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Title:	Mayor John F. Street Budget Address January 28, 2003				

Good morning President Verna, members of City Council, special friends and distinguished guests.

I am here today to present for Council's consideration my proposed 3.3 billion dollar General Fund operating budget and my proposed capital budget and program, along with my proposed Five Year Financial Plan for FY 04 through 08. This plan contains approximately \$319 million in wage and business tax reductions and approximately \$500 million of cost saving and revenue generating proposals. Notwithstanding our State Constitutionally imposed capitol borrowing limits we have crafted an efficient program that makes the most effective use of our resources and reasonably provides for the maintenance of the city's existing facilities.

I believe the adoption of these budgets will move us closer to being the world-class city we all want.

Across the nation, a deep and persistent recession has played havoc with federal, state and local budgets. Philadelphia is not immune. A bad economy is simultaneously driving down our revenues and driving up our costs. Thankfully we are in better condition than most local governments, because of the fiscal restraint we have shown over the past decade.

With your assistance, we have cut, streamlined and rationalized the operations of our government to meet the economic and service challenges of the times. With the help of the dedicated men and women who work for the City, we have done more with less, and found better ways to do our business. With the budget I submit to you today, we step up our efforts to modernize this government and to improve the quality of life for all Philadelphians.

I'm proud that we have resisted the temptation to ease the burden on government by placing higher tax burdens on our citizens. Other governments are routinely raising taxes and cutting vital services as they struggle with their budgets in these tough times.

In the 90s, working in tandem with a great mayor, Ed Rendell, whose strong leadership will be as valuable to the Commonwealth of Pennsylvania now as it was to Philadelphia a decade ago, we pulled this City back from the abyss. Surely Ed Rendell left Philadelphia in a much stronger position than he found it.

But let us not forget the challenges we still faced when you and I took office three years ago:

- Philadelphia Gas Works was on life support;
- We were in danger of losing the Eagles and the Phillies, because there was no commitment to build new sports facilities;
- Our public school system, notwithstanding slow but steady progress, was failing largely because it lacked adequate state financial support;

- People in our neighborhoods felt neglected, convinced that the development of Center City had taken precedence over their every day problems of crime, drug violence; blight and abandonment; and

- We had completed the largest period of economic expansion in the history of this great country, leaving us with the challenge of continuing our progress in tough economic times.

Today, PGW is on sound financial footing.

New, state of the art world-class sports facilities are being built.

Parents, teachers and children are experiencing real change in public education as the State is contributing millions more than when we took office.

Neighborhoods are safer and cleaner. We have removed over 155,000 abandoned cars, cleaned over 32,000 vacant lots of more than 25 tons of trash, and reduced the incidence of crime, violence and homicides citywide through an internationally renowned Operation Safe Streets program.

We have built upon the foundation we inherited three years ago, turning our attention to neighborhoods without turning our backs on Center City. World-class cities have strong; thriving; vibrant central business districts; ours ranks among the best!

We are proud of the progress we have made in promoting Center City, economic development, jobs and business in our City.

Our economic development professionals are visiting every significant business whose lease expires over the next five years to determine actions necessary to keep them in the city. Most recently, Radian Group has decided to remain in Center City with its 440 employees.

We have marketed Philadelphia to suburban and national firms. American Business Financial Services and Keating Development Corporation have decided to move more than 1000 jobs from the Philadelphia suburbs into Center City.

Nationally-recognized retailers like IKEA and Lowe's, financial service giants like Vanguard, along with new economy businesses, solicited by Innovation Philadelphia, including Apptec Labs, Innaphase and Living Naturally, are committed to begin operations in our city. These companies alone represent more than 1700 new high paying jobs.

New development is springing up from one end of our city to the other; from the Philadelphia International Airport to the job rich commercial and industrial corridor in the Northeast; from the spectacular growth in University City, to the exciting residential and commercial activity taking place along the waterfront; including the Navy Yard and our planned efforts along the North Delaware River corridor, I would match the development taking place in Philadelphia with any urban center in America.

Our business and economic development activities will be discussed in greater detail next week at the annual Chamber of Commerce luncheon. However, the budget before you continues to provide stimulus funds for economic and job development; we fund Innovation Philadelphia and we continue to support the tax abatement initiatives that make Philadelphia a more attractive destination for businesses and development.

Hospitality is an integral part of our local and regional economy and Convention Center expansion is indispensable to both the preservation and growth of hospitality. I am committed more than ever to expansion and the resolution of the labor/ management problems, which plague the Center.

We must protect the 57,000 jobs and \$1.3 billion in annual wages the hospitality industry currently provides to our region. We must capture the 3,000 new jobs that expansion promises. And we also must protect the city's general fund from the losses, which will inevitably result from the continuation of the current untenable status and a failure to expand.

Unfortunately, our progress toward both of these goals has been impeded by an outrageous, partisan and I believe illegal power grab with the passage of Senate Bill 1100. While the takeover was couched in the lofty language of reform and progress, it appears motivated by the age-old lust for patronage and power.

If this action were merely a slap at a democratic Mayor and democratic Governor-elect, I could understand, even if I did not like it. After all, politics is a contact sport! But the negative impact of this partisan behavior extends beyond the world of politics and will deal a serious setback to the lives of people in our city.

It jeopardizes the investment of hundreds of millions of dollars in hospitality infrastructure; undermines a very important growth segment of our economy; compromises the labor/ management agreement endorsed by the board, five of the six unions who work in the building, and the contractors who bring business into the Center; and stifles Convention and Visitor Bureau efforts to sign up future conventions.

My concerns at the Convention Center are clear: the labor/ management issues, the return of our customers and expansion. So, today I again call on Ed Coryell Sr. to solve those problems by signing the Labor Cooperation Agreement that E-consult and hospitality community leaders agree fixes the labor/ management problem and paves the way for the return of our customers, who could care less whether there are 13 or 15 members of the board.

I also call on House Majority Leader John Perzel and former Governor Schweiker to deliver on their assurances to me that they would resolve the labor/ management issue.

World-class cities do not treat their less fortunate children and families like second class citizens. For over 35 years, I have lived in many of the neighborhoods of this City and my four children have attended public school. That experience has deepened my understanding of what needs to be done to make Philadelphia a city where every child has a chance to succeed.

To protect their future, and the future of our city, we must continue to aggressively reform the Philadelphia public school system. The leading cause of middle class urban flight may well be deteriorated, under-performing public schools.

Good schools produce a trained workforce, which is important to attract and retain businesses. The Workforce Investment Board and Community College are important contributors to this mission, but there is no substitute for first-rate public schools.

As the first Philadelphia Mayor given immediate responsibility for public education by the voters, I embraced the challenge. I appointed Debra Kahn as the local Secretary of Education and a School Board under the leadership of Pedro Ramos and Dorothy Rush. Together, we took strong actions. We found big savings; changed the management and negotiated a reform contract with our teachers. But we were keenly aware that the city alone could not assure our children and families the stability and quality education they deserve.

So, in July 2001, I communicated to Gov. Ridge and later Gov. Schwieker my unwillingness to continue the pattern of state under funding our district while simultaneously criticizing local officials for not doing the job. That the State should either become our partner in managing the Philadelphia public school system or run it on its own.

When faced with the prospect of actually running the fifth largest school district in America, Governor Ridge and later Governor Schweiker reached the only rational conclusion: the State and City had to become true partners in reforming public education in Philadelphia. I agreed with that arrangement then, and I agree now.

That partnership, initiated 18 months ago, has produced more than \$120 million of recurring financial support for the School District and has inspired hope in our parents and teachers. It has also created a constructive bipartisan environment where concerned leaders, including Jim Nevels and Paul Vallas, are working with us to create safe, clean and modern schools where children get the education

they need; where we can attract qualified teachers who have the ability to inspire our children to learn; and where all public schools can be sources of neighborhood pride and hubs of activity for children and adults.

With so much at stake, we cannot afford to cling to a failed status quo or discard ideas that might help our children. That is why I have been a strong advocate for community-sponsored charter schools that provide solid educational alternatives and why I am willing to experiment with the private management of some schools.

But I am gratified that one idea I strongly opposed was discarded, management of our entire school system by Edison Schools, a private, profit-making corporation.

For the Philadelphia public schools, the bottom line today, tomorrow and always, should be student achievement, not investor profits.

We are encouraged by Governor Rendell, who expects students to achieve at high levels, but also recognizes that adequate funding is essential to do the job.

We have made progress in reforming our schools, however, no one deserves more credit than this Council, for that progress. You have consistently and unanimously supported public education. Our increased local contribution, which enabled the District to support deficit financing, has restored short-term financial stability so that real education reform can take root. The FY 04 operating budget requests approximately \$605 million to support public education in Philadelphia, making education our largest single investment of local tax revenue.

Beyond that, this budget extends the opportunity for thousands of children to participate in after-school and youth development programs, and continues our support for Beacon schools. These programs provide our children and youth with supervised activities during the perilous weekday hours between three and six, and for many, supervised activities on weekends and during vacations and some holidays. We are working toward the day when every child in Philadelphia who needs such a program, has one.

But, in these hard times - especially in these hard times - we must do more to protect children and strengthen families. Today, I am announcing the proposed creation of three new initiatives to significantly increase our capacity to serve children and families in our city:

- A \$5 Million Child Care Health and Safety Fund. This fund would make low or no interest loans available to childcare and after school providers to make capital improvements to their facilities to meet the health and safety standards necessary for licensing certification. We will attempt to get foundations and other private partners to match this with \$5 million dollars of other funds. Our goal is to have an additional 5000 children eligible for state subsidy over the next five years. This will allow the City to serve several thousand more children at no additional cost to the city.
- A \$30 Million Free Library Expansion Fund. This fund will be used to match the much needed private sector contributions to support the expansion of the country's first free library. An exciting new library expansion plan is now being developed. The biggest users of our library are families and children. Thousands of children only have access to technology, reading materials and professional technical assistance through our extensive network of libraries!
- A \$25 Million School - Based Facilities Improvement Fund. These funds will be used to fund public school physical plant modifications to create "safety zones" in public schools with after-school programs and Beacon School activities, which take place during evening and weekend hours.

The City will work in cooperation with the School District to select schools, and implement this program in coordination with the City capital program. As we continue to "right size" our city facilities, it is even more important to incorporate more recreational opportunities; after school and youth development activities within existing and/or new school facilities.

Some may question how we can make such a commitment, even as we cut our budget and operations to meet the challenges of the national recession. But by doing these things, in this manner, we can minimize the current obligations of the city, and greatly increase our ability to leverage state and private dollars.

Debt service to cover these investments is included in the plan.

Beyond that, let me say again: Given the needs of working families and children in our city, how can we afford not to move forward with modest steps to improve their lives and the quality-of-life in all of our communities.

World-class cities must be safe! Crime, drug abuse and violence are everybody's business.

We have the finest police department in America and to those who live in neighborhoods historically plagued by blight, drugs and violence, rest assured that our commitment to the success of Operation Safe Streets and crime reduction is unequivocal.

Our goal is simply to be the safest big city in America. We are encouraged by last year's double-digit decline in serious crime, at a time when most big cities experienced increased crime rates.

Without your support, the great work being done by our Police Department would not be possible. In the FY '04 operating budget presented today, \$485.2 million in general fund money is allocated to the police department to continue funding for Operation Safe Streets and our policing efforts.

In the proposed Five Year Plan, we allocate \$2.31 billion to support our police department, the largest investment in public safety in the history of the city.

World-class cities must have vibrant, clean neighborhoods, free from blight and deterioration.

Neighborhoods with affordable as well as market rate housing. Our Neighborhood Transformation Initiative is at the heart of our commitment to expand, revitalize, and preserve the neighborhoods of this city.

It represents the most ambitious blight removal program ever attempted in a major American city and has sent a resounding message confirming our commitment to "leave no neighborhood behind."

Frankly, transforming and preserving neighborhoods may be the most difficult challenge facing American cities.

Progress has been slower than I would prefer. But thanks to this Council and others, we are out of the starting gate with a program that is good for all neighborhoods.

On February 3rd, I will provide a full briefing on the current state of our anti-blight program and announce the first large-scale NTI developments.

With these projects, the City will turn the corner, taking many neighborhoods from points of despair and abandonment to communities of opportunity and hope.

NTI is at work in stable neighborhoods like the Northeast through programs like the Community Life Improvement Program (CLIP), which targets quality of life code violations such as graffiti, vandalism and property neglect. This program has been so successful, it will be strategically expanded into other neighborhoods before the end of the year.

Philadelphia is blessed to have the highest rate of homeowners among major cities in the country, at 64%. However, the integrity of many owner-occupied neighborhoods is threatened by predatory lenders and rental property owners. Some property owners rent to tenants who have Section 8 certificates. Although most of those tenants are good neighbors, let me be clear: irresponsible tenants and landlords will not be allowed to disrupt neighborhoods by failing to maintain their properties or monitor the conduct of their tenants, to the detriment of hardworking, taxpaying homeowners in targeted neighborhoods, like the Northeast, West Philadelphia and Mount Airy. However, we should reject the racially charged divisive debate that regrettably has surrounded this issue in recent

elections. Our job is to provide affordable housing while we promote unity and understanding among all Philadelphians.

World-class cities are inclusive! We must create expanded opportunities for African American, women, Hispanic, disabled and other minority-owned businesses.

As work continues on our stadiums, the Constitution Center, the Septa Frankford El and other economic development projects in our City, we must ensure that traditionally excluded companies get fair opportunities for contracts, and that all Philadelphians - including minorities - have fair employment opportunities on those job sites.

This was a priority for my good friend and mentor, Lucien Blackwell, who dedicated his life to expanding opportunities for those who have been excluded, the little guy. It is a priority for my administration, and I encourage private sector businesses to make diversity in contracting a priority as well.

The balanced budget and Five-Year Plan presented to you today retains the fiscal integrity that has been the hallmark of this administration under the leadership of Janice Davis and Rob Dubow. They also incorporate the Tax Reduction Program we agreed to last spring.

Since 1989, when I led the fight to stop proposed devastating increases in the wage tax, and throughout the 1990s when I provided leadership in City Council to pass annual budgets that included tax reductions, I consistently have been regarded as a fiscal conservative. Nothing about me has changed in this regard.

By the end of the proposed Five Year Plan, this administration, with Council's support, will have reduced the overall tax burden on citizens and businesses by approximately \$475 million.

The disincentives built into our tax structure are obvious. It is my hope and expectation that the recently constituted Tax Commission will seriously pursue its mandate to make responsible recommendations for change, which could lead to further tax reduction.

Also, any significant rebound by the economy should allow us to accelerate our tax reduction efforts, and as the storm clouds of this recession pass, I will be the first to step forward and lead that fight.

As we begin to look at this year's budget let me point out that the single largest pressure point is the amount of our pension plan contribution. For a variety of reasons to be explained later beginning in FY04, we will make only the minimum pension contribution required by State law. This change will have no impact on the benefits received by those in the plan, but will limit our pension payment increase to approximately \$129 million more than the amount included in last year's Plan.

Over the next several weeks, we must have the courage to make the tough choices required to balance our budget, reform our government and make the investments required to improve the quality of life for all Philadelphians.

Beginning at the highest level of this government we have accepted this challenge. Within the next 30 days, I will eliminate 50 administration positions mostly in the Mayor's Office, the Finance Department and the Managing Director's Office. The elimination of these positions will save \$17.5 million over the life of the Five Year Plan, but equally important, it should serve as a catalyst for offices managed by independently elected officials to make real sacrifices, so we can minimize the impact our budget reductions will have on direct services to citizens.

The budget documents delivered to you today reflect a reduction of 1,614 City employees by FY 08. Substantial though it is, this reduction is not enough. We will work with City Council, and the leadership of our workforce to reduce the number of employees in government by a total of 2500 by FY 08. The process we begin today cannot be a simple budget balancing exercise. We must in more fundamental ways remake and recast the way we do business.

The initial reduction in our workforce will come through the "DROP" program. We propose to

eliminate 50% of the positions vacated by city employees in the DROP program, excluding uniform workers.

The Five-Year Plan also includes a series of other initiatives designed to reduce our costs, improve services, and help us run the government smarter. I will highlight just a few.

We will establish "Administrative Clusters" to centralize administrative activities across departments. This reorganization will ensure standardized administrative practices, eliminate redundant positions and deploy existing staff more efficiently. Other functions, like public information and grant writing will also be centralized. These changes will help us reduce our workforce by approximately 400 positions over the next five years and produce a savings of approximately \$35.2 million, and should improve service.

We plan to consolidate the eight existing department call centers into a single 24-hour constituent contact center. The City will establish a 3-1-1 telephone number for all City service requests and complaints. The new system will improve service and cut costs by eliminating duplicate call centers, department-specific software applications and service representatives. We estimate total savings of \$4.7 million through FY08 from this initiative.

The City will contract-out custodial services in specific city facilities. By using roving crews assigned to different sections of the city, we will save approximately \$2.6 million through FY 08. The Managing Director will establish a process that allows our Municipal Unions to compete for this work.

Sixty-four percent of patient visits to City health centers are by patients without insurance. The costs of those visits are absorbed by the City. The Health Department has assigned benefit counselors to Health Centers to assist patients who may be eligible for Medical Assistance or coverage under the Children's Health Insurance Program. We estimate that this initiative will reduce the number of uninsured visits to health centers to 50 % by the end of FY04 and to 30% by FY08, providing the City with \$21 million dollars in new reimbursement revenues over the next five years.

Unfortunately, our ability to balance our Five-Year Plan cannot be achieved by reform measures alone. It is not possible to have a tax reduction program that will reach \$319 million in the plan presented today, make the important investments required to grow our economy and improve our neighborhoods and weather the storm of a recessionary economy without having to make some service cuts. It is imperative, however, that we make careful decisions that are right for the future, not just the short term.

Philadelphia has a public infrastructure designed for 2.5 million people, but we now have only 1.5 million residents. Some of our facilities are poorly staffed, physically deteriorated and more of a drain on resources than service providers in communities. We do contemplate closing or relocating some of those facilities.

The City currently operates 156 recreation centers and 87 pools and a plethora of other stand alone public buildings, including health centers, fire stations, police stations, schools, playgrounds and the like. In fact, of the 20 largest cities in the country, we have the most pools per resident and the second most recreation centers.

But, you can rest assured I do not propose to simply close facilities at random. Instead my administration will work closely with City Council, the School District and community groups to determine which venues may be combined, which services could be incorporated into other facilities, and the best ways to invest some of the savings in other City or School District facilities so that residents have a higher quality of service than may now be available. In order to allow time to make thoughtful decisions, the Plan does not assume any savings until FY05.

The Plan eliminates our subsidy of the PHLASH shuttle buses. Usage of the shuttle buses has deteriorated to levels that no longer justify the city's contribution and other transportation is available. The elimination of City support will save \$9.4 million through FY08.

My fellow public servants, I am well aware that there will be some angst over these and other

proposals in my budget. I am also keenly aware that as I deliver this message, we stand on the threshold of another municipal election. And elections rarely lend themselves to calm reflection, dispassionate discussion and cooperation.

However, my commitment is to make these next several months the exception. Let's work together, reason together and commit together, to establish new and meaningful measures that will make a better Philadelphia. Even in this year, with the limitations placed upon us by a national economy, suffering through the longest and deepest recession in more than a decade, we can improve the quality of life for all Philadelphians. We can give our children better opportunities. We can continue to attract new businesses, and support our existing ones. We can further reform our government to meet the challenges of this new century.

So let us view this budget process not merely as the fulfillment of our official responsibilities as elected leaders in our city. Let us see it as an opportunity to reaffirm our commitment to the promise of our great city, and to the men, women, and children who are proud to call Philadelphia home.

God Bless!

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Mayor John F. Street

Budget Address

January 28, 2003

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But, in these hard times - especially in these hard times - we must do more to protect children and strengthen families. Today, I am announcing the proposed creation of three new initiatives to significantly increase our capacity to serve children and families in our city:

- **A \$5 Million Child Care Health and Safety Fund.** This fund would make low or no interest loans available to childcare and after school providers to make capital improvements to their facilities to meet the health and safety standards necessary for licensing certification. We will attempt to get foundations and other private partners to match this with \$5 million dollars of other funds. Our goal is to have an additional 5000 children eligible for state subsidy over the next five years. This will allow the City to serve several thousand more children at no additional cost to the city.
- **A \$30 Million Free Library Expansion Fund.** This fund will be used to match the much needed private sector contributions to support the expansion of the country's first free library. An exciting new library expansion plan is now being developed. The biggest users of our library are families and children. Thousands of children only have access to technology, reading materials and professional technical assistance through our extensive network of libraries!
- **A \$25 Million School - Based Facilities Improvement Fund.** These funds will be used to fund public school physical plant modifications to create "safety zones" in public schools with after-school programs and Beacon School activities, which take place during evening and weekend hours.

The City will work in cooperation with the School District to select schools, and implement this program in coordination with the City capital program. As we continue to "right size" our city facilities, it is even more important to incorporate more recreational opportunities; after school and youth development activities within existing and/or new school facilities.

Some may question how we can make such a commitment, even as we cut our budget and operations to meet the challenges of the national recession. But by doing these things, in this

manner, we can minimize the current obligations of the city, and greatly increase our ability to leverage state and private dollars.

Debt service to cover these investments is included in the plan.

Beyond that, let me say again: Given the needs of working families and children in our city, how can we afford not to move forward with modest steps to improve their lives and the quality-of-life in all of our communities.

World-class cities must be safe! Crime, drug abuse and violence are everybody's business.

We have the finest police department in America and to those who live in neighborhoods historically plagued by blight, drugs and violence, rest assured that our commitment to the success of Operation Safe Streets and crime reduction is unequivocal.

Our goal is simply to be the safest big city in America. We are encouraged by last year's double-digit decline in serious crime, at a time when most big cities experienced increased crime rates.

Without your support, the great work being done by our Police Department would not be possible. In the FY '04 operating budget presented today, \$485.2 million in general fund money is allocated to the police department to continue funding for Operation Safe Streets and our policing efforts.

In the proposed Five Year Plan, we allocate \$2.31 billion to support our police department, the largest investment in public safety in the history of the city.

World-class cities must have vibrant, clean neighborhoods, free from blight and deterioration. Neighborhoods with affordable as well as market rate housing. Our Neighborhood Transformation Initiative is at the heart of our commitment to expand, revitalize, and preserve the neighborhoods of this city.

It represents the most ambitious blight removal program ever attempted in a major American city and has sent a resounding message confirming our commitment to "leave no neighborhood behind."

Frankly, transforming and preserving neighborhoods may be the most difficult challenge facing American cities.

Progress has been slower than I would prefer. But thanks to this Council and others, we are out of the starting gate with a program that is good for all neighborhoods.

On February 3rd, I will provide a full briefing on the current state of our anti-blight program and announce the first large-scale NTI developments.

With these projects, the City will turn the corner, taking many neighborhoods from points of despair and abandonment to communities of opportunity and hope.

NTI is at work in stable neighborhoods like the Northeast through programs like the Community Life Improvement Program (CLIP), which targets quality of life code violations such as graffiti, vandalism and property neglect. This program has been so successful, it will be strategically expanded into other neighborhoods before the end of the year.

Philadelphia is blessed to have the highest rate of homeowners among major cities in the country, at 64%. However, the integrity of many owner-occupied neighborhoods is threatened by predatory lenders and rental property owners. Some property owners rent to tenants who have Section 8 certificates. Although most of those tenants are good neighbors, let me be clear: irresponsible tenants and landlords will not be allowed to disrupt neighborhoods by failing to maintain their properties or monitor the conduct of their tenants, to the detriment of hardworking, taxpaying homeowners in targeted neighborhoods, like the Northeast, West Philadelphia and Mount Airy. However, we should reject the racially charged divisive debate that regrettably has surrounded this issue in recent elections. Our job is to provide affordable housing while we promote unity and understanding among all Philadelphians.

World-class cities are inclusive! We must create expanded opportunities for African American, women, Hispanic, disabled and other minority-owned businesses.

As work continues on our stadiums, the Constitution Center, the Septa Frankford El and other economic development projects in our City, we must ensure that traditionally excluded companies get fair opportunities for contracts, and that all Philadelphians - including minorities - have fair employment opportunities on those job sites.

This was a priority for my good friend and mentor, Lucien Blackwell, who dedicated his life to expanding opportunities for those who have been excluded, the little guy. It is a priority for my administration, and I encourage private sector businesses to make diversity in contracting a priority as well.

The balanced budget and Five-Year Plan presented to you today retains the fiscal integrity that has been the hallmark of this administration under the leadership of Janice Davis and Rob Dubow. They also incorporate the Tax Reduction Program we agreed to last spring.

Since 1989, when I led the fight to stop proposed devastating increases in the wage tax, and throughout the 1990s when I provided leadership in City Council to pass annual budgets that included tax reductions, I consistently have been regarded as a fiscal conservative. Nothing about me has changed in this regard.

By the end of the proposed Five Year Plan, this administration, with Council's support, will have reduced the overall tax burden on citizens and businesses by approximately \$475 million.

The disincentives built into our tax structure are obvious. It is my hope and expectation that the recently constituted Tax Commission will seriously pursue its mandate to make responsible recommendations for change, which could lead to further tax reduction.

Also, any significant rebound by the economy should allow us to accelerate our tax reduction efforts, and as the storm clouds of this recession pass, I will be the first to step forward and lead that fight.

As we begin to look at this year's budget let me point out that the single largest pressure point is the amount of our pension plan contribution. For a variety of reasons to be explained later beginning in FY04, we will make only the minimum pension contribution required by State law. This change will have no impact on the benefits received by those in the plan, but will limit our pension payment increase to approximately \$129 million more than the amount included in last year's Plan.

Over the next several weeks, we must have the courage to make the tough choices required to balance our budget, reform our government and make the investments required to improve the quality of life for all Philadelphians.

Beginning at the highest level of this government we have accepted this challenge. Within the next 30 days, I will eliminate 50 administration positions mostly in the Mayor's Office, the Finance Department and the Managing Director's Office. The elimination of these positions will save \$17.5 million over the life of the Five Year Plan, but equally important, it should serve as a catalyst for offices managed by independently elected officials to make real sacrifices, so we can minimize the impact our budget reductions will have on direct services to citizens.

The budget documents delivered to you today reflect a reduction of 1,614 City employees by FY 08. Substantial though it is, this reduction is not enough. We will work with City Council, and the leadership of our workforce to reduce the number of employees in government by a total of 2500 by FY 08. The process we begin today cannot be a simple budget balancing exercise. We must in more fundamental ways remake and recast the way we do business.

The initial reduction in our workforce will come through the "DROP" program. We propose to eliminate 50% of the positions vacated by city employees in the DROP program, excluding uniform workers.

The Five-Year Plan also includes a series of other initiatives designed to reduce our costs,

improve services, and help us run the government smarter. I will highlight just a few.

We will establish “Administrative Clusters” to centralize administrative activities across departments. This reorganization will ensure standardized administrative practices, eliminate redundant positions and deploy existing staff more efficiently. Other functions, like public information and grant writing will also be centralized. These changes will help us reduce our workforce by approximately 400 positions over the next five years and produce a savings of approximately \$35.2 million, and should improve service.

We plan to consolidate the eight existing department call centers into a single 24-hour constituent contact center. The City will establish a 3-1-1 telephone number for all City service requests and complaints. The new system will improve service and cut costs by eliminating duplicate call centers, department-specific software applications and service representatives. We estimate total savings of \$4.7 million through FY08 from this initiative.

The City will contract-out custodial services in specific city facilities. By using roving crews assigned to different sections of the city, we will save approximately \$2.6 million through FY 08. The Managing Director will establish a process that allows our Municipal Unions to compete for this work.

Sixty-four percent of patient visits to City health centers are by patients without insurance. The costs of those visits are absorbed by the City. The Health Department has assigned benefit counselors to Health Centers to assist patients who may be eligible for Medical Assistance or coverage under the Children's Health Insurance Program. We estimate that this initiative will reduce the number of uninsured visits to health centers to 50 % by the end of FY04 and to 30% by FY08, providing the City with \$21 million dollars in new reimbursement revenues over the next five years.

Unfortunately, our ability to balance our Five-Year Plan cannot be achieved by reform measures alone. It is not possible to have a tax reduction program that will reach \$319 million in the plan presented today, make the important investments required to grow our economy and improve our neighborhoods and weather the storm of a recessionary economy without having to make some service cuts. It is imperative, however, that we make careful decisions that are right for the future, not just the short term.

Philadelphia has a public infrastructure designed for 2.5 million people, but we now have only 1.5 million residents. Some of our facilities are poorly staffed, physically deteriorated and more of a drain on resources than service providers in communities. We do contemplate closing or relocating some of those facilities.

The City currently operates 156 recreation centers and 87 pools and a plethora of other stand alone public buildings, including health centers, fire stations, police stations, schools,

playgrounds and the like. In fact, of the 20 largest cities in the country, we have the most pools per resident and the second most recreation centers.

But, you can rest assured I do not propose to simply close facilities at random. Instead my administration will work closely with City Council, the School District and community groups to determine which venues may be combined, which services could be incorporated into other facilities, and the best ways to invest some of the savings in other City or School District facilities so that residents have a higher quality of service than may now be available. In order to allow time to make thoughtful decisions, the Plan does not assume any savings until FY05.

The Plan eliminates our subsidy of the PHLASH shuttle buses. Usage of the shuttle buses has deteriorated to levels that no longer justify the city's contribution and other transportation is available. The elimination of City support will save \$9.4 million through FY08.

My fellow public servants, I am well aware that there will be some angst over these and other proposals in my budget. I am also keenly aware that as I deliver this message, we stand on the threshold of another municipal election. And elections rarely lend themselves to calm reflection, dispassionate discussion and cooperation.

However, my commitment is to make these next several months the exception. Let's work together, reason together and commit together, to establish new and meaningful measures that will make a better Philadelphia. Even in this year, with the limitations placed upon us by a national economy, suffering through the longest and deepest recession in more than a decade, we can improve the quality of life for all Philadelphians. We can give our children better opportunities. We can continue to attract new businesses, and support our existing ones. We can further reform our government to meet the challenges of this new century.

So let us view this budget process not merely as the fulfillment of our official responsibilities as elected leaders in our city. Let us see it as an opportunity to reaffirm our commitment to the promise of our great city, and to the men, women, and children who are proud to call Philadelphia home.

God Bless!