

# Pennsylvania Intergovernmental Cooperation Authority

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March 30, 2011

Honorable Michael A. Nutter  
Mayor  
City of Philadelphia  
City Hall, Room 214  
Philadelphia, PA 19107-3290

Honorable Anna C. Verna  
President, City Council  
City of Philadelphia  
City Hall, Room 405  
Philadelphia, PA 19107-3290

Dear Mr. Mayor and Madame President:

I write to express my concern about the City's property taxation policy and its impact on this year's and future Five Year Financial Plans.

Obviously, I am new to the PICA Board but I have been following the public discussion over the past three weeks about the assessment and property tax expectations that are built into the draft Five Year Plan FY12-FY16. According to Section 209 of the PICA Statute, the City's Five Year Financial Plan must be balanced based upon reasonable assumptions, and "estimates of City-generated revenues shall be based on current or proposed tax rates, historical collection patterns, and generally recognized econometric models." The revenue estimates in the proposed Plan are not based on currently proposed rates as set forth in the Real Estate tax rate bill approved by City Council last year. This rate will revert to \$3.305 per \$100 assessed value in FY13. Obviously, this millage rate would not make sense to be applied to the new Actual Value Initiative ("AVI") assessment base.

Additionally, the draft Five Year Plan for FY 2012-2016 states on page 14 "the Property tax rate was temporarily increased in FY11 for two years". No further elaboration is provided on the necessity of changing the rate in FY13 to correspond with the advent of AVI. I am requesting that the Administration provide PICA with the assumptions in the Five Year Plan relating to the Real Estate Tax, the conversion to AVI, and the impact of AVI on City revenues.

Projecting a tax rate that will preserve revenue neutrality during the conversion to AVI is a fiscal planning challenge and hopefully an objective. However, now that the revenue base for the conversion period has been set - \$486,743,000 in FY12 - in order to meet the reasonableness test of the PICA statute, City Council would need to amend Section 19.1301 of the Philadelphia Code to reflect that in FY13, the actual rate will be set so that so that the rate multiplied with the total assessment value determined by the Office of Property Assessment will equal \$486,743,000

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revenues. Clearly, this is but one of several options available to the Administration and City Council any one of which, whether identifying other revenue raising measures or further reducing outlays, should enable the plan, once submitted to meet the PICA statutory test.

Please feel free to contact me with any additional concerns or questions.

Sincerely,

A handwritten signature in black ink that reads "Sam Katz". The signature is fluid and cursive, with a long, sweeping underline that loops back under the name.

Sam Katz  
Chairman

C: Members, PICA Board  
Charles Zogby, PA Budget Secretary  
Rob Dubow, Finance Director  
Members, City Council  
Uri Monson, Executive Director