

## Legislation Details (With Text)

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<b>Title:</b>	<p>MAYOR'S BUDGET ADDRESS Thursday, March 5, 2015 Prepared remarks follow, check against delivery:</p>				

Good morning Council President Clarke, City Council leadership, members of the City Council and leaders of my Administration, City officials, my fellow elected officials, members of the School Reform Commission, Superintendent Dr. William Hite and my fellow Philadelphians.

I am honored to be here in the People's Chamber, to fulfill the duties of my office and transmit a budget and Five Year Plan that serves the interests of our great City and its residents.

Before we begin, I'd like to have a moment of silence to recognize three tremendous public servants who we lost over the last year: Gloria Casarez, the first Director of Lesbian, Gay, Bisexual and Transgender Affairs, Joan Markman, our first Chief Integrity Officer, and Lieutenant Joyce Craig, the first female firefighter to die in the line of duty.

These three extraordinary women were exemplary public servants, consummate professionals and dedicated leaders. Let their lives and their service act as a continual reminder to all of us to do our own jobs better and let us keep them and their families in our thoughts and prayers.

For seven plus years, I have had the honor of serving my hometown, the City I love, as Mayor and the privilege of working with some of the most passionate and dedicated public servants I have ever known, both on City Council and in the departments and agencies that provide services to our citizens.

We started our journey together in 2008 with a new vision for Philadelphia: a city that is safer, smarter, greener, healthier and growing; a city that strives for excellent customer service and strong financial stewardship; and a city with an ethical government, committed to integrity - a government that Philadelphians could trust in and be proud of.

And we weren't going to be timid about it. We took on challenges that hadn't been addressed in decades, if ever: together, we completely overhauled the City's property tax system, turning a broken, outdated and inaccurate system into a system that is fair, equitable and understandable.

We made City planning a priority again, and working together, rewrote the City's Zoning Code, creating the City's first comprehensive plan in a long time now called Philadelphia 2035, and drafting district plans with a targeted approach to development.

We refused to kick the can down the road on municipal union contracts. I said we wouldn't sign contracts that we couldn't afford - I wanted contracts that were fair to City employees and all other taxpayers.

After years of sometimes contentious and loud contract negotiations and for the first time since 2009, we have long-term, sustainable contracts with DC33, DC47, IAFF Local 22 and FOP Lodge #5, that include the much-needed reforms we have talked about for years and well-deserved raises for our hardworking union employees.

Let me say something about our union leaders and public employees - their commitment to serving

our City is unparalleled. They are out there in the rain, snow and heat, day in and day out for all of us. Over the last seven years, we've seen it all - hottest summers, the two heaviest snow fall seasons and the one of the coldest Februarys ever on record, two hurricanes and an earthquake - yes, climate change is real.

In spite of it all, our City employees rolled up their sleeves and did the work. I especially want to recognize our great inclement weather fighters - the Managing Director's Office, Office of Emergency Management, Streets and Water departments, and Philadelphia Parks and Recreation - for their tremendous efforts and their sacrifices. Let's give them a round of applause.

And, when the Great Recession decimated our revenues and opened a \$2.4 billion hole in our budget, we made the tough decisions to increase taxes, cut City services and eliminate excess.

Let me just say that many of these choices were the right ones - in fact, our careful financial stewardship was cited as reasons our credit rating has improved; today, it is in the A category by all three major credit rating agencies for the first time since the 1970s.

However, one choice was not - in an effort to reduce spending all across our government as the recession deepened, I proposed to close some libraries and reduce library service. This is the decision I regret the most of my mayoral service.

Libraries are safe havens and knowledge access centers for our children and adults. Libraries are the starting point for great adventures and new opportunities. Libraries helped me become the person and public servant I am today. And, had this proposal gone forward, we could have possibly held back the next generation from having the same kind of library experience that I had as a kid. We should never allow that to happen.

I want to commend City Council for the actions it took to protect library service. Council was right. We needed to find another way to save \$8 million during the fiscal crisis - and, we did. As a result of Council's actions, no library ever closed, and we still figured out how to reduce spending.

Today, I am proud to say that our library service has expanded to 46 hours per week - that's five hours more weekly service than in 2008!

Every library branch is open at least six days a week with five branches opened on Sundays, and many offer extended summer hours, including the central branch on the Parkway. This incredible transformation has led to the Free Library winning a \$25 million grant from the William Penn Foundation, the largest single grant ever given by William Penn and the largest ever received by the Free Library.

And, earlier this year, Siobhan Reardon, President and Director of the Free Library, was named Librarian of the Year for her vision and strategic plan that has turned a struggling system into a beacon of hope and community. Please recognize the number one librarian in the United States of America - Siobhan Reardon.

Like the Free Library, we've all learned to do a lot more with at times a lot less. We've invested when we could and shared in the sacrifice when needed. We've set ambitious goals and worked hard to achieve them.

Over the years, we've seen some devastating lows, the Great Recession and the Market Street building collapse, and some exhilarating highs - the announcement of Pope Francis' impending visit for the World Meeting of Families and the selection of Philadelphia as the host city for the 2016 Democratic National Convention.

To put it simply, it has been an incredibly eventful, frequently thrilling and occasionally painful journey over the last seven years. But our journey isn't over yet - we still have work to do.

In 2014, our homicide rate was down 36% and incidents of violent crime were down 17% compared to 2007 totals. Our homicide rate is at its lowest point since 1967 and violent crime totals are the lowest

in 30 years. Let us recognize our great Police Commissioner Charles Ramsey, who President Obama personally asked to head the 21st Century Community Policing Task Force.

Over the last seven years, our on-time high school graduation rate has increased by 12 percentage points - from 53% in 2007 to 65% in 2014. Our college degree attainment rate has risen above 25%, up from 18% in 2007.

Our economy is growing - since January 2014, more than \$8.5 billion of projects have been completed, under construction or announced in our City.

And our population has grown every year since 2008 and Philadelphia has experienced the largest percentage of millennial population growth of any large city in the nation.

In my first budget address, I said that our Administration had to work in partnership with City Council to secure our future and make our city strong and ready for the global stage and the 21st century economy.

I am proud to say that I believe we have made solid progress - and, no, it wasn't always perfect, but we have been able to work together and Philadelphia is stronger as a result.

I'd like to take a few moments to thank all of you for what you have done to keep us moving in the right direction.

First, Council President Darrell Clarke - I'd like to thank you for your diligent leadership of City Council and for your partnership in growing the development boom in Fairmount, Spring Garden, North Philadelphia, Center City and all across Philadelphia.

I'd like to recognize Councilwoman Marian Tasco, who has been a champion for her constituents in the 9th District and the entire city for 27 years and who has been a great Chair of the Finance Committee in recent years. Thank you for your service. We wish you well in retirement.

Let's recognize Councilwoman Marian Tasco.

With the support of Councilman Mark Squilla, we are seeing dynamic changes to our waterfronts and Market East and will see even more development and planning as we complete the South District Plan, which will be adopted in June.

Councilman Kenyatta Johnson has been a vocal supporter of the expansion and diversification of jobs and companies located at the Navy Yard.

I'd like to recognize Councilwoman Jannie Blackwell for her long commitment to moving the Police Headquarters to our new public safety campus at 4601 Market Street. It is the right move for the Philadelphia Police Department and great for West Philadelphia and our city.

Councilman Curtis Jones, Jr. - I want to thank you for spearheading the Special Investigative Committee on L&I, which has led to significant changes in the Department.

Councilman Bobby Hennon has been a vital partner in our efforts to revitalize the manufacturing industry in Philadelphia; including helping to secure the Dietz and Watson \$50 million facility expansion, which broke ground late last year.

I want to thank Councilwoman Maria Quinones Sanchez for leading the City's efforts to create the Philadelphia Land Bank. Thanks to her dedication, we are the largest city in the nation to have a Land Bank.

I want to recognize Councilwoman Cindy Bass's dedicated service to and enthusiasm for Philadelphia Parks and Recreation.

In his role as Chair of the Committee on Technology and Information Services, Councilman Brian

O'Neill has been a staunch supporter of our Office of Innovation and Technology and Philly 311.

Councilwoman Blondell Reynolds Brown has shared our goal of making Philadelphia a greener City for years and pushed to make permanent the Office of Sustainability.

I want to thank Councilman W. Wilson Goode, Jr. and Councilman William Greenlee for their commitment to protecting Philadelphia's workforce through Living Wage and Paid Sick Leave legislation.

That legislation will help address the growing issue of income inequality in Philadelphia and support Councilman Ed Neilson's proposed new Special Committee on Income Inequality in Philadelphia.

For his advocacy work on behalf of individuals with disabilities, I'd like to recognize Councilman Dennis O'Brien.

And lastly, I'd like to recognize Councilman David Oh, who has been the voice for veterans on City Council, for introducing legislation that expands the BIRT tax credit to businesses that hire veterans. Let's recognize the efforts of all these City Council members once again.

Today, my proposed FY16 budget recommends key investments that will strengthen our communities, with a particular focus on public safety and workforce development. It takes on directly an issue that we have been working on for a long time - public education. And, this budget continues to invest in our priorities from the last seven years; priorities that I believe have helped and will continue to help Philadelphia grow as a great place to live, work and raise a family.

The proposed \$3.95 billion FY16 General Fund budget has nearly \$90 million in added expenditures, which represents a modest increase in spending over FY15. The majority of our new spending, about \$78 million, will go toward rising employee costs, including pension, health care and the new police arbitration award.

And this budget, like each proposed budget since FY11, proposes no tax increases for the City's general fund. We have managed our City funds well these last few years.

Right now, I'd like to mention a new budget tool that we are rolling out this year. In an effort to increase transparency and understanding of the City's budget, we are launching today an interactive website, [www.phila.gov/openbudget](http://www.phila.gov/openbudget), which details the current fiscal year and my proposed budget for FY16. It allows users to break down the budget by funding source, department and expense type. It also offers a downloadable spreadsheet of the open data.

Over the last year, utilizing the recommendations put forth by the Special Independent Advisory Commission in its report, A Plan for a Safer City, we have expanded our definition of what a public safety agency is and placed the Department of Licenses and Inspections under the direction of the Deputy Mayor for Public Safety.

After carefully reviewing the report's recommendations and due to the highly technical nature of this work, the City has mapped out a three-year implementation strategy, running from FY16 through FY18, for enacting the agreed upon recommendations.

This approach will fund initiatives that can be implemented immediately in FY16, so that our city can be safer right now. Overall, this is an aggressive plan that adds staff to target vacant properties and creates new positions for trained professionals to oversee electrical, plumbing and crane safety, while allowing more time for the initiatives that will require staff recruitment and training.

In total, L&I, and departments that support its work like the Philadelphia Fire Department, will receive \$5.5 million in new funding in FY16, and new funding will rise to \$10.8 million by FY18.

We will hire 43 new employees in this budget and an additional 58 by FY18. Over the next three years, the 101 new employees represent a 20% increase in staffing for L&I. Specifically, we will add 8 new inspectors to both the L&I and Fire Departments this year to expand fire prevention efforts

through a dedicated Fire Prevention Unit.

But it's not just through L&I and the Fire Department that we are making key investments in public safety. We will provide \$3.6 million for the Police Department to expand the use of body cameras worn by police officers and support mandatory training and equipment, including 1,300 new bulletproof vests for police officers and \$900,000 to the Fire Department for equipment upgrades, like Self-Contained Breathing Apparatus.

We are also allocating funding over the Five Year Plan to maintain a sworn strength of 6,525 police officers. Additionally, since our brave service men and women cannot perform their sworn duties without safe, professional work environments, we are allocating \$6 million in funding for improvements to Police and Fire stations and other facilities.

While these investments will make our city safer and protect the well being of our residents, we must also work to support our citizens by creating opportunities for Philadelphians through educational programs, workforce training and jobs.

For FY16, we will provide funding for initiatives that engage learners of all ages - especially our students, but I will come back to that in a moment.

We will spend more than \$3 million in increased support for the Community College of Philadelphia to help students get a college diploma. It is my expectation that this new additional funding will result in no tuition increases for Community College students in the next school year.

To continue our support of college attainment programs, we are reinforcing the Philadelphia Talent Collaborative, our umbrella organization that will house the Graduation Coach Campaign, PhillyGoes2College, Campus Philly and Graduate! Philadelphia, and we are allocating an additional \$1.1 million for its efforts.

We will increase spending on our neighborhood libraries for the third consecutive year, including \$1 million to the Free Library for the 'Read by 4th' campaign - a city-wide coordinated effort to ensure that every student is reading at grade level by 4th grade.

Philadelphia Parks & Recreation will receive nearly \$4 million to launch a new office dedicated to youth workforce learning and development through the expansion of its existing summer jobs program, the establishment of a year-round career development program, and the creation of a transitional jobs program, patterned after a similar model to our successful PhillyFutureTrack in the Streets Department and PowerCorps PHL initiative in the Water Department and Philadelphia Parks and Recreation.

We will continue to make improvements to neighborhood commercial centers like sidewalks, lighting, landscaping and parking to complement private investment, and \$20 million to pave neighborhood streets throughout the city - an increase of \$4 million over FY15.

And, we will continue to invest in resources to make City government more efficient and effective. This investment will include the creation of a new data warehouse for the Department of Revenue, which will help us to capture even more delinquent tax revenue -- \$5.7 million in added collections in FY16 and a total of \$20 million over the Five Year Plan.

Our budget also proposes a \$15 million investment to replace vehicles city-wide, including fire trucks, trash compactors and other large vehicles and equipment.

And now, I want to return to education.

From my first day in office, I have said that we must provide a high-quality education for young Philadelphians if we want to build a better educated, higher skilled, more capable workforce, grow our local economy and population, and make Philadelphia a safer and more prosperous City.

But year after year, instead of talking about the progress that is happening in schools across our city,

we have had no choice but to discuss the systemic fiscal challenges that weaken school safety, the learning community and student success.

You know what the Great Recession and the brutal state education funding cuts did. In response, Dr. Hite was forced to fill deficits rather than invest in achievement, to cut critical services, like nurses and guidance counselors, rather than add college prep courses.

Right now, the fact is our children go to schools where a substandard level of educational supports and services are the status quo. Dr. Hite, Philadelphia's education advocates, parents, including me a proud parent of a public school graduate, have decried this kind of education as unacceptable and that these stop-gap solutions are completely insufficient.

Now, we, in this building, have never dodged our responsibility when Dr. Hite called on the City to support Philadelphia's children. We have tried to do the right thing time and time again. Over the last five years, this City Council has responded to our proposals and our citizens have invested more than \$360 million in annual recurring funding in public education - the largest five year increase in local contribution in terms of total dollars over the last 30 years.

I want to note that we aren't alone in having to generate new revenues. Across the Commonwealth, 91% of school districts, whether controlled by Republicans or Democrats, had to raise property taxes to increase funding to educate kids.

Not only have our taxpayers contributed their hard-earned dollars, but they also became personally engaged and involved. Across the City, there is an unprecedented level of community involvement in our public schools. Whether it is through Friends' groups, charter board membership or School Advisory Councils, Philadelphians are investing their time, energy and talent in our schools and our children.

We've gone to Harrisburg and led an education coalition with the loudest and clearest voice, calling for full and fair funding for public education in Pennsylvania. For Philadelphia, full and fair funding means an increase in the state appropriations for education and the creation and implementation of a student-weighted funding formula - a system that will provide fair funding based on the number of students in a district and the specific needs of those students.

Let me be clear, this is the only path to long-term financial stability of public education - both District-managed and charter schools -- in Philadelphia and across Pennsylvania. Unfortunately, in the last few years, our reasoned calls for more funding were overwhelmed by political maneuverings in Harrisburg.

But finally, we are at the dawn of seeing a fundamental change in the Commonwealth's commitment to public education under Governor Tom Wolf.

I applaud Governor Wolf's for the innovation and boldness of his budget proposal, for his call to rebuild Pennsylvania's middle class and for his focus on job creation and public education, specifically a full and fair funding formula.

Governor Wolf has set out a new approach to governing in Pennsylvania, one that can jump start the economy here and across the state. His budget calls for \$452 million per year in new tax relief for Philadelphians beginning in 2017, raising total tax relief for city residents to more than \$538 million per year.

That translates into a wage tax rate well below 3.5 percent for residents and at 3 percent for non-residents by FY20 and an almost doubling of the homestead exemption from \$30,000 to \$56,650, which will lower property taxes in 2017 and put millions of dollars into consumer pockets.

In the next four years, Governor Wolf's plan will also funnel almost \$400 million in new tax revenue into the City's underfunded Pension Fund, strengthening the retirement futures of thousands of city employees and reducing risk for city taxpayers, and setting our pension fund on a path to fiscal stability.

On public education, Governor Wolf is committing our entire Commonwealth to a brighter future through strategic investments. He understands that weak schools make for a weak state.

He proposes to pump a billion dollars into the schools, including \$160 million for the School District of Philadelphia, and \$2 billion state-wide in education funding over four years.

His plan to raise the state sales tax and expand its scope while holding steady the current tax rate in Philadelphia will close the gap between the city and our neighbors, improving Philadelphia's competitive position. At the same time, it will maintain a stable source of funding for the School District and provide more dollars for the City Pension Fund.

And his proposal for a statewide cigarette tax increase would accomplish two things here: abolish the city's recently enacted \$2 per pack tax, which is now a temporary five-year tax, and replace it with a permanent state payment of \$60 million per year, all for city schools.

Last month, in a letter to Council President Clarke and me, Dr. Hite requested \$103 million in new funding from the City and \$206 million in new monies from the Commonwealth to close its \$80 million budget deficit and implement Action Plan 3.0, a bold new model for public education in Philadelphia.

Yesterday, Dr. Hite outlined his innovative redesign for our public schools. His plan is a shift away from our current one-size fits all educational model and toward a more individualized system that will give the young people of this city the chance they deserve to be successful in the world.

This new model also moves decision-making closer to the classroom. While the cuts to our schools were relatively uniform and often determined by the central office, adding back of services won't be. Under Action Plan 3.0, schools will have the authority and autonomy to decide what their students need most and spend their new resources accordingly.

For a large comprehensive high school, like Bartram, it could mean hiring back guidance counselors and nurses, reading specialists or assistant principals.

Perhaps, the funding will re-establish sports teams or art programs that help students stay engaged and involved with the school community and encourage good attendance and grades. Or there is the potential to add AP classes to schools that had to end them not because their students lacked potential but because the school didn't have enough teachers.

The choice belongs to the principal, teachers and engaged parents. This is a model of education to support. It is unquestionably a departure from the old industrial education model, and it will better position Philadelphia students for success in and out of the classroom.

In response to Dr. Hite's letter, here is my response. I am proposing an additional \$105 million investment in public education for FY16. To get there, this budget proposes a 9.3% property tax increase, bringing our property tax rate to 1.4651%.

Combined with the Commonwealth's proposed contribution, the School District will receive about \$265 million in additional revenue to launch Dr. Hite's new era of public education in Philadelphia. We need to support this bold and ambitious plan to educate better Philadelphia's children.

Our proposal, together with Governor Wolf's new measures announced on Tuesday, will eliminate the District's deficit and provide for investment in this new model to improve educational outcomes for every Philadelphia student.

Let me say very clearly, I don't want to raise your taxes, but I do want to educate our children. I don't want the next generation of Philadelphians living under the burdens of poverty and violence, without the opportunity to succeed. That's why, now more than ever, investing in education, in our city's future, is the right thing to do. If I have to make a choice between raising revenue or educating our children, I'm going to be for our kids every time.

And yes, about 30% of our property owners saw some increase in their property taxes from AVI, but 100% of our school children suffered from the education cuts and lack of funding - the time has come for us as adults to do right by our children. Let's properly fund their education, in partnership with Governor Wolf.

And let me point out a very important relationship between Gov. Wolf's tax relief proposals and the property tax increase for schools that I've proposed.

The Governor's plan, if enacted, would dramatically increase the city's homestead exemption, raising it from \$30,000 to \$56,650, and that would significantly reduce residential property taxes for Philadelphians with the homestead exemption.

In fact, the 2017 tax bills would be on average \$287 less than 2015 residential property tax bills. So, what's going to happen with all of this? Your property tax bill will go up in FY16 and then it will significantly go down in FY17 and will actually be lower than it was in FY15.

Investing in education must be our priority today and in the future. It is a mantra I hope to hear repeatedly this year in particular. And, I hope that education debates during the election season are filled with real ideas and solutions to this long-standing challenge, which impacts both our budget and the City's future.

During my time as Mayor, I have been laser focused on fiscal stability and no less so in this budget. But I've also made it a point to attack our challenges head on. It is my hope that the next mayor will do the same thing - focus on the right direction for Philadelphia, even if the decisions aren't always popular. And, it's becoming increasingly clear that more and more Philadelphians think we are on the right track and they are feeling more positive about the future of Philadelphia.

That's why I want to take a few moments to discuss the challenges that the next mayor faces and the decisions required to ensure Philadelphia is the City we all know it can be and in many ways, already is.

The greatest challenges our City faces are intractable, interconnected and intergenerational: inadequate education funding for an outdated school models, which we just discussed, poverty, and the epidemic of violence among young men and boys of color.

Our poverty rate is the highest of the top ten largest cities in America at 26.3%, down from 28.6% recently. Nearly 397,000 of our residents, including 123,000 children live in poverty - scrapping by on the barest of necessities. It is a cyclical problem that traps generation after generation of families.

Our Administration has laid down the important groundwork to break that cycle: we created the Office of Community Empowerment and Opportunity (CEO), launched our anti-poverty plan - Shared Prosperity Philadelphia, focused on increasing the number of family sustaining jobs and affordable housing available in Philadelphia, secured federal support through our Promise Zone designation and Choice Neighborhood Grant and more.

One thing is clear - the next mayor must continue to chip away at the pervasive problem of poverty that holds back hundreds of thousands of Philadelphians from reaching their potential and fully contributing to our communities and economy.

And then there is the unfathomable issue of violence among our young men and boys of color. On average in Philadelphia, 80% of homicide victims and 75% of perpetrators are young black men. These are tragic, senseless acts that tear apart our communities, shatter the hopes of individuals and leave families and friends reeling.

This is a conversation that demands more people at the table. Our Administration started a conversation, and then we took action.

We created the Youth Violence Prevention Collaborative and with the work of our many partners, we brought in considerable funding for programming. We partnered with New Orleans Mayor Mitch Landrieu on Cities United, a national response to this violence. And, we've gotten involved with President Obama's My Brother's Keeper Initiative.



But, we have only scratched the surface on the plague of violence that leaves hundreds of our young men damaged, dead or in prison every year. The next mayor must do even more, expand the reach of the Youth Violence Prevention Collaborative and institutionalize these efforts to create change for young men and boys of color.

We've created the framework to move the ball forward on these issues - the next mayor needs to take it up and make it his or her own.

Our Administration set out to rebuild the infrastructure of city government, to institutionalize programs that make our great city even better. With Shared Prosperity Philadelphia and the Youth Violence Prevention Collaborative, we have reshaped the fundamentals and infused them into the lifeblood of Philadelphia and our government.

I've spent many years of my life committed to helping Philadelphia be the City I know it can be - a dynamic city with a highly educated citizenry, safe communities, an ethical government committed to integrity, a place that values sustainability and supports every resident.

In my first inaugural, I outlined goals for our administration that aligned with my ideas of a better Philadelphia, a bright shining city of hope with opportunity for all. And, I'm proud of the City that I will pass on to my successor and the work my team has done to shape Philadelphia's future.

Back then, I said our city should cut the homicide rate by 30-50% over the next three to five years - and we did. The next mayor's goal should be less than 200 murders in 2016.

The next mayor must continue to push for gains in our high school graduation and college attainment rates. With our new investment in education and Dr. Hite's bold, innovative strategy, there is no reason that Philadelphia can't have an 80% high school graduation rate in the next two years. And, with our incredible higher education institutions, their commitment to Philadelphia and our support of higher education, there is no reason that we can't see another 50,000 residents with college degrees over the next 4 years.

The next mayor must institutionalize integrity and the ethical culture we worked so hard to build in our government. The people of this City deserve it. The next mayor must take on the challenge of making permanent positions for the Inspector General and Chief Integrity Officer.

The next mayor must also be a careful steward of the City's finances. We must face up to our short term challenges and long term structural issues, like funding our pension and maintaining and improving our credit ratings.

The next mayor must actively recruit businesses, development and investment in our city. The next mayor must commit to further improving the business environment in this city and encourage responsible corporate citizenship, whether that means supporting summer jobs, mentorship programs or the community.

Over the next few months, we all have an obligation to hold our mayoral candidates accountable and to push them to present a real vision for Philadelphia's future based on policy not just political rhetoric.

This is my challenge for the next mayor of Philadelphia: Do more than we could. Take the work we have done and make it your own. Make Philadelphia even greater and more beautiful than we have done already.

The citizens of this great cradle of freedom, liberty and democracy wish to continue what our four fathers promised --- "Life, liberty and the pursuit of happiness."

The future is in your hands. God bless you all. God bless Philadelphia. And God bless the United States of America.

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## MAYOR'S BUDGET ADDRESS

Thursday, March 5, 2015

Prepared remarks follow, check against delivery:

Good morning Council President Clarke, City Council leadership, members of the City Council and leaders of my Administration, City officials, my fellow elected officials, members of the School Reform Commission, Superintendent Dr. William Hite and my fellow Philadelphians.

I am honored to be here in the People's Chamber, to fulfill the duties of my office and transmit a budget and Five Year Plan that serves the interests of our great City and its residents.

Before we begin, I'd like to have a moment of silence to recognize three tremendous public servants who we lost over the last year: Gloria Casarez, the first Director of Lesbian, Gay, Bisexual and Transgender Affairs, Joan Markman, our first Chief Integrity Officer, and Lieutenant Joyce Craig, the first female firefighter to die in the line of duty.

These three extraordinary women were exemplary public servants, consummate professionals and dedicated leaders. Let their lives and their service act as a continual reminder to all of us to do our own jobs better and let us keep them and their families in our thoughts and prayers.

For seven plus years, I have had the honor of serving my hometown, the City I love, as Mayor and the privilege of working with some of the most passionate and dedicated public servants I have ever known, both on City Council and in the departments and agencies that provide services to our citizens.

We started our journey together in 2008 with a new vision for Philadelphia: a city that is safer, smarter, greener, healthier and growing; a city that strives for excellent customer service and strong financial stewardship; and a city with an ethical government, committed to integrity - a government that Philadelphians could trust in and be proud of.

And we weren't going to be timid about it. We took on challenges that hadn't been addressed in decades, if ever: together, we completely overhauled the City's property tax system, turning a broken, outdated and inaccurate system into a system that is fair, equitable and understandable.

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And, when the Great Recession decimated our revenues and opened a \$2.4 billion hole in our budget, we made the tough decisions to increase taxes, cut City services and eliminate excess.

Let me just say that many of these choices were the right ones - in fact, our careful financial stewardship was cited as reasons our credit rating has improved; today, it is in the A category by all three major credit rating agencies for the first time since the 1970s.

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I want to commend City Council for the actions it took to protect library service. Council was right. We needed to find another way to save \$8 million during the fiscal crisis - and, we did. As a result of Council's actions, no library ever closed, and we still figured out how to reduce spending.

Today, I am proud to say that our library service has expanded to 46 hours per week - that's five hours more weekly service than in 2008!

Every library branch is open at least six days a week with five branches opened on Sundays, and many offer

extended summer hours, including the central branch on the Parkway. This incredible transformation has led to the Free Library winning a \$25 million grant from the William Penn Foundation, the largest single grant ever given by William Penn and the largest ever received by the Free Library.

And, earlier this year, Siobhan Reardon, President and Director of the Free Library, was named Librarian of the Year for her vision and strategic plan that has turned a struggling system into a beacon of hope and community. Please recognize the number one librarian in the United States of America - Siobhan Reardon.

Like the Free Library, we've all learned to do a lot more with at times a lot less. We've invested when we could and shared in the sacrifice when needed. We've set ambitious goals and worked hard to achieve them.

Over the years, we've seen some devastating lows, the Great Recession and the Market Street building collapse, and some exhilarating highs - the announcement of Pope Francis' impending visit for the World Meeting of Families and the selection of Philadelphia as the host city for the 2016 Democratic National Convention.

To put it simply, it has been an incredibly eventful, frequently thrilling and occasionally painful journey over the last seven years. But our journey isn't over yet - we still have work to do.

In 2014, our homicide rate was down 36% and incidents of violent crime were down 17% compared to 2007 totals. Our homicide rate is at its lowest point since 1967 and violent crime totals are the lowest in 30 years. Let us recognize our great Police Commissioner Charles Ramsey, who President Obama personally asked to head the 21<sup>st</sup> Century Community Policing Task Force.

Over the last seven years, our on-time high school graduation rate has increased by 12 percentage points - from 53% in 2007 to 65% in 2014. Our college degree attainment rate has risen above 25%, up from 18% in 2007.

Our economy is growing - since January 2014, more than \$8.5 billion of projects have been completed, under construction or announced in our City.

And our population has grown every year since 2008 and Philadelphia has experienced the largest percentage of millennial population growth of any large city in the nation.

In my first budget address, I said that our Administration had to work in partnership with City Council to secure our future and make our city strong and ready for the global stage and the 21<sup>st</sup> century economy.

I am proud to say that I believe we have made solid progress - and, no, it wasn't always perfect, but we have been able to work together and Philadelphia is stronger as a result.

I'd like to take a few moments to thank all of you for what you have done to keep us moving in the right direction.

First, Council President Darrell Clarke - I'd like to thank you for your diligent leadership of City Council and for your partnership in growing the development boom in Fairmount, Spring Garden, North Philadelphia, Center City and all across Philadelphia.

I'd like to recognize Councilwoman Marian Tasco, who has been a champion for her constituents in the 9<sup>th</sup> District and the entire city for 27 years and who has been a great Chair of the Finance Committee in recent years. Thank you for your service. We wish you well in retirement.

Let's recognize Councilwoman Marian Tasco.

With the support of Councilman Mark Squilla, we are seeing dynamic changes to our waterfronts and Market East and will see even more development and planning as we complete the South District Plan, which will be adopted in June.

Councilman Kenyatta Johnson has been a vocal supporter of the expansion and diversification of jobs and companies located at the Navy Yard.

I'd like to recognize Councilwoman Jannie Blackwell for her long commitment to moving the Police Headquarters to our new public safety campus at 4601 Market Street. It is the right move for the Philadelphia Police Department and great for West Philadelphia and our city.

Councilman Curtis Jones, Jr. - I want to thank you for spearheading the Special Investigative Committee on L&I, which has led to significant changes in the Department.

Councilman Bobby Hennon has been a vital partner in our efforts to revitalize the manufacturing industry in Philadelphia; including helping to secure the Dietz and Watson \$50 million facility expansion, which broke ground late last year.

I want to thank Councilwoman Maria Quinones Sanchez for leading the City's efforts to create the Philadelphia Land Bank. Thanks to her dedication, we are the largest city in the nation to have a Land Bank.

I want to recognize Councilwoman Cindy Bass's dedicated service to and enthusiasm for Philadelphia Parks and Recreation.

In his role as Chair of the Committee on Technology and Information Services, Councilman Brian O'Neill has been a staunch supporter of our Office of Innovation and Technology and Philly 311.

Councilwoman Blondell Reynolds Brown has shared our goal of making Philadelphia a greener City for years and pushed to make permanent the Office of Sustainability.

I want to thank Councilman W. Wilson Goode, Jr. and Councilman William Greenlee for their commitment to protecting Philadelphia's workforce through Living Wage and Paid Sick Leave legislation.

That legislation will help address the growing issue of income inequality in Philadelphia and support Councilman Ed Neilson's proposed new Special Committee on Income Inequality in Philadelphia.

For his advocacy work on behalf of individuals with disabilities, I'd like to recognize Councilman Dennis O'Brien.

And lastly, I'd like to recognize Councilman David Oh, who has been the voice for veterans on City Council, for introducing legislation that expands the BIRT tax credit to businesses that hire veterans.

Let's recognize the efforts of all these City Council members once again.

Today, my proposed FY16 budget recommends key investments that will strengthen our communities, with a particular focus on public safety and workforce development. It takes on directly an issue that we have been working on for a long time - public education. And, this budget continues to invest in our priorities from the last seven years; priorities that I believe have helped and will continue to help Philadelphia grow as a great place to live, work and raise a family.

The proposed \$3.95 billion FY16 General Fund budget has nearly \$90 million in added expenditures, which represents a modest increase in spending over FY15. The majority of our new spending, about \$78 million, will go toward rising employee costs, including pension, health care and the new police arbitration award.

And this budget, like each proposed budget since FY11, proposes no tax increases for the City's general fund. We have managed our City funds well these last few years.

Right now, I'd like to mention a new budget tool that we are rolling out this year. In an effort to increase transparency and understanding of the City's budget, we are launching today an interactive website, [www.phila.gov/openbudget](http://www.phila.gov/openbudget) <<http://www.phila.gov/openbudget>>, which details the current fiscal year and my proposed budget for FY16. It allows users to break down the budget by funding source, department and expense type. It also offers a downloadable spreadsheet of the open data.

Over the last year, utilizing the recommendations put forth by the Special Independent Advisory Commission in its report, *A Plan for a Safer City*, we have expanded our definition of what a public safety agency is and placed the Department of Licenses and Inspections under the direction of the Deputy Mayor for Public Safety.

After carefully reviewing the report's recommendations and due to the highly technical nature of this work, the City has mapped out a three-year implementation strategy, running from FY16 through FY18, for enacting the agreed upon recommendations.

This approach will fund initiatives that can be implemented immediately in FY16, so that our city can be safer right now. Overall, this is an aggressive plan that adds staff to target vacant properties and creates new positions for trained professionals to oversee electrical, plumbing and crane safety, while allowing more time for the initiatives that will require staff recruitment and training.

In total, L&I, and departments that support its work like the Philadelphia Fire Department, will receive \$5.5 million in new funding in FY16, and new funding will rise to \$10.8 million by FY18.

We will hire 43 new employees in this budget and an additional 58 by FY18. Over the next three years, the 101 new employees represent a 20% increase in staffing for L&I. Specifically, we will add 8 new inspectors to both the L&I and Fire Departments this year to expand fire prevention efforts through a dedicated Fire Prevention Unit.

But it's not just through L&I and the Fire Department that we are making key investments in public safety. We will provide \$3.6 million for the Police Department to expand the use of body cameras worn by police officers and support mandatory training and equipment, including 1,300 new bulletproof vests for police officers and \$900,000 to the Fire Department for equipment upgrades, like Self-Contained Breathing Apparatus.

We are also allocating funding over the Five Year Plan to maintain a sworn strength of 6,525 police officers. Additionally, since our brave service men and women cannot perform their sworn duties without safe, professional work environments, we are allocating \$6 million in funding for improvements to Police and Fire stations and other facilities.

While these investments will make our city safer and protect the well being of our residents, we must also work to support our citizens by creating opportunities for Philadelphians through educational programs, workforce training and jobs.

For FY16, we will provide funding for initiatives that engage learners of all ages - especially our students, but I will come back to that in a moment.

We will spend more than \$3 million in increased support for the Community College of Philadelphia to help students get a college diploma. It is my expectation that this new additional funding will result in no tuition increases for Community College students in the next school year.

To continue our support of college attainment programs, we are reinforcing the Philadelphia Talent Collaborative, our umbrella organization that will house the Graduation Coach Campaign, PhillyGoes2College, Campus Philly and Graduate! Philadelphia, and we are allocating an additional \$1.1 million for its efforts.

We will increase spending on our neighborhood libraries for the third consecutive year, including \$1 million to the Free Library for the 'Read by 4<sup>th</sup>' campaign - a city-wide coordinated effort to ensure that every student is reading at grade level by 4<sup>th</sup> grade.

Philadelphia Parks & Recreation will receive nearly \$4 million to launch a new office dedicated to youth workforce learning and development through the expansion of its existing summer jobs program, the establishment of a year-round career development program, and the creation of a transitional jobs program, patterned after a similar model to our successful PhillyFutureTrack in the Streets Department and PowerCorps PHL initiative in the Water Department and Philadelphia Parks and Recreation.

We will continue to make improvements to neighborhood commercial centers like sidewalks, lighting, landscaping and parking to complement private investment, and \$20 million to pave neighborhood streets throughout the city - an increase of \$4 million over FY15.

And, we will continue to invest in resources to make City government more efficient and effective. This investment will include the creation of a new data warehouse for the Department of Revenue, which will help us to capture even more delinquent tax revenue -- \$5.7 million in added collections in FY16 and a total of \$20 million over the Five Year Plan.

Our budget also proposes a \$15 million investment to replace vehicles city-wide, including fire trucks, trash compactors and other large vehicles and equipment.

And now, I want to return to education.

From my first day in office, I have said that we must provide a high-quality education for young Philadelphians if we want to build a better educated, higher skilled, more capable workforce, grow our local economy and population, and make Philadelphia a safer and more prosperous City.

But year after year, instead of talking about the progress that is happening in schools across our city, we have had no choice but to discuss the systemic fiscal challenges that weaken school safety, the learning community and student success.

You know what the Great Recession and the brutal state education funding cuts did. In response, Dr. Hite was forced to fill deficits rather than invest in achievement, to cut critical services, like nurses and guidance counselors, rather than add college prep courses.

Right now, the fact is our children go to schools where a substandard level of educational supports and services are the status quo. Dr. Hite, Philadelphia's education advocates, parents, including me a proud parent of a public school graduate, have decried this kind of education as unacceptable and that these stop-gap solutions are completely insufficient.

Now, we, in this building, have never dodged our responsibility when Dr. Hite called on the City to support Philadelphia's children. We have tried to do the right thing time and time again.

Over the last five years, this City Council has responded to our proposals and our citizens have invested more than \$360 million in annual recurring funding in public education - the largest five year increase in local contribution in terms of total dollars over the last 30 years.

I want to note that we aren't alone in having to generate new revenues. Across the Commonwealth, 91% of school districts, whether controlled by Republicans or Democrats, had to raise property taxes to increase funding to educate kids.

Not only have our taxpayers contributed their hard-earned dollars, but they also became personally engaged and involved. Across the City, there is an unprecedented level of community involvement in our public schools. Whether it is through Friends' groups, charter board membership or School Advisory Councils, Philadelphians are investing their time, energy and talent in our schools and our children.



We've gone to Harrisburg and led an education coalition with the loudest and clearest voice, calling for full and fair funding for public education in Pennsylvania. For Philadelphia, full and fair funding means an increase in the state appropriations for education and the creation and implementation of a student-weighted funding formula - a system that will provide fair funding based on the number of students in a district and the specific needs of those students.

Let me be clear, this is the only path to long-term financial stability of public education - both District-managed and charter schools -- in Philadelphia and across Pennsylvania. Unfortunately, in the last few years, our reasoned calls for more funding were overwhelmed by political maneuverings in Harrisburg.

But finally, we are at the dawn of seeing a fundamental change in the Commonwealth's commitment to public education under Governor Tom Wolf.

I applaud Governor Wolf's for the innovation and boldness of his budget proposal, for his call to rebuild Pennsylvania's middle class and for his focus on job creation and public education, specifically a full and fair funding formula.

Governor Wolf has set out a new approach to governing in Pennsylvania, one that can jump start the economy here and across the state. His budget calls for \$452 million per year in new tax relief for Philadelphians beginning in 2017, raising total tax relief for city residents to more than \$538 million per year.

That translates into a wage tax rate well below 3.5 percent for residents and at 3 percent for non-residents by FY20 and an almost doubling of the homestead exemption from \$30,000 to \$56,650, which will lower property taxes in 2017 and put millions of dollars into consumer pockets.

In the next four years, Governor Wolf's plan will also funnel almost \$400 million in new tax revenue into the City's underfunded Pension Fund, strengthening the retirement futures of thousands of city employees and reducing risk for city taxpayers, and setting our pension fund on a path to fiscal stability.

On public education, Governor Wolf is committing our entire Commonwealth to a brighter future through strategic investments. He understands that weak schools make for a weak state.

He proposes to pump a billion dollars into the schools, including \$160 million for the School District of Philadelphia, and \$2 billion state-wide in education funding over four years.

His plan to raise the state sales tax and expand its scope while holding steady the current tax rate in Philadelphia will close the gap between the city and our neighbors, improving Philadelphia's competitive position. At the same time, it will maintain a stable source of funding for the School District and provide more dollars for the City Pension Fund.

And his proposal for a statewide cigarette tax increase would accomplish two things here: abolish the city's

recently enacted \$2 per pack tax, which is now a temporary five-year tax, and replace it with a permanent state payment of \$60 million per year, all for city schools.

Last month, in a letter to Council President Clarke and me, Dr. Hite requested \$103 million in new funding from the City and \$206 million in new monies from the Commonwealth to close its \$80 million budget deficit and implement Action Plan 3.0, a bold new model for public education in Philadelphia.

Yesterday, Dr. Hite outlined his innovative redesign for our public schools. His plan is a shift away from our current one-size fits all educational model and toward a more individualized system that will give the young people of this city the chance they deserve to be successful in the world.

This new model also moves decision-making closer to the classroom. While the cuts to our schools were relatively uniform and often determined by the central office, adding back of services won't be. Under Action Plan 3.0, schools will have the authority and autonomy to decide what their students need most and spend their new resources accordingly.

For a large comprehensive high school, like Bartram, it could mean hiring back guidance counselors and nurses, reading specialists or assistant principals.

Perhaps, the funding will re-establish sports teams or art programs that help students stay engaged and involved with the school community and encourage good attendance and grades. Or there is the potential to add AP classes to schools that had to end them not because their students lacked potential but because the school didn't have enough teachers.

The choice belongs to the principal, teachers and engaged parents. This is a model of education to support. It is unquestionably a departure from the old industrial education model, and it will better position Philadelphia students for success in and out of the classroom.

In response to Dr. Hite's letter, here is my response. I am proposing an additional \$105 million investment in public education for FY16. To get there, this budget proposes a 9.3% property tax increase, bringing our property tax rate to 1.4651%.

Combined with the Commonwealth's proposed contribution, the School District will receive about \$265 million in additional revenue to launch Dr. Hite's new era of public education in Philadelphia. We need to support this bold and ambitious plan to educate better Philadelphia's children.

Our proposal, together with Governor Wolf's new measures announced on Tuesday, will eliminate the District's deficit and provide for investment in this new model to improve educational outcomes for every Philadelphia student.

Let me say very clearly, I don't want to raise your taxes, but I do want to educate our children. I don't want the next generation of Philadelphians living under the burdens of poverty and violence, without the opportunity to succeed. That's why, now more than ever, investing in education, in our city's future, is the right thing to do. If I have to make a choice between raising revenue or educating our children, I'm going to be for our kids every time.

And yes, about 30% of our property owners saw some increase in their property taxes from AVI, but 100% of our school children suffered from the education cuts and lack of funding - the time has come for us as adults to

do right by our children. Let's properly fund their education, in partnership with Governor Wolf.

And let me point out a very important relationship between Gov. Wolf's tax relief proposals and the property tax increase for schools that I've proposed.

The Governor's plan, if enacted, would dramatically increase the city's homestead exemption, raising it from \$30,000 to \$56,650, and that would significantly reduce residential property taxes for Philadelphians with the homestead exemption.

In fact, the 2017 tax bills would be on average \$287 less than 2015 residential property tax bills. So, what's going to happen with all of this? Your property tax bill will go up in FY16 and then it will significantly go down in FY17 and will actually be lower than it was in FY15.

Investing in education must be our priority today and in the future. It is a mantra I hope to hear repeatedly this year in particular. And, I hope that education debates during the election season are filled with real ideas and solutions to this long-standing challenge, which impacts both our budget and the City's future.

During my time as Mayor, I have been laser focused on fiscal stability and no less so in this budget. But I've also made it a point to attack our challenges head on. It is my hope that the next mayor will do the same thing - focus on the right direction for Philadelphia, even if the decisions aren't always popular. And, it's becoming increasingly clear that more and more Philadelphians think we are on the right track and they are feeling more positive about the future of Philadelphia.

That's why I want to take a few moments to discuss the challenges that the next mayor faces and the decisions required to ensure Philadelphia is the City we all know it can be and in many ways, already is.

The greatest challenges our City faces are intractable, interconnected and intergenerational: inadequate education funding for an outdated school models, which we just discussed, poverty, and the epidemic of violence among young men and boys of color.

Our poverty rate is the highest of the top ten largest cities in America at 26.3%, down from 28.6% recently. Nearly 397,000 of our residents, including 123,000 children live in poverty - scrapping by on the barest of necessities. It is a cyclical problem that traps generation after generation of families.

Our Administration has laid down the important groundwork to break that cycle: we created the Office of Community Empowerment and Opportunity (CEO), launched our anti-poverty plan - Shared Prosperity Philadelphia, focused on increasing the number of family sustaining jobs and affordable housing available in Philadelphia, secured federal support through our Promise Zone designation and Choice Neighborhood Grant and more.

One thing is clear - the next mayor must continue to chip away at the pervasive problem of poverty that holds back hundreds of thousands of Philadelphians from reaching their potential and fully contributing to our communities and economy.

And then there is the unfathomable issue of violence among our young men and boys of color. On average in Philadelphia, 80% of homicide victims and 75% of perpetrators are young black men. These are tragic, senseless acts that tear apart our communities, shatter the hopes of individuals and leave families and friends reeling.

This is a conversation that demands more people at the table. Our Administration started a conversation, and then we took action.

We created the Youth Violence Prevention Collaborative and with the work of our many partners, we brought in considerable funding for programming. We partnered with New Orleans Mayor Mitch Landrieu on Cities United, a national response to this violence. And, we've gotten involved with President Obama's My Brother's Keeper Initiative.

But, we have only scratched the surface on the plague of violence that leaves hundreds of our young men damaged, dead or in prison every year. The next mayor must do even more, expand the reach of the Youth Violence Prevention Collaborative and institutionalize these efforts to create change for young men and boys of color.

We've created the framework to move the ball forward on these issues - the next mayor needs to take it up and make it his or her own.

Our Administration set out to rebuild the infrastructure of city government, to institutionalize programs that make our great city even better. With Shared Prosperity Philadelphia and the Youth Violence Prevention Collaborative, we have reshaped the fundamentals and infused them into the lifeblood of Philadelphia and our government.

I've spent many years of my life committed to helping Philadelphia be the City I know it can be - a dynamic city with a highly educated citizenry, safe communities, an ethical government committed to integrity, a place that values sustainability and supports every resident.

In my first inaugural, I outlined goals for our administration that aligned with my ideas of a better Philadelphia, a bright shining city of hope with opportunity for all. And, I'm proud of the City that I will pass on to my successor and the work my team has done to shape Philadelphia's future.

Back then, I said our city should cut the homicide rate by 30-50% over the next three to five years - and we did. The next mayor's goal should be less than 200 murders in 2016.

The next mayor must continue to push for gains in our high school graduation and college attainment rates. With our new investment in education and Dr. Hite's bold, innovative strategy, there is no reason that Philadelphia can't have an 80% high school graduation rate in the next two years. And, with our incredible higher education institutions, their commitment to Philadelphia and our support of higher education, there is no reason that we can't see another 50,000 residents with college degrees over the next 4 years.

The next mayor must institutionalize integrity and the ethical culture we worked so hard to build in our government. The people of this City deserve it. The next mayor must take on the challenge of making permanent positions for the Inspector General and Chief Integrity Officer.

The next mayor must also be a careful steward of the City's finances. We must face up to our short term challenges and long term structural issues, like funding our pension and maintaining and improving our credit ratings.

The next mayor must actively recruit businesses, development and investment in our city. The next mayor must commit to further improving the business environment in this city and encourage responsible corporate citizenship, whether that means supporting summer jobs, mentorship programs or the community.

Over the next few months, we all have an obligation to hold our mayoral candidates accountable and to push them to present a real vision for Philadelphia's future based on policy not just political rhetoric.

This is my challenge for the next mayor of Philadelphia: Do more than we could. Take the work we have done and make it your own. Make Philadelphia even greater and more beautiful than we have done already.

The citizens of this great cradle of freedom, liberty and democracy wish to continue what our four fathers promised --- "Life, liberty and the pursuit of happiness."

The future is in your hands. God bless you all. God bless Philadelphia. And God bless the United States of America.