on tax increases for individual properties would have constricted growth in the District's real estate tax revenue to only 1-1/2 percent.

Clearly, a 4 percent cap would have had negative consequences on the District's budget if implemented in 2003, and we are concerned that it would have

negative consequences going forward as well. The Administration cannot support the bill on this basis alone.

However, the bill would also have negative consequences for the BRT's full valuation project. As we noted in our testimony on full valuation, the Tax Reform Commission and researchers have demonstrated that our current real estate assessments are inequitable. Many neighborhoods and properties, including low-income households, are assessed at a higher proportion of their property's value than the City-wide average, while many other neighborhoods and properties, including high-income households, are underassessed. A cap of 4 percent is simply too low to address these disparities once the BRT assesses properties at their full accurate value. The status quo will be preserved, with some paying less than their full share and some, often those who can least afford it, will still pay more than their

fair share.

Bill No. 051102 is a companion bill to Bill No. 020577, which imposed a 4 percent cap on the City real estate tax levy. Both Bill No. 020577 and Bill No. 051102 require state legislation to take effect.

In addition, in a September 4, 2002 opinion provided to City Council, the City Solicitor at the time indicated that a cap on School District taxes like the one proposed in Bill No. 051102 would require state authorization because of Act 46 restrictions.

Finally, Bill No. 051102 purports to apply to portions of the School District's real estate tax rate that is specifically authorized in state law. The Solicitor's opinion stated that this too would require state authorization, as Council and the City can control the methods of collection and enforcement of this tax, including the imposition of penalties and interest, but

Council has no authority to control the rate or the assessment base upon which that rate is imposed, to the extent a tax is authorized directly by the General Assembly.

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

COUNCIL PRESIDENT VERNA: Thank you very much.

I just have one question. If the City were to cap a homeowner's increase while maintaining revenue-neutrality to the School District, would the Administration be in favor of the cap?

MR. McNEELEY: I think that we are concerned that a 4 percent cap would not allow properties to be taxed at their full value, so I think we would not be in favor of a cap. We also have concerns that a cap would allow revenue-neutrality in the short term or the long term.

COUNCIL PRESIDENT VERNA: Thank

you.

The Chair recognizes Councilman O'Neill.

COUNCILMAN O'NEILL: Mr. McNeeley -- I wanted to make sure I pronounced the Irish name properly -- the last paragraph of your testimony deals at length with the authorization needed by the state on at least two levels. You realize that the bill explicitly says it requires state --

MR. McNEELEY: Yes.

COUNCILMAN O'NEILL: Okay. And I have a question on the Administration's -- when you say "full valuation," I want to make sure we're talking about the same thing. You're talking about the Board of Revision of Taxes going to 100 percent assessments from fractional assessments?

MR. McNEELEY: That term to us means eliminating the pre-determined assessment ratio. So eliminating fractional assessments, but also getting

at a closer percentage of market value and maintaining that percentage of market value.

COUNCILMAN O'NEILL: So you're not talking about just going to 100 percent valuation with a revenue-neutral result to the City's treasury and the School District's treasury?

People are using these terms, I'd say, loosely, because sometimes they mean just the 100 percent assessment, where our goal would be to make sure that the City is revenue-neutral on that 100 percent assessment, and the School District and others, like yourself, talk about full valuation as something that you don't need 100 percent assessment for.

You're talking about a massive reassessment of City properties that is in the works right now, as we all understand. But that term, if you use full valuation for the "getting it right" part, if somebody is worth 200,000 but

they're only assessed at 100,000, let's make that one right, that's distinct from 100 percent assessment. That person should have the same tax at 200,000 or 100,000 whether you have 100 percent assessment or not, correct?

MR. McNEELEY: We look at it as several --

COUNCILMAN O'NEILL: You're combining the two.

MR. McNEELEY: We look at it as several steps in a project that the BRT has been working on for several years and that we have supported them on. So we think that each of those steps is important to what the BRT has called the full valuation project.

COUNCILMAN O'NEILL: But you would agree that if all we did in a given year like this year were to go to 100 percent assessment --

MR. McNEELEY: To change the pre-determined ratio.

COUNCILMAN O'NEILL: -- with

everyone staying at the same value that they currently have on their property, that this bill or anything like it wouldn't have any impact?

MR. McNEELEY: Right. That would be a fairly straightforward adjustment to the millage, and that would be that. We think that other step is part of the project and is important, and when we testified about the full valuation project, we identified a number of steps that we will consider once we get the data in order to offset the impact of it.

COUNCILMAN O'NEILL: The School District would still have more money under this proposal than they had in the previous year. It's a question of how much more. Can we agree on that?

MR. McNEELEY: Right. In theory, you could have a year where people's assessments were reduced to such an extent that that would not happen. But yes, generally speaking, that's true.

COUNCILMAN O'NEILL: Okay. I'm curious. I understand your opposition, the Administration's opposition, and I understood it the last time, less money for the School District, more money the City may have to contribute to the School District, with the argument that they would have had this other money but for the caps. I think I understand that, but my question is, all of us are concerned. We may have different ways of trying to deal with it, but I think every Councilmember has expressed individually their concern for this massive increase that many people could be seeing this year. And it's not based on income, it's not based on people's ability to pay. It's going to be a very, very drastic situation for a lot of Philadelphians.

And I don't think that simple example I gave of somebody going from 100,000 to 200,000 is that crazy, but let's assume it's only somebody going from 100,000 to 150,000.

If the property is assessed today at 100,000 and they go to 150,000 and assuming that we do the 100 percent neutrality part right, that the only increase they get is the 50 percent increase in the value of their property, we have someone with a 50 percent increase in their property taxes. The 50 percent increase, let's say, is $1,000. This obviously would make it, instead of a 50 percent increase, a 4 percent increase that would go on for some period of time, because the property would be properly assessed. It would just be that the taxes based on that increased assessment could only be increased at the rate of 4 percent a year.

What is the Administration's position -- I mean, I think I've heard from just about every Councilmember their concern about this and that they have one type of possible way of dealing with it or another and this is one of many, but what's the Administration's position

other than opposing a 4 percent cap? Does the Administration not like caps at all or do they like a 20 percent cap or a 25 percent cap? Is there a position or is it on the eve -- we're really on the eve of this happening. This is not something that is way out in the future.

Is there something that the Administration is putting forward today or will be putting forward soon that says this is what we believe, and we hope to get nine votes in City Council to support it?

I'm just curious, because I know this is the second time, but I think we're in a much different situation today than we were in 2002, because this is going to make that other one pale by comparison, what we all thought was a terrible thing where people getting 20, 25, 30 percent increases. This one could go off the charts in terms of people's percentage increase, and I just want to see what the Administration's position is

on that.

MR. McNEELEY: What we testified at the hearing on full valuation is that clearly the millage rate will need to be reduced both for the change in assessment ratio from 0.32 to 1, which is sort of how you see full valuation, but also to reflect the equalization of how people are assessed and also to reflect the change in market values that have happened for the last few years that really haven't been picked up by the BRT.

So we are absolutely supportive of reducing the millage rate, with the concern about Act 46 that you spoke about earlier. We fully support reducing the millage rate to offset those effects.

We also acknowledge that even given that, you may have some properties that have dramatic increases. We would all hope that changing the millage rates, reducing the millage rates, will cover the impact for most homeowners, most

property owners, but I think we know that because people have been assessed at such different fractions, that may not be the case, and so we are open to a variety of steps that would be taken in addition to reducing the millage rate to mitigate those impacts.

What we want to do, though, is make sure that we get the data from the BRT, we analyze the changes in all 568,000 properties and, based on that, we develop a solution that will work best for everyone, while accomplishing revenue-neutrality, which we see as the revenue that's projected in the Five-Year Plan.

Some of the ones that we prefer rather than a hard cap include buffering; basing the tax levy on several years of assessments rather than just one year; possibly using deferrals, including a gentrification deferral that's been on the books for some years, although we would like the option from the state to

target that to low-income or senior citizen homeowners.

Another option that we will consider is implementing a homestead exclusion for homeowners so that a certain amount of your assessed value is excluded from the tax.

Those are the options that we will consider and prefer, again, because the cap will limit the ability to get to fairness in the system and in equal assessments.

MS. WILKERSON: One of the things that the Administration also would suggest is that we --

COUNCIL PRESIDENT VERNA: Excuse me. I know we all know who you are, but we have a new stenographer, so would you please identify yourself.

MS. WILKERSON: Joyce Wilkerson, Chief of Staff. I couldn't stay quiet.

One of the other things that we've been discussing is setting up a

committee with Council technical staff so that as Mr. Glancey generates the actual data, we review it to figure out what the impacts really are.

We don't know yet who is going to be a winner, who is going to be a loser, the magnitude of the change anybody will experience, because this is so new. We all think that we're going to have to sit down, look at the data, develop models so we all agree on how buffering would work, how a cap might go into effect, what the cost might be of implementing some of these strategies.

COUNCIL PRESIDENT VERNA: Joyce, when Mr. Glancey testified here the last time, I believe he indicated that information would not be forthcoming until sometime in January. Isn't that rather late for us to be considering what we're going to be doing on a budget and how we're supposed to be handling this and when is it to be implemented?

MS. WILKERSON: I think we'll

need to sit down with the data then. Some of it is supposed to happen anyway. We should have had assessments going on anyway, but I think there are going to need to be a lot of conversations trying to figure out what the data means, whether or not we can develop adequate strategies by the end of the budget process.

Another thing that the Administration has maintained is, we ought to wait until we have the budget process, so that as we get the real numbers from Mr. Glancey, we figure out the impact of some of these proposed changes. We also make accommodation for that in the budget and, in fact, have the capacity to make an accommodation for some of it of what it is that we propose.

But we suggest that we wait, get the information from Mr. Glancey and then figure out how to proceed. We think we'll have enough time to do that.

COUNCIL PRESIDENT VERNA: Thank

you.

I'm sorry. Councilman.

COUNCILMAN O'NEILL: Thank you.

Almost everything you mentioned as a possible way of dealing with this -- I think the gentrification would be the exception -- needs state authorization. Right now we have very little flexibility to deal with this.

Would the Administration support the state giving us broad flexibility? In other words, as opposed to telling us what we could do or couldn't do, or have something broad where the City has the power to do any one or a combination of the items that are on the table. What's your position on that?

MR. McNEELEY: We do support having flexibility and having options, and we've had discussions with members of the delegation about the options we would prefer, but we do support having options that we can together choose which works

best based on the BRT's assessments.

COUNCILMAN O'NEILL: Let me just give you a perspective at least when we talk about seniors having an exception or low-income people having an exception.

If somebody gets a 25 percent increase, and a lot of people are going to get that kind of an increase no matter how many ways we try to figure out further reductions of the millage beyond those needed for the 100 percent neutrality, those people's ability to pay -- and I'm talking about middle-class, lower middle-class families that both parents are working or one, it's a one-parent family with two jobs, kids in school, tuitions to pay or car payments and mortgage payments. They can't afford 25 percent, but I can tell you one thing, they can't afford a 25 percent increase as much as the School District could afford to get a little less than they would otherwise get.

If we want to talk about the

burden that we're concerned about, let's talk about the burden on the average Philadelphia family that has had this increase in their house, is not going to be able to afford anything beyond something within the cost of living or their own wage increases, and we're just willing to leave them out on the sidewalk if they don't fit into this category, that category or some other category. And often times these are our long-time homeowners, they may not fit a gentrification description, they may not fit a senior citizen category or a low-income category. But we've got to find a policy to deal with them. If it's not a 4 percent cap that at least makes the case for their increase being affordable that's just based on an assessment, we'd better have something else, I believe, other than what you just mentioned, because what you just mentioned does not help that person.

And I'm being modest with a 25

percent increase. People in that situation, I'm talking about rowhome Philadelphia, could be facing a lot more than a 25 percent increase no matter what we do in this Council under our current legal ability. And I hope we're at least looking at some cap -- we may disagree on what it is. We're a little more concerned about how these people will be getting gouged than we are whether a government body gets an increase but not a big enough increase. Because I don't want to run for reelection with the City's position and have to explain to people that, Oh, well, you know, we just didn't take that into consideration, we thought we would cover as many people as possible and you're just in a bad spot here, you didn't get covered, you or your neighbors.

I hope we can get a little deeper into the discussion and possible solutions than just we're going to spread it out over five years or we're going

to -- it doesn't help these people to spread it out over five years. Five years later, they're looking at the same thing. Their house is still going to go up in value. We're not dealing with a core issue of affordability and what is happening.

I find it a nice start, but it really doesn't get to the core problem, which is going to be the average Philadelphian having a huge increase, way beyond anything they're hearing about, gas rates that we know we can't do anything about, the Gas Commission can't even do anything about.

We actually have some control over this one, and particularly if the state gives us the flexibility that we're all hoping for.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions or comments from members of the

Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Do we have anyone else to testify on this bill?

COUNCILMAN O'NEILL: Madam President, I'm going to hold the bill --

COUNCIL PRESIDENT VERNA: I believe we have a witness.

COUNCILMAN O'NEILL: Oh, I'm sorry.

COUNCIL PRESIDENT VERNA: Do you mind if we hear from him?

COUNCILMAN O'NEILL: I'm sorry. We have my own Civic Association leader. I'm sorry. He was here Monday as well.

COUNCIL PRESIDENT VERNA: Thank you.

MR. NEWTON: Good afternoon.

COUNCIL PRESIDENT VERNA: Good afternoon. Welcome. We certainly appreciate your coming back today.

MR. NEWTON: Thank you. My name is John Newton and I'm from the West Torresdale community. I'm the President

of the West Torresdale Civic Association, and we in the West Torresdale support the amendment because of the fact that many of our citizens are retired, on fixed income, and without some kind of control on taxes, of course, many of them will be put out of their homes.

We have a building boom going on in our community now, which actually has impacted our taxes also, and it's continuing to go on, and without some kind of control on taxes, whatever type it is, of course, many of our homeowners will actually be put out of their homes, because a large portion of our community are, as I say, retired or elderly person.

So I think the bill is worthwhile, because there has to be some kind of control. Otherwise, we won't have a home. For instance, when I bought my home in the area, I was paying $700 a year. I pay $2,500 a year now. And as I said, the new homes going into the area is actually having an effect or an impact

on our taxes as it is, because they're being reassessed based on the new homes going on in the area.

COUNCIL PRESIDENT VERNA: That's really quite a jump.

Are you finished, sir?

MR. NEWTON: Yes, I am finished. Thank you.

COUNCIL PRESIDENT VERNA: Again, I want to personally thank you for coming in. I think it was very nice of you to come in again today to testify and express your views, and we really need more people like you to show interest in what it is that's happening.

Thank you so much.

MR. NEWTON: Thank you.

COUNCIL PRESIDENT VERNA: Are there any other witnesses that would like to be heard?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, Councilman O'Neill, did I hear you indicate --

COUNCILMAN O'NEILL: Mr. Newton moved me. He has a small Civic Association that's probably the oldest area in my entire district up near the Northeast Airport, and I think it will at least send a message that we're trying to come up with solutions if the state gives us -- I mean, obviously we're, I think, far away from 12 votes to override a veto, and I'm very realistic about that, but I think it would send a positive message, so I'm going to ask to move the bill.

COUNCIL PRESIDENT VERNA: So this bill will be held and this --

COUNCILMAN O'NEILL: I'm sorry. I'm going to move it, Madam President.

COUNCIL PRESIDENT VERNA: Oh, now you want to move it?

COUNCILMAN O'NEILL: Mr. Newton moved me.

COUNCIL PRESIDENT VERNA: Oh, he moved you. I'm sorry. I didn't quite hear you. All right.

12/14/05 - WHOLE - BILL 051102

This will then conclude the public hearing on this bill. We will now go into our public meeting, and the Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Madam Chair, I move that Bill No. 051102 be reported out of Committee.

COUNCILMAN O'NEILL: Second.

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 0511 -- with a favorable recommendation?

COUNCILWOMAN TASCO: Do you want a favorable recommendation?

COUNCILMAN O'NEILL: Yes.

COUNCILWOMAN TASCO: With a favorable recommendation.

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 051102 be reported out of Committee with a favorable recommendation.

All in favor will signify by saying aye.

(Aye.)

COUNCIL PRESIDENT VERNA: Those

opposed?

COUNCILMAN GOODE: Nay.

COUNCILWOMAN BROWN: No.

COUNCIL PRESIDENT VERNA: Roll call, please.

MR. McPHERSON: Councilman Clarke.

COUNCILMAN CLARKE: While I agree with the concept, I'm not comfortable with the number, so I have to vote no today.

MR. McPHERSON: Councilman DiCicco.

COUNCILMAN DICICCO: Yes.

MR. McPHERSON: Councilman Goode.

COUNCILMAN GOODE: No.

MR. McPHERSON: Councilman Kelly.

COUNCILMAN KELLY: Aye.

MR. McPHERSON: Councilwoman Krajewski.

COUNCILWOMAN KRAJEWSKI: Aye.

MR. McPHERSON: Councilman

Nutter.

COUNCILMAN NUTTER: Aye.

MR. McPHERSON: Councilman O'Neill.

COUNCILMAN O'NEILL: Aye.

MR. McPHERSON: Councilwoman Brown.

COUNCILWOMAN BROWN: No.

MR. McPHERSON: Councilman Rizzo.

COUNCILMAN RIZZO: Aye.

MR. McPHERSON: Councilwoman Tasco.

COUNCILWOMAN TASCO: Aye.

MR. McPHERSON: Councilwoman Verna.

COUNCIL PRESIDENT VERNA: Aye.

MR. McPHERSON: The vote is eight to three.

COUNCIL PRESIDENT VERNA: The vote is eight to three, and the bill will be reported out of Committee.

That concludes our public meeting. Thank you all very much.

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(Committee of the Whole adjourned at 3:05 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on December 14, 2005, and that this is a true and correct transcript of same.

_____

MICHELE L. MURPHY

RPR-Notary Public

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