

**2012 BUDGET ADDRESS
MAYOR MICHAEL A. NUTTER
THURSDAY MARCH 8, 2012
CHECK AGAINST DELIVERY**

City Council President Darrell Clarke, Council leadership, members of City Council, members of my Administration, former Mayor Street, distinguished guests, my fellow Philadelphians.

It is once again a great honor for me to stand in this hallowed chamber. It is here that the work of the people gets done.

If you will allow me, I'd like to extend a special welcome today to the first recipient of the Richardson Dilworth Award for Distinguished Public Service, Deputy Streets Commissioner Carlton Williams. Carlton is a leader in his community and has dedicated his career to public service and to making Philadelphia a better – and a cleaner – place.

Today I am excited to welcome six new members to this chamber. Each is already making their own mark on this great body, improving the lives of the people they represent. Friends, I look forward to working with you, and with all members, on behalf of our city. I commit the attention and resources of my Administration to achieve our common vision and goals for the future of Philadelphia. Welcome.

And to Council President Darrell Clarke – the new President of Philadelphia City Council – you and I have known and worked well with each other for many years in many different capacities. You have championed the cause of the residents of the 5th District for over 30 years and nobody has fought more vigorously or tirelessly for them than you. Now, in your new role of Council President, you have the opportunity to bring that same level of dedication to the entire city - to every citizen of Philadelphia. I am honored to work with you, Mr President, in partnership, as we fight to improve our neighborhoods, bring jobs to our city, and continue to move Philadelphia in the right direction.

This is a partnership that has worked, that can work and that will work for the city of Philadelphia.

It is my duty and intention today to present to this body a budget and a Five Year Plan that continues to rebuild and remake Philadelphia for the 21st Century.

A plan that tackles the challenges of the present, and makes investments in our future.

That puts money back in the pockets of all Philadelphians and makes it easier and less expensive for businesses to create jobs in our city.

And a plan that makes critical investments in neighborhoods throughout our city and continues to innovate and rethink how city government operates in order to improve the lives of all Philadelphians.

Today, I propose a budget which first and foremost addresses a mounting public safety challenge by providing funds to hire hundreds of new police officers and to invest in a community-based violence reduction program designed to bring long-term, sustainable peace to some of our most violent neighborhoods.

Also in this Five Year Plan we will restart the reductions in the wage and business taxes that we were forced to suspend by the Great Recession – a package of tax cuts and business-friendly measures passed by City Council that is more aggressive and will return more money to workers and businesses in Philadelphia than we had originally envisioned in the Five Year Plan that we introduced just last year.

We will make increased investments in communities across Philadelphia – renovating police stations, fire houses, recreation centers and neighborhood libraries while improving the surrounding neighborhoods and the quality of life of Philadelphians who use or live near these facilities.

For the first time we will create a Traffic Operations Center designed to help people get around the city faster and with less aggravation. By monitoring traffic flow and adjusting signals to respond to real time traffic movements we'll get you to the Phillies game before the national anthem is sung.

And we will continue the renewal of Center City with a \$20m renovation of Love Park – creating an accessible, green space that will connect the new Dilworth Plaza – the People's Plaza – with a transformed, revitalized Benjamin Franklin Parkway – a magnificent public space certain to be recognized as one of the world's great cultural boulevards.

We will do all of this – more police on our streets, tax cuts, investments in our neighborhoods – because we are also continuing to innovate and rethink and remodel how city government should operate in the 21st Century.

A leaner, smaller, smarter government, focused on the fundamentals and a place where citizens, communities, and organizations come together to work on innovative solutions and creative ways to move Philadelphia forward while leaving no one behind.

Now, over the last few years we have endured some of the toughest times in our city's recent history and I stand before you a proud member of a battle-tested team – a team that includes many in this Chamber.

We made difficult choices together, cut back on services, and asked Philadelphians to pay a little more in order to preserve core services and protect the most vulnerable people in our city. We worked together – my Administration, City Council, our Harrisburg and Washington elected officials, the business and social service communities, and the great citizens of this city – to guide Philadelphia through the recession and to emerge a stronger city on the other side.

However – even though our population is increasing, businesses are investing and creating jobs, our finances have begun to stabilize, our tax receipts are growing moderately – I cannot say to you honestly that our troubles have passed.

There are at least three major financial challenges that we face and must deal with as we move forward as a city.

The first is that the School District of Philadelphia is still in the midst of a financial crisis with a budget gap of \$26m still to close this fiscal year and an anticipated deficit of anywhere between \$150m and \$400m to close next year.

The good news is that there is now a team of people working at the District to structurally rebalance their finances - solving a deficit years in the making – and continuing the education reform process that is already beginning to show results in some of our previously lowest performing schools.

I am committed to reforming, restructuring and – where necessary – replacing schools that are not serving our students well, because I believe, and I know that members of this body will agree with me, that every young person in Philadelphia has the right to a high quality education and that we have the duty to provide it.

Secondly, in Harrisburg, Governor Corbett has proposed a budget that once again cuts funding for secondary and higher education at a time when Governors across the country – including right across the Delaware River – are investing more in education and becoming more competitive.

Furthermore this proposed state budget includes severe cuts to social service programs which would have a calamitous, devastating impact on the most vulnerable people in Pennsylvania.

The Governor's budget – if adopted by the General Assembly – would reduce our ability to shelter many of Philadelphia's homeless people, provide care for those with HIV and AIDS, rehabilitate those with drug and alcohol problems, or treat people with severe mental and behavioral disabilities in their homes, rather than

in institutions. It fundamentally redefines what government – and for that matter civil society – is all about. The Governor’s budget may save money, but at what cost to people? It may be balanced, but is it fair? It will throw into turmoil and disarray families, towns, cities and counties across this Commonwealth.

Along with service providers, representatives of these most vulnerable populations, and elected officials from across the Commonwealth – my Administration has begun to make the case to Harrisburg to look again at this budget and to hear from those who will be impacted.

I have great respect for Governor Corbett and we have formed a strong partnership during his time in office, working to bring jobs and economic opportunity to this region.

But on this issue, we as a city must speak up and make our voices heard and I ask members of this body and all who are listening to join us in this vital cause.

The third challenge we face is the growing cost of our employee benefit system and the increasing strain that these costs place on our budget and our ability to provide public services.

We are an organization that is driven by its employees. Our police officers, fire fighters, paramedics, sanitation workers, social workers, librarians and all the other public employees provide the services that keep this city safe and provide the amenities that make our city a place where people want to live.

It is also true that the salaries and benefits of our employees account for 68% of our City budget. And, some of those employee costs have been growing at an unaffordable rate. Unless we take action to slow the growth in these costs – particularly pensions and health care – these two items will continue to devour our budget.

As these costs grow, they leave less and less funding for services that our citizens want and need. And that simply isn’t sustainable. These cost drivers present the most substantial challenge to our City’s financial future.

In less than 10 years pension costs increased from around \$200 million to more than \$550 million a year.

Notwithstanding a dramatic increase in General Fund dollars going into our pension fund, it is still only 50% funded.

We have made some progress. Arbitration awards have provided us with our first hybrid plans - they include a defined contribution portion that shares the risk between the City and employees. We have moved to a self insurance program for our health care costs for a substantial number of our employees.

But we must do more.

As I have said repeatedly, we must achieve work rule changes and reform health care and pensions for all employees. Let me explain what pension reform means for us - it means going to a hybrid plan for new employees and having existing employees contribute more to their current plan – just like many other public and non-public employees. That is crucial for our long-term fiscal health.

Let me be clear, so there is no confusion or misinformation.

I want a contract with all of our union employees. I want our workers – the folks out there on the front lines – to have a contract, a multi-year contract. And I want to work with the union leadership to figure out how we can give our workers much-deserved pay raises.

But I cannot sign a contract that does not deal with the long-term employee benefit challenges that threaten this city's future. We're in this position now because the can has been kicked down the road too many times. Well, I'm not going to kick it any farther.

I want a contract that is fair to our workers and fair to the taxpayers who have to pay for it.

So, bring me a contract that seriously addresses these long-term financial threats and I'll take this pen and I'll sign it right now.

Now, as we work to tackle these financial challenges, we must also be focused on building stronger communities in a more sustainable Philadelphia.

To achieve this, our first priority must be tackling the crime that spiked at the beginning of this year in some of our communities and which makes all of us – no matter where we live – feel less safe.

During my first four years in office – under the leadership of Police Commissioner Ramsey, the Philadelphia Police Department and Deputy Mayor for Public Safety Everett Gillison – the homicide rate in this city fell by 19% and violent crime fell to the lowest level since 1989. We combined a zero tolerance attitude toward those who would terrorize our neighborhoods with a community policing approach that built trust and a sense of partnership between citizens and the men and women whose job it is to protect us.

We set new standards, a new level of expectation, a belief shared by Commissioner Ramsey and myself that no amount of progress is ever 'good enough' when it comes to making our city safer, and an absolute determination

and unwavering defiance in the face of those who would harm our fellow Philadelphians harm.

That defiance has only grown stronger, that determination is just as absolute, and we remain as focused as we have ever been on ending this violence in our city.

In last year's budget we included funding for 120 new police officers – and all 120 will be deployed, on foot patrol, in the most violent districts in our city.

On January 26th we announced – in partnership with the District Attorney Seth Williams and our state and federal law enforcement partners – a range of measures to deal with a violent, deadly start to 2012.

We announced that:

- We would add another class of up to 100 cadets this year;
- We would seek automatic jail time for those caught with illegal guns in Philadelphia;
- We would work to identify the most violent criminals and take them off our streets, and we took another step this week by publishing a list of Philadelphia's 100 most wanted criminals;
- We announced that we would establish a text tip number so that citizens can provide us with information anonymously, with us having no way to trace the origin of the tip, and we would give up to \$20,000 for info leading to arrest and conviction for a homicide, up to \$500 for possession of an illegal gun;
- And finally, that all levels of government would work in close partnership and collaboration through our GunStat program to share information, work together on cases, and make our city a safer place.

We are beginning to see results from these new initiatives and we are making progress.

But we are not satisfied and so before we do anything else as a city government, we will continue to make the necessary investments to keep our citizens safe.

And we will continue to try new, innovative approaches to crime reduction that have worked elsewhere.

For example in April I will convene a community dialogue at St. Joseph's University to engage community leaders in designing a new community-based, anti-violence effort to create sustainable, safe environments.

And this isn't just talk. We're going to invest \$1m a year in this new approach.

And yes, we're also going to put more boots on the ground.

And so today I am announcing that we will hire nearly 400 new police officers by the end of the next fiscal year.

Our goal is to achieve and maintain a strength of 6,500 officers on our police force.

As attrition and retirement reduces our numbers in the coming years we will continue to hire to maintain this strength of 6,500 for each of the next five years.

All of these new officers – all of them – will be deployed on foot patrol to the most violent police districts and will target the most dangerous blocks in our city. Furthermore I have directed Police Commissioner Ramsey to continue to work with FOP President John McNesby to reduce the number of inactive officers and consolidate some special units so that we have the maximum number of men and women out patrolling our neighborhoods.

These officers will focus on the relatively small number of criminals creating most of the havoc out on our streets. We know who you are and we've had enough, we're coming for you. You think you can terrorize and kill people in this city. Think again.

I made a promise to the people of Philadelphia that ours would be a safer city and that's a promise I intend to keep. And today we make a further investment in that commitment.

You see, this city is on the rise. Forbes magazine just named Philadelphia a 'comeback city'. And we're not going to let a small minority of criminals ruin that for the vast majority of Philadelphians who are just looking to take care of their families, get to work or school, and enjoy their lives.

The responsible course of action that we took to manage our way through the recession – shared sacrifice, everyone giving a little – is working.

Our finances have begun to stabilize, tax receipts are beginning to grow moderately again, our unemployment rate is slowly coming down, and businesses – large and small - are investing and creating jobs in Philadelphia.

Exactly one week ago today 2nd District Councilman Kenyatta Johnson and I broke ground on a new \$100m John Buck Company retail and residential development on Chestnut Street – a project that will create more than 800 construction jobs right away.

The week before that I was on Drexel's campus in the 3rd District to break ground on their \$100m mixed-use Chestnut Street Project which will continue the total transformation of that section of West Philadelphia.

We must keep this recovery going.

Over the coming months we will announce a series of measures designed to make it easier to do business – and therefore create jobs – in Philadelphia.

We will continue to shrink the number of business licenses, put the entire licensing and permitting process online, and continue to drive down wait times and processing times for L&I services.

And we will continue to strive – working through our Office of Economic Opportunity and through the new Project Labor Agreement process – to ensure that ALL of our residents participate in this recovery. The government will lead by example in this effort as we continue to exceed our ambitious goals for minority, female and disabled owned business participation in City business.

All of us – the Administration and City Council – are focused and working together to create a more business friendly environment and attract more jobs to Philadelphia.

Last November I signed a package of business tax reforms proposed by Council members Jim Kenney, Maria Quinones-Sanchez and Bill Green to eliminate the \$300 licensing fees for all new businesses, exclude the first \$100,000 dollars in gross receipts from taxation, institute single sales factor apportionment across all sectors, and reduce the burden on small and start-up companies operating in Philadelphia. These measures equal an \$80m reduction in taxes for businesses in Philadelphia over the lifetime of the Five Year Plan.

Today I also reaffirm that we will restart in FY14 the wage tax reductions that the Great Recession forced us to suspend – an \$82m tax cut for workers and families in Philadelphia over the next five years.

This \$162m combination of wage and business tax cuts is \$39m larger than the package that we proposed in last year's Five Year Plan – a testament to our dedication to improve the city's economy for workers and employers.

This year we will also finally give homeowners in Philadelphia an equitable, transparent, fair property tax system. For decades this broken, mysterious system has meant that many people have been paying more than they should, while others have paid less than they should.

We took on the challenge of once and for all fixing this system with a citywide reassessment of every parcel in Philadelphia. And so – with the actual value initiative complete this fall – the next property tax bills to go out will be based on the fair, true, accurate value of homes in Philadelphia.

Some Philadelphians will see their tax bills cut by this reform.

Others, whose homes have been undervalued for years, will probably have to pay more. In order to help these people and ensure that our most vulnerable homeowners are protected we have asked the General Assembly in Harrisburg to authorize homestead relief for Philadelphia, something that is already available to other jurisdictions in Pennsylvania. Under our proposal, for owner-occupied residential properties, the taxpayer would be entitled to a \$15,000 homestead reduction from the assessed value of his or her property - thereby providing the greatest relief to lower-valued homes.

We will also work with City Council to put in place smoothing measures to phase in these new values over time to minimize any impact felt by property owners. And many low-income senior citizens will be eligible for the tax freeze program so that they will see no increases in their real estate bills.

I'll be the first to say it.

This isn't the easiest, most popular reform that we could have taken on. If it was, somebody else would have done it by now.

But we must have a fair system, an honest system, a transparent system, and so we're going to take it on. We're going to be up front, open, and give property owners as much information as we have. But this reform needs to be made, and made now. And I want to thank City Council for giving us the opportunity to make these reforms by creating the Office of Property Assessment and by committing to moving forward with the Actual Value Initiative.

Now, as we put more police officers on our streets and tackle many of the major challenges that we face, such as a broken property tax system, the budget that I propose today also makes much needed capital investments in communities throughout our city.

Let me first acknowledge that our capital projects often take too long to complete. This has been raised by me and several members of Council and I want to say that we are going to fix this problem. I am creating a working group within City government to work with City Council to create a better, faster, more efficient process so that needed projects are completed in a faster timeframe at the lowest cost.

The investments in City facilities contained within this year's budget – combined with the alleyway and commercial corridors improvements that we funded last year - will brighten and boost the neighborhoods that surround them.

We will spend \$6.6m to upgrade 6 police stations and 11 fire houses across Philadelphia over the next year.

But I also have one other police facility announcement to make.

Almost since the day in 1964 when the ribbon was cut on the current Police Headquarters – the Roundhouse – people have been talking about replacing it.

Well today, I am truly pleased to announce that we plan to renovate 4601 Market Street into a new, state of the art police headquarters – the first new police headquarters in nearly 50 years.

In addition, also at this facility, we will co-locate the City morgue and the City health offices currently located at Broad and Lombard. This is a smart consolidation which will allow us to sell existing assets, create new opportunities for development at those sites, and revitalize part of West Philadelphia much in need of investment.

We will also invest money in our neighborhood rec centers, pools and libraries.

We will spend \$8.7m on improving our neighborhood rec centers. What's more we will emphasize design as well as function, creating beautiful, sustainable spaces that will be centerpieces of the neighborhood. To see what that means, just check out the incredible work that is about to begin at Pleasant Playground in East Mount Airy, the Sturgis Rec Center in East Oak Lane, or the Penrose Playground in North Philadelphia - three newly renovated recreation facilities that will be built in the coming year.

Once again all pools will be open this summer. But this year – after three years of fundraising and generous support from citizens and our corporate community – we will put the funding for our pools back in the General Fund.

And finally, I can announce that we will establish a new Neighborhood Library Improvement Program and will budget \$7m over the next three years – to invest in NEIGHBORHOOD Free Library branches. This is NEW money, a new program that invests in neighborhood libraries.

Our goal is to leverage this \$7m in public money to generate significant foundation and philanthropic contributions for a larger total investment in neighborhood branch libraries.

Leveraging public dollars to generate even greater private investment.

This is precisely the type of innovation and partnership which characterizes our city government in this new era as we deliver services more effectively and efficiently.

As a matter of fact in the coming weeks we will hire an Efficiency Expert to take a thorough look at the operating costs and revenue collections of City government and recommend ways for us to do things more efficiently and at less cost to the taxpayer.

And - on the subject of revenue collections - we also know that there are many folks out there doing business, making money and not paying ANY taxes. Well, if anyone has information on these tax cheats, call our Tax Fraud Hotline – 215-686-3852 - to anonymously report this information and our Tax Fraud Investigators will be out to get what is owed to the citizens of this city.

We will also be creating an innovative new program to help deal with blight in our neighborhoods by giving citizens a single, online point of entry to find and purchase City-owned vacant properties. This will encourage greater investment and ownership in many communities and reduce the problems caused by vacant land.

And finally, we are – in partnership with Council President Clarke and City Council - looking at new ways to generate non-tax revenue. Last month we announced our intention to solicit bids from private companies for the Philadelphia Gas Works, a proposal on which we continue to work diligently and carefully. And we will also work with City Council to explore the idea of generating revenue by pursuing other asset sales and permitting advertising on certain City properties.

As we continue to improve the efficiency and effectiveness of government and look for new sources of non-tax revenue, we must also become smarter and more creative in the ways in which we partner with others to provide services to Philadelphians.

And it is in that spirit of innovation and partnership that I am excited to make this next announcement.

Work is underway to create a partnership between the City of Philadelphia and The Children's Hospital of Philadelphia – the world's premier children's hospital – to build a brand new multi-million dollar health center to provide children's and adult health care services in the increasingly diverse communities in South Philadelphia.

This new facility would be built on the site of the current City Health Center 2 at Broad and Morris and paid for by CHOP, outfitted by the City and CHOP, allowing us all to work together to provide the services for the residents in that neighborhood.

As we work with CHOP to finalize an agreement to build a world-class health center for this community, I am also excited that - subject to the securing of

further resources - these plans could include rebuilding the South Philadelphia Branch Library and creating a brand new recreation center to replace the DiSilvestro Recreation Center.

The possibility of integrating these three new facilities – health center, library and rec center – would allow us to provide coordinated services that include much-needed health and wellness programming and literacy training. At the same time we will continue to expand the City's dental care, mammography, prenatal care and a wide range of other children's and adult health care services.

With this new potential arrangement we can save the taxpayers money, the community gets more services and new state-of-the-art facilities, and we're able to better meet the expanding needs of a demographically-changing South Philadelphia.

Peter Grollman, CHOP's Vice President of Government Affairs and Community Relations is here representing the Hospital's CEO Dr. Steven Altschuler, who could not be with us today. Please recognize CHOP for their longstanding commitment to the city of Philadelphia by providing excellent medical care, major economic development projects, and programs that help improve the lives of children throughout the city.

Forming partnerships with citizens and outside organizations is at the heart of my administration's approach to government.

City government is not simply a provider of service, it can also play the role of facilitator.

This is what we've done through our Philly Rising program which is expanding and is transforming communities across our city, providing youth activities, music workshops, community clean-ups and job training fairs.

And it's working. I am pleased to report that in the first four Philly Rising communities – Hartranft, Haddington, Market East, and Frankford – we have seen an average 16% drop in violent crime during the time we have been working in those neighborhoods. In Haddington, in West Philly, that drop was almost 22%.

The credit for this progress lies with the people in these neighborhoods.

You see, the key to Philly Rising – and to our approach to government - is partnership with the community, working WITH the people in a particular neighborhood to define their priorities, and then working to bring in organizations and individuals who can help tackle the problems or provide the opportunities that the community has identified.

In Point Breeze residents told us that a lack of youth engagement and positive activities for young people has led to crime, violence and disorder in their community. Through Philly Rising we brought folks together to provide youth activities 6 days a week in Point Breeze.

One of these activities – created in partnership with Dominic McFadden from McFadden Music Productions - is the Philadelphia Youth Music Program – a free six week music industry training program for young people in Point Breeze to receive instruction from Grammy Award winning artists and producers at a recording studio at PHA's Wilson Park Community Rec Center. Dominic is here with us today.

I visited the program myself in January and – let me tell you – it won't be too long before the next DJ ?uestlove or Black Thought is coming out of South Philly!

In Strawberry Mansion Principal Kala Johnstone of the LP Hill Elementary School told us that one of her major challenges was filling her school library with books. Through Philly Rising we created a partnership between the school and the Widener Branch of the Free Library giving the school dozens of free books to fill their library and a commitment that excess books will be regularly delivered to LP Hill. Principal Johnstone from LP Hill Elementary and Lisa and Christina from the Widener Library have joined us today, please give them a round of applause.

And it's not just Philly Rising. Through our Citizens Planning Institute the Planning Commission is giving residents the planning and zoning expertise they need to make positive changes in their own neighborhoods.

Joyce Smith from East Parkside is with us today. She applied for the Planning Institute because she was looking for the tools to help build and grow her own neighborhood association – the Viola Street Residents Association. Joyce is using the skills she developed during her CPI classes to work with developers to ensure new projects are the right fit for East Parkside and to help her community work with the City to deal with abandoned properties through a new program created by the Viola Street Residents Association called 'Project Reclaim'.

Please recognize Joyce for the work she is doing in East Parkside.

This is a new way for city government to operate. Establishing partnerships. Communicating differently. Working WITH the community rather than trying to impose one size fits all solutions. Building capacity in neighborhoods throughout Philadelphia so that citizens can take ownership of their own communities.

Joyce, Dominic, Principal Johnstone, Lisa and Christina are just some of the many thousands of people across this city who are stepping up, taking responsibility, and working to improve their communities and the lives of their fellow Philadelphians.

They've stepped up, and now we must not let them down.

We must redouble our efforts to make this a safer city. The measures I have announced today are yet further progress towards that goal.

We must get out there and fight to bring every single job we can to Philadelphia and to help folks doing business in our city to grow and prosper, and the tax cuts I reaffirmed today, together with our ongoing efforts to make this a more business friendly city, will help us do just that.

We must rebuild and invest in all parts of this city – from the heart of downtown to neighborhoods at the furthest reaches of our city boundaries – and the investments contained within this budget are a down-payment on that commitment.

And we must continue to innovate and find new ways to bring people and ideas together to relentlessly drive Philadelphia forward.

This is what a 21st Century city government in a 21st Century city looks like.

Smarter, more efficient, focused on the fundamentals.

A government that citizens can trust to act honestly, openly and to spend their tax dollars wisely and carefully.

A government that makes investments in our people and in our neighborhoods, ever focused on ensuring that we have a safer city, a smarter city, a more sustainable city, a city that continues to attract visitors, residents, businesses and jobs from all over the world.

A government that is innovative, creative and brings everybody together, around the same table, to create partnerships that will improve the lives of all Philadelphians.

A government that ensures that no person, no neighborhood, no community gets left behind as we transform this international city. We're all in this together, one city, one Philadelphia.

Thank you, God Bless you, and God Bless the great city of Philadelphia.