

TABLE OF CONTENTS

1	Table of Contents
2	Letter from the Mayor
4	Executive Summary
5	Major Accomplishments of 2009
8	Demographics
10	Economic Overview
12	The City's Revenues
14	Major Budget Cost Drivers
19	How the FY10-14 Budget Balanced
20	How Other Cities Balance For FY10 and FY11
21	Public Participation in the FY11 Budget
22	Balancing the FY11-15 Budget
27	Risks in the State Government and Changes in Federal Funding
29	American Recovery and Reinvestment Act
30	Key Infrastructure Investments
33	Operational Accomplishments and Goals
33	Public Safety
35	Transportation and Utilities
38	Economic Development
43	Parks and Recreation, and the Free Library
45	Health and Opportunity
48	Finance and Law
51	Administrative Departments

Appendices

I.	Flow Charts of Budget Process – Operating and Capital
II.	FY11 Revenues and Expenditures
III.	Other Statutory Requirements – General Fund
IV.	Other Statutory Requirements – Cash Flows
V.	Enterprise Funds – Aviation and Water
VI.	Long Term Obligations
VII.	Other Statutory Requirements – Base Obligation Methodology
VIII.	Capital Budget
IX.	Five Year Obligation Summary By Department

LETTER FROM THE MAYOR



My Fellow Philadelphians:

As we move through another year of the Great Recession together, Philadelphia continues to be rocked by the international economic downturn. All of us know someone who has lost a job and can't find another; we see signs that some neighbors are losing their homes; and we hear tales of hunger coming from food kitchens and homeless shelters. The City of Philadelphia budget has again been hard hit— receipts from major taxes are down again significantly this year.

But here in Philadelphia, there are also signs that the city continues to gain in strength. Violent crime, which ravaged many neighborhoods merely two years ago, has continued to decrease significantly. Our nationally-recognized mortgage foreclosure program is keeping people in their homes by forcing banks to the negotiating table. Neighborhoods all over the city—from Fishtown and Oak Lane to Grays Ferry and Norris Square—continue to attract new residents who bring with them energy and a sense of promise. And the message is getting out that Philadelphia is a great place to visit and to live. Tourists continue to flock to Philadelphia, staying overnight in numbers larger than ever, and the U.S. Census Bureau confirmed what some of us already knew: namely that our population is now growing after five decades of steep declines.

Significant economic development investments continue to be made not only in Center City, where the expanded Convention Center and new Barnes Foundation are under construction, but in neighborhoods throughout Philadelphia. The construction of a new building for Children's Hospital and a cancer research center for the Hospital of the University of Pennsylvania are enhancing University City's reputation as a medical mecca. Temple University's investments in North Philadelphia are encouraging private companies, like Fresh Grocer, to build new stores, and, in South Philadelphia, the Navy Yard continues to attract new development and companies like TastyKake to its corporate campus. As Mayor, I am also strongly supportive of Comcast Corporation's efforts to purchase the National Broadcasting Company. Private investments also extend to Philadelphia's small commercial businesses—in South Philadelphia, for example, 19 new stores and restaurants have opened on Passyunk Avenue in the past year.

As a lifelong Philadelphian, it's exciting for me to see my hometown's landscape of factories and smokestacks transform into university and medical campuses, small and large digital media companies and neo-industrial ventures all of which require skilled, creative workers. And it's encouraging to see the City's use of federal American Reinvestment and Recovery Act dollars for workforce development and housing weatherization translate into good-paying "green" jobs that help put our residents back to work and make our city more sustainable.

Over the past two years, my Administration has worked hard to create an honest and transparent government that serves all Philadelphians. Despite the ravages the economy has inflicted on our budget, we have not raised the rates on wage or business privilege taxes. We are working to reform the broken system of assessing commercial and residential property taxes, vowing to not make any new assessments until the process works for everyone, and we have streamlined our business licensing system, making it easier for entrepreneurs to start companies here in Philadelphia. And we

LETTER FROM THE MAYOR

are doing more with less: despite reducing the number of employees on the payroll by about 800 over the last year, we have been able to maintain library and recreation center service, pick up trash on time and plow streets filled with historic snowfall, and decrease wait times for permit and license reviews. When the economy picks up again—and it will—Philadelphia will be ready to capture new jobs and opportunities.

This Plan also proposes a substantial expansion of investment in our infrastructure. Investments in the City's network infrastructure and other information technology is critical for the running of a twenty-first century city – and this budget invests \$25 million in FY11 for this need. \$17.5 million in FY11 will reconstruct and resurface streets, more than \$14 million will fund improvements in recreation centers, and \$5 million will be spent on repair, renovation, and construction of Police facilities. The Plan proposes to continue that expanded investment for each year.

Despite this progress, we can't fool ourselves that the hard part is over. This year's budget includes more cuts, as well as new fees that will enable us to maintain services to residents and ensure the City continues to function in the way taxpayers deserve. And as we move through 2010, my Administration is committed to working with the City's unions to take necessary steps to bring down future pension and health care benefit costs and other personnel expenses. My Administration will also take a hard look at how it spends federal and state anti-poverty and workforce development dollars so that we can be assured those dollars are spent in ways that will help reduce Philadelphia's stubbornly-high poverty rate.

The past two years have not been easy for any of us, but together we have made the sacrifices necessary to ensure a successful future. In this Plan, we describe the successes of the last two years and, building upon them, map out a strategy for making Philadelphia an even stronger city that works for everyone. And while I know that some of our proposals may not be popular, they are necessary if we are to retain the level of services that our citizens expect from their government.

I look forward to talking with you further about the proposals contained in this document and I welcome your feedback.



Mayor Michael A. Nutter

EXECUTIVE SUMMARY

Major Accomplishments:

- The “back to basics” Police Department strategy has resulted in a drop in homicides by more than 22%, and a decline in total Part I violent crime by 10%, in the past two years
- The Police Department’s Operation Pressure Point resulted in a 51% reduction in homicides and an 11% reduction in shooting victims in 2009 compared to 2008 in the targeted areas
- 2009 saw the lowest number of lives lost (30) due to fire in the city since records have been kept thanks to the Fire Department’s Prevention and Education campaigns
- Last year’s adoption of single-stream recycling increased the recycling diversion rate nearly two and a half times to 18.1% in December
- Center City litter baskets were replaced by 500 BigBelly solar powered compacting litter baskets and 210 public recycling containers
- The Water Department unveiled its Green City, Clean Waters plan, which will invest in green infrastructure to capture 80% of storm water and sewage that would otherwise flow into the Delaware and Schuylkill rivers
- The Commerce Department launched the Business Services Center, a one-stop shop for all business-related information and assistance
- The Office of Economic Opportunity released a comprehensive strategic plan that establishes city-wide and department goals for the participation and development of minority-, women- and disabled-owned businesses in Philadelphia
- Licenses and Inspections streamlined its processes for issuing licenses and reviewing plans – and brought down the different types of licenses from 120 to only 38
- User-friendly, vendor-based disclosure forms were implemented for contracting with the City
- The Mayor’s Homeless Initiative has resulted in increased capacity of permanent affordable housing by 51% for families and 26% for single men and women. The Initiative also contributed to a 26% drop in street homelessness
- The first licensed halfway house for homeless individuals with chronic homeless substance abuse issues opened
- The creation of the mortgage foreclosure program saved 1,800 homes from foreclosure
- The City’s Health Centers provided services to 15,000 more patients without increases in funding
- Through competitive marketing of benefit plans and the switch to self-insurance for medical benefits in 2009, the City projects to save \$6.3 million in 2010 for City-administered employee benefits
- Nearly \$8.5 million in additional delinquent taxes were collected
- The majority of the City’s variable rate debt has been restructured, saving millions of dollars
- The 311 call center has taken 1.2 million calls and processed 60,000 departmental service requests
- Reform at the Bureau of Revision of Taxes led to a separation of the assessment function and the appeals function, removing a clear conflict, (a ballot question in the spring would make this separation permanent)

MAJOR ACCOMPLISHMENTS OF 2009

Despite the budget challenges that Philadelphia and the Nutter Administration have faced between late 2008 and today, the City is still making significant progress toward many of its major long-term goals. These efforts have decreased crime, made Philadelphia more sustainable, lowered the costs of city government, and streamlined services to business. All of these successes will provide the foundation for future economic growth. When the economy recovers, Philadelphia will be even better positioned to welcome new businesses, jobs and residents.

Improving Public Safety

One of Mayor Michael A. Nutter's top priorities since taking office in January 2008 is increasing public safety in the city. Thanks to a "back to basics" strategy that the Philadelphia Police Department (PPD) introduced in the first few weeks of the Administration, crime has fallen in all categories during the past two years. In 2009, homicides dropped by 8%, total violent crime by 9%, property crime by 11% and total Part I crime dropped by 10%¹. **In the past two years, homicides have dropped by more than 22% and total Part I crimes decreased by 10%.**



Last year, the PPD launched Operation Pressure Point, a multi-agency collaborative law enforcement and crime reduction initiative with 17 other local, state and federal agencies, targeting the city's most violent areas during the weekend hours. During the days and hours when it was in effect, Operation Pressure Point **resulted in a 51% reduction in homicides and an 11% reduction in shooting victims compared to 2008 in the targeted areas.**

¹¹ Crime numbers are based on preliminary data from the COMPSTAT data base. Numbers will change as reconciliation occurs and will differ from the Uniform Crime Report numbers to be submitted to FBI in March.

The Fire Department also continued to make strides to lower the number of fires in the city. Thanks to its Fire Prevention and Education campaigns, **only 30 lives were lost due to fire last year**, a reduction of 23% and the lowest number of fire-related deaths in the city since records have been kept.



Sustainable Philadelphia

In 2009, Mayor Nutter launched *Greenworks Philadelphia*, a comprehensive energy and environmental sustainability strategy focused on the goal of making Philadelphia the greenest city in America. The Administration's initial internal priorities center around making municipal buildings more energy efficient and encouraging energy conservation among City employees.



The Mayor's Office of Sustainability is also working with the Streets Department to boost residential and commercial recycling rates in Philadelphia. When Mayor Nutter took office, the residential diversion rate was 7.5%. Last year's adoption of weekly, single-stream recycling **increased the recycling diversion rate nearly two and a half times to 18.1% in December.** During that month alone, residents diverted more than 9,400 tons of material, saving the City more than \$600,000 in landfill fees. The Streets Department is now implementing a Recycling Rewards program, which will reward recycling households with points that can be redeemed for discounts, full value gift cards and charitable contributions. With this program in place, the City is positioned to divert more trash from landfills and save even more money.

In addition, last spring, the Streets Department **replaced Center City litter baskets with 500**

MAJOR ACCOMPLISHMENTS OF 2009

BigBelly solar powered compacting litter baskets and 210 public recycling containers. For the first time, Philadelphia has on-street public recycling, keeping recyclable materials out of the trash stream. The trash compactors allowed the Streets Department to slash collections from 17 times per week to 5 times per week, saving thousands of miles of truck travel, thereby reducing the carbon footprint, and reducing labor costs by more than \$1 million per year. This is the largest deployment of BigBellys anywhere in the United States.



Another innovative environmental initiative was launched by the Philadelphia Water Department in September – its **Green City, Clean Waters** plan will help the city meet federal stormwater regulations while transforming Philadelphia. Instead of investing in “grey” infrastructure (pipes and tanks) to capture storm water runoff, the City will invest in green infrastructure (installing pervious sidewalks and parking lots, planting trees along streets, and creating incentives for private building owners to reduce their own impervious surfaces) to capture 80% of the mixture of storm water and sewage that would otherwise flow down drains and into creeks and the Delaware and Schuylkill rivers.



Supporting the Business Community

The Nutter Administration is committed to making it easier to do business in Philadelphia. In 2009, the Commerce Department **launched the Business Services Center**, a one-stop shop for all business-related information and assistance. The Center has already developed an online business services portal developed by the city's Division of

Technology that pulls together all the key information on what a business needs to do to open or expand a business. The **Office of Economic Opportunity released a comprehensive strategic plan** that establishes city-wide and departmental goals for the participation and the development of Philadelphia's minority-, women- and disabled-owned businesses. The Strategic Plan also includes specific strategies to build capacities in these businesses that will result in opportunities in the private sector as well.

The Department of Licenses and Inspections (L&I) has dramatically **streamlined its processes for issuing licenses and reviewing plans**. Over the past two years, wait times for over-the-counter licenses have been reduced by 50%. Almost all commercial plans are now reviewed in 20 days or less. In addition, L&I now issues only 38 different types of licenses (down from 120), making it easier and faster for businesses and residents to navigate the system.

The Finance Department has also made doing business with the City much more convenient by making the mandatory disclosure forms (a requirement for any City contract) "vendor based." This move allows vendors to maintain a foundational disclosure form that they can augment or revise as they apply for new contract opportunities. Any updates a vendor makes to two of the required disclosure forms (the campaign contribution and employee request disclosure form) will be applied to all of their current contracts. This change not only makes it **easier for vendors to update their disclosure forms**, it also ensures documentation consistency for companies with multiple City contracts.

Serving the Most Vulnerable Populations

Philadelphia's business community has not been the only beneficiary of improved services. Through the Mayor's Homeless Initiative, launched in May 2008, **the City's permanent affordable housing capacity increased by 51% for families and 26% for single men and women**. The Initiative consists of collaboration among the Office of Supportive Housing, the Department of Behavioral Health, and the Philadelphia Housing Authority and expands behavioral health supports and housing

MAJOR ACCOMPLISHMENTS OF 2009

opportunities for homeless men, women, and children. Their work contributed to a **26% drop (from 532 to 395 individuals) in street homelessness in Philadelphia** in November 2009 compared to November 2008.

In September 2009, **the first licensed halfway house for homeless individuals with chronic homeless substance abuse issues opened**. This 29-bed treatment facility allows clients to begin to transition off the streets. The program supports individuals who are employed or searching for employment, addressing vocational or educational goals, and/or awaiting permanent housing opportunities.

The creation of a nationally recognized **mortgage foreclosure program has saved 1,800 homes from foreclosure with about 3,500 homeowners in negotiations with lenders**. About 5,500 homeowners have participated in conciliation conferences. The program involves extensive housing counseling and an outreach program visiting homeowners prior to foreclosure.

The City's eight Health Centers provided services during 349,078 patients visits in fiscal year 2009-**15,000 (or 4.5%) more visits than in fiscal year 2008 with no increase in funding**. Nearly 90,000 patients per year use the Health Centers to receive comprehensive primary care, prenatal care, dental care, and specialty care (many patients make multiple visits), including nearly 25% of the City's uninsured population.

Improving Internal Administration

Through **competitive marketing of benefit plans and the decision to switch to self-insurance for medical benefits** in 2009, the City is projected to save \$6.3 million in calendar year 2010 on City Administered Benefits, covering 7,400 employees.

Through a variety of different programs, the City has **collected nearly \$8.5 million in additional delinquent taxes**. By aggressively publishing lists of business tax delinquents, the City generated \$2.8 million. The City, working with the City Controller, has begun to collect \$1.3 million in taxes through a program that authorizes the City to withhold the wages of delinquent municipal

employees. Tougher audits, including those of companies not withholding the wage tax, has also generated \$2 million.

In the midst of the market turmoil created by the worldwide economic downturn, the City Treasurer's Office **restructured the vast majority of the City's variable rate debt, saving the City millions of dollars**. The credit crisis which began in 2008 caused the variable rate bond markets serious disruptions, affecting municipalities across the country. The City had approximately \$1.9 billion of outstanding variable rate debt when the problems began in the market. A sizable portion, \$1.5 billion of the \$1.9 billion, has been restructured since 2008, with \$750 million being restructured or refunded during 2009. These actions allowed the City to avoid substantial costs and to reduce the risk of being exposed to similar costs in the future.



The **311 Contact Center has now taken 1.2 million calls**, most of which are informational inquiries, and has processed 60,000 department service requests. 311 has significantly reduced non-emergency call volumes, and moving forward, the system will enable the public and municipal workers to track service responses, thus improving accountability.

Reform has also begun at the **Bureau of Revision of Taxes (BRT)**, which appraises and assesses Philadelphia's residential and commercial real estate taxes. Legislation has been passed by City Council and signed by the Mayor placing a question on the ballot in the spring to abolish the BRT and establish separate assessment and appeals offices. In the meantime, through a memorandum of understanding with the BRT's board, the City's Finance Department has taken on day-to-day responsibility for assessments. By assuming that role, the City has **separated the assessment function from the appeals function** and removed a clear conflict that had the same entity both valuing properties and hearing appeals of those valuations. The ballot question would make this separation permanent.

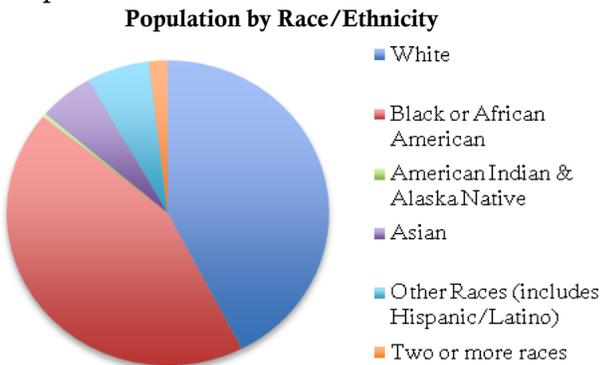
DEMOGRAPHICS

Population

During the years that occur between the federal census, Philadelphia's population is estimated annually. In 2008, the city's population was estimated to be 1,447,395, positioning it as the sixth most populous city in the United States².

In December 2009 however, the Census bureau increased the 2008 estimate for Philadelphia by 93,000 people. This number is only an estimate and will be confirmed by the decennial census that will begin shortly. The City's population is now reported as 1,540,351, a 1.5% increase in the City's estimated population since 2000. This is the first increase in Philadelphia's population in decades. The focus now shifts to the decennial census, as this is critical for national, state and local legislative redistricting efforts, federal and state funding for cities, private sector investment, and public perception of a municipality's health. The City is working diligently to ensure that the 2010 Census counts all residents.

Philadelphia is a remarkably diverse city; the population is comprised of approximately 43% African American, 42% White, 11% Hispanic-origin, 6% Asian, and 6% Other Races³, as shown in the pie chart below.



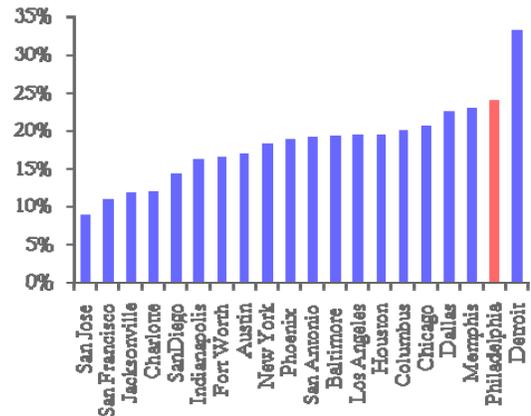
Source: American Community Survey, 2008

Poverty

Philadelphia has the second highest rate of poverty among the top twenty most populous cities. This high poverty rate means that many residents are dependent on the City for critical services, especially during a recession. In 2010, a point person was designated within the Mayor's Office

to oversee the City's anti-poverty and workforce development efforts with an eye toward determining how state and federal funds may be used more strategically to ensure that more Philadelphians might move out of poverty and into life-sustaining jobs.

Poverty Rates, 20 Most Populous U.S. Cities (%)

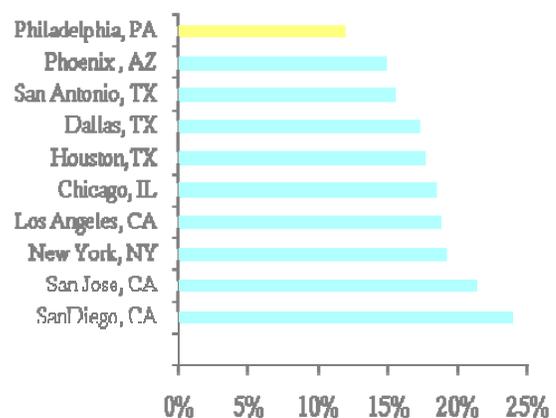


Source: American Community Survey, 2008

Education

Philadelphians have continued to fall behind the national average in educational attainment. As of 2008, only 11.9% of Philadelphians over the age of 25 possessed a bachelor's degree⁴; a rate that is considerably lower than that of other densely populated cities in the U.S.

Population over 25 with a Bachelor's Degree, 10 Most Populous U.S. Cities (%)



Source: American Community Survey, 2008

² U.S. Census Bureau, 2008 American Community Survey

³ U.S. Census Bureau, 2008 American Community Survey

⁴ U.S. Census Bureau, 2008 American Community Survey

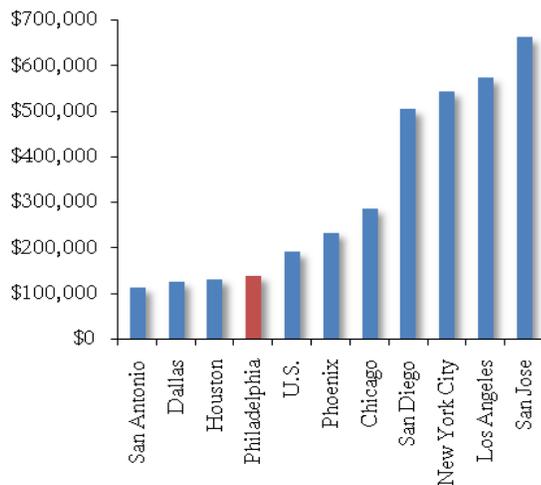
DEMOGRAPHICS

Housing

Philadelphia, like many of its urban counterparts, was adversely affected by the difficulties and fluctuations faced by the housing market during the recession. Housing prices in 2008, specifically for owner-occupied units, fluctuated throughout the country. Philadelphia had the fourth lowest housing prices of the ten most populous U.S. cities, with a median value of \$139,100. San Antonio had the lowest median value, of \$114,500, whereas San Jose had the highest of \$663,100. The national average was closer to Philadelphia's, with a median value of \$192,400⁵.

necessities such as food, clothing, transportation and medical care.⁷

Median Value of Owner-Occupied Units, 10 Most Populous U.S. cities and U.S. average



Source: American Community Survey, 2008

Despite these relatively low prices, 39% of owners with mortgages and 54% of renters spent 30% or more of their household income on housing in Philadelphia; a percentage well-above the national average⁶. According to the U.S. Department of Housing and Urban Development, the generally accepted definition of affordability is for a household to pay no more than 30% of its annual income on housing. Families who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording

⁵ U.S. Census Bureau, 2008 American Community Survey

⁶ U.S. Census Bureau, 2008 American Community Survey

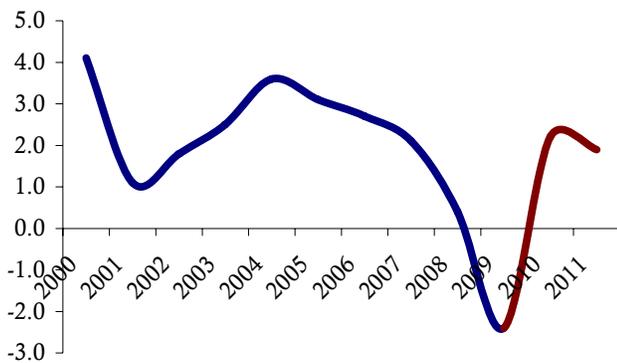
⁷ <http://www.hud.gov/offices/cpd/affordablehousing/>

ECONOMICS

The 2008-2009 Recession and its Aftermath

Between mid-2008 and today governments across the globe have had to grapple with a world economy beset by a relatively unique convergence of a profound financial crisis, the collapse of residential housing markets, a global contraction in economic activity, and soaring unemployment. All of these trends combined to create a once in a generation type recession in the global and national economies. As just one measure of the economic disruption caused by these trends, in 2009 the US economy contracted “by 2.4% on a year to year basis, the biggest decline since 1946.”⁸

Real US GDP Growth, 2000-2011



Sources: Actual 2000-2009, BEA; Forecast, 2010 and 2011 CBO

While the latter half of 2009 brought signs of improvement in some economic conditions, like economic growth, other areas of the economy, namely employment and housing, are not likely to see substantial improvements for some time.

During the second half of 2009 the US economy began to show tentative signs that it was emerging from the severe recession that began in December 2007⁹. Third and fourth quarter GDP growth, estimated at 2.2% and 5.9% respectively by the Bureau of Economic Analysis, signaled that, at a minimum, the economy had stopped contracting. However, the US unemployment rate stood at 9.7% in January 2010 on a seasonally adjusted basis, marking the sixth consecutive month that

the unemployment rate was at 9.7% or greater.¹⁰ Similarly, the housing market remained moribund: by December of 2009 housing prices had dropped over 30% from their peaks in 2006, as measured by the Standard and Poor's Case-Shiller 20 City Composite House Price Index¹¹, while new home sales of single-family homes in 2009 dropped to the lowest level recorded by the US Census Bureau since 1963.¹²

Interest rates and inflation also reflected the generally poor state of the economy: in 2009, the Federal Funds Rate averaged 0.16%, while the benchmark 3-month Treasury Bill rate averaged 0.2% for the year; both of these rates were at unusually low levels for the year, reflecting the state of the economy. During 2009, the nation also experienced moderate deflation: the US Consumer Price Index, all city average, declined by 0.36%, the first annual decline in the CPI recorded since 1949.

The Impact of the Recession on the Philadelphia Region

The Philadelphia Region (the Metropolitan Statistical Area encompassing the 11 counties surrounding Philadelphia, Camden, and Wilmington) was substantially affected by the economic crises described above: the Office of Budget and Performance and Evaluation (OBPE) estimates that the region's economy contracted by 3.1% in nominal terms in 2009, with the most severe contractions in mining and construction (-12%) and manufacturing (-8%), while health and education (1.6%) and government (1.9%) were the only industries to experience any growth.

This loss in economic output also meant a sizable loss in employment: approximately 3% of all individuals employed in the region in 2008 lost their jobs in 2009. This in turn created a spike in the unemployment rate in the region and in the City of Philadelphia: in December 2009 the region's unemployment rate stood at 9% and the City's unemployment rate stood at 10.9%.

⁸ Blue Chip Economic Indicators, Vol.35, no.2, February 10, 2010, page 1.

⁹ National Bureau of Economic Research, December 11, 2008.

¹⁰ Bureau of Labor Statistics, US Department of Labor, THE EMPLOYMENT SITUATION – JANUARY 2010.

¹¹ “Home Prices Continue to Send Mixed Messages as 2009 Comes to a Close According to the S&P/Case-Shiller Home Price Indices” Standard and Poor's Indices February 23, 2010.

¹² US Census Bureau New Residential Sales

ECONOMICS

The Forecast for 2010-2015

In the aftermath of the 2008 and 2009 recession, most national forecasters are expecting US economic growth to improve significantly in 2010 and beyond. Blue Chip Economic Indicators current consensus forecast for growth in 2010 is 3% and 3.1% in 2011. The Congressional Budget Office currently forecasts that economic growth will perform below these estimates over the same period, as detailed in the table below.

Based on these estimates for national growth, the OBPE forecasts that regional (MSA) economic growth will average 4.3%, on a year over year nominal basis, between 2010 and 2015; this growth rate is slightly below the Congressional Budget Office forecast for the period, which assumes US

Nominal Gross Domestic Product will grow by an average of 4.7% over the same period. The OBPE is also estimating that the number of employed persons will increase in 2010, a forecasted increase of 3.7%.

As we noted in last year's Five Year Plan, these forecasts, and the revenue estimates which they inform, are subject to revision given the exceptional uncertainty and volatility that continues to characterize the economic situation in the US, as well as globally. The continuing absence of substantial job growth, along with the ongoing difficulties in the housing market will continue to serve as a reminder of the difficult economic context local governments will face over the near term.

**Office of Budget and Performance Evaluation
Office of the Director of Finance
City of Philadelphia
Economic Growth Assumptions**

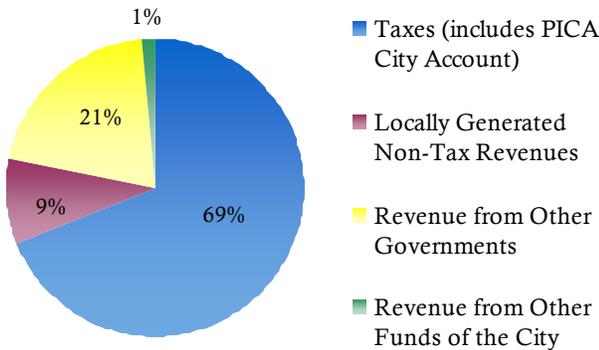
	Forecast CY09	Forecast CY10	Forecast CY11	Forecast CY12	Forecast CY13	Forecast CY14
Real GDP Growth	-2.5%	2.0%	1.9%	4.6%	4.8%	3.9%
Implicit Price Deflator (% change)	1.2%	1.1%	1.6%	1.0%	1.1%	1.3%
Nominal GDP Growth	-1.3%	3.3%	3.5%	5.6%	5.9%	5.2%
US Unemployment Rate	9.3%	10.0%	9.2%	8.0%	6.3%	5.3%
Philadelphia MSA Economic Growth	-3.1%	4.1%	4.1%	4.9%	5.1%	4.6%
Philadelphia MSA Real Economic Growth	-4.3%	2.9%	2.5%	3.8%	4.0%	3.2%

US Economic Assumptions for Calendar 2010 and Beyond from Congressional Budget Office

THE CITY'S REVENUES

The City's estimated revenues for FY11 total \$3.949 billion. 69% of the City's budget comes from local taxes, and 21% from state and federal funding. Locally generated non-tax revenues, which include fees, fines and permits, account for 9% of revenues. The chart below shows the breakdown of these revenue sources.

FY11 Revenues

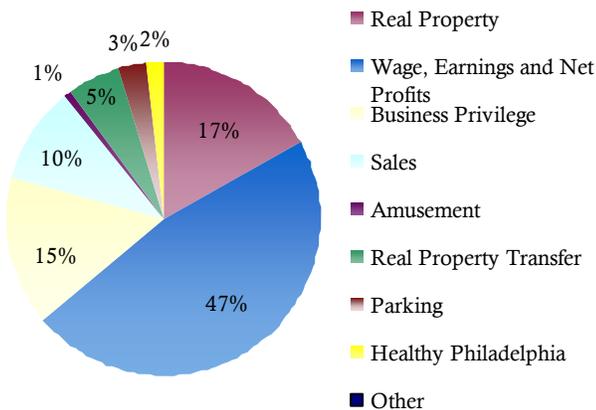


Total Revenues: \$3.949 billion

Taxes

The chart below shows the breakdown of the tax revenue sources for FY11.

FY11 Tax Revenues



Total Tax Revenues: \$2.417 billion

The tax revenue estimates from FY09 to FY15 are shown in Appendix II, along with the percentage change from the prior year.

Wage Tax

The largest tax revenue source (comprising 47% of tax revenues) is the Wage, Earnings, and Net Profits (Wage) tax. The Wage Tax is collected from all employees working within city limits, and all city residents regardless of work location. Currently, the Wage Tax rate is 3.9296% for residents and 3.4997% for non-residents. The resident rate includes 1.5% that is reserved for the Pennsylvania Intergovernmental Cooperation Authority (PICA). PICA has overseen the City's finances since 1992, when the State Oversight Board was first established. The PICA statute permits the Authority to a "first dollar" claim on its portion of Wage Tax proceeds, which is used to pay debt service on bonds issued by PICA for the benefit of the City. Excluding the PICA portion, the Wage Tax is projected to bring in \$1.137 billion in FY11.

In FY14, assuming that the City's fund balance remain consistent with those in this Five Year Plan, the City plans to resume previously planned wage tax reductions that were suspended in FY10.

Property Tax

The Real Property (Property) Tax is the City's second largest source of tax revenue, estimated to contribute 17% (or \$407.6 million) towards total FY11 tax revenues. This tax is levied on the assessed value of residential and commercial property in the city. The property tax is set at a rate of 8.264% for FY11. The City receives 40% of Property Tax revenues, and the School District of Philadelphia receives 60%.

Business Privilege Tax

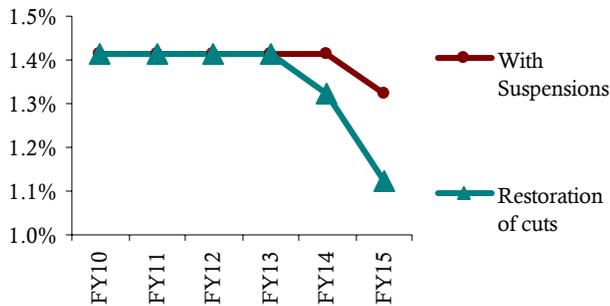
The Business Privilege Tax (BPT) is projected to produce 15% of total tax revenue in FY11. A small annual growth rate of 1.5% for current BPT collections is estimated over the course of the Five-Year Plan.

Under current rates, businesses pay a 6.45% of net income and 1.415 mills on gross receipts toward the BPT. There are modified rates for financial institutions, public utilities, some manufacturers, wholesalers and retailers. The City reduced BPT rates each year from FY96 through FY09 when the economic collapse forced it to freeze those rates.

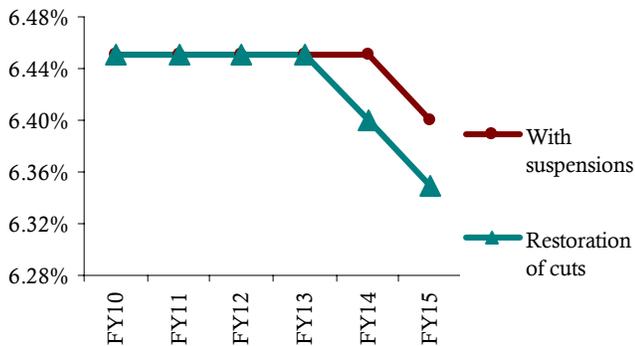
THE CITY'S REVENUES

As discussed later in the Plan, the Administration proposes reinstating the previously planned reductions in the BPT in FY14. The charts below show the proposed changes to the BPT rates from FY10-FY15.

Business Privilege Tax Gross Receipts Rates



Business Privilege Tax Net Income Rates



Sales Tax

Sales tax revenues are directly affected by the downturn as consumer spending, a large component of economic activity, has decreased. As part of its response to massive projected budget deficits in 2009, the Administration proposed and City Council passed new legislation to temporarily increase the Sales Tax rate from 1% to 2%. The increase required state approval, which was granted and the change was effective October 8, 2009. This raises the total Sales Tax to 8%, with 6% going to the Commonwealth of Pennsylvania and 2% to the City. The increased rate is scheduled to be in effect from FY10 to FY14, and return to 7% in FY15.

Real Estate Transfer Tax

Economic conditions have negatively affected the Real Estate Transfer Tax (RTT) since the most recent housing market decline began in 2007. In the second quarter of FY10, revenues from the RTT increased by over 19% - the first year over year increase in nearly three years. The RTT is estimated to provide \$125.2 million in FY11. The City imposes a 3% tax on real property sales, and an additional 1% is charged by the Commonwealth of Pennsylvania, for a 4% total RTT.

Parking Tax

The parking tax is levied on the gross receipts from all parking transactions. In FY09, the Administration and City Council raised the tax rate to 20%. Parking tax revenue is projected to reach \$72.5 million in FY11 and \$74.3 million in FY12, and is expected to grow at an average annual rate of 2.5% from FY11-FY15.

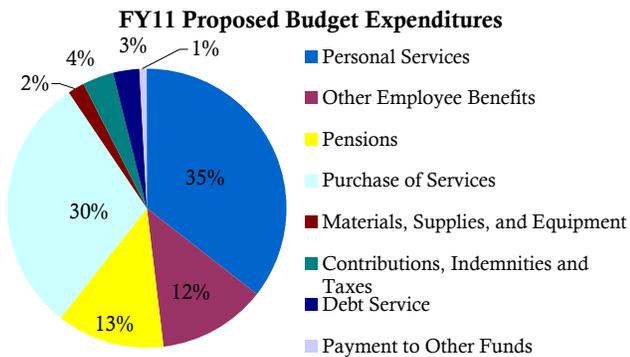
New Sources of Revenue

For the FY11-15 Plan, the Administration plans for two new sources of revenue through a proposed Clean Philly fee and a Healthy Philadelphia initiative on sugar-sweetened beverages.

MAJOR BUDGET COST DRIVERS

Employee Benefits

As shown in the pie chart below, employee costs (personal services) are the largest portion of the City budget. The combined categories of employee salaries, employee benefits and pensions will account for 60% of the City's budget in FY11.



Total Expenditures: \$3.871 billion

In addition to accounting for most of the budget, components of employee costs are among the fastest growing in the budget. Health benefits and pensions costs each more than doubled from FY00 through FY09, while the rest of the budget, excluding costs for prisons, was growing by just under a third – roughly the rate of inflation.

With that in mind, the Administration has been focused on controlling employee benefit costs, and assumed an annual savings of \$25 million in the FY10-14 Five Year Plan. The FY11-15 Plan assumes that same level of savings.

Health Care Benefits

The City manages the health care benefits for all non-represented and exempt employees, as well as unionized AFSCME District Council 33 (DC 33) and AFSCME District Council 44 (DC 44) employees that opt-in to the City's plan.

Self-Insurance

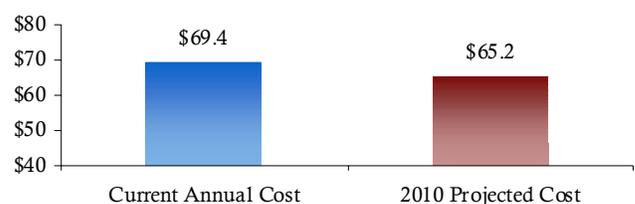
As part of its efforts to curtail spending and increase savings for FY11, the Administration has implemented a self-insured group health plan in 2010 for medical benefits for non-union employees. Similarly, the City has been notified by the leadership of DC 33 that the Union has opted to self-insure for medical benefits for its members beginning in 2010. In FY11, coverage for members of the Fraternal Order of Police (FOP), Lodge No. 5 will also switch to self-

insurance. The City has made proposals for a similar shift to self insurance to each of its other unions. A self-insured group health plan, also known as a 'self-funded' plan, is one in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims and administrative fees¹³. Self-insured health plans allow employers to pay health care expenses out of an established reserve, rather than paying a fixed premium to an insurance company. The switch to self insurance is a financial arrangement and does not impact employees' benefits. The City has however made modification to the benefit plans for non-union employees for 2010. The City will use Independence Blue Cross as a third-party administrator for claims-processing and provider networks. The City will also purchase specific stop loss insurance to safeguard its liability from high cost claimants.

Employers opting to utilize self-insured health plans appears to be a growing trend nationally, based upon a 2009 survey conducted by the Kaiser Family Foundation and Health Research & Educational Trust. The study, which surveyed a sample of 2,054 firms (with a range of 3 to 5,000+ employees), concluded that an estimated 57% of covered workers were in a partial or completely self-funded plan – a considerable increase from 1999, when the total was 44%¹⁴.

In order to determine the new plan's estimated savings, the City analyzed prior claim experience and annual medical trends. For non-union employees, the City's annual cost for medical benefits under the current fully-insured arrangement with no plan change is projected to be \$69.4 million. However, by implementing the self-funded insurance plan with slight modifications to benefits, the projected annual cost falls to \$65.2 million – saving \$4.2 million in medical costs alone.

City Medical Benefits, Annual Expenditures, millions



¹³ Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2009

¹⁴ Ibid.

MAJOR BUDGET COST DRIVERS

The City is also projecting an additional \$2 million in benefit savings in calendar 2010 as a result of the competitive Request for Proposals (RFP) process that occurred in the fall of 2009. The services included in the RFP process were medical, pharmacy, dental and vision insurance. The total projected savings for calendar 2010 are \$6.3 million.

At a time when healthcare expenditures are growing, the City of Philadelphia is taking a key step towards reducing costs by implementing a self-funded insurance plan. These cost savings are then available to be invested in other much needed programs in the City.

Other Healthcare Savings

For the City, as with many major cities' governments, access to health insurance continues to be a major component used to attract new employees and retain current ones. However, as discussed above, healthcare benefits remain one of the City's single biggest expenditures.¹⁵ In the midst of financial challenges, it benefits the City to look for areas of savings, without sacrificing services. Therefore, in addition to the savings to be realized in FY11 by the implementation of a self-funded insurance plan, the City is also looking to utilize other strategies for maintaining healthcare costs. Of the possible methods, the City intends to focus its attention on two areas: the analysis of claims data, and the health and well-being of its employees.

The primary goal of examining claims data, using "data mining," is to provide insight into the types of services and treatment employees are receiving, as well as the costs associated with these services. Monitoring incoming data also allows for a figurative "sweep," or review, of claims. Savings can be discovered among any irregularities, such as false claims, identity fraud and through the removal of members, usually dependants, who are no longer eligible to receive coverage.¹⁶

Based upon the data that is provided from claims, it is possible to determine trends in the services being accessed by employees, and as a result, the types of programs or incentives that should be offered. Programs such as smoking cessation, diabetes awareness and prevention, and weight-loss management are commonly used, as they address areas that continue to dominate healthcare costs and can lead to more serious health problems. These initiatives should improve the health and well-being of employees, which will also reduce the frequency and costliness of claims, thus saving the City money on healthcare expenditures. In addition, the number of employee absences as a result of illness should decline.

Pensions

The City's pension costs more than doubled in just five years, jumping from \$197 million in FY04 to \$437 million in FY09. At the same time, the health of the fund deteriorated as its funded percent – its assets as a percent of its liabilities – dropped from 77% in FY01 to 45%.

As part of the effort to control major cost drivers and to improve the health of the pension fund, several changes have been made over the past year and the Administration continues to seek additional changes.

As part of the City of Philadelphia's Act 111 interest arbitration award with the Fraternal Order of Police (FOP), Lodge No. 5 issued on December 18, 2009, all FOP employees hired on or after January 1, 2010 must make a one-time irrevocable election between:

- 1) Participating in the City's current defined benefit pension plan and increasing their contribution by 20%, from 5% to 6%; or
- 2) Participating in a hybrid plan, containing both a defined benefit and a voluntary defined contribution component.

Increasing employee pension contributions and introducing a hybrid pension plan would reduce the costs to the City in the short- and long-term and help minimize the risk that the City faces from dramatic decreases in the stock market, like the

¹⁵ *Quiet No More: Philadelphia Confronts the Cost of Employee Benefits*, Pew Charitable Trusts/Philadelphia Research Initiative, 2009

¹⁶ *Quiet No More: Philadelphia Confronts the Cost of Employee Benefits*, Pew Charitable Trusts/Philadelphia Research Initiative, 2009

MAJOR BUDGET COST DRIVERS

ones suffered last year. Philadelphia will be one of only a handful of cities in the country to offer a defined contribution plan to its employees and will be the only one to offer one to uniformed employees. Similar pension benefit changes are being sought as part of the City's ongoing arbitration with the IAFF Local 22 and ongoing negotiations with DC 33 and DC 47.

In addition to the changes in pension benefits outlined above, the City's pension fund has undergone several changes in the past year. On September 18, 2009 Governor Rendell signed Act 44 of 2009, which makes numerous changes to the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), which is legislation that governs funding issues and actuarial reporting of municipal pension plans in Pennsylvania.

Act 44 permits the City to:

- Reamortize the pension fund's unfunded actuarial accrued liability over a 30-year period using level-dollar amortization payments;

- Defer payment of a portion of its Minimum Municipal Obligation (MMO) to be repaid with 8.25% interest, which is the fund's earnings assumption rate, by end of the fiscal year ending June 30, 2014. Over two years, the City would be deferring about 20% of its pension costs: \$155 million for the fiscal year ending June 30, 2010, and \$80 million for the fiscal year ending June 30, 2011; and

- Temporarily impose a 1% local sales and use tax with revenue dedicated toward payment of the City's MMO and repayment of the amounts deferred with interest.

These pension fund changes, together with the \$580 million projected to be generated by the dedicated 1% local sales and use tax, were projected to provide approximately \$700 million in new revenues and savings for the City over the life of the FY10-FY14 five year plan – revenue and savings needed in order to help balance the City's finances and avoid further detrimental service impacts. Act 44 also makes changes to municipal deferred retirement option plans (DROPs), prohibiting participation by newly elected officials.

In other words, newly elected city officials are no longer eligible to participate in Philadelphia's DROP.

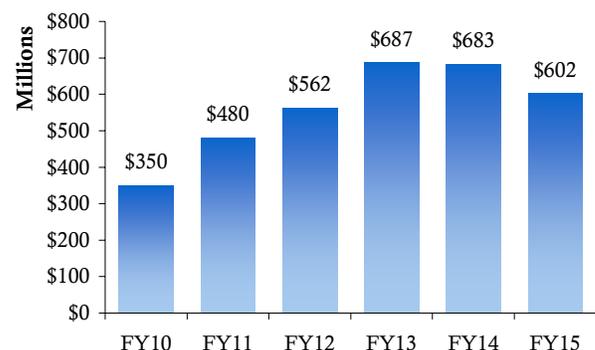
In conjunction with the changes made by Act 44, the City's Pension Board voted to change certain pension fund assumptions as follows:

- Reduce the pension fund's earnings assumption from 8.75% to 8.25%. Lower earnings assumptions allow funds to moderate the risk of their investments, which can also reduce the likelihood of losses.

- Increase the smoothing period for actuarial losses and gain from five to ten years. Increasing the smoothing period reduces the impact that any particular year will have on the fund's funded status and on the City's required payments. This, in turn, reduces the volatility of pension payments.

The net impact of all of these changes to the City's pension benefits and fund is to moderate what would have been devastating increases in pension costs over the five year plan and increase the City's ability to fund existing liabilities in the long term. The specific changes to the pension fund assumptions have been tested by the City's actuary and have been determined to be actuarially sound. Yet despite these proactive changes, pension costs will continue to rise—the graph below shows the rise in pension costs for FY10-15. As the graph shows, costs will be substantially higher each year from FY12 through FY15 than they will be in FY11. That increase is caused in part by the deferral of FY11's payment to FY14, but even with that deferral, the City's pension costs will be higher in FY11 than they have been in any previous year.

Projected Changes to City's pension costs, FY10-15



MAJOR BUDGET COST DRIVERS

Union Negotiations

The City's labor agreements with its four major bargaining units – FOP Lodge No. 5, IAFF Local 22, DC 33 and DC 47 – expired on June 30, 2009. While the City has engaged in negotiations and arbitration hearings with all four major bargaining units, three of the four contracts remain outstanding.

On December 18, 2009 a five year interest arbitration award with the FOP, Lodge No. 5 was issued to cover FY10 through FY14. Important financial components of the award include:

- No wage increase in FY10 and three percent wage increases in each of FY11 and FY12. In addition, it includes a one percent stress differential increase in FY11. The award will be reopened for FY13 and FY14 for a determination by the arbitration panel of what salary changes, if any, will be awarded for those two years.
- Reduced City per member per month health and welfare contribution for the FOP beginning the second half of FY10, from \$1,165 to \$965. This comes on top of the reduction in the 2008 award from \$1,303 to \$1,165. In two years, the City has reduced its contribution by 26%.
- Beginning in FY11, the FOP's health plan will move to self insurance. Instead of paying a carrier for insurance, the FOP will pay the actual cost of services provided to members. This health insurance change follows a similar change made by the City in FY10 with its health insurance, as discussed above.
- Beginning in FY11, health plan co-pays will increase for the FOP's members.
- Pension changes for new hires – as described above, FOP members will now choose between increasing their pension contribution from 5% to 6% of pay or enrolling in a new hybrid pension plan. The hybrid pension plan reduces the risk to the City of poor market returns and is unprecedented for uniformed employees in any major city in the country. Meanwhile, increased employee pension contributions provide General Fund savings for the City.

- Up to 30 furloughs (days off without pay) in a fiscal year.

In addition, the award includes a number of other changes including items such as limiting the amount of vacation that officers can take during the summer, increasing the cost of overtime that officers receive for being called to court with short notice, and requiring the City to pay for an upgrade in firearms for those officers who request it.

The award also permits employees with more than five years of service to move out of the City, beginning January 2012. All employees must continue to maintain Pennsylvania residency. While the Administration feels that there is immense value in having police officers live in the city where they work, it has been established under Pennsylvania law that an Act 111 panel has the authority to remove a residency requirement. The Administration also acknowledges that only 2 of the 20 largest cities in the U.S. require police officers to reside in the city where they work throughout their career.

The net cost of the arbitration award with the FOP over the life of the FY10-FY14 Plan is just under \$80 million. However, the FY10-FY14 plan assumed \$43.5 million in savings, so the total difference between the award's projected costs and the Plan's assumed savings is about \$123.5 million.

Despite these short-term costs, the Administration decided not to appeal the arbitration award. The award restructures two of Philadelphia's largest cost drivers – pension and health benefits – and allows the City to reform its legacy costs and improve the long-term fiscal health of the City's budget. The significance of this change cannot be understated and while the short-term savings are small compared to wage increases awarded over the five year plan, the Administration feels strongly that the long-term benefits are in the best interest of Philadelphia taxpayers.

The City is seeking similar economic components in the labor contract terms with the remaining bargaining units whose contracts are outstanding. However, the specifics vary due to the nature of

MAJOR BUDGET COST DRIVERS

the workforce and previous contracts. With regard to wages, the City is seeking zero wage increases across the life of the contract for the remaining bargaining units. The City is also seeking similar health and welfare plan changes as well as pension plan changes, as applicable. In order to achieve short-term savings without requiring long-term layoffs, the City is also seeking similar terms for furloughs for all bargaining units.

Arbitration hearings with the IAFF, Local 22, are scheduled to continue into the spring of 2010. An award is expected shortly thereafter. Negotiations with DC 33 and DC 47 are ongoing.

The Administration hopes to resolve all contracts as soon as possible. Due to the estimated savings in this plan from employee costs - \$150 million over six years – and the continued economic strains on the City’s budget, resolving union contracts will provide greater predictability for the City’s finances.

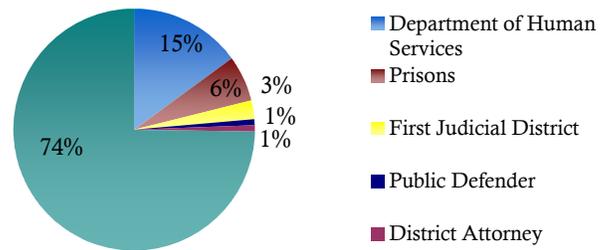
If the IAFF award and the contracts with the City’s non-uniformed employees exceed the amounts included in the Five Year Plan, the Administration and Council will need to find other ways to balance the Five Year Plan. Without those savings, the Administration would likely have to turn to service reductions or other revenue increases.

County Costs

Philadelphia is both a City and a County, and therefore unlike most urban areas, it has to fund “county functions” with the same taxes it uses to fund its City functions. County functions include some of the largest departments in the City’s budget, such as the Department of Human Services, the Prison, and the Courts (and Court-related costs such as the Public Defender and District Attorney).

As shown on the graph below, these costs account for a quarter of all City expenditures.

FY11 County costs* as a proportion of total City expenditures



Total expenditures: \$3.871 billion

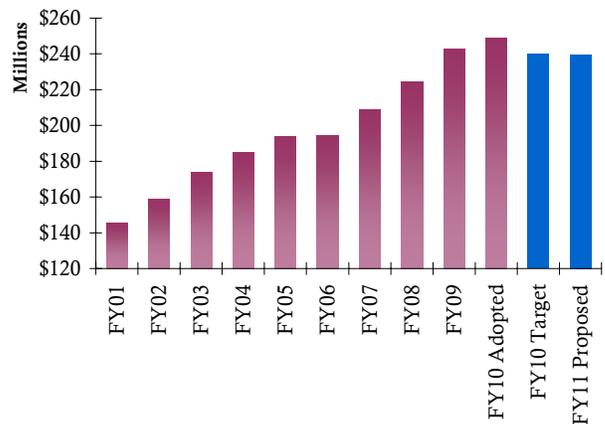
*Does not include benefits, indirect costs, and revenue generation

Prisons

One of the largest county costs is operating the Prisons System. The mission of the Prison System is to provide a secure correctional environment that adequately detains persons accused or convicted of illegal acts; to provide programs, services, and supervision in a safe, lawful, clean, humane environment; and to prepare incarcerated persons for reentry into society in a frame of mind that will facilitate their becoming law-abiding citizens. The Prisons System operates six major correctional facilities, as well as several smaller satellite facilities in various locations in the city.

The cost of running the Prisons System has grown dramatically in recent years, in line with a growth in the number of inmates. However, the Administration, working with a number of different stakeholders through the Criminal Justice Advisory Board, have been making significant strides in the speed in which the system processes inmates, which has resulted in savings in FY10 and FY11, shown in the bar graph below.

Prisons System General Fund Budget



(FY01-09 Actuals, FY10 Adopted and Target, and FY11 proposed)

HOW THE FY10-14 BUDGET WAS BALANCED

Resolving the FY09 Budget Crisis

Beginning in late August 2008, the City began to see significant deterioration in revenues due to a slowdown in the economy, particularly affecting Business Privilege Tax revenues. BPT revenue contraction alone reduced the revenue base over FY09-13 by \$300 million. This uncertain economy also created significant increases in pension costs due to stock market downturns.

In November 2008, the Mayor announced a budget shortfall of \$650 million-\$850 million over FY09-13. The Mayor also stated that the economic situation could get worse over the ensuing weeks, since evidence collected by the Federal Reserve suggested that economic activity at the national and local level was faltering, inflation and unemployment were climbing, and general business conditions were weakening.¹⁷

To address the projected shortfall of \$108 million in FY09 and \$1.035 billion for FY09-13, the Administration implemented a series of revisions to the FY09 Budget, through increases in overall revenues of \$57.3 million and a reduction in expenditures of \$98.3 million, including many painful cuts in services.

Balancing the FY10-14 Budget

On January 15, 2009, the Mayor announced that the City faced an estimated aggregate \$1.045 billion shortfall in the General Fund over the period FY09-14. This new shortfall resulted from dramatic declines in tax revenues as well as losses to the pension fund requiring increased City contributions.

In May 2009, City Council unanimously approved the City budget. In addition to significant reductions in spending, the budget also necessitated legislative approval from the Commonwealth for two items – a temporary 1% increase in the sales tax, and changes to the pension system (changes to the amortization period, assumed earnings, and a deferral).

By July 1, 2009, the start of its fiscal year, the Commonwealth had not passed its FY10 Budget.

The delay caused the City significant issues. Without an adopted budget, the Commonwealth was unable to make its ordinary payments to the City, which helped create a cash shortage for the City in general and for the Department of Human Services in particular. The delay in approval of the sales tax and pension changes that the City sought meant a reduction in revenue that the City could have received in July and August from the increased sales tax. Moreover, because of the uncertainty created without passage of these two bills, the City was unable to undertake its usual short-term cash-flow borrowing (the Tax and Revenue Anticipation Note –TRANS).

In order to address this shortage, in mid-July the City began a process of conserving cash, and only paid employee salaries, debt service and emergencies. The vast majority of payments to vendors ceased until the budget passed in Harrisburg, causing significant financial issues to local businesses and non-profits that rely on City payments in order to pay their staff.

As the delay continued, the City's oversight agency, PICA, requested that details be provided as to the City's contingency budget if the two legislative items failed. "Plan C", as it became known, involved eliminating almost 3,000 positions, as well as severely reducing spending in other areas. These included reducing the Police Department's budget by \$43.9 million, including the loss of over 900 police officers. The Fire Department would deactivate engine and ladder companies, as well as Advance Life Support paramedic units. Garbage collection would be reduced to a bi-weekly pick-up, and two City Health Centers would cease operations. Five departments would also cease operations – the Free Library, Recreation, Fairmount Park, Commerce, and the Planning Commission – and the remaining departments would have substantial position reductions and other program cuts.

In September 2009, the Commonwealth passed the bill that authorized the changes the City sought (HB 1828), thus averting the severe cuts outlined above, and allowing the City to make the short-term borrowing necessary to continue to manage the City's cash-flow and pay vendors.

¹⁷ Federal Reserve Board Summary of Commentary on Current Economic Conditions by Federal Reserve District, September 3, 2008

HOW OTHER CITIES BALANCE FOR FY10 AND FY11

Not surprisingly, Philadelphia is not the only City to have been hit hard by the Great Recession. Almost all cities in the United States are struggling with similar challenges and making decisions to raise taxes and cut services. A 2009 study by the National League of Cities, noting that fiscal conditions for Cities tend to lag for two years once the U.S. economy has passed its low point, asserted: "The low point for city fiscal conditions will likely be experienced sometime in 2011." ¹⁸

The chart below highlights some of the U.S. Cities comparable to Philadelphia and the actions they are proposing to balance their general funds.



¹⁸ Hoene, Christopher W. "Research Brief on America's Cities", December 2009

PUBLIC PARTICIPATION IN THE FY11-15 BUDGET

For FY11, continuing to use the valuable input gained over the course of the previous year's budget outreach process, the Administration focused new outreach efforts in a more targeted way. With residents now more informed about the different costs of services thanks to the previous process, the Administration decided to more directly engage smaller groups of community leaders, business owners, and citizens around spending priorities.

Stakeholder Meetings

In the month leading up to delivering the Budget Address to City Council, the Mayor and Administration officials brought together groups of leaders from different communities across the city to describe the city's continuing economic difficulty, discuss the priorities for a successful city, and hear the group's ideas for closing the new budget deficit. The Mayor held 15 separate small group meetings with neighborhood leaders, block organizers, community development experts, public safety advocates, business owners, and faith leaders. These meetings allowed the Administration to hear directly from trusted voices from within our communities and enabled those leaders to come together, across many neighborhoods, to have a frank conversation about Philadelphia's challenges and opportunities.

Neighborhood Outreach

Understanding that the challenges the city faces are felt most in our neighborhoods, the Administration again traveled into neighborhoods to talk directly with citizens. This included talking to small business owners along commercial corridors, sitting in on civic group meetings, stopping into salons and barber shops, and meeting with community members in living rooms and around kitchen tables. These informal interactions provided the Administration insight to ensure that budget decisions reflect needs of neighborhoods.



Mayor Nutter at a kitchen table discussion on February 22, 2010, at the home of Ms. Helen Divers. The Mayor sat down with 15 Philadelphia residents to discuss their priorities and how they are adjusting to the recession.

The Mayor took their questions and asked them questions in return, in a frank and open discussion. This is the mayor's second visit to Ms. Divers' home. During last year's budget outreach, he met with residents there to discuss their budget concerns.

Focus Groups

In mid-February, the Administration hired a company to organize focus groups of Philadelphia residents. Two different focus groups were arranged, and the participants discussed the economic situation facing both themselves and the City. The participants discussed their priorities in terms of City services and their priorities during tight fiscal years. These focus groups provided extremely valuable, in-depth feedback for the Administration to use during key budget decisions.

BALANCING THE FY11-15 BUDGET

With the economy still wreaking havoc on the City's revenues, particularly in terms of the wage tax and sales tax, the City needed to again balance a significant deficit.

Restoration of Tax Cuts

One of the key Mayoral priorities is to foster economic growth, and to ensure that Philadelphia remains attractive for business and jobs. This budget proposal therefore contains no rate increases in any of the City's major taxes. Moreover, the Administration plans to restore the wage and business privilege tax cuts in FY14 and beyond if it meets the projections included in this Plan.

With the sizable deficit facing the City in 2008 and 2009, the Administration made the difficult decision to suspend the Wage and Business Privilege Tax reductions that had been in place since FY96. As the Mayor declared when the cuts were suspended, the reductions will be resumed as soon economic conditions allow. Restarting the program is crucial because numerous studies have concluded that reducing the City's tax rates is essential for Philadelphia to improve its economic competitiveness. The tax reduction program, combined with State gaming money dedicated to slashing the City's wage tax rates, made important strides towards lowering the tax burdens for residents and businesses. This Plan anticipates that the City will have regained sufficient fiscal health to restart the program in FY14 and to resume the schedule of reductions that would have been followed if it had not been forced to suspend the program.

Departmental Reductions

In order to balance the budget, the Administration examined potential efficiencies and reductions in departmental spending. After two rounds of severe reductions in FY09 and FY10, many departments are already struggling to provide high-quality services that residents expect, and further reductions could lead to significant service cuts on residents that depend on them. Each department was asked to show the impact of 2.5%, 5% and 7.5% reductions on their budget, and after much analysis, the Administration chose the reductions that would least negatively impact services to

residents and rejected cuts that would lead to a deterioration of key services. As a result, the FY11 budget does not include any reductions in the number of police officers or firefighters, no closures of any facilities and no further reductions of hours at any facilities.

The reductions that are included in the Plan include the following:

The Department of Public Health's general fund appropriations will be reduced by approximately \$3.5 million in ambulatory health services. To offset any reduction in services that may result, the Department will rely on support from the Acute Hospital Tax Assessment Fund.

The Department has also received grant money that should help it improve operations. Over the past two years, the Health Department has seen an approximately 10% increase in patient volumes, causing waiting times to increase. To partially address this issue, the Department has received about \$1.3 million in new administrative grant funding to support a small expansion in health center services in order to reduce waiting times for new appointments. In addition, the Department will be able to replace state dollars that were lost in the past year for youth tobacco sales investigation and enforcement with grant funds.

General fund support for paving will drop by \$5 million, but the impact on repaving will be mitigated by \$9 million of Recovery funds that have been received in FY10, and through recommended increased funding of \$9 million in the Capital program in FY11-15. In addition, in FY11, the Streets Department anticipates fully realizing the benefits of programs such as incentive based recycling and waste minimization, and, as a result, expects to realize additional savings in the cost of disposal.

The Department of Parks and Recreation's general fund appropriation will be reduced by \$1 million annually. This reduction will be offset by a proposed \$1 million increase in capital funds for tree planting and maintenance.

BALANCING THE FY11-15 BUDGET

A projected \$14.9 million will be saved in the **Prisons System** through coordinated efforts in improving the processing of inmates. Working with the First Judicial District and through participation with the Criminal Justice Advisory Board (CJAB), the prisons system processes inmates much faster, thus reducing the number of prisoners who remain incarcerated while awaiting sentencing. The prisons census has fallen by approximately 10% over the previous year due to these and other efforts by the Prisons System. With this reduced census, Prisons has been able to house inmates within its facilities, and avoid costly housing contracts in prisons outside of the city boundary, thus saving approximately \$9 million annually. The Administration previously budgeted an annual increase of \$5.9 million in the Prisons budget due to inflation and projected census increases, and with the strides that the Prisons and CJAB have been making, it is clear that this may be unnecessary, thus allowing these dollars to be saved, meaning total savings against the amounts initially included in the FY10-FY14 Plan would be just under \$15 million annually.

The Office of Fleet Management is introducing an initiative to purchase a portion of the City's most expensive vehicles through lease financing in FY11. New vehicle purchasing is a critical function in order to successfully administer any large fleet. Over the last 20 years, new vehicle funding has been inconsistent – ranging from as much as \$21 million to as low as \$5 million. The purchase of high dollar equipment creates large variations in funding requirements – and the deferral of necessary purchases. However, foregoing vehicle purchase has a deleterious effect on fleet operations, as older vehicles are more expensive and unreliable than newer ones. Heavy duty vehicles such as compactors, fire equipment and street sweepers are also typically custom built, and could take six months or more to build, therefore delays in purchasing can cause significant strain on service delivery.

By using lease payment options for the City's fleet, the department will ensure that the purchase of \$28.4 million worth of vehicles can be spread out over 66 months. This is a tool that most other cities across the United States use, and will save

the City \$4 million in FY11, and another \$5 million over the following four years. Police patrol cars and other sedans however will continue to be purchased with general fund appropriations as the expected life of the cars are much shorter.



Revenue

The City has about \$2.4 million remaining from the Productivity Bank accounts that will be liquidated. Although the Productivity Bank was closed in FY09 to fill the deficit in that year, some of the cash in the account remained in order to ensure that the City had fulfilled the account's obligations. With those obligations now fulfilled, the City can bring the remaining dollars into the general fund.

Clean Philly Fee

The City proposes an approximately \$6 per week fee (\$300 per year) charged to every property with City provided trash collection. Low-income households would receive a 33% discount and pay approximately \$4 per week (\$200 per year). Low-income homeowners would qualify for the discount based on eligibility for the Real Estate Tax Installment program. Currently a household of four can qualify for the program with an income up to \$42,277 (191% of the federal poverty guidelines).

While the general fund would still provide substantial support for sanitation services, the creation of the Clean Philly Fee would allow the City to take some of the General Fund revenues

BALANCING THE FY11-15 BUDGET

that otherwise would pay for sanitation services and apply them to keep police on patrol, fire companies active, libraries lending, health centers open, summer jobs for young people available and swimming pools filled.

At the proposed levels the fee is estimated to raise \$107.7 million per year, excluding the cost of new programming discussed below. The fee currently charged to small commercial properties and multi-unit buildings would be raised to the same levels as the fee charged to residents to ensure equity between commercial accounts and residential accounts. The general fund cost of sanitation services such as trash collection and recycling collection including employee benefit costs and fleet costs is approximately \$150 million per year. The fee would therefore offset a significant portion of these costs, and the general fund will cover the remainder.

By using the fee to pay for sanitation costs, the City will be able to redirect general fund dollars to pay for an expansion of the Community Life Improvement Program's capacity to clean vacant lots by approximately 1,800 properties in FY11. A portion will also be used to restore or expand Streets Department Sanitation services, including restoring full service leaf collection and expanding the Citywide Cleaning Program by \$1 million, and to support neighborhood litter reduction with regular clean-ups throughout the city. Additionally, individual blocks could choose to add to their fee to investment in the repaving of common driveways or repair of retaining walls by the Streets Department.



Healthy Philadelphia Initiative

As part of a comprehensive program for obesity prevention, the City proposes to implement a tax on sugar-sweetened beverages (SSBs) in FY11. A two-cent per ounce tax would be levied on retailers based on their annual sales volume of SSBs. This would generate approximately \$77.2 million in annual revenue for the City, likely lead to decreased consumption of SSBs, and, beginning in FY12, provide a stable source of funding for obesity prevention activities to make healthy foods more available and affordable and promote physical activity in daily living.

Obesity is a major risk factor for heart disease, many forms of cancer, and Type 2 diabetes. In the U.S., rates of obesity have increased dramatically in the last 20 years,¹⁹ and obesity-related medical expenditures totaled \$93 billion in 2002.²⁰ In Philadelphia, 64% of adults and 57% of children were overweight or obese in 2008.²¹ While rates of obesity are high among all racial-ethnic and socioeconomic groups, nearly 70% of children in predominantly African-American and Hispanic Upper North Philadelphia are overweight or obese. Much of the increase in obesity in the U.S. can be attributed to increased caloric intake.²² As nutrient-poor, high calorie foods have become cheaper and more available, nutritious foods have become more expensive.²³

¹⁹ Centers for Disease Control and Prevention. <http://www.cdc.gov/obesity/data/index.html> (Accessed November 27, 2009)

²⁰ Finkelstein E, Fiebelkorn IC, Wang G. "National Medical Spending Attributable to Overweight and Obesity: How Much, and Who's Paying?" Health Affairs 2003. Web exclusive, May 14, 2003, W3 219-226.

²¹ Public Health Management Corporation, Household Health Survey.

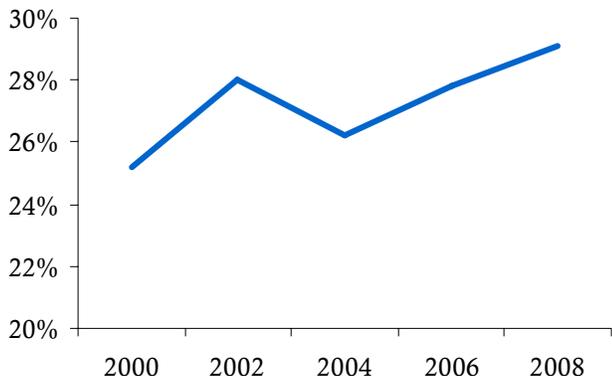
²² Cutler D, Glaeser EL, Shapiro JM. "Why Have Americans Become More Obese?" Journal of Economic Perspectives 2003. 17:3:93-118.

²³ Brownell, K and Frieden T. "Ounces of Prevention – The Public Policy Case for Taxes on Sugared Beverages." New England Journal of Medicine 2009. 360;18:1805-1808.

BALANCING THE FY11-15 BUDGET

The chart below shows rates of adult obesity in Philadelphia:

Obesity Among Adults in Philadelphia

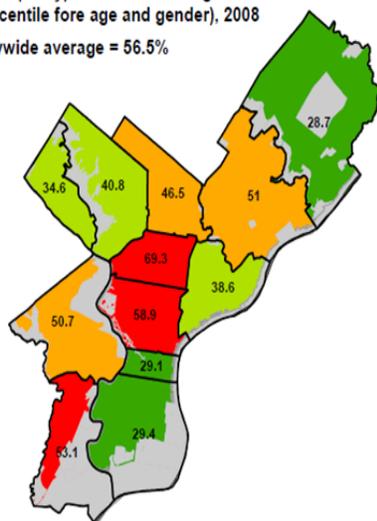


Source: PHMC Household Health Survey

The map below shows the proportion of children who are overweight or obese in 2008 by Philadelphia neighborhoods:

Percentage of Children (6-17y) who are Overweight or Obese (BMI >= 85th percentile for age and gender), 2008

Citywide average = 56.5%



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5/5/09

Source: PHMC Household Health Survey

A sugar-sweetened beverage is any non-alcoholic beverage with added sugar, including: soda, non-100%-fruit drinks, sports drinks, flavored water, energy drinks, and ready-to-drink sweetened tea and coffee. Philadelphians drink approximately 60 million gallons of SSBs annually,²⁴ translating into just under ½ a liter or 170 calories per person per

day.²⁵ Multiple studies have demonstrated a link between SSB intake and obesity.^{26,27}

Retailers will track and report their volume of SSB sales based on ordering and stocking procedures. The Department of Revenue will facilitate reporting and tax collection. Using a base estimate from the Rudd Center for Food Policy at Yale, the Budget office estimates annual revenue (for a full fiscal year) of approximately \$77.2 million, excluding the cost of new programming discussed below.²⁸ FY11 revenue is estimated at \$38.6 million, as implementation is not until January 2011.

If the costs of the tax were fully passed on to consumers, the price of SSBs would increase by approximately 20%-40% (based on a price of \$1-\$2 per 20-oz beverage). Predicting effects on calorie consumption with 100% certainty is impossible since some people may substitute caloric intake from other products. However, based on a set of assumptions, Philadelphians could lose an average of 0.9 to 7.1 pounds per year due to such a tax.²⁹

From FY12 onwards, \$20 million in revenue from the SSB tax will be earmarked for multi-faceted, evidence-based interventions to promote healthy eating and physical activity. The Department of Public Health—in conjunction with other City

²⁵ Duffey KJ, Popkin BM. Shifts in patterns and consumption of beverages between 1965 and 2002. *Obesity* 2007;15:2739-2747.
²⁶ Vartanian LR, Schwartz MB, Brownell KD. Effects of soft drink consumptions on nutrition and health : A systematic review and meta-analysis. *American Journal of Public Health* 2007. 97:4:667-675.
²⁷ Malik V, Schulze MB, Hu FB. Intake of sugar-sweetened beverages and weight gain: a systematic review. *American Journal of Clinical Nutrition* 2006. 84;2:274-288.
²⁸ Rudd Center Soda Tax Calculator: <http://www.yaleruddcenter.org/sodatax.aspx>
²⁹ Assuming that 1) at least a portion of the tax gets passed on to the consumer (based on research on the effects of cigarette taxes from Farrelly, M.C., and Engelen, M. (2008, April). Cigarette prices, smoking, and the poor revisited. *American Journal of Public Health*, 98 (4), 582-583. Hopkins D. P. et al. The Task Force on Community Preventive Services. (2001). Reviews of evidence regarding interventions to reduce tobacco use and exposure to environmental tobacco smoke. *American Journal of Preventive Medicine*, 2001 20(2S), 16-66.);
 2) a price elasticity of 1.0 (Andreyeva T, Long MW, Brownell K. The Impact of Food Prices on Consumption: A Systematic Review of Research on the Price Elasticity of Demand for Food. *American Journal of Public Health* 2009. Published online ahead of print December 17, 2009: e1-e7);
 3) at least some of the decreased calories from SSBs are not substituted by other calories; and
 4) levels of physical activity do not change.

²⁴ Rudd Center for Food Policy and Obesity. Available at <http://www.yaleruddcenter.org>. (Accessed November 27, 2009)

BALANCING THE FY11-15 BUDGET

agencies, non-profit organizations, and academic institutions—will implement a multi-year plan for combating obesity to:

1. Make healthy foods more available to Philadelphians by:

- Increasing the value of food stamps when used to purchase healthy foods,
- Establishing affordable farmers' markets in low-income communities,
- Expanding a network of corner stores that offer healthy foods and produce,
- Improving the quality of food in schools and after school settings.

2. Decrease the availability and consumption of unhealthy foods by:

- Enacting broad-based media campaigns,
- Instituting bans on junk foods in schools,
- Providing nutrition education and enforcement of the menu labeling law.

3. Promote physical activity in daily living by:

- Creating physical activity standards for after school programs,
- Expanding a pedestrian and bike network throughout the city,
- Incorporating active living considerations into neighborhood planning.

The Clean Philly Fee and Healthy Philadelphia Tax will combine to fund restored and new services to make Philadelphia's streets cleaner and to pay for new programs to fight obesity, while providing sufficient funds to allow the City to avoid making the kind of painful cuts to services that it made in FY09.

RISKS IN THE STATE BUDGET AND CHANGES IN FEDERAL FUNDING

Assumptions used in the state budget and changes in federal funding create substantial risks for the City's budget and Five Year Plan. In his budget address, the Governor stated that the Commonwealth is relying on roughly \$800 million through an extension of fiscal relief in the form of enhanced federal match for the Commonwealth's Medical Assistance program. Without that relief, which is currently included in the President's proposed budget, the Commonwealth would have to make significant cutbacks that would likely translate into significant cutbacks at the City level as well.

In addition to the risk presented by Commonwealth's reliance on the extension of federal fiscal relief, changes in the amount of reimbursement that the City is getting under Title IV-E of the Social Security Act have already led to reductions in the amount of funding that the City receives and threatens to lead to reductions even beyond those projected in the Five Year Plan.

Even if the Commonwealth achieves the level of federal fiscal relief assumed in its budget and Title IV-E funding is received at the levels assumed in the Five Year Plan, the Commonwealth's budget faces severe threats that may force it to take substantial actions to achieve balance. Without a series of tax changes proposed by the Governor, the State Budget Office projects that the Commonwealth is facing deficits that could exceed \$2.4 billion by FY12 and reach \$12.7 billion in FY15.

Federal FMAP

The costs of certain programs like Medical Assistance are shared between federal and state governments. The amount of federal matching funds is calculated using the Federal Medical Assistance Percentage, or FMAP, which is set state-by-state based on per capita personal income. FMAPs were temporarily increased for nine quarters (October 1, 2008 – December 31, 2010) as part of the American Recovery & Reinvestment Act (ARRA). The pre-ARRA FMAP in Pennsylvania for FY10 was 54.4% and was increased to 61.1% for Medical Assistance and to 59.1% for child welfare (IV-E – see below)

reimbursements as a result of the ARRA; the total value of the Commonwealth's increased FMAP over nine quarters is \$4.07 billion.

The temporarily-increased FMAP has provided short-term budgetary relief to the Commonwealth; however, when the FMAP returns to its pre-ARRA level and other stimulus funds also phase out, the Commonwealth projects that it will face significant budget shortfalls as it struggles to make up for those lost funds. Total ARRA offset funds to the Commonwealth were \$1.2 billion in FY09; are budgeted at around \$2.7 billion in FY10 and FY11; and are expected to fall to just under \$.5 billion in FY12 before being eliminated entirely in FY13. Due in part to the loss of the ARRA offset funds, the Commonwealth expects only a \$4 million positive fund balance in FY11 before becoming negative in FY12 (-\$2.44 billion) and escalating to negative \$12.76 billion in FY15 without the corrective actions proposed by the Governor.

Although the FMAP funds are not distributed directly to the City, the effects of their elimination will almost surely be felt by the City as the Commonwealth makes cuts in other budgetary areas. The Commonwealth's budget is based on a temporary (3-quarter) extension of the increased FMAP – until September 30, 2011 – but, unless there is significant improvement in other revenues, this will merely have the effect of delaying the budget problem.

IV-E Revenues

Under Title IV-E of the Social Security Act, the federal government pays a share of certain child welfare costs; the federal government's contribution is determined by a calculation based on the FMAP. After IV-E is applied to child welfare costs, the remaining costs are shared between the Commonwealth and the City at rates based on the specific type of service. IV-E provides a significant amount of child welfare funding: the City received \$116 million in FY07 and \$113 million in FY08.³⁰ IV-E revenues had been

³⁰ In FY09 the City received \$56 million in IV-E and, due to delays in billing and the federal deferral issue, expects in FY10 to receive an additional \$43 million that it should have received in FY09.

RISKS IN THE STATE BUDGET AND CHANGES IN FEDERAL FUNDING

declining for years due to lower rates of eligibility among children and families served as well as some changes in administrative reimbursements.

There are several issues that threaten to further reduce the City's IV-E revenues as well as delay their receipt by the City.

- In FY09 the Commonwealth introduced a new child welfare billing system which requires the City to address certain billing discrepancies. The City's invoicing to the Commonwealth has been delayed due to the "learning curve" associated with fixing the differences in billing data.
- Due to concerns over invoicing practices, the federal government has deferred a portion of IV-E reimbursement for specific types of placement services to the Commonwealth retroactive to July 1, 2008. The City expects to receive IV-E reimbursements of approximately \$27 million for those services in FY10. It is unknown when the deferral will be lifted. The new billing system and the federal deferral are expected to cause a delay of the receipt of IV-E revenues in FY10.
- The federal government has increased its scrutiny of the types of services that are IV-E reimbursable; some costs that had been reimbursed in the past will no longer qualify for federal reimbursement. The City estimates the impact of this to be an annual loss of around \$10 million in IV-E; of that, due to the cost sharing between City and Commonwealth, approximately 35%, or around \$3.5 million, will be the City's additional cost.

AMERICAN RECOVERY AND REINVESTMENT ACT

The American Recovery and Reinvestment Act (ARRA) was signed into law in February 2009. The Act had three goals:

1. Create new jobs as well as save existing ones
2. Spur economic activity and invest in long-term economic growth
3. Foster unprecedented levels of accountability and transparency in government spending³¹

In order to ensure that ARRA funds are being used according to the grant approval, each recipient must report on a quarterly basis to the Federal Government. In the report, the recipients outline how much has been spent so far as well as the number of jobs that have been created. The City has created a Recovery Office, headed by the Budget Director, to provide oversight and direction for the City's ARRA funds.

ARRA funds have now started to gain momentum in the City. As of December 31, 2009, the City has been awarded \$135.8 million, spent \$4.3 million, and created or retained 114 jobs.³² The largest grants awarded by this date have been for Philadelphia International Airport capital improvements, such as for baggage screening and runway repair. However, the City has also received smaller grants that will be used for a variety of purposes such as vaccine research, job training, evaluation and remediation of environmental health hazards in foster homes and child daycare centers, as well as for funding of Police officers and improving the energy efficiency of homes throughout Philadelphia.

In addition to awards to direct City departments, the City's Recovery Office is also tracking awards made to quasi-governmental agencies. In terms of ARRA funds, the Philadelphia Workforce Investment Board received an award of \$13.9 million for employment and training from Department of Labor, and the Philadelphia Housing Development Corporation received \$15.8 million for a weatherization grant.

The Recovery Office is also using the ARRA grants to meet one of the Mayor's goals – to

increase the participation of minority and women-owned businesses in City contracts. In December 2009, the City partnered with the Enterprise Center for the first of many Minority Business Summits. (The second was held in February 2010, and was expanded to partner with the Hispanic Chamber of Commerce, Asian Chamber of Commerce, African-American Chamber of Commerce, as well as the White House, the Small Business Administration, the Minority Business Development Administration, and the Housing and Urban Development Agency of the Federal Government. A third summit is being planned for April 2010). These summits allow an opportunity for small minority businesses to understand how the process works for conducting business with the City, as well as a chance to network with each other and larger "prime" contractors.

While ARRA funding will help create and preserve jobs, which will have a positive impact on the City's revenues, the grants received so far has provided less than \$5 million in direct relief for the City's budget.

ARRA Grants Awarded (\$135.8 million total)

- \$14 million – Community Development Block Grants
- \$251,203 – Senior Community Service Employment Program
- \$14.1 million – Energy Efficiency and Conservation Block Grants
- \$9.4 million – Citywide 101 and 102 (formula grants for street repaving)
- \$22.1 million – Homelessness Prevention and Rapid Rehousing
- \$2.1 million – Homelessness Prevention
- \$13.5 million – Byrne JAG Local Grants
- \$1,795,000 – Restoring Ecosystems
- \$7.1 million – PHL baggage Screening Section AE
- \$19.6 million - PHL Baggage Screening Section 23
- \$5.72 million – PHL Runway and taxiway rehab
- \$434,000 - Healthy Homes for Foster Care
- \$875,000 – Healthy Homes For Day Care
- \$200,000 - Water and Sewer Replacement, plant maintenance and green projects
- \$150,000 – Research on Varicella Vaccine
- \$125,000 – Supplemental Funding for Immunizations
- \$8.3 million – Community Service Block Grant
- \$565,000 – Evaluation of Vaccines for Preventable Diseases
- \$11 million – COPS Grant
- \$249,333 – Strengthening Communities
- \$2,655,578 – Center City SE Repaving
- \$616,740 – Diesel Emission Grant

³¹ http://www.recovery.gov/About/Pages/The_Act.aspx

³² All details are as of the last quarterly reporting period ending December 31, 2009

KEY INFRASTRUCTURE INVESTMENT

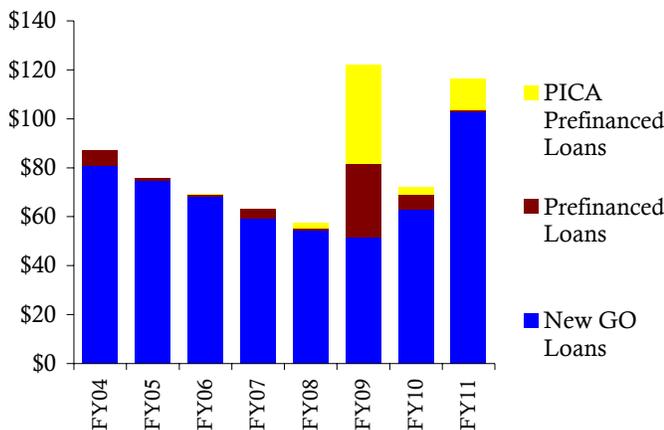
The Capital Program is the City of Philadelphia’s six-year plan for investing in its physical and technology infrastructure, community facilities, and public buildings. The Capital Program supports the stated mission of City government, “To improve the lives of people in Philadelphia: people who live, work, learn, invent, and play here.” More specifically, the Capital Program includes projects that promote economic recovery and jobs, enhance public safety, invest in youth and protect the most vulnerable, and reform city government to work better and cost less.

The Recommended FY11-16 Capital Program allocates nearly \$8 billion over this six-year period to advance these initiatives and address critically needed public improvements.

City-Supported Capital Funding

The Administration is committed to a continued investment in the City’s infrastructure. To support this infrastructure investment, the City has pledged to spend \$116.3 million in FY11 of City-supported capital funding—a significant increase from prior years. Of this amount, \$102.6 million will be funded through new General Obligation (GO) bonds issued by the City, \$1.2 million will be funded through previously authorized capital funds, and \$12.5 million will be funded through reprogrammed PICA loans. The chart below shows City support of the Capital Budget in FY11, compared to prior years:

**City Supported Capital Funding
FY04 – FY11, millions**



FY11 General Obligation Debt - Major Projects

	Million
Technology Network Infrastructure Stabilization & Enhancement	\$25.0
Fairmount Park - New Park and Street Tree Planting	\$2.5
City Hall Exterior Improvements	\$2.6
Central, Schuylkill and North Delaware Riverfront Improvements	\$4.13
Streets Resurfacing	\$17.5
Recreation Facility Improvements	\$14.2
Police Facilities Renovations	\$2.5
Race Street Pier Infrastructure and Park Improvements	\$1.9

Additional information regarding projects and funding sources appears below and in the Capital Budget Appendix.

While the City is committed to investing in its infrastructure, its ability to do so is restricted by both the State Constitutional debt capacity and the City’s financial capacity. Under the Pennsylvania Constitution, the City’s total debt capacity is limited to 13.5% of the ten-year average of the annual assessed valuations of taxable realty in the City. As of November 1, 2009, the City’s remaining debt capacity was \$115 million. The Board of Revision of Taxes is moving away from its current system under which properties are assessed at a fraction of their costs toward 100% assessment of real-estate properties. When assessments increase, the 10-year moving average of assessment values used to determine the constitutional debt limit would substantially increase. Nevertheless, the City’s ratio of debt service to obligations will continue to restrict its ability to issue GO debt. A relatively high ratio of debt service to obligations will not only crowd out other operating expenditures, but if the ratio gets too high, it could also result in a reduction of the City’s bond rating, thereby increasing the costs of borrowing. Rating agencies have consistently cited the City’s high level of fixed costs as a reason for its relatively low bond rating.

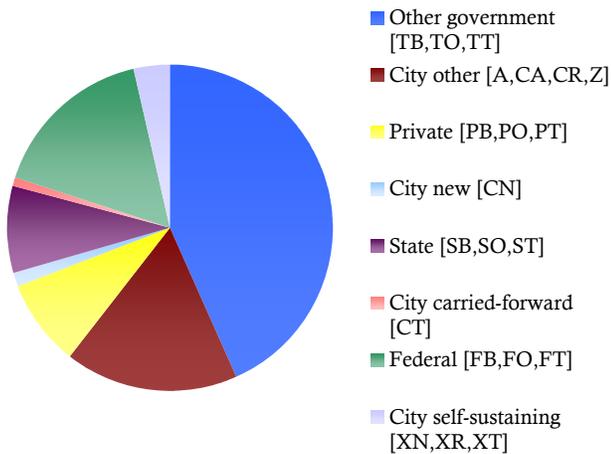
At the same time that the City has limits on the amount that it should borrow, it also has glaring

KEY INFRASTRUCTURE INVESTMENT

infrastructure needs after years of under investment in city facilities. By committing \$555 million in new City backed borrowing over the next six years, this Capital Program will help to address those needs while not impacting the City’s bond rating.

Sources of Funds

The total budget for the 73 projects included for FY11 – the budget year of the Capital Program – is over \$2.4 billion. These 73 projects include several hundred subprojects that are either new or carried forward from previous years’ budgets.



Of the total budget amount, \$102.6 million is proposed to be funded by new general-obligation bonds issued by the City of Philadelphia (see chart above). These bonds are tax-supported (i.e., repaid from the City’s general tax revenues). An additional \$220.1 million will come from City tax-supported loan funds carried-forward from earlier years.

There are a variety of other funding sources, each of which includes unspent funds from earlier years that will be carried forward to FY11. Other City sources total \$73.7 million. City self-sustaining loans, primarily for the Airport and Water Department, account for more than \$1.3 billion of total budget-year funds. Funding from other levels of government, including federal, Commonwealth of Pennsylvania, and regional sources, totals \$641.8 million in the budget year. Finally, \$92.2

million of FY11 funding will be provided by private sources.

Uses of Funds

In keeping with the Administration’s priorities, The Recommended FY11-16 Capital Program includes projects that promote the City’s stated goals of, “promoting economic recovery and jobs, enhancing public safety, investing in youth and the most vulnerable, and reforming government.” A sampling of capital projects that support these goals is presented below.

Projects that **promote economic recovery and jobs** help to strengthen fiscal integrity and stability now, and help to avoid unnecessary costs in the future include:

- More than \$1 billion investment of federal, state, private, and City new and carried-forward self-sustaining funds to enable Philadelphia International Airport to improve service for air traffic and travel to and from Philadelphia, through terminal expansion and modernization, airfield renovations and additions, and enhancements to security systems.
- The Commerce Department will spend \$3.9 million in City and federal funds on Navy Yard infrastructure improvements to support public and private development at this important employment center.
- More than \$8.8 million in City, federal, state, and private funding is proposed for plans and improvements along the Central and North Delaware River waterfronts, with an additional \$4.3 million in City, state, and federal funding for Schuylkill Riverfront improvements.
- SEPTA bridge, track, signal, and infrastructure improvements help to enable access to work and other destinations for Philadelphia’s population. For FY11, \$95.3 million in state, federal, City, and other monies will be spent on such projects.

KEY INFRASTRUCTURE INVESTMENT

Projects that **enhance public safety** help to increase the feeling of safety from crime, emergencies, and accidents at home, school, in the neighborhood, and at work and play include:

- Nearly \$2 million in new City funds to be used for roof replacements and mechanical, electrical, and plumbing renovations at seven Police facilities; \$3 million in new City and federal funding to build a Crime Response Center at the Police Headquarters.
- The Philadelphia Prison System will use \$2 million in new City funds for an automatic-lock security system at the House of Corrections detention facility.
- A total of \$17.5 million in new City funds will fund street reconstruction and resurfacing across the City's neighborhoods, improving the safety of our roads.
- To improve quality of life in neighborhoods, \$1.5 million in new City funds is recommended for open space development and maintenance and greening projects citywide.

Projects that **invest in youth and protect the most vulnerable** help to assure that these populations have the opportunity to thrive include:

- The Free Library will invest \$1.3 million in new City funds in improvements that include Heating, Ventilation and Air Conditioning (HVAC), interior, and exterior renovations at several branches.
- More than \$1.9 million of new City funds and operating revenue to make health-facility improvements and renovations; \$6.9 million in operating revenue will fund the first phase of building an electronic health records system at the Health Department.
- \$14.2 million in new City funds will fund improvements to Recreation Department facilities and infrastructure across City neighborhoods; \$2.5 million in FY11 and \$9.5 million over six years in new City funds is

recommended for Fairmount Park to plant new park and street trees throughout the City.

Projects that **reform government** help to create a high-performing public sector that works better and costs less include:

- The Department of Technology will spend \$25 million of new city funding to upgrade the City's information technology, stabilize and enhance network infrastructure and acquire software and licenses for broad citywide applications as well as for specific departmental functions. This \$25 million will be the first year of a six year \$120 million program that will dramatically overhaul the City's information technology.
- \$500,000 of new City funding will enable the Mayor's Office of Sustainability to continue implementing energy-efficiency improvements across City facilities including boiler upgrades, HVAC equipment and controls, and lighting-technology improvements. These investments will decrease the City's costs to operate these buildings.
- A total of nearly \$5 million of new City funds will enable the Department of Public Property to continue making functional improvements to major City government buildings, such as completing the multi-year renovation of the exterior of City Hall.
- \$312,000 in new City funds will match and leverage more than \$13.6 million in other sources of funds to upgrade SEPTA's control center for operating its Americans with Disabilities Act (ADA) and shared-ride programs.
- In FY11 and FY12, new City funds of \$520,000 will leverage federal grant funds of nearly \$2.1 million for the Streets Department to create a new Traffic Operations Center that will improve citywide traffic management, particularly during emergencies. Another \$400,000 of new City funds will leverage \$1.6 million in federal grant funds for 50 additional traffic cameras throughout the City, to complement the Traffic Operations Center.

2009 ACCOMPLISHMENTS

PUBLIC SAFETY

The Office of Public Safety consists of the following departments and agencies: the Philadelphia Police Department, the Philadelphia Fire Department, the Philadelphia Prisons System, the Office of Emergency Management and the Mayor's Office of Re-Entry. These agencies work together to ensure the safety of our neighborhoods, and protect our citizens from many different kinds of emergencies.

Creating Innovative Solutions to Protect Philadelphia's Citizens

- In the last year, the Police Department has taken major steps toward making Philadelphia's communities safer and more livable. As a result, crime fell across the board. Homicides dropped by 8%, total violent crime by 9%, and property crimes were reduced by 11%. This is on top of significant reductions from 2008. Over the last 2 years, homicides have dropped by 22%.



- In 2009, the Police Department launched Police Service Areas (PSAs). A PSA is a geographical subdivision of a police district. Each PSA has the same officers and supervisors assigned on a continual basis, allowing the officers to become familiar with the area, its chronic crime and disorder issues, and the community members who live there. The PSA is the geographic foundation for building a proactive, neighborhood-based policing strategy that holds officers accountable for reducing crime in Philadelphia's neighborhoods.
- The Police Department also launched Operation Pressure Point, a multi-agency collaborative law enforcement and crime

reduction initiative with 17 other agencies, targeting the city's most violent areas during the weekend hours. Operation Pressure Point resulted in a 51% reduction in homicides and an 11% reduction in shooting victims, during the times that Pressure Point was in effect.

- The Philadelphia Prisons System also provided support and assistance to the First Judicial District in planning and selecting individuals for its new Mental Health Court, to better address the issues that cause some individuals to commit crimes, and help to reduce the likelihood of recidivism.

Saving Lives through Better Education, Prevention and Preparedness

- The Philadelphia Fire Department installed 18,267 smoke alarms, ensuring that more Philadelphians alerted and know to vacate their home in the case of a fire. This and other work by the Philadelphia Fire Department caused the number of people who died in fires to decrease to 30 individuals, the lowest in the city's recorded history, down 23% from last year.



2009 ACCOMPLISHMENTS

PUBLIC SAFETY

- The Philadelphia Fire Department also launched new education initiatives to ensure that the public knows what to do in case of an emergency. The department trained over 43,000 students in how to create and practice a practical home escape plan in the case of fire, launched a safety education program focused on outreach to the elderly and immigrant populations, and started a new website to get the message out about the importance of fire safety.



- The Office of Emergency Management created several comprehensive emergency plans to ensure that the city is prepared in the case of a variety of citywide emergencies, including flooding, and the need for mass care and shelter. The office conducted over 50 preparedness workshops throughout the city, educating over 1,400 people in what to do in the case of an emergency.

Better Utilizing Resources

- The Philadelphia Prisons System was able to streamline its processes and better utilize staff to reduce costs without compromising the integrity of the prison system – reducing sick time among correctional officers by 25%, reducing overtime by 8.4%, and transferring over 200 state sentenced inmates to state prisons, reducing the need to rent additional beds for prisoners in other counties.
- The Philadelphia Prisons System worked in conjunction with the First Judicial District to establish video court hearing capabilities to all six prisons in the Prisons State Road complex,

reducing staff time and transportation costs for moving prisoners to court.

- The Philadelphia Prisons System is also increasing the percentage of sentenced inmates that have the opportunity to participate in a vocational, training, education, and/or treatment program during their confinement. The photograph below shows inmates participating in a workshop entitled, “Right Tree, Right Place”. This program is part of the horticultural program of the Prisons System. The program is part of a partnership with the Pennsylvania Horticultural Society, now in its fifth year, and provides gardening, landscaping, hardscaping and nutritional education to over 120 minimum custody male and female inmates.



Fairmount Park District Manager Lori Hayes conducts "Right Tree, Right Place" workshop for inmates in the horticultural program of the Prison System.

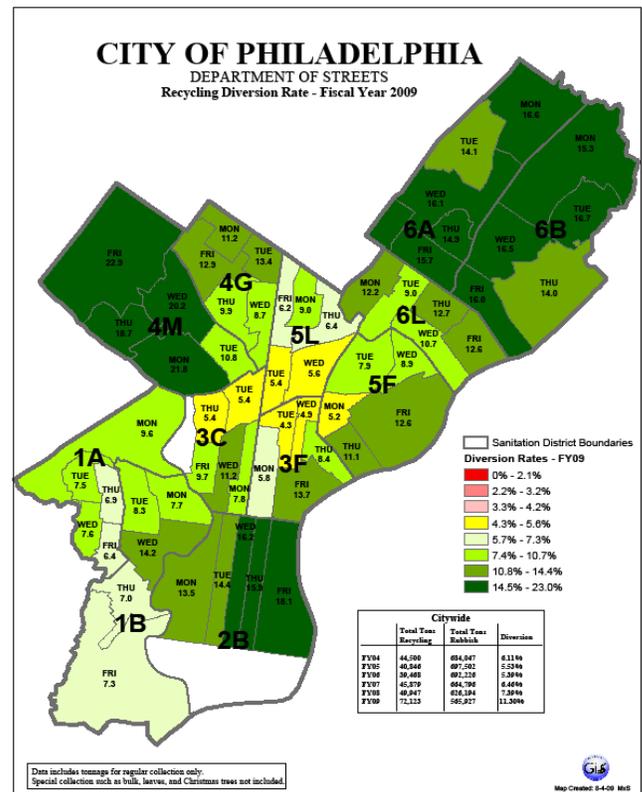
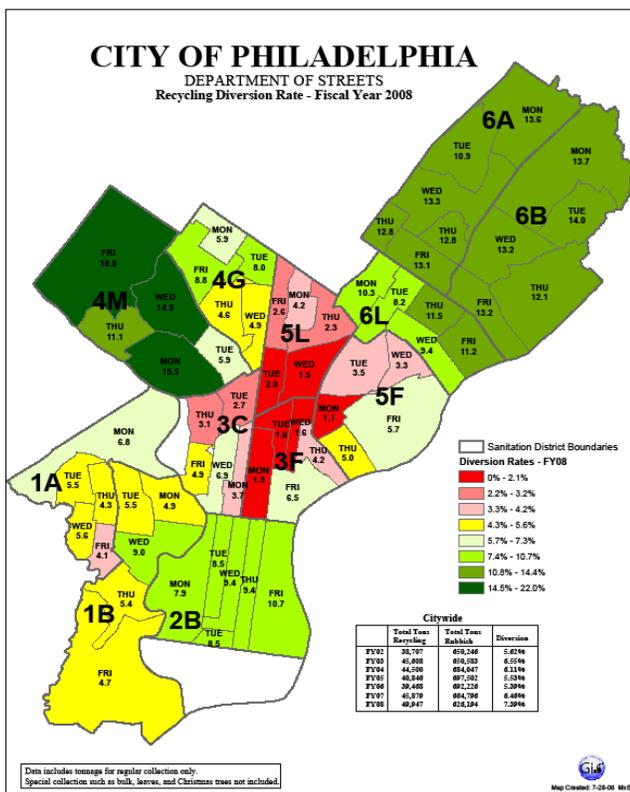
2009 ACCOMPLISHMENTS

TRANSPORTATION AND UTILITIES

The Office of Transportation and Utilities consists of the following departments and agencies: Streets, the Philadelphia Water Department (PWD), the Division of Aviation and the Community Life Improvement Program (CLIP). Although each area oversees different public functions, all work toward a common mission to make Philadelphia more sustainable, efficiently deliver great neighborhood services and maximize Federal Recovery Act opportunities so that the City's infrastructure is maintained and improved.

Going Green and Saving Green

- Last January, the Streets Department Sanitation Division implemented weekly single stream recycling. With this service improvement, the recycling diversion rate has soared in every neighborhood. In December 2009, Philadelphia residents set an all time record diversion rate of 18.1 percent, up from 7.5% percent when the Mayor took office, recycling more than 9,400 tons of material and saving the City more than \$600,000 in landfill fees.
- The department is now implementing a Recycling Rewards program. The program will reward households that recycle with points that can be redeemed for discounts, full value gift cards and charitable contributions. By inducing residents to divert more household waste to recycling, the City will save even more money. Residents will also be able to use the rewards they earn through this program to offset the costs of the new Clean Philly Fee.



2009 ACCOMPLISHMENTS

TRANSPORTATION AND UTILITIES

- Last spring, the Streets Department replaced Center City litter baskets with 500 BigBelly solar powered compacting litter baskets and 210 public recycling containers. For the first time, Philadelphia has on-street public recycling. The BigBellies allowed the Streets Department to reduce collections from 17 times per week to 5 times per week, savings thousands of miles of truck travel and reducing labor costs by more than \$1 million dollars per year. This is the largest deployment of BigBellies anywhere in the United States.
- In June, the Mayor signed an executive order calling for a complete streets approach to transportation that would fine tune the balance on city streets between private cars and trucks, transit, bicycles and pedestrians. One tangible manifestation of this policy was the transformation of a car lane into a dedicated bike lane on two east-west streets in Center City.
- In September, the Philadelphia Water Department (PWD) released the *Green City, Clean Waters* plan for meeting stormwater regulations while helping to revitalize Philadelphia. This visionary plan will replace traditional stormwater infrastructure (buried gray pipe) with neighborhood level green infrastructure (planters, rain barrels, green roofs, permeable pavements, an enhanced network of street trees and restored creek corridors). Over the next five years, the PWD will lay the foundation for achieving the Green City, Clean Waters vision over the full 20 year implementation period of this plan. This will cost \$1.6 billion, funded with a combination of water bills and grants.
- than 10,200 properties into compliance for property maintenance issues, with nearly 80 percent of the problems satisfied by owners. The CLIP cleaned more than 12,400 vacant properties in 2009. Using solar powered video cameras, CLIP partnered with the Philadelphia Police Department in the last year to go after short-dumpers.
- The Streets Department Transportation division is on the street every day keeping traffic signals working, street lights lit, pot holes filled and repaving worn streets. In the past year, the Streets Department filled most pot holes within one business day of being reported and completed 1,275 blocks (90 miles) of street paving, roughly the distance between Philadelphia and New York. The Streets Department Sanitation Division partnered with the Philadelphia More Beautiful Committee to clean more than 10,000 blocks in the last year. The Department continues to provide reliable trash and recycling collection.
- Finally, Philadelphia International Airport hired a new CEO and, in response to customer requests, opened a free cell phone parking area on airport property in December. A Philadelphia Inquirer editorial praised this effort, "This simple change is making the Philly airport a more customer-friendly place. The Administration, airport officials, PennDot, and other agencies involved in this effort deserve credit and thanks from the public for responding to the need."

Efficiently Delivering Great Neighborhood Services

- The Community Life Improvement Program (CLIP) and the Streets Department improved their delivery of neighborhood services in 2009. The graffiti abatement program cleaned more than 100,000 properties of graffiti in 2009 and partnered with 140 organizations to remove even more graffiti. The CLIP brought more



The opening of the Airport's cell phone waiting lot

2009 ACCOMPLISHMENTS

TRANSPORTATION AND UTILITIES

Maximizing Recovery Act opportunities to preserve and improve infrastructure

The staff of the Streets Department, Water Department and Division of Aviation worked long hours to have projects ready for Recovery Act funding. The Streets Department and Division of Aviation are set to receive more than \$52 million in grants to invest in aging infrastructure. The funds will repave hundreds of blocks, convert every traffic signal in the city to energy efficient LEDs, bring Big Bellies to South, North and West Philadelphia, deploy thousands of bike racks,

reconstruct the airport's longest runway and bring state of the art baggage screening to Philadelphia International Airport. The Philadelphia Water Department will receive \$200 million in low-interest loans to replace 14 miles of water mains and rehabilitate water treatment facilities. Additional non-recovery low-interest loans were made available by Pennsylvania Infrastructure Investment Authority (PENNVEST) to the department for sewer piping and green infrastructure.

Mayor's Office of Sustainability

Last April, Mayor Michael A. Nutter launched *Greenworks Philadelphia*, the City's comprehensive and ambitious sustainability plan. *Greenworks* is not just a strategy for City departments, but rather a plan for Philadelphia – meaning that its goals and the work of the Mayor's Office of Sustainability (MOS) extend to the city's residents, businesses and non-profit organizations. *Greenworks* strives to have a citywide presence and impact, improving quality of life for all residents while aiming to make Philadelphia "the greenest City in America." Since its launch, *Greenworks* has not only gained momentum in Philadelphia, but has received attention from across the country as a model sustainability plan.

Using funds received from the federal Recovery Act (ARRA), the Mayor's Office of Sustainability (MOS) worked with the City's economic development agency, the Philadelphia Industrial Development Corporation (PIDC), and the non-profit lender The Reinvestment Fund (TRF), to create the Greenworks Loan Fund. The Fund will finance building energy efficiency improvements in commercial, industrial, institutional, and public buildings.



The Mayor signed legislation, introduced by Councilwoman Blondell Reynolds Brown, to require new construction and major renovations of large City government buildings to be designed, constructed and certified at the silver level of the Leadership in Energy and Environmental Design (LEED) rating system of the U.S. Green Building Council. Silver is the starting point standard in this rating system.

2009 ACCOMPLISHMENTS

ECONOMIC DEVELOPMENT

The Office of Planning and Economic Development consists of the following departments and agencies: Commerce, Licenses & Inspections, Office of Housing and Community Development, Philadelphia Planning Commission, and the Philadelphia Historical Commission. Working together, these organizations lead the City's efforts to attract new businesses to Philadelphia, help existing small businesses and major corporations thrive, supporting job creation and fostering vibrant neighborhoods throughout the city.

Growing Philadelphia's Businesses, Strengthening Our Workforce and Creating Jobs

- In the last year, the Commerce Department and the Philadelphia Industrial Development Corporation (PIDC) provided \$50 million in financing to almost 100 small or minority-, women- or disabled-owned businesses, leveraging over \$160 million in private investment and creating over 4,000 jobs. In addition, \$30 million in low interest loans for small businesses is being made available through Recovery (ARRA) funding.
- The Commerce Department helped create or retain over 650 jobs by working to move new businesses into the city and keeping Philadelphia-based businesses with expiring office leases from leaving the city.
- The Commerce Department is also strengthening Philadelphia's workforce by creating innovative partnerships with colleges and universities that are helping over 1,000 unemployed Philadelphians get the critical skills they need to get them back to work. These efforts will help build a well-trained workforce for businesses in the city.
- The Commerce Department is working in conjunction with the Mayor's Office of Sustainability to grow Philadelphia's green economy. In 2009, it helped to start green job training programs in areas like solar installation and weatherization that have put hundreds of Philadelphians to work.

Making Doing Business in Philadelphia Easier

- The Office of Business Services launched a new online one-stop shop for business questions -- a business services portal that is the place to get

information and questions answered. Beginning in 2010, businesses will be able to apply for permits and pay taxes through this website.

- The Office of Planning & Economic Development worked to simplify and improve the real estate development process -- publishing the first comprehensive review of the permitting process, reducing the turnaround on permitting by 20%, and creating a comprehensive guide of permits, who processes it and how long it takes to ensure better predictability and reduce confusion.
- The Commerce Department and the Philadelphia Industrial Development Corporation (PIDC) created the Greenworks loan fund, providing \$10 million in energy efficiency financing to help businesses green their buildings and reduce their energy costs.
- The Department of Licenses & Inspections is working to improve customer service -- almost all commercial plans are reviewed in 20 days or less, zoning plans are reviewed in less than 25 days and wait times are half what they were two years ago for over-the-counter licenses. In January 2010, average wait times were 9.82 minutes.

Protecting Philadelphia's Families and Revitalizing Neighborhoods

- Over the last year, almost 2,000 homes and their families were saved from foreclosure through the nationally-recognized Mortgage Foreclosure Diversion Program.
- The Office of Housing and Community Development (OHCD) completed 740 new affordable housing units, providing \$42 million in subsidies for the project and leveraging \$124 million in private investment. These subsidies

2009 ACCOMPLISHMENTS

ECONOMIC DEVELOPMENT

were funded through a combination of Low Income Housing Tax Credits, grants from the Federal Home Loan Bank, other grants from the Pennsylvania Housing Financing Agency, and also from sales income from those that bought the houses.

- OHCD also enabled almost 7,000 families to stay in their homes by making home repairs in the homes of low income owner-occupants through the Basic Systems Repair Program run by the Philadelphia Housing Development Corporation.
- The Department of Licenses & Inspections is working to ensure that buildings are safe and up to code, and to protect Philadelphia's most vulnerable by providing timely inspections of facilities – increasing the number of those service requests addressed on a monthly basis by over 60%. It has also begun taking a more proactive approach towards code enforcement, now targeting properties that are delinquent in obtaining licenses, instead of being solely complaint driven.
- The City launched a process to create a comprehensive plan that will serve as a guide for the city's future growth and development.



Imagine Philadelphia LAYING THE FOUNDATION

Office of Economic Opportunity

The prospect of starting a business, sustaining a business, or even the more straightforward task of finding a job can be an exceptionally difficult and/or confusing process at any time, but even more so in trying economic times. For minorities, women and the disabled, due to a significant decrease in access to resources and often, preconceived notions, the prospect can be even harder. As a result, the Nutter Administration has developed and implemented a plan with the objective of reinventing the entrepreneurial and employment process.

In October 2008, Mayor Nutter signed an order to dismantle the Minority Business Enterprise Council (MBEC) and created the Office of Economic Opportunity (OEO) in its place, with the main purpose of extending economic opportunity to the city's residents as a whole. With the creation of the new office came a new overseeing body, shifting from the Department of Finance to the Commerce Department. By placing the OEO within Commerce, a more comprehensive approach to both entrepreneurship and employment opportunities can be taken, as well as a broaden the discussion of diversity and inclusion.

In an effort to create a marketplace that matches the diversity of Philadelphians, the OEO has developed a strategic plan³³ for economic opportunity. Among its numerous objectives, one goal to be realized for FY11 is to increase the number of businesses on its registry of minority, women, and disabled enterprises (MWDBEs) by 25%. One of the many incentives for these businesses to be included in the registry, which means they have met the MWDBE criteria, is being listed in a database that can be accessed by the public. The OEO plans to utilize local, state, and federal certification programs already in place to ensure a business is a MWDBE, thus, allowing OEO staff to focus on other tasks, such as fostering relationships between business owners and outreach to immigrant communities.

Another goal to be realized in FY11 is to increase the participation rate of MWDBEs in City contracts from the current level of almost 18% to at least 25%. By working with procurement and contracting staff among the various city departments, contracts can be designed with small businesses in mind. In addition, under the umbrella of the Commerce department, firms have the assistance of the OEO staff acting as advocates for them in work related to economic development activities.

³³A copy of the plan "Inclusion Works: Economic Opportunity Strategic Plan" can be found on the OEO's website: <http://mbec.phila.gov/home/home.asp>.

2009 ACCOMPLISHMENTS

ECONOMIC DEVELOPMENT



Mayor Nutter participating in a panel discussion at a minority business outreach event, with representatives from the Federal Government and the White House, held at the Enterprise Center in West Philadelphia

The initiatives put in place as a result of the reorganization efforts include creating and supporting networking partnerships between established business owners and new entrepreneurs, ensuring that development of skills are incorporated into the curriculum at middle- and high-schools, including specialized job training and assistance in finding jobs where the newfound skills can be utilized, and even providing early exposure to entrepreneurship. With the implementation of the strategic plan, the Nutter Administration hopes to improve the lives of its citizens, while fostering economic diversity and competitiveness.

Office of Arts, Culture and the Creative Economy:

Philadelphia enjoys one of the most robust and dynamic arts and cultural economies in the world. The city's burgeoning creative class is revitalizing many of Philadelphia's neighborhoods, creating jobs and contributing to the city's overall economic vitality. The Office of Arts, Culture and the Creative Economy (OACCE) seeks to improve access to the arts for both residents and visitors; expand arts education for young people; and support the growth and development of the City's arts, culture, and creative economy sector.



ART AT THE HEART OF THE CITY

The Art In City Hall program presents exhibitions that showcase contemporary artwork by professional and emerging Philadelphia visual artists. Encompassing a variety of mediums, techniques, and subjects, this municipal program is committed to presenting a diversity of ideas and artistic explorations. The program strives to link visual artists with the larger community by providing the public with a greater knowledge and appreciation of their artistic achievements.



- In 2009, OACCE secured a \$250,000 grant from National Endowment for the Arts' Recovery funding and in partnership with Greater Philadelphia Cultural Alliance made grants to ensure continued programming and save arts jobs at 11 different organizations. OACCE also worked with the City's Commerce Department to create a new \$500,000 creative economy jobs grant program using federal Community Development Block Grant funds for the first time ever. This innovative use of community development dollars has attracted national attention and will help create new jobs in this growing sector of our city's economy.
- The OACCE participated in several new art projects throughout the city, including "Into the Open" – highlighting how architecture can impact sustainability; and "It is What it Is," – a project designed to engaged citizens in a conversation about the war in Iraq.
- The OACCE oversaw a comprehensive study of the City's world-class public art landscape conducted by PENNPraxis. The study will help OACCE and its partners develop a strategy for ways to make the public more aware of the art that is around them. OACCE's leadership also will ensure that all new development in Philadelphia continues to integrate public art into its design.

2009 ACCOMPLISHMENTS

ECONOMIC DEVELOPMENT

Mayor's Task Force on Tax Policy & Economic Competitiveness

In February 2009, Mayor Nutter convened academic, business and community leaders to form the Task Force on Tax Policy and Economic Competitiveness to develop an action plan outlining the steps Philadelphia needs to take to be more competitive. This group of business, academic, and community leaders was charged with examining the city's tax structure and real estate market in order to create a better Philadelphia: a place with more opportunities for employment and wealth creation for city residents and a city where new businesses can easily form and existing ones can grow.



After 8 months of meetings, research, expert input, and public hearings, the Task Force presented the Administration and City Council with its report, *"Thinking Beyond Today: A Path to Prosperity"*, available at www.phila.gov/taxpolicy. The recommendations built upon previous efforts to guide the transformation and revitalization of Philadelphia's economy. As recommended by the Task Force, assuming economic conditions make it feasible, the Administration plans to restart reductions to the Wage and Business Privilege Tax rates in FY14, given the proven track record of the reductions to create and retain jobs in Philadelphia.

The Task Force proposed a series of administrative and management improvements and a policy shift to position the City for growth as the current economic climate improves. The Administration has evaluated the recommendations by the Task Force on Tax Policy and Economic

Competitiveness and is committed to maintaining, expanding, and introducing many of the initiatives envisioned in the report, including:

Removing Barriers to Philadelphia as a Business Location

In 2010, the Administration will offer 2 pilot programs to remove barriers for firms wishing to locate or remain in the City, by changing the allocation method of profits for the net income portion of the Business Privilege Tax.

- **Market-Based Sourcing** - For firms engaged in computer systems design and related services, tax regulations will be added that allow businesses to allocate profit based on the location of the customer, rather than where the work is performed. This will encourage businesses with clients outside the City to locate here.
- **Single Sales Factor Apportionment** - The allocation formula for organizations undertaking research and development in physical, engineering, and life sciences will be changed through a Department of Revenue regulation to enable firms to base their calculations only on Philadelphia sales, as opposed to sales, property and payroll. This change will place Philadelphia-based businesses on an equal footing with similar enterprises located beyond the City's borders.

In choosing sectors for the pilots, the Administration looked for sectors that are expected to grow nationally, that employ either the existing Philadelphia workforce or recent graduates or could attract new talent, that would export goods or services, that would have an above average economic impact for the City and region and for which Philadelphia has a competitive locational advantage. The Administration will review these pilot programs on an annual basis to determine the impacts on job creation and revenue collections. The findings will guide the amendment or expansion of these new initiatives.

2009 ACCOMPLISHMENTS

ECONOMIC DEVELOPMENT

Improve Property Assessments

As recommended by the Task Force, and noted in the BRT section of this document, the Administration is working to adopt a system of fair and accurate property values and, through an MOU with the board of the BRT, has assumed day-to-day responsibility for assessment of properties. By taking over that responsibility, the Administration and the BRT have temporarily separated the appeals and assessment functions. That separation would be made permanent as one part of legislation to reform the BRT that was adopted by City Council, signed by the Mayor and now requires voter approval in the May primary.

Improve Interactions With Government

The Administration is continuing its efforts to streamline the development process, aligning Philadelphia's regulations and procedures to be more consistent with other jurisdictions, and to simplify programs. The Administration launched the Business Portal in November 2009, which gathers all information a business needs to interact with local government in one place. Future phases will introduce more interactive features, such as tracking where permit applications are in the approval process. The Administration continues to expand electronic tax administration features, including online return filing and expanded electronic payment options. Beginning in FY11, the Administration will be evaluating the City's existing tax incentive programs in order to make adjustments allowing for easier application and administration procedures.

Improve Tax Collection & Compliance

Over the past year, the Law and Revenue Departments have worked to make it easier for taxpayers who want to pay to do so, and have expanded initiatives to identify and collect from taxpayers who fail to pay, including

- Expanding audit activity by increasing staff and funding travel;
- Utilizing state and federal data to identify potential new taxpayers; and

- Publicizing the names of the City's top delinquents to encourage compliance

As recommended by the Task Force, under legislation passed by City Council, the Administration will offer a tax amnesty at the end of FY10, which will allow delinquent taxpayers to satisfy their debts by paying the principal and half the accrued interest due, while waiving the remaining interest and all penalties. This will enable more targeted collection efforts in FY11 and beyond. The Administration is committed to providing the tools needed for effective tax enforcement, and will be allocating a portion of the its capital program to aid the Law and Revenue Departments in their efforts.

Use Publicly-Owned & Tax Delinquent Property to Spur Development

In the spring of 2010, the Administration expects to complete a web-based inventory system for the tracking of publicly-owned properties. This unified database will enable more strategic management of the existing property portfolio. Efforts are already underway, led by the Redevelopment Authority in partnership with numerous city departments and other agencies, to explore best practices in linking vacant land management with the tax enforcement process and to understand how those practices could be adapted to suit Philadelphia's needs.



2009 ACCOMPLISHMENTS

PARKS AND RECREATION and THE FREE LIBRARY

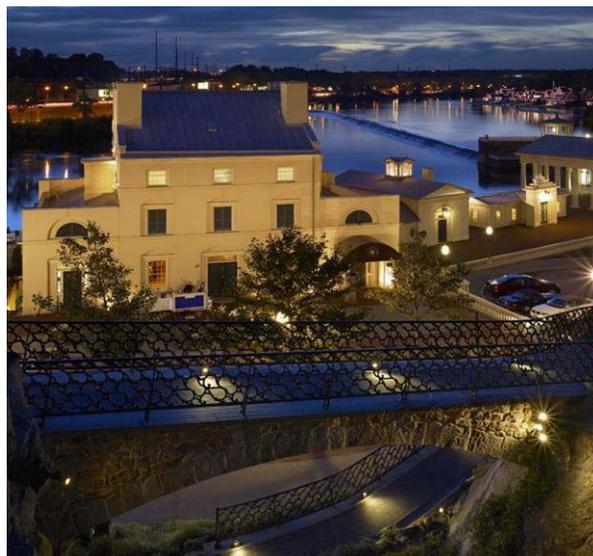
The Department of Parks and Recreation and the Free Library are devoted to improving the health and enriching the lives of all Philadelphia residents. With facilities in every neighborhood, these community assets offer a wide variety of programming and activities for people of all ages. The Department of Parks and Recreation manages more than 9,200 acres of park land (approximately 13% of the land in the city), provides after-school programs and summer camps to children, operates teen centers, and offers free health screenings, transportation assistance and meal programs to the city's senior citizens. The Free Library System provides life-long learning and civic engagement opportunities at its 54 branches citywide, including the Central branch, three regional branches and the Library for the Blind and Physically Handicapped.

Investing in our Youth

- In 2009, the Department of Parks and Recreation staff and volunteers educated over 5,000 people in group programs offered at recreation centers and park facilities throughout the City. Volunteers logged 24,598 hours providing after-school tutoring and nutritional education, teaching creative conflict resolution and offering visual arts classes in ceramics, painting and pottery.
- Last spring, Mayor Nutter launched the "Splash and Summer Fund" to raise money to keep City-owned pools open. Through the support from residents and businesses, the fund raised approximately \$620,000, ensuring that the City's children and families would have a place to cool off during the summer months. The Department expects all pools that are operational (65-68) to be open this summer.
- The Department of Parks and Recreation partnered with the Philadelphia Phillies and Major League Baseball to create the Phillies Urban Youth Academy, which is set to launch in 2010. This partnership will utilize renovated fields and facilities at Franklin Delano Roosevelt (FDR) Park to help inner-city youth reach their fullest potential on and off the field by providing quality instruction and training and educational assistance through a variety of programs. Working towards Mayor Nutter's goal of sending more Philadelphia residents to college, the Phillies Urban Youth Academy will also offer college placement assistance.

Inspiring Environmental Stewardship

- In support of the GreenWorks Philadelphia, the Department of Parks and Recreation received \$1.8 million in stimulus funding to help advance urban forest management. Urban forests provide tremendous benefits to residents by reducing residential heating and cooling costs, promoting water quality, reducing stormwater management costs, improving air quality and encouraging physical activity by residents.
- The Department of Parks and Recreation integrated advanced sustainable practices into the design work for improvements to the Parkway / Water Works and Hawthorne Park – the City's first new park in over a decade. Focusing on sustainable design is not only good for the environment, but also helps to reduce maintenance costs over time.



2009 ACCOMPLISHMENTS

PARKS AND RECREATION and THE FREE LIBRARY

- Department of Parks and Recreation staff environmentally restored 75 acres of park land and helped to educate 5,212 people in environmental stewardship programs.
- The Department of Parks and Recreation designed and constructed a number of new facilities, including recreation centers, senior centers and spraygrounds, through a variety of sources including state grants, foundation support, and City capital investment. These facilities were designed and built using green/sustainable practices and stormwater management tools.

Fostering a Connection

The Department of Parks and Recreation has spearheaded an unprecedented civic and staff engagement process designed to facilitate the 2009 merger of the Fairmount Park Commission and Recreation Department. The community engagement process included:

- Eleven community meetings held throughout the City and six specific partner discussions;
- Feedback received via surveys, emails, correspondence and conversations with hundreds of community groups, friend/partner organizations, and advocacy/alliance groups;
- Two full Parks and Recreation staff meetings attended by approximately 600 staff members.

Additionally, “Living the Merger” engagement and improvement efforts are taking place at Shissler Recreation Center and Mander-Gathers Recreation Center in order to demonstrate the value of a newly merged Department of Parks and Recreation and to increase collaboration with the community.

The Free Library

The Free Library is dedicated to serving the educational, technological and cultural need of Philadelphia residents. Offering a variety of special programming and events focused on the development and growth of library patrons, the Free Library continues to serve as a critical resource to neighborhoods and communities across the City.

For example, this year the Free Library played host to a number of large job fairs. Over 1,200 job seekers attended the Parkway Central Job Fair. Featuring a new technology lab, the job fair provided attendees with the opportunity to apply for jobs on-line, create e-mail accounts and edit their resumes. Over 100 job seekers that attended the job fair were offered positions.

The Free Library sponsored the 10,000 Books for Children drive to collect contributions and materials for summer reading. With the help of many local businesses, as well as large gifts from Target and the Friends of the Free Library, the Free Library collected over \$61,000 and nearly 3,000 books.

Additionally, beginning in June 2009, the Free Library began offering patrons a new way to ask reference questions through the Text-a-Librarian program. Supported through a grant from the Office of Commonwealth Libraries, patrons can simply use their mobile phone to text reference questions to librarians.

The Free Library also opened a dedicated space for senior citizens at the Central Branch library, in order to better serve the City’s older adults. Located in a corner of the Government Publications Department, the center provides state-of-the-art information resources on health, the arts, and business, five laptop computers and an Access Technology workstation.

2009 ACCOMPLISHMENTS

HEALTH AND OPPORTUNITY

The Office of the Deputy Mayor for Health and Opportunity includes the Departments of Public Health (DPH), Behavioral Health (DBH) and Human Services (DHS) as well as the Office of Supportive Housing. Together these offices work to improve the health and safety of children and adults and provide housing and supportive services to Philadelphia's most vulnerable citizens, ensuring that all Philadelphians are able to lead healthy, productive lives.

Improve the Health and Safety of Children and Adults

- The City's eight Health Centers provided 349,078 patients visits in fiscal year 2009, **15,000 (4.5%) more visits than in fiscal year 2008 with no increase in funding.** DPH will use new administrative grant funding to help to support a small expansion in health center services in order to reduce waiting times that have arisen from this increase in new appointments. DPH also expanded its "Kids Only" dental clinic sessions from two to four per week, increased access to same day appointments and made reminder calls to pediatric patients. The result was a 26% increase in child dental visits and a 12% increase in adult dental visits.
- DPH achieved a score of 99 (out of 100) from the Centers for Disease Control and Prevention's Cities Readiness program, which helps cities increase their capacity to deliver medicines and medical supplies during a large-scale public health emergency. Philadelphia's preparedness was evident during 2009's H1N1 epidemic—more than 500 sites across Philadelphia offered the vaccine and approximately 400,000 people were immunized. DPH also implemented a public education campaign to help prevent the spread of the virus locally and encourage immunizations.
- In 2009, DPH worked with Philadelphia's chain restaurants to help them prepare for Philadelphia's new **menu labeling law**, which went into effect in February 2010. Philadelphia's nutrition labeling ordinance is the most comprehensive ordinance of its kind in the nation, and is part of DPH's city-wide effort to promote greater awareness of nutrition, encourage healthy eating and increase access to healthy, fresh food.
- In coordination with the Clean Air Council, DPH launched **IdleFreePhilly.com**, a website designed to raise awareness about the environmental, economic, and health impacts of idling and to assist in the enforcement of PA's new 5-minute idling limit for diesel vehicles.
- DHS implemented a new continuum of in-home services (including In-Home Protective Services, Alternative Response System and Family Stabilization Services), and increased internal and external accountability. The department adopted a performance management system, ChildStat, designed to improve internal performance by reviewing service region outcome data and providing feedback. Finally, DHS created the Act 33 Child Fatality and Near Fatality Review process, under which a multidisciplinary team examines cases in which a child abuse report alleges a child fatality or near fatality and outlines the strengths and deficiencies in DHS' management of the case. These steps and others helped DHS achieve full state licensure in 2009.
- DHS reduced the number of children in dependent placements by 12% and reduced out-of-state placements by 56% and delinquent placements by 48%. The department increased adoptions and permanent legal custodianships by 25%.



2009 ACCOMPLISHMENTS

HEALTH AND OPPORTUNITY

Provide Housing and Supportive Services to Philadelphia's Most Vulnerable Citizens

- Since launching the Mayor's Homeless Initiative in 2008, the City's permanent affordable housing capacity has increased by 51% for families and 26% for single men and women. Through the program, the Philadelphia Housing Authority (PHA) has provided 1,000 subsidized housing opportunities for homeless individuals with behavioral health problems, who have completed treatment programs, and families. In 2009, 500 individuals and families found subsidized housing through PHA. OSH and DPH used Housing Trust Fund and new federal grant dollars to expand its outreach and provide more targeted programs for persons with addiction problems and mental illness (for example, a 29-bed halfway house for chronic homeless adults with substance abuse problems), moving 1,724 people into permanent supportive housing. The initiative contributed to a 26% drop in street homelessness in Philadelphia from 532 people in November 2008 to 395 people in November 2009.
- OSH implemented the Homelessness Prevention and Rapid Re-housing Program (HPRP) using funding from the American Recovery and Reinvestment Act. Sixteen community-based non-profit organizations provide financial assistance and/or housing stabilization services to prevent households from becoming homeless, divert them from emergency housing, and rapidly re-house households currently living in emergency and transitional housing. In the first three months, 700 households received financial assistance for rental or utility arrearages to help them avoid homelessness.
- The Medical Examiner's Office, in collaboration with DBH and the OSH, created a Homeless Death Review process to identify service gaps and opportunities for prevention of future deaths of homeless individuals. The process was started in January 2009, and it is one of six death review processes conducted by

the Medical Examiner's Office. The entire review process relies on and benefits from extensive interagency collaboration that involves City departments as well as non-city agencies. While a few other cities and counties in the United States are conducting a homeless death review, few if any of them are meeting regularly or performing as extensive a review as the City of Philadelphia. The review process is composed of two parts: a weekly conference call and a bimonthly review. The weekly conference call, currently the only one of its kind in the country, gathers a dozen key stakeholders and allows for a rapid sharing of information when discussing timely issues surrounding each homeless death. The bimonthly review gathers a larger cohort of stakeholders to perform a more in-depth review of the decedent's history – looking for any major gaps in health systems or community resources that might have contributed to death, and which could have systemic policy implications. The bimonthly review also allows for the collection of a standardized set of data on each case. This data will be used in aggregate to examine trends in the deaths of homeless persons over time and to guide policy changes or interventions that will positively impact the overall well-being of homeless persons and decrease the number of preventable homeless deaths.

- DBH restructured the city's mental health program and established holistic recovery centers throughout the city. It also improved service, decreasing appointment wait time for addiction treatment decreased from 5 to 3 days, training clinicians in an effective Cognitive Therapy Model, improving client retention, and increasing the ability of provider agencies to accept walk-ins. These steps resulted in a 38% decrease in the number of crisis admissions and a \$1 million inpatient service cost reduction. More importantly, more of those being treated were able to lead productive lives—there was a 9% increase in employment and a 17% increase in those who were able to attend school.

2009 ACCOMPLISHMENTS

HEALTH AND OPPORTUNITY

- The City’s social service departments worked for the first time with the School District of Philadelphia and private sector partners to focus on the safety, well-being, and permanency for homeless children in Philadelphia. Collaborative data collection, screenings and resource matching will ensure these children receive the health and other supportive services they need.
- Through the City’s Language Access initiative, the OSH translated its departmental brochure, Homeless Prevention and Rapid Re-housing Program marketing materials, and program intake documents.

Mayor’s Office of Education

The Mayor’s Office of Education (MOE) works with the Philadelphia School District and local nonprofit and private organizations to improve educational outcomes for children and acts as an advocate for parents, young people and local primary and secondary schools. Through its efforts, the office seeks to achieve the Mayor’s goals of increasing Philadelphia’s high school graduation rate to 80% and doubling the city’s current 18% college attainment rate within four to six years.

- In 2009, the Office of Education established the Philadelphia Council for College and Career Success (Council), a policy and planning body that includes leaders in the business community, City government, the School District, higher education institutions, and community organizations. The Council oversaw Philadelphia’s most successful summer jobs program in a decade—approximately 8,500 youth obtained jobs and were engaged in meaningful activities over the summer months.



- In early 2010, the Office announced a program called “Philly Goes 2 College” that will help connect city high school students to local universities and create an expectation of a college degree among Philadelphia students. More information can be found at www.phillygoes2college.com. The Mayor’s PhillyGoes2College Campaign recruited and trained 100 City employee volunteers to help Philadelphia high school seniors and their families complete the Free Application for Federal Student Aid (FAFSA), contributing to a 12% increase in FAFSA completions over the previous year and over \$194 million in additional funds for Philadelphia college students. PhillyGoes2College has also become a one-stop resource for college admissions and financial aid information and guidance with a ground-floor City Hall office and comprehensive Web site.
- MOE has initiated and led a cross-system effort to reduce truancy in Philadelphia in partnership with stakeholders from City government, Family Court, the District Attorney’s office and the School District. Going forward, this work will result in the creation of a comprehensive plan to coordinate and focus truancy reduction efforts across these systems.
- More than 675 mayor’s box tickets for sporting events and concerts were awarded to students from 62 District high schools based on excellence and improvement in academics and attendance. For the 2009-2010 school year, Mayor Nutter has pledged 2,000 tickets to high achieving and improved students, expanding the program to include 55 charter and parochial schools.
- 220 municipal employees participated in Reading STARS, a weekly reading program for elementary students organized by Greater Philadelphia Cares. Students who participated in the program increased their reading level by an average of one grade level after 20-30 hours of coaching.

2009 ACCOMPLISHMENTS

FINANCE AND LAW

The Finance Department is responsible for the financial, accounting and budgeting functions of the Executive Branch. Charged with overseeing the City's finances, the Finance Department performs a variety of critical functions, including: establishing fiscal policy guidelines, creating and managing the City's budget, risk management, providing oversight of the City's financial programs and recording and accounting for the City's financial activities. Additionally the Finance Department's contracting unit is responsible for monitoring the City's non-competitively bid contracts and ensuring an open, transparent and fair contracting process and its Office of Administrative Review hears appeals of parking tickets and tax matters other than real estate assessments. The Law Department's mission is to provide the best possible legal services to the City at the lowest possible cost, while at the same time treating all citizens fairly and with courtesy. The Department of Revenue's mission is to collect all revenue due to the City and tax revenue due to the School District, and to do so promptly, courteously, and in a manner that inspires public confidence in the integrity and fairness of the department. The Office of the City Treasurer manages custodial banking for all City funds, disburses checks, manages debt related transactions and monitors market conditions. Each of these departments works closely together to ensure that City government operates efficiently, effectively and ethically – goals critical to getting through the current economic downturn and restoring trust in City government

Focus on Efficiency

- In 2009, the Finance Department's Contracting Unit improved the functionality of the eContract Philly website by making the mandatory disclosure forms vendor-based. This change allows vendors to maintain a foundational disclosure form that are applied automatically to new contracting opportunities and that can be revised as new contracting opportunities arise, rather than requiring vendors to submit multiple disclosure forms. This change has made it easier for vendors to update their disclosure forms and has improved the consistence of updates for contractors with multiple contracts.
- Striving to further improve processes and procedures, the Office of the City Treasurer developed a Debt Policy and a Swap Policy which comply with both the Administration's objectives and industry standards. The policies define fiscally responsible practices that the City should follow in connection with its borrowings.
- Understanding the efficiency gains that can be achieved through strategic use of technology, the Revenue Department launched the automation of its vendor tax clearance System. Working with the Department of Technology and the Office of the City Controller, the Revenue Department automated the previously manual process of performing a tax clearance for the Controller's Office for the release of vendor payments. This automation has streamlined the process requiring minimal manual intervention, saving both money and time.
- The Revenue Department also worked to streamline workflow processes through the implementation of the direct entry of tax returns and the creation of an on-line "no tax liability" filing option for certain businesses. These programs reduced processing times by eliminating the processing of a paper return. This process increased the efficiency of the Department by reducing paper usage, reducing the volume of returns and creating overnight posting of tax returns. Building on these successes, Revenue expects to implement on-line filing of the Business Privilege Tax long form in 2010. In 2009, 96,769 paper BPT returns were filed.
- The Law Department has also seen increased efficiencies through better use of available resources. Through access to the Revenue Department's delinquent tax files, the Law Department's tax unit has been able to access delinquent tax accounts more efficiently. This has enhanced the City's ability to collect delinquent taxes even in the current economic climate.

2009 ACCOMPLISHMENTS

FINANCE AND LAW

- The Law Department was also able to achieve significant efficiency gains through the appointment of a Contract Conformance Manager which has improved contract management and payment of invoices. A review of the City's document retention policies for the Department of Health resulted in the reduction of paper files and increased cost savings.
- million from various City insurance programs since June of 2008.

Focus on Effectiveness

- The Revenue Department launched a number of initiatives designed at improving the City's tax collection rates. The Revenue Department implemented tax compliance program partnerships with the Philadelphia Parking Authority, Pennsylvania Convention Center, RDA and School District of Philadelphia. Additionally, working with the City Controller, the Revenue Department initiated the Employee Indebtedness Program in May 2009. This program collects outstanding tax debts through involuntary payroll deductions and has resulted in more than \$1.3 million in revenue. Finally, through its partnership with the Law Department, the Revenue Department has published the names of delinquent business tax payers, resulting in the collection of \$2.8 million in tax debt.
- The worldwide credit crisis which began in 2008 had a disastrous effect on the variable rate bond markets, affecting municipalities across the country, including the City of Philadelphia. In order to minimize the negative impact of that crisis, the Office of the City Treasurer was able to restructure approximately \$1.5 billion of the City's \$1.9 billion of outstanding variable rate debt, including \$750 million of debt restructured in this past year alone. These actions reduced the City's exposure to the variable rate debt market. The Treasurer's Office continues to monitor the market while actively negotiating new fee structures across banking arrangements which have resulted in cost savings to the City.
- Striving to make information accessible to the public, the Revenue Department has placed the Philadelphia Tax Guide as well as most of its revenue collection reports online for download by citizens. Additionally, the Revenue Department completed responses to over one hundred financial / economic requests during the past year. These request included information regarding Right-to-Know requests, tax amnesty, delinquent real estate accounts and supporting information and statistics needed for the CAFR report.

Focus on Governmental Transparency

- The Law Department provides critical services to the neediest Philadelphians. This past year, the Law Department represented the Department of Human Services in 5, 740 cases. Working with DHS, the Law Department's Child Welfare Unit filed approximately 1,000 petitions to aide DHS in placing children in permanent homes. Through the joint efforts, adoptions and permanent legal custodianships increased by 25%. Additionally, the Law Department provided significant support and assistance to the Residential Mortgage Foreclosure Diversion Program in the Philadelphia Court of Common Pleas. This program has received national recognition as a model government initiative to help homeowners affected by the economic downturn stay in their homes.

2009 ACCOMPLISHMENTS

FINANCE AND LAW

Historical Reform to the BRT

The Board of Revision of Taxes (“BRT”) is the independent entity charged with assessing the value of real property within the City of Philadelphia and hearing appeals of those assessments. In Philadelphia, a resident’s property tax liability is calculated by applying the tax rate to the value of the resident’s property, as assessed by the BRT. Unfortunately for citizens, the system that the BRT has used to determine the value of the property has been broken. Assessments are often inaccurate and frequently unfair, with certain properties being wildly over-assessed, while similar properties under-assessed.

During the last year, a number of key steps have been taken to fix the City’s property assessment system. In October, the Nutter Administration and the BRT entered into an agreement under which the Finance Director or his designee would oversee the assessment function while the BRT would maintain its role in determining taxpayer assessment appeals. This change was a significant first step in fixing the broken system because it eliminated the conflict of interest inherent in having a single entity responsible for performing assessments and hearing the appeals of those assessments.

In addition to eliminating that troubling conflict, the Administration has taken a number of other steps to improve the assessment system. To ensure that assessments are performed in a consistent manner, all BRT employees are receiving training and all assessors will be required to obtain professional certifications. Currently, Philadelphia is the only county in the Commonwealth of Pennsylvania which does not require its assessors to be certified.

The Administration has also begun a top-to-bottom reorganization of the agency. This reorganization will include the creation of a quality control unit – another tool to ensure that assessments are accurate, consistent and fair. At the heart of assessment reform is the improvement of the quality of data used for assessments. The current data upon which the BRT relies is deeply flawed. The Administration has begun an intensive process to ensure that the data is reliable.

While the Administration will move as quickly as possible to produce accurate data, the process will take time. The Administration projects that the compilation of a reliable data set will take two years, with hope that it can be accomplished more quickly. In the meantime, the Administration has frozen most new assessments, until it is convinced that the data is accurate and will result in fair and consistent assessments.

As the Administration was taking steps to reform the BRT, City Council passed and the Mayor signed legislation that, among other things, creates separate appeals and assessment agencies, requires certifications of assessors and creates professional standards for the new position of chief assessor. These measures require approval from voters and will appear on the May 2010 ballot.

2009 ACCOMPLISHMENTS

ADMINISTRATIVE DEPARTMENTS

The Administration is committed to ensuring that it is leveraging the City's resources to best serve Philadelphians and improve customer service. The Managing Director's Office, in coordination with the administrative departments and the Office of the Inspector General, led a number of initiatives to better serve the citizens of Philadelphia.

Improving Citizens' Access to City Services

- 2009 marked the first year of operation for Philly311 call center, providing one number to call to get questions answered and request services from City government. This transformed the way citizens interact with City government, making it simple and straightforward to get the services they need. In the last year, 1.1 million calls were received, the 311 walk-in center had almost 10,000 visitors, 64,000 service requests were handled, with over 80% completed on time. In 2009, 311 had an overall customer satisfaction rating of 89%.



- The City of Philadelphia improved its ability to reach the diverse population of Philadelphians by improving language access services. 10,000 Language Access Cards were sent to provider agencies throughout the City. The cards serve as a language identifier for limited English proficient constituents who present them when interacting with City departments. In addition, the City established new contracts for interpretation, translation and training services, negotiating a significantly reduced rate. Mayor Nutter received the "Beacon of Justice" Award from the Nationalities Service Center in recognition of his commitment to immigrant integration and language access.

Reducing Waste, Fraud and Abuse & Streamlining Our Processes

- Over the last year, the Office of the Inspector General (OIG) provided critical support to ensure that the City's resources were being used for their intended purpose and took action when waste, fraud or abuse was suspected. In 2009, the OIG investigated fraud and misconduct in a number of areas. Overall, the IG's investigations resulted in 34 job

terminations and 24 arrests. Its work has helped to discourage other abuse and protect the integrity of the City of Philadelphia.

- There has been a continuing effort to reduce costs in the City's administrative support areas. As part of its ongoing IT consolidation strategy, the Division of Technology has been eliminating redundant IT equipment, including servers, for a projected cost avoidance of \$1.6 million over the next 5 years. This is just one of the many efforts to reduce costs and improve support in IT.



- Human Resources will begin to use technology to conduct the annual benefits Open Enrollment process completely electronically and has implemented an online employment application process, which allowed the office to reduce staff and eliminate fees. In addition, through competitive marketing of benefits plans and the decision to switch to self-insurance for medical benefits, the City is projected to save \$6.3 million in the next year in health benefits costs.