



Thursday, March 19, 2009

PRESENT: 17 - Councilmembers Blackwell, Clarke, Council President Verna, DiCicco, Goode, Green, Greenlee, Jones, Kelly, Kenney, Krajewski, Miller, O'Neill, Reynolds Brown, Rizzo, Sanchez and Tasco

Council met, a quorum being present.

Bishop Benjamin Fisher of the Greater Bethel Temple was introduced and offered an appropriate prayer.

COUNCILMEMBER TASCO MOVED TO APPROVE THE JOURNAL

THE MOTION WAS DULY SECONDED AND AGREED TO.

COMMUNICATIONS

The Sergeant-at-Arms presented messages from the Mayor as follows:

📄 March 19, 2009

To the President of the Council of the City of Philadelphia:

Pursuant to Section 2-307 of the Home Rule Charter, I am today transmitting to the Council the recommendation of the City Planning Commission on the following bills:

Bill No. 080954

Sincerely

Michael A. Nutter
Mayor (File No. 090231)

THE COMMUNICATION WAS READ.

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☐ Transmitting a resolution providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2010 through 2014, and incorporating proposed changes with respect to Fiscal Year 2009, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3, 1992 (Bill No. 1563-A), by and between the City and the Authority. (File No. 090232)

THE COMMUNICATION WAS READ.

☐ Transmitting a bill adopting the Operating Budget for Fiscal Year 2010. (File No. 090233)

THE COMMUNICATION WAS READ.

☐ Transmitting a bill to adopt a Fiscal 2010 Capital Budget. (File No. 090234)

THE COMMUNICATION WAS READ.

☐ Transmitting a bill to adopt a Capital Program for the six Fiscal Years 2010-2015 inclusive. (File No. 090235)

THE COMMUNICATION WAS READ.

☐ Transmitting a bill authorizing transfers in appropriations for Fiscal Year 2009 within the General Fund from certain or all City offices, departments, boards and commissions to certain or all City offices, departments, boards and commissions. (File No. 090236)

THE COMMUNICATION WAS READ.

☐ Transmitting a bill amending Section 19-1801 of The Philadelphia Code, entitled "Authorization of Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia; all under certain terms and conditions. (File No. 090237)

THE COMMUNICATION WAS READ.

☐ Transmitting a bill amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by amending Section 19-1806, entitled "Authorization of Realty Use and Occupancy Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on the use or occupancy of real estate within the School District of Philadelphia, accompanied by an explanatory letter from the Commission of the Department of Revenue. (File No. 090238)

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THE COMMUNICATION WAS READ.

- Transmitting a bill amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by amending Section 19-1806, entitled "Authorization of Realty Use and Occupancy Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on the use or occupancy of real estate within the School District of Philadelphia, accompanied by an explanatory letter from the Commissioner of the Department of Revenue. (File No. 090239)

THE COMMUNICATION WAS READ.

- Transmitting a bill amending Section 19-2700 of The Philadelphia Code, entitled "Sales and Use Tax and Hotel Occupancy Tax," by revising the rate of tax, under certain terms and conditions, accompanied by an explanatory letter from the Commissioner of the Department of Revenue. (File No. 090240)

THE COMMUNICATION WAS READ.

- Transmitting a bill amending Section 10-1001 of Title 10 ("Regulation of Individual Conduct and Activity") of The Philadelphia Code relating to the fees charged by the Commissioner of Records by modifying the amount of such fees, under certain terms and conditions. (File No. 090241)

THE COMMUNICATION WAS READ.

- Amending Chapter 10-700 of The Philadelphia Code, entitled "Refuse and Littering," to require certain businesses and property owners either to pay a fee for City waste hauling or demonstrate that the business or property owner has a private provider of waste and recycling disposal services; all under certain terms and conditions. (File No. 090242)

THE COMMUNICATION WAS READ.

- Transmitting a bill amending Chapter 10-700 of The Philadelphia Code, entitled "Refuse and Littering," to increase the amount that must be paid in response to certain code violation notices to avoid initiation of further proceedings, under certain terms and conditions. (File No. 090243)

THE COMMUNICATION WAS READ.

INTRODUCTION OF BILLS AND RESOLUTIONS

Councilmember Kenney Introduced the following Bill, Sponsored by Councilmember Kenney:

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entitled "Public Employees Retirement Code," by amending Section 22-310, entitled "Deferred Retirement Option Plan (DROP)," by making certain changes to the DROP plan, including making elected officials ineligible to participate in the DROP; and providing for an annual report concerning the DROP; all under certain terms and conditions.

THE BILL WAS REFERRED TO THE COMMITTEE ON FINANCE.

Councilmember Kenney Introduced the following Resolution for Councilmember Council President Verna, Sponsored by Councilmembers Kenney, Blackwell, DiCicco, Greenlee, Goode, Reynolds Brown, Tasco and Miller:

Resolution No. 090223: Resolution Proclaiming March, 2009 as American Red Cross Month in the City of Philadelphia.

THE RESOLUTION WAS READ.

THE RESOLUTION WAS ADOPTED.

Councilmember Blackwell Introduced the following Bill, Sponsored by Councilmember Blackwell:

Bill No. 090210: An Ordinance Renaming and designating the McAlpin Playground located at 36th and Aspen Streets as the "Miles Mack Playground".

THE BILL WAS REFERRED TO THE COMMITTEE ON PARKS, RECREATION AND CULTURAL AFFAIRS.

Councilmember Blackwell Introduced the following Resolution, Sponsored by Councilmember Blackwell:

Resolution No. 090224: Resolution Honoring and Recognizing the West Philadelphia High School Automobile Academy for Mechanics and Engineering and the Hybrid X Team on their Participation in the Automotive X Prize Competition to Develop and Market a Car that Gets One Hundred Miles to the Gallon.

THE RESOLUTION WAS READ.

THE RESOLUTION WAS ADOPTED.

Councilmember Krajewski Introduced the following Bill, Sponsored by Councilmember Krajewski:

Bill No. 090211: An Ordinance Authorizing transfers in appropriations for Fiscal Year 2009 within the General Fund from certain or all City offices, departments, boards and commissions to certain or all City offices, departments, boards and

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THE BILL WAS REFERRED TO THE COMMITTEE ON APPROPRIATIONS.

Councilmember Krajewski Introduced the following Resolution, Sponsored by Councilmember Krajewski:

- ☐ **Resolution No. 090225:** Resolution Declaring April 2009 as Autism Awareness Month and Recognizing April 2nd, 2009 as World Autism Day in the City of Philadelphia.

THE RESOLUTION WAS READ.

THE RESOLUTION WAS ADOPTED.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- ☐ **Bill No. 090212:** An Ordinance To adopt a Capital Program for the six Fiscal Years 2010-2015 inclusive.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- ☐ **Bill No. 090213:** An Ordinance To adopt a Fiscal 2010 Capital Budget.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- ☐ **Bill No. 090214:** An Ordinance Adopting the Operating Budget for Fiscal Year 2010.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- ☐ **Bill No. 090215:** An Ordinance Amending Chapter 10-700 of The Philadelphia Code, entitled "Refuse and Littering," to increase the amount that must be paid in response to certain code violation notices to avoid initiation of further proceedings, under certain terms and conditions.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- ☐ **Bill No. 090216:** An Ordinance Amending Section 19-1801 of The Philadelphia

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Code, entitled "Authorization of Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia; all under certain terms and conditions.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- 📄 **Bill No. 090217:** An Ordinance Amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by amending Section 19-1806, entitled "Authorization of Realty Use and Occupancy Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on the use or occupancy of real estate within the School District of Philadelphia.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- 📄 **Bill No. 090218:** An Ordinance Amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," by revising the real estate tax rate, under certain terms and conditions.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- 📄 **Bill No. 090219:** An Ordinance Amending Chapter 19-2700 of The Philadelphia Code, entitled "Sales and Use Tax and Hotel Occupancy Tax," by revising the rate of tax, under certain terms and conditions.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- 📄 **Bill No. 090220:** An Ordinance Amending Section 10-1001 of Title 10 ("Regulation of Individual Conduct and Activity") of The Philadelphia Code relating to the fees charged by the Commissioner of Records by modifying the amount of such fees, under certain terms and conditions.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Bill, Sponsored by Councilmember Tasco:

- 📄 **Bill No. 090221:** An Ordinance Amending Chapter 10-700 of The Philadelphia Code, entitled "Refuse and Littering," to require certain businesses and property owners either to pay a fee for City waste hauling or demonstrate that the business

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or property owner has a private provider of waste and recycling disposal services; all under certain terms and conditions.

THE BILL WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Tasco Introduced the following Resolution, Sponsored by Councilmember Tasco:

- ☐ **Resolution No. 090226:** Resolution Providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2010 through 2014, and incorporating proposed changes with respect to Fiscal Year 2009, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3, 1992 (Bill No. 1563-A), by and between the City and the Authority.

THE RESOLUTION WAS READ.

THE RESOLUTION WAS REFERRED TO THE COMMITTEE OF THE WHOLE.

Councilmember Green Introduced the following Resolution, Sponsored by Councilmembers Green and Sanchez:

- ☐ **Resolution No. 090227:** Resolution Urging the City of Philadelphia and the Commonwealth of Pennsylvania to support American companies and American-made products when spending its funding allocation from the American Recovery and Reinvestment Act.

THE RESOLUTION WAS READ.

THE RESOLUTION WAS ADOPTED.

Councilmember Jones Introduced the following Bill, Sponsored by Councilmember Jones:

- ☐ **Bill No. 090222:** An Ordinance Amending Section 9-1004 of The Philadelphia Code, entitled "Contractors," to impose additional requirements on those required to obtain a contractor license and to provide for City publication of contractor information and investigation of contractor violations, all under certain terms and conditions.

THE BILL WAS REFERRED TO THE COMMITTEE ON LICENSES AND INSPECTIONS.

Councilmember Reynolds Brown Introduced the following Resolution, Sponsored by Councilmembers Reynolds Brown and Blackwell:

- ☐ **Resolution No. 090228:** Resolution Authorizing City Council's Committee on

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Education to hold public hearings to examine the School District of Philadelphia's procedures for the identification, evaluation, and referral of children with special needs and the corresponding development and implementation of appropriate individualized education plans for these children.

THE RESOLUTION WAS READ.

THE RESOLUTION WAS ADOPTED & REFERRED TO THE COMMITTEE ON EDUCATION.

Councilmember Reynolds Brown Introduced the following Resolution, Sponsored by Councilmembers Reynolds Brown and Clarke:

- ☐ **Resolution No. 090229:** Resolution Honoring Autumn Adkins on her appointment as President of Girard College, and recognizing her as the first African-American woman to serve in this post.

THE RESOLUTION WAS READ.

THE RESOLUTION WAS ADOPTED.

Councilmember Clarke Introduced the following Resolution, Sponsored by Councilmember Clarke:

- ☐ **Resolution No. 090230:** Resolution Approving the redevelopment contract and disposition supplement of the Redevelopment Authority of the City of Philadelphia for the redevelopment and urban renewal of a portion of the American Street Industrial Corridor Urban Renewal Area, designated as Parcel No. 16 also sometimes identified by respective house number and street address for Parcel No. 16 as 1425-1443 North American street; and authorizing the Redevelopment Authority to execute the redevelopment contract with Crane Arts, LLC and to take such action as may be necessary to effectuate the redevelopment contract and disposition supplement.

THE RESOLUTION WAS READ.

THE RESOLUTION WAS ADOPTED.

REPORTS FROM COMMITTEES

COMMITTEE ON LAW AND GOVERNMENT

- ☐ **Bill No. 090171, as amended:** An Ordinance Providing for the submission to the qualified electors of the City of Philadelphia of the proposal set forth in a Resolution approved by Council proposing an amendment of the Philadelphia Home Rule Charter relating to how and when required notices shall be published


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and advertised; and authorizing the appropriate officers to publish notice and to make arrangements for the special election.

COUNCILMEMBER GREENLEE MOVED TO SUSPEND THE RULES OF THE COUNCIL SO AS TO PERMIT CONSIDERATION THIS DAY OF BILL NO. 090171.


THE MOTION WAS DULY SECONDED AND AGREED TO.

THE BILL WAS ORDERED PLACED ON THIS DAY'S FIRST READING CALENDAR.

 **Resolution No. 090179, as amended:** Resolution Proposing an amendment to the Philadelphia Home Rule Charter relating to how and when required notices shall be published and advertised; and providing for the submission of the amendment to the electors of Philadelphia.

THE RESOLUTION WAS FAVORABLE RECOMMENDATION; CONSIDERATION AT NEXT STATED COUNCIL MEETING.

COMMITTEE ON LICENSES AND INSPECTIONS


 **Bill No. 080650:** An Ordinance Amending Section 9-605 of The Philadelphia Code, entitled "Towing," by amending the requirements required for Towing From Private Lots, Private Property and Driveways, all under certain terms and conditions.

COUNCILMEMBER SANCHEZ MOVED TO SUSPEND THE RULES OF THE COUNCIL SO AS TO PERMIT CONSIDERATION THIS DAY OF BILL NO. 080650.

THE MOTION WAS DULY SECONDED AND AGREED TO.

THE BILL WAS ORDERED PLACED ON THIS DAY'S FIRST READING CALENDAR.

COMMITTEE ON PUBLIC SAFETY

 **Bill No. 080750, as amended:** An Ordinance Amending Title 10 of The Philadelphia Code, entitled "Regulation of Individual Conduct and Activity," by amending Chapter 10-300, entitled "Minors," by providing for the establishment of a daytime curfew for minors of compulsory school age on days when such minors are required to be in school, providing for penalties, adding definitions and making certain technical changes, all under certain terms and conditions.

COUNCILMEMBER MILLER MOVED TO SUSPEND THE RULES OF THE COUNCIL SO AS TO PERMIT CONSIDERATION THIS DAY OF BILL NO. 080750.

THE MOTION WAS DULY SECONDED AND AGREED TO.

THE BILL WAS ORDERED PLACED ON THIS DAY'S FIRST READING CALENDAR.

CONSIDERATION OF THE CALENDAR

BILLS ON FIRST READING

📄 **Bill No. 090171:** An Ordinance Providing for the submission to the qualified electors of the City of Philadelphia of the proposal set forth in a Resolution approved by Council proposing an amendment of the Philadelphia Home Rule Charter relating to how and when required notices shall be published and advertised; and authorizing the appropriate officers to publish notice and to make arrangements for the special election.

THE BILL WAS ORDERED PLACED ON NEXT WEEK'S SECOND READING CALENDAR.

📄 **Bill No. 080650:** An Ordinance Amending Section 9-605 of The Philadelphia Code, entitled "Towing," by amending the requirements required for Towing From Private Lots, Private Property and Driveways, all under certain terms and conditions.

THE BILL WAS ORDERED PLACED ON NEXT WEEK'S SECOND READING CALENDAR.

📄 **Bill No. 080750:** An Ordinance Amending Title 10 of The Philadelphia Code, entitled "Regulation of Individual Conduct and Activity," by amending Chapter 10-300, entitled "Minors," by providing for the establishment of a daytime curfew for minors of compulsory school age on days when such minors are required to be in school, providing for penalties, adding definitions and making certain technical changes, all under certain terms and conditions.

THE BILL WAS ORDERED PLACED ON NEXT WEEK'S SECOND READING CALENDAR.

BILLS ON SECOND READING AND FINAL PASSAGE

📄 **Bill No. 090007:** An Ordinance Amending Section 19-203 of The Philadelphia Code, entitled "Payroll Deductions," to add the Friends of the Free Library Philadelphia to the list of designated payees to whom an employee may direct payroll deductions; all under certain terms and conditions.

THE BILL WAS READ.

THE BILL WAS PASSED.

The Ayes and Nays were as follows:

Ayes: 17 - Councilmembers Blackwell, Clarke, Council President Verna, DiCicco, Goode, Green, Greenlee, Jones, Kelly, Kenney, Krajewski, Miller, O'Neill, Reynolds Brown, Rizzo, Sanchez and Tasco


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Nays: 0

Council President Verna - The time has come to consider the Mayor's presentation of his annual budget message.

Council President Verna appointed the following Councilmembers: Tasco, Clarke, O'Neill and Rizzo to escort Mayor Michael A. Nutter to the Council Chamber to deliver his message.

The Honorable Michael A. Nutter, Mayor of the City of Philadelphia, appeared before the Council and presented his message concerning the proposed Operating Budget for Fiscal Year.

 **LOOKING FORWARD: A BUDGET FOR "A CITY THAT WORKS"**
Mayor Michael A. Nutter
March 19, 2009

Good morning Council President Verna, Majority Leader Tasco, Majority Whip Clarke, Minority Leader O'Neill, Minority Whip Rizzo, members of the City Council and the General Assembly, other elected officials, guests, my fellow Philadelphians and friends in the region.

And my fellow public servants in the Administration.

Let me also say thank you to my executive partner in the Commonwealth, Gov. Rendell, and Philadelphia's House Appropriation's Chairman Dwight Evans and my own State Rep. Kathy Manderino, who is always looking out for me.

For me, it's always a pleasure to return to these hallowed Council chambers, my first home in public service.

I want to thank each Council member for your willingness to partner with me in the interests of all Philadelphians, for your prompt, professional consideration of my first budget and so many bills that followed, for the very difficult rebalancing of that budget late last year and your participation in the new budget process that unfolded in recent weeks.

I sincerely look forward to working very closely with each of you to move our city forward with a new budget.

More than 14 months ago, when I first addressed you and the City at our Inauguration, I spoke about a rebirth of optimism and hope. I told you what kind of leader I would be - that I wanted to lead this city in a new direction away from the policies and politics of the past.

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I said it was time for new ideas and bold action. After a year and a half campaigning for change, on that inaugural morning I said that we must reform a status quo that for too long has held us back.

Today, Madame President, I am that same reformer standing before you with the same message - if we work together, if we share the sacrifices that change demands, we will secure the future of the New Philadelphia that we all want.

And what kind of future is that? What is my vision for our city?

- It is a Philadelphia rich in human capital, rich in good paying jobs for Philadelphians.
- It's a world-class city where Philadelphians thrive in safe, healthy neighborhoods, partake of our green parks and diverse urban culture.
- It's a city where good schools produce educated and motivated citizens ready to assume their place in our booming city.

It's a city that works.

Now, as a student of history, I've found that crises have a tendency to shape our views of the future and the past. And I believe our current economic crisis has blurred a clear-eyed examination of our city's progress.

In the last year, despite our budget concerns, this City has moved forward. We are not paralyzed by our fiscal situation. The time for change has come.

In my inaugural address, I said we had to focus on crime, gun violence and the homicide rate.

With Council support, a crime-fighting strategy by Police Commissioner Ramsey and the hard work of every officer in the department, we cut the homicide rate by 15 percent, the largest decrease in a decade and well on our way toward our near-term goal - a 30 percent reduction in our first three years.

I set aggressive, long-range goals to reduce the number of dropouts and increase the number of college graduates in the city.

And we now have a new program targeting at-risk 6th grade students long before they become dropouts. Our high school graduation rate is nearly 60 percent and we have new re-engagement centers that are providing dropouts with a way to "drop back in" and get a diploma.

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I said that ethics would be a cornerstone of our government, and in the year since, we've strengthened the Inspector General's Office, brought on a Chief Integrity Officer, increased training for employees and are working closely with federal and local prosecutors as partners, not adversaries. Integrity instills confidence in government - for our citizens and for business.

We have made investments and taken actions reflecting our vision and values and showing that we are, indeed, a city that works. We've:

- increased funding for Fairmount Park,
- rolled out weekly single-stream recycling,
- opened a 311 Call Center,
- reestablished the Planning Commission as the central force of development,
- taken steps to improve minority and female business participation in our economy,
- established good relations with the cities and counties around us and the state and federal governments,
- sparked a new sense of volunteerism in our city and
- developed a mortgage foreclosure protection program that has gained nationwide interest.

It was also of great value to city taxpayers that we were able to negotiate one-year contracts with all four municipal unions.

For the first time in a decade, the contracts controlled the spiraling costs of employee healthcare. While there were no changes in quality of the benefits, depending on the contract, the costs to the city were either reduced or held steady.

Even more significant for future cost containment, all four unions for the first time agreed to sit down with the city in a special committee to explore new ways to provide healthcare benefits at lower cost. That committee is still at work as we begin an historic round of negotiations.

But with each passing month, the tell-tale signs of economic distress began to increase in number, and this city administration, committed to a new level of transparency, quickly disclosed our growing problem last September and provided regular updates. That's what leaders do.

On Nov. 6, after the historic election of Barack Obama to the presidency and the no less historic victory of the Phillies in the World Series, I announced an emergency rebalancing of our annual budget and Five-Year Plan to close a billion-dollar gap.

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This huge deficit was caused by declining tax revenue and increased pension payment requirements due to severe losses in the financial markets where the city Pension Fund invests.

Our approach to the explosive fiscal crisis was to preserve our core services, particularly those for our most vulnerable populations. We rejected short-term fixes that would hurt us in the long run.

The task was complicated because 58 percent of our spending is non-discretionary - such as payments to the School District, debt service, pension payments or human services. These are commitments that we must keep and not endanger.

After an intensive review, we found more than half of our reductions in efficiencies, revenue increases and one-time savings. There was major belt-tightening throughout the government.

However, at times the media spotlight focused on the loudest in the public, some making very pointed criticism of our decisions to remove seven pieces of Fire Department equipment from service in order to reduce overtime or to close most of our pools and 11 libraries.

On that issue, I want to thank President Verna, Council members Tasco, Kenney, DiCicco and Greenlee for your support in a tough situation.

Without diminishing the controversy over those changes, my decision to halt for five years scheduled reductions in wage and business taxes had a much larger budget impact -- \$230 million in additional resources for services.

We also eliminated nearly 2,800 positions from the government, and throughout the government, there were heavy overtime reductions, totaling \$18.5 million annually.

In the police department, there were 200 police vacancies and millions of dollars in police overtime removed from the departmental budget.

And I cut my own pay. I asked my Cabinet and senior staff in my office and the Managing Director's Office to also take pay cuts, saving \$400,000 annually. Exempt employees are taking furloughs totaling \$1.7 million this year and again next year.

It was a difficult time, but through it all we remained true to our vision for the city. We were able to avoid any police or fire layoffs. There were no reductions in emergency medical services. We kept the recreation centers open and weekly residential trash

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collection and single-stream recycling were preserved.

In the following weeks, I did not take it easy and say "painful job completed." I did not hang out and just ride it out through the holidays. I did not go behind closed doors to develop in private our FY10 budget proposal.

Instead, as we monitored with growing concern our declining revenue projections, I immediately scheduled 8 Town Hall meetings where thousands of Philadelphians voiced their sometimes heated displeasure with one cut or another - because leaders also listen.

Now, it is true that many complained their voices were being heard after the fact, after the unpopular cuts were made. Many asked me what was the point of these meetings.

But there was another side to the process. The Town Hall meetings were not just about past actions; they were the start of the current budget process. I was preparing for the most extensive public outreach and participation on a budget, what I call the Peoples' Budget.

The input from concerned Philadelphians at those town hall meetings, comments about preserving core services, about a willingness to consider higher taxes, about keeping the city safe, about aggressively collecting taxes owed or slashing the size of the city fleet - all these ideas would come back during our completely reformed budget process, one unlike any other in city history.

At those town hall meetings, I heard you loud and clear. And your comments supported our sense of urgency and helped us as we began this new public budget process.

On Jan. 15, just two months after closing the first billion-dollar deficit in our current Five-Year Plan, I announced that we had been hit by an economic hurricane -- a second billion-dollar gap had opened up in our next plan.

Again, the driving forces were declining tax revenue and huge losses in our Pension Fund, requiring millions of additional dollars from taxpayers to support our Fund, the safety net for our retirees and current workforce.

I should also note that our budget hole has actually grown since mid-January by an additional \$333 million to almost \$1.4 billion, owing to further losses in business and real estate transfer taxes.

Beyond the enormity of our budget deficit and my promise that every service, program, tax and fee was on the table for discussion, three points are worth recalling about that day:

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First, I called on our four union leaders and city workers to be prepared to share in the pain and sacrifice that would be coming. I said that change was an absolute necessity.

Second, I outlined the Peoples' Budget process - a series of Phillystat meetings, budget workshops and an unparalleled engagement of the public in the earliest stages of budget development.

And over the following weeks I would meet with Philadelphians in barbershops and beauty salons, in churches and community centers, on the street and in private homes.

And third, I named a Private Sector Outreach Board, composed of distinguished private sector leaders who were tasked with advising me and my administration on ways to make government more efficient, to drive down costs and to increase the quality of our services.

Along with tremendous ideas from city employees, the public input over the following weeks was enormous and wide-ranging.

Philadelphians wanted their government to tighten its belt. They wanted more value for each tax dollar. They wanted every dollar owed to the city to be collected. And they wanted to preserve key services, particularly those aimed at our vulnerable populations.

No greater symbol of reining in costs was clamping down on the use of city vehicles.

At a meeting in southwest Philadelphia, Woody Beale, a community activist working to reduce violence, told me, "Mayor, we have got to take away some of these city cars that employees are driving. They can catch a bus just like the rest of us do and we can save the city a lot of money."

Woody, I heard you and the hundreds of Philadelphians who pointed to this spending issue. Since January 2008, we've cut almost in half the number of employees who take vehicles home. That's \$2.1 million in savings to our Five Year Plan.

And so far, we've removed 243 cars, trucks and vans from the fleet of 5,900 vehicles for savings of \$1.5 million. The auction value of these vehicles is about \$280,000 in revenue for the city. Our goal by July 1 is to take 500 vehicles out of service!

Walt Wesolowski, a retiree in Juniata, was as blunt as anyone when he said, "Mayor, you got to go after these tax deadbeats. It's unfair to the rest of us who are paying taxes."

And Walt, we're doing that. Last November, we began publishing a list of our top tax delinquents. And that tactic has gotten results. So far, we've collected \$2.5 million in

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back taxes. But we're just getting started. The city Law Department and the Sheriff's Office are mobilized. Folks, we are not playing!

As that tax deadbeat lawyer who approached me on the sidewalk on South Broad Street learned last week: My message is simple. "Just pay your taxes!"

Philadelphians in large numbers also told me that the city needs to make sure that it preserves vital services to our vulnerable populations - from children to the elderly.

Marsha Wall, a retired nurse in southwest Philadelphia, told me that city health centers are a key part of the city's social service safety net. She said, "For people without insurance, it's all they have. Please don't close them."

Well, Marsha, that brings us to today. I want Philadelphians to know that their voices and ideas were heard. My proposed FY10 budget and the Five-Year Plan is the Peoples' Budget.

We heard you loud and clear. And I'm proposing a budget that maintains a high quality of service to Philadelphians. We will not turn away from the gains we've made in public safety. Therefore, I will not lay off a single police officer or a single firefighter. Nor will any fire stations close.

I heard you loud and clear. I understand the linkage between safety and education and so no recreation centers or libraries will close. And we will have four times more swimming pools open this summer than I thought possible last November, because I made the decision to invest more in our young people.

And Ms. Wall, no health centers will be closed.

We heard you. We're keeping the faith. This is our proposed framework.

But as they say "nothing in life is free." To provide the level of service Philadelphians want will cost us more dollars than we currently have.

So, in order to keep more than 6,600 FOP police officers on the street, to have the full complement of Local 22 firefighters, to keep our health centers open, to have our recreation centers and libraries open with our District Councils 33 and 47 workers, we must do two very painful things. First, sharply cut costs once again.

We face really tough choices. There is no easy way out. I will not sugarcoat this. Now, more than ever, leadership demands an honest accounting of our situation and a responsible solution.

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There's no magic that can transform our situation into something other than what it is - a time for shared sacrifice dedicated to a vision of a brighter future for our city. This is the time for all of us to either stand up and be counted or sit down and be quiet.

As we did in November, the first task was to look for efficiencies, new revenue opportunities in the departments and spending reductions. It was not easy, considering that we'd taken so much out of our budget and Five Year Plan last November.

But we took a sharp pencil to the budget and we've found a total of \$60 million worth of proposed efficiencies, reductions and new revenue. That's more than \$300 million over the course of five years.

Half of the changes are reductions, including a reduction of about 250 positions. Staff reductions citywide will save us \$11 million per year and more than \$50 million during the Five-Year Plan. And it will raise to more than 3,000, the number of positions eliminated since November.

On top of the \$18.5 million in overtime that we removed last November, this budget assumes an additional \$2 million in annual overtime reductions - added up it's more than \$100 million over five years.

Fees in some areas will increase - higher EMS fees will provide \$5 million each year and fees for commercial trash collection will generate \$7 million annually.

Also on an annual basis, waste minimization efforts should net us \$2 million, citywide fleet reduction will produce \$1.5 million and energy efficiencies in FY10 will save us \$1.5 million, jumping to \$3 million per year in the following two years.

But with all these proposed changes, it was clear that we would not be able to cut our way out of this fiscal hole. And that leads to the second very painful choice. New revenue is an absolute necessity.

As an elected official and a candidate who for the last decade championed the cause of tax cutting and its central role in the city's strategy to be a more desirable place to do business and reside, I'm well aware of the irony in my proposals.

But this is not the time for philosophical debates. This is a moment for leaders to make tough decisions! And that's what I'm going to do - lead and make tough decisions. Unlike some politicians, I'm not focused on the next election. I'm focused on the next generation.

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Now, before deciding to raise taxes and choosing which taxes, I had concerns:

- We must do nothing to fix current problems that would harm us in the long run;
- Our plan must be of the shortest duration, designed specifically and solely to get us past this fiscal crisis;
- And the pain must be shared fairly.

Study after study has shown that over the last 50 years, wage and business tax increases have exacted a terrible price on the city's economy, driving population, business and investment elsewhere.

Conversely, according to Robert Inman, a Wharton finance scholar and a noted expert on the city's tax system and economy, the rate of economic decline would have been much steeper in recent years but for the annual wage tax cuts starting in the mid-90s.

He has estimated that those wage tax cuts added about 23,000 jobs to the city's economy.

Raising the wage tax to fix our deficit is the poster child for taking a short-term step with devastating long-term impact. It sends the wrong message. It's the wrong thing to do and I won't do it.

And it would involve us in a potentially damaging fight in Harrisburg where legislators would view our action as a broken promise, coming after the General Assembly and Gov. Rendell provided gaming revenue as a way for us to reduce our wage tax.

Instead, I have chosen to ask the General Assembly to give us the authority to levy an additional one percent on our sales tax. This surcharge, this penny with a purpose, would last for only three years and would generate an estimated \$340 million.

I am asking this City Council to raise the city portion of the real estate tax for 2010 by 16 mills over the current rate and by 12 mills over the current rate in 2011. This temporary, two-year change will provide the city with an estimated \$272 million.

Though the millage rate has not been raised since 1990, I understand that homeowners have seen their assessments rise. I am sensitive to those feelings and I am concerned about the impact of these proposals on our low-income workers and senior citizens. So, we must take action to protect them as well.

I also understand that the assessments are in some cases not up to date, meaning some people are paying more than they should while others are not paying enough.

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This must and will change. I fully expect a new system of setting assessments, with fairness and transparency, is coming for the 2011 tax year.

Finally, as City Controller Alan Butkovitz and I recently announced, I will seek General Assembly approval of technical changes in our Pension Fund's operating rules that will save the city about \$332 million over five years.

Taken together these changes put us close to a balanced Five Year Plan, but not completely.

Core services have been preserved while the pain of supporting this spending plan has been spread to businesses, consumers and homeowners. Already, businesses and wage earners have to forego tax reductions for a number of years. But any additional effort to stabilize our city budget must also involve our own employees, who are also taxpayers.

On Inauguration Day, I said we needed to protect the city's fiscal health, stabilize the city's Pension Fund and come to grips with double-digit healthcare expenses.

I also said we needed new contracts for our public employees, contracts that are fair to the employees and fair to the taxpayers who foot the bill.

Fourteen months later, I can say with certainty that reform is never an easy process. You never get there without experiencing pain and enduring hard work. I say that with the deepest respect for our city's public servants and their elected union leaders.

And so, today, I'm calling upon Pete Matthews, president of District Council 33; Brian McBride, president of the firefighters' Local 22; John McNesby, president of the FOP; and Cathy Scott, president of District Council 47 with this message:

It's time for leaders to lead, not to follow the screaming crowds.

Work with me on behalf of your members and the 1.5 million residents of Philadelphia who pay their taxes and pay our salaries. We work for them and not the other way around.

I'm asking for a new level of cooperation to benefit us all. We need to be open to new ideas.

For example, I've met with the union leaders and asked them to encourage their members to take voluntary furlough days. This is an idea that came from our own city employees who participated in our budget process.

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Because of contractual requirements, furloughs are not something that the city can impose on our unionized employees, but it's a way to help forestall any further layoffs. If every city and court employee, who is not already taking furlough days, voluntarily took just one day off, it would save taxpayers more than \$4.1 million per year.

As we all know, among the key drivers of the city's budget crisis are pension and healthcare costs. We must all acknowledge that today's system is the sum of decisions that date back almost 35 years, but we now have an opportunity to chart a course for fiscal health in the next 20 years.

Rising benefit costs have forced the city to shift ever more valuable tax dollars away from the services our citizens rely upon. In 2000, the city spent \$220 million on pensions and \$170 million on health care costs. That was 14 percent of the budget.

In 2008, we spent \$430 million on pension costs and \$420 million on healthcare, almost 22 percent of the city budget. By FY13, the city expects to spend more than 25 percent of its total budget on just these two items unless significant changes are made.

I am proud that we pay our hard-working city employees for a good day's work. They deserve our respect for taking on the hardships of working in the public sector, but they must understand that the city treasury is not an endless source of money.

To ensure the city's fiscal health, I'm asking our public employees to contribute more of their salaries toward their pensions and healthcare, amounts more in line with national averages.

I'm not talking about impacting the quality of city benefits.

Just as we were able to lower costs this year, while preserving the quality of benefits, so too must we drive down costs in the next five years. It's what Philadelphians expect and deserve.

As I've noted several times today, the Pension Fund has been rocked by turmoil in the financial markets.

It has lost millions of dollars, which must be made up by city taxpayers. As it now stands, the Fund is only 55 percent funded, with actuarial assets of \$4.6 billion and actuarial liabilities of \$8.4 billion.

The Fund's condition is of such concern that we will submit an application to the Pennsylvania Employee Retirement Commission, asking that the Philadelphia Pension Fund be declared "severely distressed" - the highest level of distress as defined by state

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law.

Under the terms of the law, we will be required to make significant changes to the Pension Fund to reduce our employee costs.

And following receipt and acknowledgment of our application to the Pennsylvania Employee Retirement Commission, I will send legislation to City Council to implement a new pension plan for certain existing exempt employees and all public employees hired after July 1, 2009.

This new plan will provide a guaranteed level of benefits, although lower than the current plan, to employees who work for the city for a certain number of years and allow those who want higher benefits to contribute more of their own money and receive a city matching contribution for part of it.

It will offer employees a way to take their retirement benefits with them should they choose for some reason to leave city employment.

The new plan will be less expensive for the city in the long term, while providing employees a measure of retirement security.

We are also asking the unions to agree that current employees who are vested in pension plans pay more of the cost to keep their existing pension benefits.

And while the savings in the Five-Year Plan from these proposed pension changes are estimated to be modest, over the next 20 years, we're expecting them to generate more than \$600 million in savings.

For now, I've included \$25 million in benefits and work rule changes in my proposed budget or \$125 million for the Five Year Plan. It is a minimum level of savings that we must have in order to afford everything else we are proposing to do. Without these savings, layoffs will follow without question.

This budget and plan also do not include any money for salary increases. If raises are to be found, those dollars must come from other efficiencies that labor and management can implement in new contracts.

As you can see, there are many working parts to this proposed budget. It requires support from our taxpayers, cooperation from our employees, approvals from the General Assembly, the Governor and City Council.

One area I have not yet addressed is the independently elected officials and their

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operations. In the last three months, Philadelphians have urged me on many occasions to do things by executive action that I just don't have the power to do.

It's true that the 1951 City Charter is often described as creating a "strong mayor" form of government. But everyone does not work for me. There are about 23,000 city employees supported by the General Fund in Philadelphia, but more than 3,250 are not under my executive control.

On a host of spending issues, City Council, the Sheriff, the First Judicial District, the Register of Wills, the District Attorney and the City Controller have significant authority over their own budgets.

Today, I'm asking all elected officials to look very carefully at what our administration has been doing. I'm reducing my own Office budget by 22 percent compared to the original FY09 budget.

I am also pledging to the public that I will not enter the DROP program and that I have transmitted to Council today a bill that prohibits elected officials from joining the program after this year.

And I'm calling on all elected officials to do more on behalf of the citizens of Philadelphia and our city employees - whether as many of you have done already by making across-the-board cuts, salary reductions for yourselves, staff reductions, voluntary furloughs, returning city cars or sharply limiting take home privileges.

Do something to help. We need savings, substantial savings, right now!

I am very serious about this. The citizens are watching us all very carefully.

Because going forward, we will be thinking about efficiency and reducing costs every day -- not only by learning to work smarter and faster -- but also by completely rethinking and reforming our government structures.

Philadelphia is a very old city with a dated government structure. And as I noted late last year, the row offices are a significant component of city costs.

In the 21st Century, it's prudent and fiscally responsible to carefully study the future of these row offices and the millions of taxpayer dollars spent each year.

Many of the functions carried out by the City Commissioners, the Sheriff, the Clerk of Quarter Sessions and the Register of Wills are vital.

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The question is whether we can provide these services more efficiently and at less cost if the elected offices and all the associated costs are removed, and the core functions are redistributed to other city departments and the courts.

It's a question that we need to address with careful analysis and I am committed to exploring the various options for how we reduce, consolidate or eliminate these offices.

Similarly, the City of Philadelphia has about 500 occupied and functioning buildings, including many very old, deteriorating facilities that are well beyond their useful life.

Last week, City Councilman James Kenney introduced a resolution that could lead to an independent, non-partisan commission to inventory and evaluate city assets and then make non-binding recommendations for potential closures. This is a concept modeled after the Federal military base closure process.

As a city, we must confront the issue of how our current portfolio of facilities matches our needs and resources in the years to come. It may be that there are exciting opportunities to consolidate city services in selected buildings.

I believe this proposal could be the appropriate venue for a rational and deliberative consideration of our future facility needs and I ask Council to consider the issue as soon as practical.

Meanwhile, the reform teams put in place by Managing Director Camille Barnett are looking at a variety of issues, from increasing police efficiency with bet (File No. 090255)

THE COMMUNICATION WAS READ.

NOTE: TO READ MAYOR MICHAEL A. NUTTER'S BUDGET MESSAGE IN ITS ENTIREITY SEE NOTES OF TESTIMONY FROM COUNCIL SESSION MARCH 19, 2009.

SPEECHES

COUNCILMEMBERS O'NEILL AND GREEN. (SEE NOTES OF TESTIMONY).

COUNCILMEMBER CLARKE MOVED TO ADJOURN

THE MOTION WAS DULY SECONDED AND AGREED TO.