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Title: MAYOR JOHN F. STREET
 BUDGET ADDRESS - JANUARY 2001

Implementing a shared vision for a better Philadelphia.

Good morning Council President Verna, members of City Council, members of my Cabinet and Administration, special friends and guests. It is a pleasure to appear before you this morning. Last year, I came before you to describe my vision for a better Philadelphia. Today I stand before you to tell you that we have made great progress in making that vision a reality and I am truly excited for the promise the future holds for our great city.

Allow me to reflect for just a moment on the great year we had. Together, we have become the government that gets things done!

In my first budget message:

- * I promised that I would assemble a diverse government comprised of the best, most qualified individuals; I am proud to say that, to date, we have assembled one of the most capable, highly-qualified, diverse group of individuals to serve the City of Philadelphia. These individuals are not simply making government work - they are making government work better.
- * I promised you that we would negotiate fair, fiscally sound labor contracts; I am proud to report that our contracts give our workers more yet remain within the limits of the budget.
- * I promised you that I would take responsibility for public education as one of the city's highest priorities and would work tirelessly to make a quality education available to every young person in Philadelphia's public schools; I am proud to report that we made significant changes and great strides towards providing every student with a meaningful educational opportunity.
- * I promised you that our city would serve as the proud host to thousands of visitors during the Republican National Convention, and that our great city would shine in the national spotlight; I am pleased to report to you that the execution of our host responsibilities to the RNC was an unmitigated success.
- * I promised you that we would initiate an ambitious campaign to remove abandoned cars from our city's streets; I am proud to tell you that in the last year, we took more than 60,000 abandoned cars off the streets.
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- * I pledged that I would include the residents as we sought to create a new vision of our city's neighborhoods; I am pleased to report that we met with hundreds of residents at town and school cluster meetings. We toured every Councilmanic District to see first hand the problems and the struggles each neighborhood confronts, so that the plans we develop address the true needs of our communities.
- * I promised you that my Administration would work to negotiate agreements that provide for the construction of two new, world-class sports stadiums; I am delighted to report to you today that we are almost home.

* I promised you that "2000" would be the 'Year of the Child.' We delivered by creating the Commission on Children, establishing the Office of Child Care, releasing the Report Card 2000 and the Children's Budget.

Ladies and gentlemen, I say to you again, we have had a great year! We are a government that gets the job done!

These great achievements did not just happen. Nor did they happen in a vacuum. They occurred through the dedication, hard work, and perseverance of many, many individuals. I would like to take a moment to thank some of the people who helped to make this first year such an outstanding success.

First and foremost, I must thank the scores of elected officials, labor leaders, members of the business community, members of the religious community, the hundreds of members of my transition team, and the wide variety of civic leaders who came together throughout the year in an unprecedented fashion to help in solving some of Philadelphia's most challenging issues. To all of you who extended a helping hand, I offer thanks.

I must especially thank Governor Ridge for his leadership, partnership, and friendship. When I took office last January, many wondered whether the Governor and I could find common ground. However, from the very beginning, the Governor evidenced a sincere willingness to help in solving many of Philadelphia's most difficult problems. I appreciate his commitment to join with me in implementing our vision for a better Philadelphia and I expect that our relationship will endure, and be constructive and productive.

I also thank Council President Verna, and every member of City Council for your hard work and commitment towards shaping and implementing the vision for a better Philadelphia. Thank you Council President Verna for your leadership and wisdom, and thanks to each of you for your help along the way.

I would also like to thank the hundreds of Philadelphians who attended the town and school cluster meetings held throughout my first 100 days in office. I appreciate the ideas, the faith, the patience and the confidence that the residents of Philadelphia have expressed throughout the year. The budget that I bring to you today is structured to address the concerns and ideas expressed by the people of Philadelphia at those meetings.

The coming year presents an array of new, more complex challenges. We can not afford to rest on the wonderful success of the last year. To implement a shared vision for a better Philadelphia will take continued discipline, dedication, and cooperation.

Some obstacles to implementing our vision are external, 'global' challenges that many cities across America are now facing, including:

- * A decreasing population that is less likely to have the ability to support a strong tax structure while at the same time is more likely to require increased city services.
- * National economic indicators that suggest the flourishing economy we have enjoyed over the past several years is likely to slow down.
- * Changes in various state and federal programs - such as welfare reform - that will effect the economic strength of the City.

Some other challenges developed over a long period of time and only now are we gaining a full appreciation for their magnitude.

Let me be totally frank with you here today: the problems of the Philadelphia Gas Works (PGW) constitute the greatest risk to the financial stability of the City. After years of poor management compounded by a monumental computer system failure, the financial problems of the company have been further exacerbated by a 400% increase in the price of natural gas, during 2000 alone! While we are pursuing every avenue to stabilize the finances of the organization - including a \$45 million loan to PGW-the City has no alternative but to consider the benefit of selling the company. We simply cannot afford to fund PGW's cash-flow and operating requirements out of the City's general fund. To do so will surely bankrupt the City!

Another extraordinary challenge facing all of us is the on-going struggle to improve public education in Philadelphia. If we want families to live here and businesses to thrive, virtually no commitment is more critical to Philadelphia's long-term strength than our commitment to public education.

The School District's educational and financial problems accumulated over a period of years and may not be resolved in one year. But, important improvements are beginning to bear fruit:

* We installed strong management at the District so we get a better grasp of our financial problems and improve our opportunity to deliver on our educational promise.

* We have a renewed focus on public safety so that teachers and students will be secure in peaceful, educationally focused, classroom environments.

* With essential support from labor, political and civic leaders, we negotiated a reform contract with the PFT that provides teachers and students with better opportunities to succeed.

* We prepared an educational improvement plan, now approved by the state Department of Education, that will guide our spending and organization to improve student achievement.

* And, we ended the bitterness that characterized the School District's past dealings with Governor Ridge, his administration and the General Assembly, and replaced it with a renewed spirit of communication and cooperation.

The budget and five-year plan I propose today preserve the City's \$609 million contribution to the schools; however, everyone agrees we must do more. The School District will aggressively continue its efforts to reduce its operating expenses. We must be prepared to pursue more-far-reaching changes and radical approaches to operating our schools. We are committed to working with our funding partners to develop a comprehensive strategy that restores the school district to financial stability and provides our schools with sufficient resources to provide the quality education our children deserve.

In the coming months, we will depend on the partnership established among the School District, the City and the Commonwealth - which should be expanded to include the federal government-to work together to craft fair and effective solutions to the financial problems that threaten our public schools. Our children expect us to meet our responsibilities and we should not let them down.

Today I propose an Operating Budget of \$2.95 billion and a five-year Capital Program of \$541 million. It is a budget that supports a strategy of targeted spending while maintaining a program of continuing cuts to both the Wage and Net Profits Tax and the Business Privilege Tax. This budget allows implement our vision of a better Philadelphia city by supporting our main initiatives: education, neighborhood transformation, children's programs, public safety, and continued economic development. This budget also maintains a degree of fiscal discipline that will benefit the city for years to come.

The 'global' economic warning signs and local challenges translate into more conservative revenue projections used in both the Five-Year Plan and our proposed FY02 budget. The Plan projects that revenue growth will be somewhat moderate, averaging between 2 %- 3 % over the next five years. Inflation during this same period is projected at 2.5%. Notably, these growth estimates are considerably lower than the revenue growth of approximately 4.7% the City enjoyed in FY00 and even lower than the 3.5% growth in the Wage Tax during the first half of FY01. Further, it is projected that the tax base will grow by a modest average of 2.7% annually between FY01 and FY06.

To successfully implement our vision for a better Philadelphia, we must continue to lower the tax burden of every resident and every business. In FY02, we will continue to reduce the tax reduction program, which extends through FY05 and will save Philadelphia residents and businesses \$1.1 billion in wage and business taxes.

In addition, to balance the budget, we will aggressively pursue \$60 million in savings by 2005 through

management and productivity improvements.

While the budget and Five-Year plan include funding for city services and key initiatives, it is a conservative budget. Notably, in FY01, the City experienced an unprecedented fund balance of \$295.1 million that was the result of a historically robust economy and a variety of other factors. However, last year, as well we projected as today we are predicting operating deficits in the coming years.

Early next month, I plan to announce a comprehensive economic development strategy for Philadelphia when I address the Greater Philadelphia Chamber of Commerce. However, be assured that lower taxes, conservative budgeting, smart spending and a healthy economy are significant components of our vision for a better Philadelphia.

I am excited as I stand here before you today. I am excited because Philadelphia retains a vibrancy that is undeniable. By strategically lowering taxes, aggressively cutting costs in local government, while at the same time initiating and supporting measures that encourage growth in the local economy, investment in neighborhoods and public schools, we can assure Philadelphia's success long into the future. Notably, this budget is structured around a mandated 1.5% reduction in personnel costs in most departments in government. That reduction alone yields a savings of \$17.5 million annually.

The budget makes substantial investments in those areas we have identified as essential for implementing our vision for a better Philadelphia: improved city services, increased public safety, stronger neighborhoods, more and better programs for children, and economic development required to stimulate stability and growth.

* Our workforce is provided for. The General Fund supports a workforce of 25,451 men and women, including: 2,367 firefighters and 6,914 police officers. Expenses associated with our workforce constitute more than 56% of the City's General Fund.

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* It provides funds to the Free Library that will support more than 6 million library visits, and 7.5 million books borrowed; it provides the funding for the technical support necessary to increase the number of hits on the Free Library's web site, from 3.3 million in FY98 to more than 20 million in FY02.

* With this budget 24,500 children will receive services from DHS, and 750 children will be adopted into loving homes.

This budget, and the strategic programs it supports, will provide a higher level of service for the residents of Philadelphia than ever before in the history of this city!

The City's Capital Budget will support the Neighborhood Transformation Initiative through the renewal

of community facilities, including libraries, park facilities, neighborhood police and fire stations, and various street scape and area site improvements that will compliment our residential and commercial revitalization efforts.

The Capital Budget also provides \$10.5 million for the improvement to our of community ball fields, playgrounds, basketball and tennis courts, and other Recreation Department facilities. The Capital Budget will also support the refurbishing of many of the Recreation Department's various buildings, and will allow for the rehabilitation of roofs, heating and safety systems, and other integral, infrastructure systems.

The Capital Budget also provides for improvements to our, well-loved cultural and recreational institutions across the city, including the Art Museum, the Central Library, and the Philadelphia Zoo.

We will expand the work of the Office of Strategic Planning and Initiatives to include responsibility for identifying and securing government and private grants and other resources that can support the City's work. A team of specialists will be dedicated to developing creative funding solutions to Philadelphia's programming challenges.

Wherever possible, the Administration will use technology to its advantage. For example, within the last 30 days the City's Procurement Department has begun posting its bid packages on the City's web site. Not only will this initiative reduce bid package production and postage costs, it also will enable the City to solicit competitive bids from additional vendors outside the region.

We intend to pursue aggressively good ideas proposed by others. Jonathan Saidel, our City Controller, has proposed that the City consider "privatizing" City Hall. It is a strategy for securing millions of dollars in private investment in support of the necessary billion dollar renovation the building so desperately requires.

The financial keystone of the Neighborhood Transformation Initiative (NTI) will be a \$250 million dollar issuance of "Blight Remediation Bonds." The Redevelopment Authority on behalf of the City will issue the bonds over the next five years. The proposed financing plan is complete and will be presented to City Council next month.

Our commitment to arrest deterioration and restore vibrancy in neighborhoods across the City will require the ongoing commitment of every department in the City. Thus, the Five-Year Plan provides more than \$50 million in operating department support for neighborhood transformation: We propose to spend:

- * \$6.5 million to undertake baseline cleaning of approximately 31,000 vacant lots,
- * \$3.5 million to remove 8,700 dangerous, dead street trees,
- * \$10 million has been allocated to the Managing Director's Office for neighborhood stabilization activities;
- * Additional funds have been allocated to institute a maintenance program to keep lots reasonably clear of debris.

The City is prepared to do its part to support neighborhood transformation. Neighborhood transformation is not just about abandoned buildings and cars. Neighborhood transformation will impact the lives of the families who live in our communities. It will make these communities safe attractive environments in which to raise children. Residents, more often than not, flee our City because our streets are not perceived as safe, our neighborhoods are blighted, and our schools are deficient! We must transform these conditions.

However, to truly revitalize our neighborhoods will require the active engagement of volunteers, faith-based organizations, and the careful integration and management of City social services. In my first year, I established the Office of Public Outreach and Volunteerism. Through this office, the power of faith and public service are used to develop dynamic new solutions to address some age old problems including the adoption of schools by faith-based organizations and the faith-based ministry for inmates of the Philadelphia Prison System and their families. I truly believe that we cannot abandon those who are in their deepest moment of struggle; we must reach out to them, embrace them, support them, and give them hope. This will demand that we give of ourselves and that we join together to make a better day for all Philadelphians.

Reaching out to those who may be struggling is important; rebuilding the fabric of our communities is critical. This past December, the Lex Street massacre left 7 individuals dead, including a 15-year-old child who was slaughtered on the floor of an abandoned row home in West Philadelphia. That tragedy did not happen simply because there were abandoned buildings. Tragedies like Lex Street occur when the support systems that help maintain the strength of our families and our neighborhoods fail. From the hope that is provided to individuals by churches, mosques and synagogues, to the enrichment that is provided to a community by a neighborhood recreation center, we must dedicate ourselves and our City's resources to building those support systems that bring a neighborhood together and make it a place that a person can call home.

Children and children's programs are yet another part of our vision for a better Philadelphia. I pledge to you today that we are committed to making every year the 'Year of the Child.' This budget will make new investments in children's programs, including a \$5.1 million commitment to after-school programs which will result in many more children having access to quality cultural and recreational programs during those critical after-school hours.

Notably, research has shown that quality after-school programming leads to a reduction in youth violence and an improvement in school performance. In my Year of the Child address earlier this month I committed to develop a City strategy to raise an additional \$100 million from federal, state and private sources to support children's programming.

Public safety is a primary concern. Because of this budget, City residents will also enjoy increase public safety measures. This budget allows for an average of 5,958 on-street officers, which amounts to a 17.6 increase since FY93.

The Department is also stepping up its attack on the scourge of illegal drugs by expanding Operation Sunrise to include more neighborhoods and by redeploying 75 additional officers to the narcotics squad. In all, the Department will have added approximately 144 officers to fight the war on drugs over the last 2 years. These increases will allow for the Department to intensify its efforts to obliterate drug activity through "buy and bust" operations as well as longer-term investigations designed to dismantle drug organizations.

This increased investment is possible through an aggressive pursuit of grant funding that resulted in \$7.1 million in new and continued grant funding in just the first half of FY01. These improvements allow our Police Departments to better battle crime and secure the safety of our city's neighborhoods.

I welcome your partnership implementing our vision of a better Philadelphia. Over the next month, as we are engaged in hearings on this budget, I welcome your thoughts and ideas. But be assured, the priorities of this Administration will remain improving Philadelphia's schools so that every child can be guaranteed a high-quality education, strengthening Philadelphia's neighborhoods so that Philadelphia's residents can feel a sense of pride in their community, improving children's programs so that every child has stimulating educational options and can grow to become a productive adult, and supporting strategic economic development initiatives so that Philadelphia's economy continues to thrive.

Thank you. God Bless.

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Mayor John F. Street
Budget Address - January 2001

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transition team, and the wide variety of civic leaders who came together throughout the year in an unprecedented fashion to help in solving some of Philadelphia's most challenging issues. To all of you who extended a helping hand, I offer thanks.

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the company have been further exacerbated by a 400% increase in the price of natural gas, during 2000 alone! While we are pursuing every avenue to stabilize the finances of the organization - including a \$45 million loan to PGW-the City has no alternative but to consider the benefit of selling the company. We simply cannot afford to fund PGW's cash-flow and operating requirements out of the City's general fund. To do so will surely bankrupt the City!

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- We installed strong management at the District so we get a better grasp of our financial problems and improve our opportunity to deliver on our educational promise.
- We have a renewed focus on public safety so that teachers and students will be secure in peaceful, educationally focused, classroom environments.

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- We prepared an educational improvement plan, now approved by the state Department of Education, that will guide our spending and organization to improve student achievement.
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- \$10 million has been allocated to the Managing Director's Office for neighborhood stabilization activities;
- Additional funds have been allocated to institute a maintenance program to keep lots reasonably clear of debris.

The City is prepared to do its part to support neighborhood transformation. Neighborhood transformation is not just about abandoned buildings and cars. Neighborhood transformation will impact the lives of the families who live in our communities. It will make these communities safe attractive environments in which to raise children. Residents, more often than not, flee our City because our streets are not perceived as safe, our neighborhoods are blighted, and our schools are deficient! We must transform these conditions.

However, to truly revitalize our neighborhoods will require the active engagement of volunteers, faith-based organizations, and the careful integration and management of City

social services. In my first year, I established the Office of Public Outreach and Volunteerism. Through this office, the power of faith and public service are used to develop dynamic new solutions to address some age old problems including the adoption of schools by faith-based organizations and the faith-based ministry for inmates of the Philadelphia Prison System and their families. I truly believe that we cannot abandon those who are in their deepest moment of struggle; we must reach out to them, embrace them, support them, and give them hope. This will demand that we give of ourselves and that we join together to make a better day for *all* Philadelphians.

Reaching out to those who may be struggling is important; rebuilding the fabric of our communities is critical. This past December, the Lex Street massacre left 7 individuals dead, including a 15-year-old child who was slaughtered on the floor of an abandoned row home in West Philadelphia. That tragedy did not happen simply because there were abandoned buildings. Tragedies like Lex Street occur when the support systems that help maintain the strength of our families and our neighborhoods fail. From the hope that is provided to individuals by churches, mosques and synagogues, to the enrichment that is provided to a community by a neighborhood recreation center, we must dedicate ourselves and our City's resources to building those support systems that bring a neighborhood together and make it a place that a person can call home.

Children and children's programs are yet another part of our vision for a better Philadelphia. I

pledge to you today that we are committed to making *every* year the ‘Year of the Child.’ This budget will make new investments in children’s programs, including a \$5.1 million commitment to after-school programs which will result in many more children having access to quality cultural and recreational programs during those critical after-school hours.

Notably, research has shown that quality after-school programming leads to a reduction in youth violence and an improvement in school performance. In my Year of the Child address earlier this month I committed to develop a City strategy to raise an additional \$100 million from federal, state and private sources to support children’s programming.

Public safety is a primary concern. Because of this budget, City residents will also enjoy increase public safety measures. This budget allows for an average of 5,958 on-street officers, which amounts to a 17.6 increase since FY93.

The Department is also stepping up its attack on the scourge of illegal drugs by expanding Operation Sunrise to include more neighborhoods and by redeploying 75 additional officers to the narcotics squad. In all, the Department will have added approximately 144 officers to fight the war on drugs over the last 2 years. These increases will allow for the Department to intensify its efforts to obliterate drug activity through “buy and bust” operations as well as longer-term investigations designed to dismantle drug organizations.

This increased investment is possible through an aggressive pursuit of grant funding that resulted in \$7.1 million in new and continued grant funding in ***just the first half*** of FY01.

These improvements allow our Police Departments to better battle crime and secure the safety of our city's neighborhoods.

I welcome your partnership implementing our vision of a better Philadelphia. Over the next month, as we are engaged in hearings on this budget, I welcome your thoughts and ideas. But be assured, the priorities of this Administration will remain improving Philadelphia's schools so that every child can be guaranteed a high-quality education, strengthening Philadelphia's neighborhoods so that Philadelphia's residents can feel a sense of pride in their community, improving children's programs so that every child has stimulating educational options and can grow to become a productive adult, and supporting strategic economic development initiatives so that Philadelphia's economy continues to thrive.

Thank you. God Bless.