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Good Morning President Verna, members of City Council, members of my Cabinet and Administration, special friends and guests.

I am here today to present for your consideration my proposed FY 08 operating budget, my proposed capital budget and program along with my proposed 5 year financial plan for FY 08 through 12.

I began my career in public service in 1980 here in these ornate Chambers as the 5th district councilman. And now here in this special place, 27 years later, I will report to you for the eighth and final time as Mayor of our City.

Let me first say "thank you" to the citizens of Philadelphia for providing me the opportunity to serve. Your spirit, your ideas and your involvement have been a constant source of motivation and inspiration.

Next I thank you, the members of City Council, and particularly those men and women with whom I served for over 19 years. We share a lifetime of special moments as we serve the people of our city. Let us pay a moment of respect for our colleagues: Council members David Cohen and Thacher Longstreth, who honored our City with their service.

And I welcome the new members of this Council as I look forward to working with you in the final year of this term.

Philadelphia has balanced its budget for 15 consecutive years. We have had an unprecedented 13 years of tax reduction. By the end of the current Five Year Plan, we will have reduced taxes by 3.3 billion dollars.

We must maintain an aggressive tax reduction program without compromising our investment in our economy, Center City, our neighborhoods, our families and our schools.

Our city has become a national leader in many ways -- officials from cities like Baltimore, Boston and Seattle have visited our city to see the results of our Neighborhood Transformation Initiative; our homeless program has been cited by the White House and admired by cities like San Francisco and Atlanta; people from all over the world have come to learn about Wireless Philadelphia enhancing our national and international reputation for cutting edge technology; our emergency preparedness planning is a national model, as is our children's agenda, including our annual Children's Report Card and Children's Budget, our after-school and beacon programs and the wealth of activities to protect the wellbeing of children.

The Operating Budget and Five Year Financial Plan I present to you today allows us to sustain our momentum and achieve important objectives while exercising the discipline needed to maintain the city's fiscal health.

Our plan is built on an FY 06 certified fund balance of 254 million, sound fiscal management, disciplined spending and careful planning. But the Budget and the Plan also recognize that future

costs and risks will surely consume that balance-and then some.

Our financial plan provides for unprecedented investments in public safety. The Five Year Financial Plan contains \$2.55 Billion in funding for our Police Department, which will provide the tools needed to fight crime effectively.

This Budget and Five Year Plan includes funding for hiring the 200 new police officers authorized last year. The first class of those officers will hit the streets on March 12th; followed by the second class on June 15th.

Thanks to our investments in public safety, serious crime has declined almost 16 percent over the last seven years. However, the recent rise in homicides and gun violence threatens our progress. Let me be clear, this administration will fight every second that I'm Mayor to make our streets are safe for our children and families. It's our job. Operation Safer Streets is our data-driven, flexible anti-violence program which includes strong collaboration between the community, the Police Department, other city agencies and a commitment to stronger laws against illegal guns in our Commonwealth.

This budget also funds our curfew and truancy efforts that are showing promising results. Since the first Curfew Center opened in Point Breeze last July, juvenile shootings have dropped dramatically in the 1st Police District and the 17th Police District, the two areas covered by the Center. We plan to open 11 more Curfew Centers this year. We also fund our considerable efforts to reintegrate into our community recently released persons from our prison system.

Ensuring the public's safety in post 9/11 America also demands that cities take appropriate steps to make sure they are prepared to handle any disaster or catastrophic event. Philadelphia undertook a comprehensive review of our preparedness and we are now implementing the findings. The budget before you increases the staff of our Office of Emergency Management-an essential finding of the report. At the same time, we are working with our regional partners to ensure the entire region is coordinated and prepared.

This budget includes funding to continue our greening and quality of life programs under our Neighborhood Transformation Initiative. Under our NTI Program, thousands of dangerous buildings were demolished and vacant lots were cleaned and greened. More than 12,000 units of affordable and market rate housing have been built and 13,000 more are planned or under construction.

Vibrant neighborhoods are indispensable to a bright future in the 21st century. Although second and third generation families remain the anchors in our neighborhoods, new families are moving in to help grow our city. The changing face of the infrastructure and landscape in our neighborhoods mirror the progress being made elsewhere in our city. Thousands of members of our regional workforce proudly call a Philadelphia neighborhood home.

The City has a stellar partner in its neighborhood work - the Philadelphia Housing Authority. Under the leadership of Carl Greene and a caring Board of Directors, public housing has been transformed in Philadelphia, and now serves as a catalyst for rising property values in neighborhoods that for decades experienced only decline and decay.

Our next step in transforming neighborhoods is restoring our commercial corridors. Thanks to the \$65 million in bond proceeds already approved by this Council and reflected in this budget, this transformation is underway.

Neighborhood commercial corridors like those along Baltimore Avenue, Girard Avenue, Torresdale Avenue, Fifth Street and many others will become vibrant places of commerce, shopping and other activities in the continual revitalization of our neighborhoods.

We will continue to invest in our economy in accordance with a detailed Economic Blueprint spearheaded by Commerce Director Stephanie Naidoff. We will aggressively market our City through our tourism and hospitality entities.

Our waterfront is an enormous asset and we have taken great strides towards making Philadelphia

the New River City. This Budget and Five Year Plan includes \$125 million in bond proceeds to promote this goal. The housing, commercial and research development underway along both rivers will attract 21st century jobs and employers as well as highlight Philadelphia as a center for innovative research in health, science and engineering. Philadelphia must be viewed as a first tier competitor in the technology-based global economy.

The Budget and Plan also provides \$65 million in funding for the infrastructure needs of arts and cultural organizations. Arts and culture are big business in our City and region and these investments will produce huge dividends in jobs, quality of life and economic development in the years ahead. Just like neighborhoods, arts and cultural organizations have felt neglected and taken for granted. No more! We are a city that cherishes its history. As such, we will engage the entire art and culture community, including neighborhood, ethnic and minority organizations, to help us promote the traditional symbols of our city, like the Liberty Bell and Independence Hall, while defining the new mediums of expression and symbols that define the contemporary influences of the 21st century. We must get in step with the health conscious, yoga set, who are mainstream but attracted by non-traditional priorities.

Two other huge economic development projects are supported by our Five Year Plan: the expansion of the Pennsylvania Convention Center and the introduction of gaming to our City. Convention Center expansion, scheduled to be completed by 2009, will allow us to be more competitive in attracting large conventions to our city; an expanded center will create an estimated 2,000 hospitality jobs and pump millions of dollars into our economy. In addition, by making a strategic financial commitment to the expansion of the Pennsylvania Convention Center, Select Greater Philadelphia, Career Philly, the Knowledge Industry Partnership, and Innovation Philadelphia, we clearly demonstrate that Philadelphia understands that regions will succeed in the 21st century that are identified with innovative new ideas, young professionals and new economy businesses. Our investment of time and resources also demonstrates that we stand prepared to be the hub of a great region and partner with the surrounding counties in Southeastern Pennsylvania, Southern New Jersey and Northern Delaware.

We have worked long and hard to be prepared for the introduction of gaming to our city and we welcome the significant economic opportunity it presents. We anticipate more than one thousand construction jobs and as many as nine thousand permanent casino jobs once these two facilities are operating on our waterfront. We are committed to working with the operators and community to ensure concerns about traffic, zoning, citing, materials, and access to the water are fairly met.

Inclusion is important to the future of our city. We are steadily increasing the percentage of city contracts that are awarded to minorities, women and the disadvantaged-but we must continue to do more. We have streamlined the process and our preliminary fiscal year 2006 figures show that minority and women-owned businesses will have received just over 20% of the value of our contracts.

Several years ago, when circumstances were dire, we fought hard for our children and a unique new governance and funding commitment for the school system of our city. There is no question that the city's future is tied to the long-term success of our public schools and we are encouraged with the increased progress that has been made in students' test scores during the past several years. We also know that the School District has a long way to go to meet the quality and performance demanded by the colleges and workplaces of the 21st century.

Although the City's annual support for the School District has steadily increased, any decision for increased funding should wait until the Education Advisory Task Force issues its draft report and we have reviewed the analysis of the School District finances being conducted by the Commonwealth of Pennsylvania.

Our FY 08 budget also reflects our important tax reduction strategy making it the 13th consecutive year we have reduced business and wage taxes for a total of \$1.2 billion. Or let me put it this way: That amounts to more than the aggregate amount of money we annually spend in the combined budgets of the Philadelphia Prison System, the First Judicial District, the District Attorney's Office, the Sheriff, the Clerk of Quarter sessions and the Police Department. In other words, more than the

collective budget of our entire criminal justice system!

We have always viewed our budget responsibility as more than just making sure we live within our means. That's the easy part. Responsible budgeting requires a delicate balancing of important objectives such as improving our city services, making strategic investments in our economy, children, education and jobs.

Our FY 08 budget is no exception.

This budget and plan advance the priorities that we have pursued over the past seven years: creating jobs and economic opportunities, fostering a safer and healthier quality of life, and nurturing the next generation to achieve its potential. We also are sustaining those initiatives that have made Philadelphia a regional and national leader: NTI, wireless Philadelphia, public safety, the campaign to end homelessness, children and families, and the city's arts and cultural organizations.

The five year plan presented today is not without its challenges, we project that the fund balance will shrink to approximately \$47 million by FY2012, which is the minimum amount required by the Pennsylvania Intergovernmental Cooperation Agency.

To maintain budget balance in the out years will require creative cost-cutting initiatives and tight spending controls. There is little margin to spare. And we must start now!

So once again, we are asking many of our operating departments to improve their service delivery with less money! Our commissioners have always been up to the challenge, and I am convinced they will continue to perform at their usual high level. I salute their ingenuity and commitment to public service. Will all the members of the Administration please stand. You have served this city well. I am proud of your work.

While we appropriately take pride in our considerable achievement, basic structural fiscal challenges will continue to present obstacles to our future fiscal health:

- * Escalating health, benefit, pension and utility costs;
- * Increasing social service, criminal justice and prison costs;
- * And declining financial support from other governments.

Today we can take pride in our accomplishments. Notwithstanding our differences, more often than not, we found common ground. We were guided by our ultimate responsibility to promote both the short and long term well being of our city and citizens.

The challenge of the 1990's was nursing our city back to fiscal health and restoring our civic confidence in our city. The first seven years of this century has seen the extraordinary prosperity and financial recovery of our city, spread to every section of our city, whether it be Rittenhouse Square, Norris Square, or a host of locations in between.

But the successes of the 90's and the first decade of the new century represents a beginning not an end.

Philadelphia must become the prototype 21st century livable city. We must reduce our automobile dependency; become more environmentally friendly. With the U.S. population growing at 2.5 million a year, both young and retiring adults will be looking for financially competitive eco-cities with sustainable features and enhanced quality of life through better design and policy decisions. For the new millennium sustainable regional land use planning with truly exciting prospects must become more common.

Our region must promote and preserve scenic vistas and historic lands and sites. We must function as a destination, not a series of competitive political subdivisions in squabbling over scarce resources. New technology and the global economy will force us to adapt or we will suffer.

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