City of Philadelphia

Five-Year Financial Plan

Fiscal Year 2006 - Fiscal Year 2010 (including Fiscal Year 2005)

Fourteenth Five-Year Plan for the City of Philadelphia pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act

Presented by the Mayor, January 25, 2005

CITY OF PHILADELPHIA

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John F. Street

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CITY OF PHILADELPHIA
FIVE-YEAR FINANCIAL PLAN

Appendices:

City of Philadelphia
Five-Year Financial Plan

Introduction

Introduction

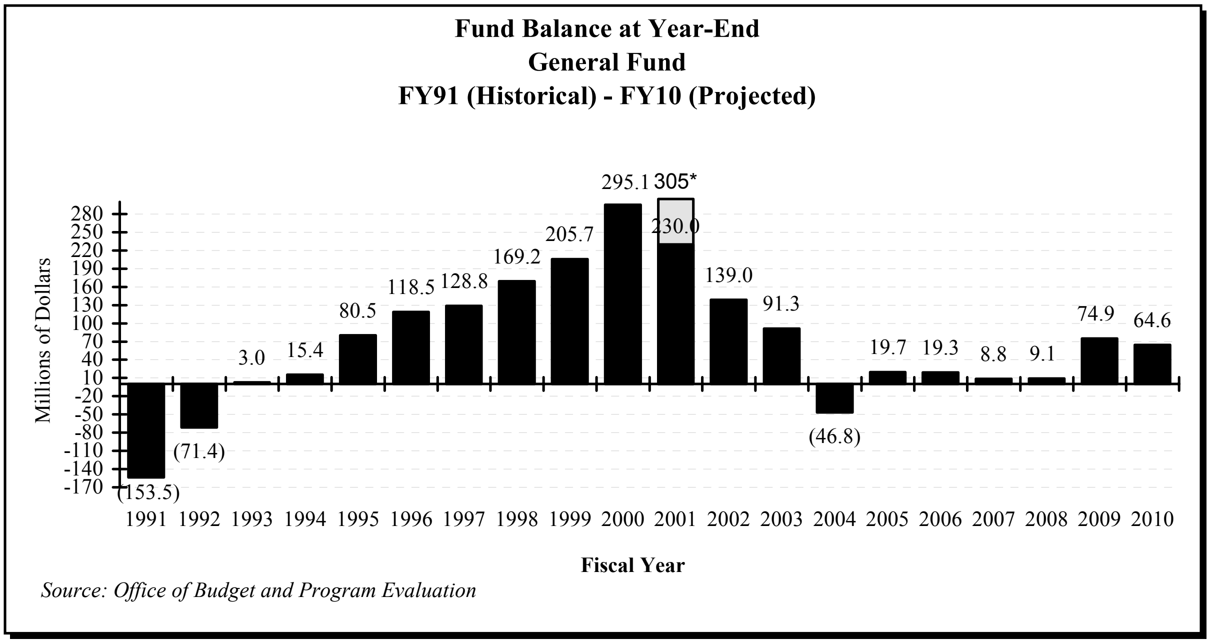
Overview

The commitments and investments the City has made in the areas of public safety, education, social services, economic development, and neighborhood transformation and blight elimination have added a new vitality and strength to the city. The FY04 annual Citizen Survey reflects the highest satisfaction levels with many City services ever recorded in the Survey's history. Operation Safe Streets has effectively reduced the open-air drug trade. With the City's leadership, the School District of Philadelphia has gone from a deficit-producing entity to one where continuous educational and financial progress is being made, attracting exciting investments from outside partners like Microsoft. The Division of Social Services established by the Mayor helps agencies to attack problems of self-sufficiency, drug and alcohol abuse, and child welfare in a systemic, coordinated way. Annual tax reductions have been implemented, which by the end of FY05 will have returned over $1 billion to the taxpayers. The Neighborhood Transformation Initiative and the annual tax reductions have effectively raised property values in all city neighborhoods, as evidenced by dramatic increases in real estate transfer tax revenue and housing sale prices.

Protecting the City of Philadelphia's real and measurable progress requires a delicate balancing act among competing needs. Over the past year, the City has been forced to make difficult choices and tradeoffs in order to achieve the best possible balance among these needs. Faced with a declining fund balance, dramatic increases in pension, health, and medical costs, an archaic City Charter that impedes sound management practices, an aggressive tax reduction scheme, and state intrusions on Home Rule and local governance, the City has been forced to take drastic action. In FY05, with a fund balance projection of just over $1 million and a looming deficit projection of $40 million for FY06, the City had no other choice but to reduce the budget through employee layoffs in order to achieve the substantial cost reduction called for in FY06 by last year's Plan. The July 1, 2005 budgeted workforce compliment of 22,639 leaves many City departments at their lowest staffing levels in 40 years.

In this Five Year Plan, the Administration will describe the actions planned to support the Mayor's objectives, enhance Philadelphia's world-class status, and manage with less while continuing to propel the city into the future. We recognize, though, that significant challenges remain.

With tax cuts all but locked in over the next decade and pension obligations escalating by an average of over $25 million each year, the Five-Year Plan is tenuously balanced, as shown in the chart on top of the next page.



The City's $46.8 million General Fund deficit at the end of FY04 was the first negative fund balance in twelve years. While the deficit was primarily attributable to a delay in receiving state reimbursement for human service program costs, the negative General Fund balance was nonetheless a sign of the increasingly limited room for error in City finances. Even after the employee reduction initiative that included layoffs, the fund balance is projected to be just over $19 million in both FY05 and FY06 – roughly 0.5 percent of General Fund revenues. The fund balance is projected to fall to even narrower levels in FY07 and FY08. The fund balance improves in FY09, due to the anticipated repayment of a $45 million loan made to the Philadelphia Gas Works (PGW) in FY01, and restoration of PGW's customary annual $18 million payment to the City.

The sections that follow show how the Administration will accomplish its goals with the resources at hand, as well as include highlights of major budgetary changes.

Mayor Street's Objectives

In January 2000, when Mayor John F. Street first came into office, he identified five primary objectives for his Administration:

- Maintain fiscal health
- Implement neighborhood transformation and blight elimination
- Promote economic development
- Provide high quality public education and comprehensive, coordinated social services for children, adults and families
- Enhance public safety and quality of life for all communities

The investments made over the past several years in these areas have made a remarkable impact on the city. Results from the FY04 annual Citizen Satisfaction Survey demonstrate that Administration efforts have resulted in record high satisfaction levels for core service areas, such as street repair, trash collection, library services, recreation programs, and police protection. Recent accomplishments related to these objectives include:

- ***Unprecedented growth in city real estate market***. The City collected 89 percent more from the real estate transfer tax in FY04 than it did before this Administration took office. Based on current trends, this tax is projected to increase another 17 percent this year in FY05, when revenue from this tax will be four times as high as it was when the City began the tax reduction program in 1995. The value of real estate changing hands in Philadelphia will be four times greater than it was ten years ago. In addition, the average sale price of homes in Philadelphia increased by nearly 18 percent from 2001 to 2003. The level and value of real estate activity are proof that people want to invest and live in Philadelphia, and that the City's neighborhood development programs are working.

- ***Significant expansion of cultural developments on the Benjamin Franklin Parkway.*** In FY05, the Barnes Foundation received approval to move from its current location in Merion, Pennsylvania to the Benjamin Franklin Parkway. This collection of 9,000 pieces of original artwork will join other arts and culture institutions on the Parkway, including the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, the Academy of Natural Sciences, the Moore College of Art and Design, and a sculpture garden that will pave the way for the Calder Museum. Additionally, the City also moved forward with a financing plan for the expansion of the Central Library. Internationally celebrated architect Moshe Safdie will design a modern, light-filled building that will not only significantly improve library service, but also will provide the city with a major new landmark and an anchor on the revitalized Benjamin Franklin Parkway.

- ***Initiated plans for the Thurgood Marshall Center.*** In FY05, Philadelphia moved closer to achieving a two-decades-old goal to relocate the Youth Study Center (YSC) from its current structure at 20th Street and the Parkway, to a new, state-of-the-art building. Built in 1952, the YSC is no longer suitable for the provision of appropriate security, management, or care to the juveniles housed there. The new center, named the Thurgood Marshall Center, will include high-tech improvements, such as keyless doors, as well as facility space to encourage arts and recreation programs for the residents. To be built on five acres of land at 4601

Market St. in West Philadelphia, a design team has been selected and construction is expected to be complete by 2007.

These recent developments, combined with those that follow, show that Philadelphia is reaching its goal of becoming a place in great demand, attracting people to work, live, and play.

Highlighted priorities of the administration for FY06 include:

- ***Expanding business privilege tax (BPT) reductions***. The Administration believes that, as financial circumstances permit, it is prudent to continue to make adjustments to business taxes that will improve Philadelphia's economic outlook. At the same time, in line with recommendations of the Tax Reform Commission, the Administration's position is that tax reductions beyond those currently in law should be offset by new sources of revenue. Accordingly, the Administration proposes two tax changes: Reducing the gross receipts portion of the BPT from 1.9 mills to 1.5 mills and increasing the parking tax rate from 15 percent to 20 percent. The reduction in the gross receipts rate will provide an additional $71 million in business privilege tax relief over the Five-Year Plan. The increase in the parking tax is projected to generate $13 million in FY06, which covers the revenue loss resulting from the decrease in the BPT over the life of the Plan. There are several potential benefits to making changes in the rates of the two taxes. The proposed 14 percent rate reduction in the BPT is twice as large as the reduction currently scheduled by Council ordinance. When added to the $109 million in relief already planned through the continuation of the annual rate reductions scheduled for the City's ten-year tax relief program, and the $198 million in wage tax relief included in the Plan for wage tax reductions and wage tax credits for low-income workers, the BPT reduction provides a total of $378 million in wage and business privilege tax relief in the Plan. Even with an increase, the parking tax rate would remain well below the 50 percent rate charged by the City of Pittsburgh. In addition, a parking tax rate increase to 20 percent is one of the Tax Reform Commission's suggestions for changing Philadelphia's tax mix, to afford business privilege tax reductions. The Administration's FY06 proposed shift is the full amount of tax relief that can be funded from this recommendation. In addition, the Administration recommends that if PGW repays the $45 million loan to the City in FY09, this funding should be put towards the reduction of the net income portion of the BPT beginning in FY10. In concert with the planned eventual elimination of the gross receipts portion of the tax, this would place the City on a path to drastically reduce the burden of the BPT in a fiscally responsible manner.

- ***Moving forward with Wireless Philadelphia***. The City's Wireless Philadelphia initiative aims to provide wireless internet access throughout the city. The project successfully cleared a hurdle in November 2004, when the City and the incumbent telephone company worked together to resolve a potential barrier presented by a newly enacted state law requiring municipalities to give a right of first refusal to the incumbent before offering wireless service to the public for compensation. The project is now free to proceed consistent with the statute. Wireless Philadelphia will work to create a digital infrastructure for open-air Internet access and help citizens, businesses, schools, and community organizations make effective use of this technology to achieve their goals while providing a greater experience for visitors to the City. The Mayor has convened the Philadelphia Wireless Executive Committee, and charged it with helping to develop a public and private partnership to extend this service to all the areas of the city by late 2006. The total cost of this initiative is in the order of magnitude of $10 million which will be funded exclusively with private funding. A business and financing plan along with an organizational structure for this venture is now being completed.

- ***Initiating New River City***. The City is transforming the Delaware and Schuylkill river areas by turning acres of underutilized land into new communities of residential and commercial investment on the waterfront. Investment will increase awareness of the waterfront, stimulate economic activity, and improve the quality of life for the city and the region. Refinancing of the City's water revenue bonds will occur in FY06, providing $125 million for infrastructure investment on the waterfront. The City will purchase a surety bond to replace part of the Sinking Fund Reserve currently held for the water revenue bonds, and use these "replaced" funds for the initiative. The City will make the initial selection of New River City infrastructure projects based on allocations that maximize private sector investment, funding from other government sources, job creation, and the highest and best use of the land.

- ***Improving the inmate re-integration process.*** Several hundred inmates are returned to our neighborhoods each week. Inmates are people who have made mistakes and paid their debt to society. However, when they are returned to their communities, there are many job prohibitions and other restrictions, but few support networks to assist them in refashion their lives as productive members of our community. Working with faith-based organizations, and focusing available social services safety nets programs, such as substance abuse prevention programs and job training, the City will increase its efforts to decrease recidivism and help former inmates maintain themselves as productive and contributing members of their families and neighborhoods. This program will use existing funding streams, and not incur additional General Fund costs.

- ***Revitalizing the Navy Yard.*** In FY04, a master plan was unveiled that focuses on development of more than 500 acres of land and buildings at the eastern end of the Navy Yard. This plan calls for mixed-use development, offering business, housing, recreational, retail and restaurant space and will help bring a new vitality to South Philadelphia. Containing 1,200 acres of land, the Navy Yard is as large as Center City and provides a unique suburban campus feel, while also offering all the amenities of the city. The Master Plan outlines the long-term goal for development, creating the potential for 30,000 jobs and up to 5,000 residential units. The realization of the master plan will generate more than $2 billion in private investment.

Initiatives for the FY06-FY10 Budget

Initiatives for FY06 are grouped under three main headings: Management improvements, revenue enhancements, and cost savings. New initiatives are included at the top of each section, and initiatives in progress follow, with a status update.

Management Improvements

One focus for the next few years will be how to manage at a significantly lower staffing level, while maintaining high quality City services, preparing for uncontrollable costs, and establishing the framework for the City's future. As part of the position elimination process, operating departments reorganized their management structures, to streamline the reporting structure and eliminate potential duplicative functions and underutilization of staff. Among the principal departmental reorganization strategies are:

New initiatives

- **Consolidation of selected Streets Department functions**, as follows:

  - Consolidate highway districts from 6 to 3, thereby not only reducing the number of management layers, but also achieving greater efficiency in administrative functions and highway inspection functions.

  - Consolidate the survey districts from 6 to 5, to streamline the management team.

  - Transfer the role of the drawbridge operators to the Bridge Maintenance Unit, resulting in a five-position reduction. In FY03, the operators operated the two bridges for which they had responsibility 65 times; and in FY04, the two bridges were only operated 100 times. The Department has coordinated the process with the Coast Guard, and as a result, no delays will occur even with the addition of a third bridge to operate in the coming months.

- **Consolidation of Police bureaus and units**, resulting in an increased span of control among the higher tiers of management in the department. The functions for three deputy commissioner positions were folded into the responsibilities of the Deputy Commissioner of Operations, reducing the number of deputy commissioners from six to four. FY06 positions for chief inspector, inspector, staff inspector, and captain will be reduced by 27 percent from July 1, 2003, consolidating the functions and responsibilities among the remaining positions. The reduction in positions will not affect the patrol function: Non-patrol staff will be redeployed to patrol as needed. No FY05 recruit hiring will be conducted to allow attrition to reduce the overall size of the police force.

- **Restructuring of the branch library schedule**. In recent years, many City branch libraries have experienced emergency closings due to staff shortages and maintenance issues. In addition, few branch libraries offered Saturday hours, thus further reducing opportunities for use. Beginning in late FY05, the Library will implement a new deployment plan and branch library schedule, which will eliminate emergency closures and provide six day service at all branches. The plan was developed to provide maximum support to the Library's core audience of children and families, and ensure that the LEAP after-school program is available every school day, at every branch. No branches will close and library service will continue to be offered in every neighborhood, although 20 branches will eliminate morning hours and be open in the afternoon for four hours a day, six days a week. Each of these 20 branches will be partnered with a nearby branch which is open full days, and Saturday afternoons. There will be 29 branches with fulltime schedules and the three large Regional Libraries as well as the Central Library will maintain their day, evening and weekend schedules.

- **Fire Department reduction of uniformed administrative positions, and transfer of uniformed personnel into field positions**. The reductions were achieved by consolidating functions under one job title, increasing the span of control for that position, and consolidating units to pool resources. The graphic arts unit and the visual communications unit were consolidated, resulting in a firefighter filling a vacant field position. One Deputy Chief assumed the duties of the Battalion Chief, who moved into a vacant field position.

- **Recreation Department consolidation of program districts from 10 to 7**. Program and management consolidations with the Fairmount Park Commission (FPC) have allowed administrative staff reductions and reduction in service costs while improving quality. Recently, six recreation centers and three pools were transferred from FPC to the Department of Recreation, resulting in greater concentration on core functions within both agencies. In addition, all turf maintenance will be assumed by the Park, in order to capitalize on their expertise.

- **Licenses and Inspections pooling of clerical support across units** to manage timeliness of processing documentation and compliance activities.

- **Implementation of a Personnel Human Resources Information System (HRIS).** The City currently employs over 400 staff who complete and route over 70 paper forms used to establish and maintain employee status records. Forms are manually entered into Central Personnel's HRIS system, which is over 25 years old and does not allow for real-time updates. In addition, many departments have stand-alone systems that do not link to Central Personnel's system. As a result, data take an average of 27 days to post, making transactions neither timely nor accurate. In FY05, Personnel will move forward with plans to replace these antiquated systems with a new Citywide HRIS system.

- **Continuing to replace paper-intensive processes with automation.** The City will expand use of business process automation software in FY06, deploying the system to support the Law and Revenue departments' collection efforts. The first pilot will integrate the Revenue Department's TIPS Payment Agreements into the business tax practice of the Law Department. This initial effort is estimated to cost less than $50,000 to implement, and can be put in place in slightly over one month. Other points of business integration between the Revenue Department and the Law Department are also being considered for business automation. The improvement should result in increased revenue and payments to the City.

The business process automation tool will also be integral in NTI's Vacant Property Management Information System processes for acquisition and disposition of property (for more details, please see chapter on Neighborhood Transformation and Blight Elimination). The number of parcels of land acquired and disposed through NTI has significantly increased the workload of the Redevelopment Authority (RDA), which must manually complete the required forms under strict state redevelopment laws. Automation of these process using the "eworks" business process automation tools will significantly improve work flow and efficiency and give the RDA greater capacity to meet the increased demand created by NTI.

- **Better managing overtime costs.** Beginning in FY04, the Managing Director's Office began an initiative to better control overtime through focused management approaches and by examining and addressing the drivers of overtime. One initiative has been more efficient deployment of officers called to testify at court. Through improved cooperation and coordination between the Managing Director's Office, the Police Department, the District Attorney's Office, and the court system, the City has been better able to manage and control overtime costs.

- **Centralizing enterprise services.** For many years, the City has taken a department-based approach to information technology, resulting in stand-alone systems and scattered departmental IT staff. Support of the City's numerous IT systems can be costly and sometimes inefficient. In FY05, MOIS received a $325,000 productivity grant to fund the preparation of detailed strategies and implementation plans for consolidation of network and server administration, desktop support, and helpdesk service. Upon review of the plans, the City will prioritize the areas for implementation beginning in FY06.

- **Increasing efficiency through cross-training.** Historically, staff in Procurement responsible for purchasing focus solely on one of two areas: (1) Services, supplies, and equipment bids, or (2) public works bids. The practice is not efficient, as it does not allow for reallocation of staff resources when fluctuations in workload between the two units occur. To improve operations, in FY05, the Procurement Department began to cross-train buyers to enable them to work across units. Cross-training will allow for a greater pool of buyers to handle bids, resulting in decreases in bid processing time. Training is expected to conclude by the end of FY05, with staff working across units beginning in FY06.

The reduction in force of approximately 1,300 positions that accompanied the management restructuring will also result in some service reductions. Efforts were made to minimize the service impact of the reductions, with departments selecting to reduce or eliminate functions that would not present a threat to public safety or greatly reduce quality of life in the city. However, some service reductions could not be avoided and are detailed below:

- **Elimination of curbside collection of white metals and tires**. The City currently provides curbside collection of white metals (including washer/dryers, dish washers, and refrigerators) and tires. Beginning in FY06, the City will no longer offer curbside collections of these materials but will still collect these materials at neighborhood drop off centers.

- **Reduction in the number of daily basket collections in Center City**. The Streets Department picks up trash from garbage cans in Center City three times daily during weekdays and twice daily during the weekend. Beginning in FY06, the Department will reduce one pick up daily-weekdays will have two pickups and weekends will have one.

- **Standardization of the trash collection schedule.** A small portion of the city receives trash collection twice a week. This service is costly and inefficient. Beginning in FY06, the service will be reduced to once a week, impacting 25,000 households.

- **Reduction of the number of buildings the Clean and Seal Unit can address.** Reducing the number of units by 108 units, the program will serve 1,100. For FY06, the Unit will address 260 fewer than the original projection of 1,500 buildings.

In progress

- **Consolidation of Department of Public Health (DPH) laboratories**. In an effort to streamline the delivery of laboratory services by combining some management and administrative functions, DPH is currently in the process of consolidating the management of its three laboratories: The Public Health Laboratory, Forensic Toxicology, and Air Management. The consolidation is projected to net an approximate savings of $224,500 annually beginning in FY06, by eliminating three full-time equivalent positions, reducing waste disposal costs, reducing supply expenses, and reducing expenses relating to purchasing and procurement.

- **Consolidation of facilities maintenance**. There are over 350 City employees who perform facility maintenance. One-third of the maintenance workers are in the Department of Public Property (DPP); most are scattered throughout various departments, maintaining recreation centers, health centers, libraries, fire stations, and other public facilities. Departments included in the consolidation will begin shifting resources and responsibility to DPP during the second half of FY05. Centralization and more efficient deployment of staff is expected to save $3.7 million through FY10.

- **Centralization of warehousing and implementation of citywide inventory system**. A study of warehouse and inventory management found that facility consolidation and improved inventory control has the potential to achieve a 5 percent to 10 percent reduction in inventory-related (Class 300) expenditures annually. During FY05, the City will complete plans to reorganize the function using a centralization model, and explore implementation of just-in-time purchasing. In FY06, the City will select the implementation strategy, and begin to create a centralized warehouse serving the entire city. A savings of $3.2 million is expected through FY10.

- **Implementation of a water billing system**. The Water Revenue Bureau is using the Oracle 11i Enterprise Business Suite to build and support a new Customer Information System at a cost of approximately $9 million. The implementation of the new system, known as Project Ocean, will allow the WRB to address inefficiencies in the 25-year-old billing and enforcement system. The goal is to streamline and standardize core business processes and obtain productivity efficiencies. The Revenue Department expects the billing system to be fully online by the end of 2005.

- **Expansion of electronic bill payment through e-government transactional applications.** In FY05, the City deployed an electronic bill payment tool and, for the first time, allowed residents and business to conduct transactions online. Currently, a visitor to www.phila.gov can use the Internet to pay water bills and school and property taxes, order and pay for copies of accident reports and property deeds from the Records Department, and obtain some types of building permits from L&I. In FY06, this enterprise capability will be further deployed in city and departmental applications. Since the capability has been deployed there have been 5,900 transactions resulting in payments to the City of $591,000. Increased payment offerings and increased citizen awareness should increase the number of annual transactions to 30,000 in FY06, resulting in payments of $3.0 million.

- **Improvement of efficiency and customer service through L&I's implementation of software solution.** By the end of FY06, the Department of Licenses and Inspections will complete the LICA project and fully implement the Hansen software application that will automate many of the currently paper-intensive processes for issuing licenses and permits. Full implementation of the LICA system will provide many efficiencies to the Department, including: faster and more effective response to citizen complaints; better management of resources due to readily available productivity data for each employee; increased efficiencies in providing public safety and code enforcement due to reduction in lag time from inspection to entry of inspection data; and efficiencies gained from elimination of double data entry by inspectors and office staff. The total cost of the project is $3,558,863, of which $718,880 will be spent in FY06.

Revenue Enhancements

Revenue enhancements chiefly include the continuation of initiatives begun in FY05. The City will:

New initiative

- **Provide incentives to promote citizen recycling.** In October 2004, the Streets Department partnered with a non-profit organization, RecycleBank, to launch a pilot program in the Northwest section of the city aimed at increasing recycling tonnage by providing incentives to citizens who recycle. The pilot also includes the addition of plastic and corrugated cardboard to the curbside collection for approximately 6,000 homes. The program provides $5 coupons to local stores for every 10 pounds of recycled material received per month per household. The distribution of 35-gallon wheeled containers, weighing the material, and issuing coupons to local corporate sponsors is scheduled to begin in February 2005. If the program is implemented citywide, the City anticipates additional processing costs to be adequately covered by the following factors: An increase in recycling materials collected, thus diverting material from trash disposal, and reduced operating costs for recycling and rubbish collection due to greater efficiencies.

In progress

- **Implement strategic marketing partnerships**. The City is currently working with a consulting team to develop a citywide strategic marketing plan to maximize the value of private partnerships and increase revenue for City programs. Partnerships have the potential to take a variety of forms, including sponsorships, exclusivity agreements, and leasing of City assets, among others. Preliminary estimates by the City's consulting team support a revenue projection of $47.5 million from FY06 to FY10.

- **Generate revenue from surplus City properties.** The City has received expressions of interest for a number of properties that should not be retained, either because another entity could better provide services at that facility, services have been eliminated at the site, or the property is underutilized or abandoned. Based on those initial expressions of interest, the City believes that it can generate $10 million in FY05, and an additional $24 million through the life of the Plan.

- **Increase fees to cover costs.** The Administration is pursuing a variety of fee adjustments through legislation, including:

  - **A gun permit fee.** The City currently issues an average of 7,830 gun permits per year but has been permitted to charge only $19 per permit. Of this amount, the state receives $12.50 and the City receives $6.50. The Police Department performed an analysis of the costs involved in processing a permit--including fingerprinting, computer checks, and multiple reviews and approvals--and found the actual activity cost is closer to $118 per permit. The City is pursing state approval to adjust the permit cost accordingly, which would result in an additional $300,000 in revenues annually.

  - **A right-of-way ordinance.** During the first half of FY05, the Managing Director's Office, Streets Department, Department of Public Property, and Law Department worked with area utility and telecommunications companies to draft a Right-of-Way Ordinance that will provide regulation as well as cost recovery for managing street openings and occupancy of street rights-of-way by telecommunications and other service providers. Through the adoption of a comprehensive right of way management program, the City will be able to minimize utility street cuts; improve coordination between street maintenance and utility construction; conserve limited public right of way capacity; recover administrative, inspection and street replacement costs; and assure that the City maintains a planned, organized and efficient use of its public rights of way. The Administration plans to present the Ordinance to City Council for approval in spring 2005. The ordinance should help the City recover $800,000 annually.

- **Seek more stringent fines.** In FY05, the City obtained from the General Assembly authority to increase maximum potential fines for violations of The Philadelphia Code in general, and specific increased potential fines and other penalties for "short dumping" violations. The general fine authority increase allows the City to increase maximum fine levels (previously a $300 maximum) by $400 each year, up to a $2,000 maximum. To take advantage of this increased authority, the Administration has proposed a bill to City Council, which was introduced in December, that would increase the potential penalties for some of the most serious violations of The Philadelphia Code, such as serious property maintenance violations (e.g., imminently dangerous buildings) and Fire Code violations (e.g., fire protections systems out of service). These changes to The Philadelphia Code will allow the City to ask the courts to impose higher fines where appropriate. A bill was also introduced in Council that will implement the short dumping authorization by allowing the City to seek penalties of up to $5,000 for, and forfeitures of any vehicle used in connection with, short dumping.

- **Charge for cell phone tower leases on City property**. The City recently released an RFP to allow wireless providers to use City facilities to place towers. Beginning in FY06, the City anticipates this will generate approximately $800,000 in annual revenues.

- **Seek appropriate reimbursements for Department of Human Services (DHS) costs.** The Administration is strongly advocating for two pieces of legislation that would result in substantial revenue increases for the City. The first bill requires both federal and state legislation, and would increase reimbursements for salaries and benefits of social workers from 80 percent to 100 percent. The City expects full reimbursement to occur beginning in FY08, with 50 percent salary reimbursement in FY07, which will generate $67.2 million through FY10. The second bill increases reimbursements for adoption subsidies and legal custodian services from 80 percent to 100 percent. The City expects to begin receiving 100 percent reimbursement beginning in FY06, which will generate $26.9 million in revenue over the life of the Plan.

- **Receive Medicaid Reimbursements for hospitalization of inmates.** One of the fastest growing areas in the City's budget is the cost of medical care for inmates in the Philadelphia Prison System. The Prison System's health contract has increased from under $24 million in FY00 to over $46 million in the FY05 budget, a 93 percent increase. One of the costs within the contract that is hardest to control is the cost of hospitalizing inmates. The U.S. Department of Health and Human Services issued a letter indicating that hospitalization costs for inmates may be eligible for MA reimbursement, as long as it is not precluded by state law. Therefore hospitalization costs for inmates could be eligible for reimbursement. To this end, the City has requested an opinion from the Commonwealth to confirm its understanding of state law and is working with the Commonwealth to implement this initiative. The plan assumes $2 million annually from such reimbursements.

Cost Savings

The City will continue with many of the cost savings initiatives discussed in previous Five Year Plans. In FY06, the City will:

New initiatives

- **Realign Medical Assistance (MA)**. Through FY06, DHS expects to transfer the responsibility to fund approximately $45 million of treatment services to OBH/MRS which will be reimbursed through HealthChoices Medicaid. For FY05, as a first step, DHS, working in conjunction with the state Department of Public Welfare (DPW) and OBH/MRS, have identified provider agencies that are already MA enrolled and that have an existing relationship with OBH/MRS. Costs associated with these placements will be transferred to OBH/MRS, effective January 1, 2005 resulting in a significant cost savings to DHS. For FY06, DHS will examine transferring the next level of program costs. This will include programs such as drug and alcohol, mental retardation and other behavioral health programs not included in phase one that are potentially reimbursable through MA.

- **Reallocate Medicaid funded intensive residential services.** In FY06, funding that currently supports two existing Residential Inpatient Non-hospital Treatment (RINTs) facilities will be transitioned to Medicaid Health Choices reimbursement. This funding shift is projected to offset $3.3 million in operating costs that are currently supported with state and City funds. These services are targeted to persons with severe behavioral health and chronic addiction issues. The ability to fund LTSRs and RINTs via Health Choices will provide greater flexibility in the development of community living supports that promote recovery and independent living. This will result in the ability to redirect county funding to additional infrastructure and service needs, such as residential development, training, and staff recruitment and retention initiatives.

In progress

- **Encourage independently elected officials to adopt cost-reduction efforts**. In FY05, the Administration proposed reducing the budgets of the First Judicial District (FJD) and court-related agencies and independently elected officials. The Administration, with the help of City Council, was successful in these efforts, with only a small restoration made in one department. The City's budgetary constraints require that the Administration again request that independently elected offices, FJD, and court-related agencies participate in cost reduction efforts by absorbing their share of a five percent reduction in FY06 budgets, which would result in a $9.3 million annual savings to the General Fund. Restoration of any funding to these departments will result in additional staff reductions in City operating departments.

- **Better address demands on the Fire Department**. In the FY05-FY09 Plan, the Administration proposed to adjust Fire Department resources to better reflect the needs of citizens, by adding eight medic units and reducing the number of engine and ladder companies by four units each without closing any fire stations. These changes would allow the Department to better respond to the increased demand on medic units, and reflects a long-term decrease in the number of fires. In FY04, demand for medic units continued to increase to 200,849 runs, an increase of 3 percent from FY03 and 50 percent from FY95. During the same time period, the number of structural fires declined 23 percent. The restructuring plan provides an annual cost savings of $6.5 million to the General Fund, without closing any fire stations or requiring layoffs of uniformed personnel, while maintaining adequate fire protection and enhancing the Department's ability to deliver emergency medical services. The Department's plan was challenged in Court by the local firefighters union, IAFF Local 22; the Court issued a preliminary injunction stopping implementation of the plan , pending resolution of the issues raised by the Union in a grievance arbitration and an appeal before the Pennsylvania Labor Relations Board. A decision on the grievance is currently pending resolution by an Arbitrator. The Administration remains committed to this initiative and includes full annual savings from the plan beginning in FY06.

- **Provide disability insurance and reduce sick days accrued by five.** Currently, City employees receive 15-20 days of sick leave annually, and may accrue up to 200 sick days. High sick leave usage results in overtime costs to cover for absent employees. In FY05, the City will adopt a short-term disability program for non-represented and exempt employees, reducing the number of sick days to six, and the maximum sick day accumulation to 18. Members of District Council 47 and District Council 33 will have the opportunity to participate in the program, which permits employees to earn two-thirds of their salary while on short-term disability leave, instead of relying on accumulated sick days, which may be insufficient to cover the length of leave required. Employees covered by the short-term disability program will receive annual sick leave benefit of six days, with a maximum accumulation of 18 days. This program is anticipated to save the City $2.3 million each year in overtime savings.

- **Move to self-insurance on health/medical benefits.** A self-insured health benefit is expected to reduce the cost of the City's annual health insurance payments. Health insurance costs are expected to grow over 10 percent each year through FY10. By becoming self-insured, the City eliminates health insurance companies' administrative fees for processing medical claims from health plan recipients.

- **Switch from a defined pension benefit to a defined pension contribution.** Under the current defined benefit system, the City guarantees a certain level of benefit to employees. The City's contribution is tied to actuarial analysis of the performance of pension fund investments and the retirement demographics of the workforce. Under a defined contribution plan, the City would set the amount of the contribution it would make for each employee, and allow the employee to choose how to invest the contribution, similar to a 401(K) plan. A study of the defined contribution and defined benefit plans is underway in FY05. Although the change would not result in savings in FY05 or FY06, a decision to seek a defined contribution plan would resolve one of the City's long-standing structural problems.

- **Transfer highway patrol function to the Commonwealth.** The Commonwealth of Pennsylvania patrols state highways in every county except Philadelphia. To protect motorists within City limits, the Police Department has deployed officers to fulfill the state's responsibility. Beginning in FY06, the Commonwealth has committed that state troopers will patrol of Philadelphia's state highways, resulting in a savings of $5.6 million annually.

- **Continue to form Administrative Service Centers**. An Administrative Service Center (ASC) consolidates administrative staffs to serve a number of related departments, known as a cluster. Instead of each department having its own personnel dedicated to administrative, personnel, and budgetary functions, department clusters "share" staff assigned to these areas. Additionally, new business process automation tools streamline paper and clerical-intensive processes, enabling departments to be served with fewer employees overall. In FY04, the first ASC was formed, consolidating the departments of Finance, Procurement and Personnel, the Office of the Treasurer and MOIS. This ASC will also absorb the Revenue Department's administrative functions in FY05. The second ASC, consisting of the Recreation Department and Fairmount Park, was also completed in FY05. Formation of the third ASC, which will include the Department of Public Property, the Capital Program Office, and the City Planning Commission, is scheduled for completion by the end of FY05. The ASCs are projected to save $35 million over the life of the Plan.

- **Help obtain health insurance coverage for a larger percentage of Health Center patients.** Many of the uninsured patients at City Health Centers are eligible for coverage but are not enrolled. In FY02, in an effort to increase the number of patients who receive health coverage, DPH increased the number of benefits counselors available to assist patients with Medical Assistance, Adult Basic, Private HMO, and Children's Health Insurance Program enrollment. In FY04, 17 percent of uninsured patients who received benefits counseling were successfully enrolled in an insurance program. In FY05, one health center initiated a pilot program (self-declaration of income) with the state Department of Public Welfare and the Office of Medical Assistance that allows DPH to enroll a family in Medicaid more efficiently. It is hoped that the DPW will expand this initiative to other centers in FY06. Since FY03, the Department has decreased the number of uninsured visits to all District Health Centers from approximately 64 percent to approximately 53 percent, as of November 2004. In FY05, the department also increased the emphasis on pediatric patient coverage, since a higher percentage of children are eligible for coverage. These efforts will continue in FY06. In addition, more extensive multicultural resources will be put into place, to establish insurance coverage opportunities for patients with limited English proficiency. As a result, DPH expects the percentage of uninsured visitors to drop from 64 percent in FY02 to 51 percent by the end of FY06 and 30 percent by FY09, saving the City approximately $19.1 million through the life of the Plan.

- **Optimize recreation facility expenditures.** The Recreation Department currently manages 159 staffed recreation facilities, 86 pools, 5 older adult centers, 5 ice rinks; and supports sports and cultural programs in 120 elementary middle and high schools. In order to reduce operating costs with minimal service impact, the Department has begun an initiative to transfer, lease, or sell selected properties to interested outside parties. Properties lacking facilities or recreational use are being assessed for possible transfer or sale. To date, one facility has been transferred to a non-profit organization, which will assume responsibility for utilities costs, repairs and maintenance; and others transactions are pending. There will be rental and sales income resulting from these transactions; most lease arrangements will be a nominal $1 per year, but several sales and a few rentals are anticipated to be substantive.

  An additional operating cost reduction strategy is the replacement of pools with "spraygrounds," which offer water recreation without standing water. A sprayground costs approximately $125,000 to build, with operating costs that are less than half those of a pool. The Department is currently working with City Councilmembers to determine optimal locations for spraygrounds, and plans to open at least three spraygrounds by summer 2005. These changes are expected to produce $1 million in annual savings.

- **Manage the prison population**. Over the past several years, the Philadelphia Prison System has worked in partnership with numerous organizations, including the First Judicial District, District Attorney's Office and other court-related agencies, to develop alternatives for sentencing people to the prison. A variety of programs have been used to divert offenders from prison to treatment and lower inmate recidivism, such as electronic monitoring, community service, drug treatment, and the Forensic Intensive Recovery program. For many convicted of minor crimes, providing alternatives to a prison sentence is preferable, since studies have documented that these alternatives can deter a participant's progress to more serious crimes. With the cost of housing one prisoner averaging $87 per day, diversion programs have the potential for substantial savings. Based on current trends, the growth rate for the prison census would between 4 and 5 percent from FY06 to FY10.

- **Contain costs by continuing fleet reduction program**. The City has completed the first phase of the Citywide Fleet Reduction and Containment Project. During FY05, City departments relinquished over 300 vehicles, providing annual savings of $1.6 million, through lower fuel costs, reduced maintenance costs, nonrecurring vehicle auction revenues, and lower parking costs. Recognizing that City employees will still require different levels of access to vehicles, Fleet developed several alternative transportation programs, including providing mileage reimbursement, a vehicle allowance program, and the innovative car-sharing program. The fleet initiative will save a total of $4.6 million over the next five years.

- **Suspend programs that are not cost-effective.** The City continues to analyze services to make sure that they are effective. The Prison and Adult Services provide examples of cases where services have been suspended or reconfigured because they do not appear to be effective. After intensive analysis, the Philadelphia Prisons System has determined that continuing the methadone heroin-addiction treatment program for pregnant female inmates in FY06 is cost effective and has found alternate strategies to deliver this service, which will preserve the provision of medication to inmates who already receive it in the community. The new arrangement serves more individuals (55) at a lower cost than in FY05, $400,000. The program also reinforces the reintegration of inmates when they return to the community and resume attendance at community clinics.

Update on Strategies to Close the FY05-FY09 Budget

Several initiatives were completed in FY05 that will continue to provide financial benefits to the Plan, including the following.

- **Increased fees to cover costs.** The City conducted a comprehensive assessment of the fees it charges for services, and has made adjustments in instances in which activity costs are not adequately covered. Adjustments include the following:

  - **Increased ditch permit fees.** City Council passed a ditch permit fee increase in June 2004, allowing better recovery of costs caused by increased cost of materials and labor associated with the inspection and restoration of the excavations. The fee increase is expected to provide $305,000 in additional revenue annually.

- **Updated Emergency Management Services (EMS) fees.** In FY04, the Administration increased the EMS transport fee from $400 to $500, to reflect the increased cost of the activity. This increase will generate $2.3 million annually in additional revenue, and is generally paid by insurance companies.

- **Increased fees for Police incident reports.** Beginning in Spring 2005, citizens will be able to access police traffic accident reports and certain types of incident reports, such as burglaries and thefts and traffic accident photographs, via www.phila.gov. To help offset the costs of providing this information, the Department of Records plans to increase fees for reports, which is expected to generate an additional $500,000.

- **Changed food licenses fees.** Beginning in FY05, the food license fee charged to food establishments was increased, generating additional revenues of $400,000 annually.

- **Adjusted environmental health fees for licenses and services.** In FY05, City Council approved adjustments to fees levied for certain services and the issuance of certain licenses and permits under Health and Air Management Codes. The revised fees cover the Health Department's cost and increase revenues by approximately $800,000.

- **Enhanced code enforcement efforts.** The departments of Streets and Licenses and Inspections (L&I) increased code enforcement activity in FY05. Two ordinances approved by City Council enabled this increased enforcement: The minimum fine associated with a code violation notice was increased from $25 to $75, and reinspection fines are now levied after the second reinspection and for all subsequent reinspections when a property owner fails to remediate a Code violation. The ordinances will enable an increase in fine revenues by $600,000 annually.

- **Fees for maps.** The Philadelphia City Planning Commission formerly provided maps for developers and private interests without charge. Starting in FY05, the Commission began charging for the work performed, and expects to generate $60,000 in revenues.

- **Expansion of the Accelerated Permit Review program**. The Accelerated Permit Review program allows individuals to receive expedited permits by paying an additional fee to cover the overtime cost for Department employees who review permit applications. Accelerated permits are issued within three working days, rather than an average of three to four weeks. In FY05, the Department increased the fees charged for the current activity, and expanded the accelerated service to include sprinkler, ductwork, single-family dwelling, foundation, preliminary, and use permits. An additional 700 accelerated permit review applications are expected from the program expansion, allowing for an increase in revenue of $1.9 million in FY05.

- **Securing a one-time payment from Department of Public Welfare (DPW) for Medical Assistance (MA) visits.** As noted above, over the last 18 months, the Department of Public Health (DPH) has been actively working to ensure that patients at the City's health care centers sign up for the health insurance programs for which they are eligible. When clients enroll in MA, they are capitated to a physician at a health care center through a Health Management Organization (HMO), under the Commonwealth's MA managed care plan, known as HealthChoices. However, for the first 30 to 60 days, depending on the date of enrollment, clients are covered under MA fee-for-service. The City must bill the DPW directly for these costs. DPW has approved a one-time retroactive billing for all fee-for-service costs, including those which may exceed the DPW established six-month billing deadline, for which DPH may not have billed. The billing is expected to generate an estimated $1 million in FY05.

Highlights of the Changes Between the Approved Revised FY05-FY09 Plan and the FY06-FY10 Plan

The Pennsylvania Intergovernmental Cooperation Authority (PICA) approved the City of Philadelphia's (the City) *Five Year Financial Plan, Fiscal Year 2005-Fiscal Year 2009 (including Fiscal year 2004*) on July 7, 2004 (FY05 Plan). As a result of a September finding by PICA that the City's FY04 financial results and the September Fraternal Order of Police settlement put the Plan at variance with results, PICA requested a revision to the City's FY05 Plan. A revised Plan was presented on November 15, 2004, a date that is in accordance with the Intergovernmental Cooperation Agreement, which allows the City twenty days to submit a new Plan if PICA has declared a financial variance. PICA rejected the November Plan, requesting additional documentation of FY05 revenue and savings initiatives. A second revision was submitted on December 17, 2004, in compliance with Agreement timeframes, which was approved by the PICA board on December 21, 2004. The approved revised Plan is the foundation of the FY06 five-year Plan.

Major items include changes in assumptions regarding the outcomes for FY05, outcomes for FY06, and changes for FY07-FY10.

- FY05 results. The FY06 Plan recognizes adjustments in FY05 outcomes that produce a small improvement in the fund balance, compared with results in the approved revised FY05 Plan, as follow:
  - **Lower revenues** ($13 million). Taxes are estimated to be $22.4 million higher in the FY06 Plan than in the approved revised Plan, which is mainly attributable to continued strong performance of real transfer tax collections ($20 million). Revenue from other governments, however, is estimated at a $22.5 million decrease, due to current state funding levels. In addition, $30.5 million of revenue initiatives, either fully or partially, were postponed to FY06, in the FY06-FY10 Plan.
  - **Decreased obligations** ($20.3 million). The difference is mainly attributable to lower class 200 expenses ($20.9 million), mainly the result of reduced DHS spending. We are

not counting savings from layoffs occurring in the first half of 2005, because it is not possible at this early date to calculate the FY05 effect.

- **Small increase in operating surplus** ($7.4 million). Although FY05 revenues in the FY06 Plan are lower than those in the approved revised Plan, obligations have decreased even more, producing the surplus.
- **Small improvement in Fund Balance** ($7.4 million). As of November 2004, the projected FY05 fund balance was $1.6 million. Due to higher receipts from other governments and other adjustments, the approved revised FY05 Plan fund balance was $11.3 million. The FY06 Plan fund balance is projected at a stronger $19.7 million for FY05, thanks to the small improvement in the operating surplus.

- Principal Plan differences for FY06. Costs and revenues are trending upward in FY06, mostly due to increased DHS obligations and related revenue, as show below.
  - **Higher revenues** ($20 million). Improved revenues in the FY06 Plan are mainly attributable to higher receipts in principal base taxes ($10.2 million) and Revenue from Other Governments ($14 million). The bulk of the tax increase derives from the realty transfer tax ($8 million), which continues a strong performance in 2005. The increased estimate for Revenue from Other Governments is based on the Department of Human Services' (DHS) Needs-based Budget submission.
  - **Increased obligations** ($60.3 million). Most of the increase derives from Class 200 spending ($71.7 million) associated with DHS programming based on the Needs-based Budget. In addition, obligations will increase along with prison health costs ($3 million) and higher trash disposal costs (5 percent escalator applied). The FY06 projection includes $47.2 million in cost-saving initiatives and the full-year effect of the position reduction made in the first half of 2005, to avert deficits throughout the life of the plan.
  - **Lower operating surplus** ($39.2 million). Instead of a $39.6 million operating surplus, FY06 is projected to end with a $0.436 million operating deficit, mostly doe to increased obligations, cited above, as well as increased disability costs ($2 million per year over the life of the Plan).
  - **Lower Fund Balance** ($32.7 million). With obligations increasing more than revenues, the FY06 Plan estimates an $18.2 million fund balance.

- Changes for FY07-FY010

  Projections for FY07-FY010 presented in the approved revised Plan are sustained, except for the following changes:
  - **Gaming revenues beginning in FY07** (approximately $55 million over the life of the Plan). The approved revised Plan projected $55 million over the life of the Plan, starting with $12.5 million in FY07. Based on delays in the implementation process, the FY06 Plan decreases the FY07 estimate to $7.5 million, total xxx in the Plan.
  - **Reductions in workforce.** Previously estimated at a savings of $58 million, the reduction in force, which is still working its way through the human resources process, is estimated to save $42 million at this point, including $9.3 million of savings in the

budgets of independent elected officials, who are projected to experience the same 5 percent cost reduction as operating departments.

- **Increased debt service** ($20 million). The FY06 Plan assumes an additional borrowing in FY08.
- **Phased out funding for the Art Museum ($2 million) and the Atwater Kent Museum ($0.3 million).** Zeroed out in the approved revised Plan for FY06, the institutions are now projected for five-year phased-in decreases. It is assumed that government funding will be replaced by privately raised funds.
- **Asset sales to be continued in FY07 and FY08** ($24 million over the life of the Plan). In addition to the Planned asset sales in FY05 ($10 million) and FY06 ($20 million), as presented in the approved revised Plan, the City Plans to pursue a property divestment process that is expected to net $2 million in both FY07 and FY08. A Plan for sale of assets over the long-term will be developed in the latter half of FY05.
- **Social worker salary reimbursement** ($49.6 million over the life of the Plan). The FY06 Plan assumes the phase-in of this opportunity starting in FY07.
- **Increase adoption subsidies and custodian service reimbursements** ($13.4 over the life of the Plan). The FY06 Plan assumes the phase-in of this opportunity starting in FY06.
- **Gun bill** ($2.1 million). Requiring state action, the bill has been reintroduced in the Legislature. The FY06 Plan assumes passage of state legislation in FY06.

Organization of the Five-Year Plan

The FY06-FY10 Five Year Financial Plan has been restructured to highlight how City departments have aligned activities to support Administration goals. A chapter is dedicated to each of the major goals:

- Maintaining fiscal health
- Implementing neighborhood transformation and blight elimination
- Promoting economic development
- Providing high quality public education and comprehensive, coordinated social services for children, adults and families
- Enhancing public safety and quality of life for all communities

The work of all departments in the City is coordinated to achieve and support the Mayor's objectives, and this Plan documents those efforts.

City of Philadelphia
Five-Year Financial Plan

Fiscal Health

Maintaining Fiscal Health

Since the City's brush with fiscal crisis in the early 1990s, Philadelphia has taken major steps toward addressing its fiscal challenges. The City has significantly increased the efficiency of service delivery. Taxes have been reduced to spur economic development. State and federal reimbursement for the cost of redistributive social services has increased dramatically. Strategic investments in neighborhoods, cultural institutions, the tourism sector, and waterfronts have begun to pay off. Despite these achievements, however, the basic structural nature of the City's financial challenge remains: A weak tax base, a high tax burden, escalating costs, high service responsibilities, and low state financial support.

The City's $46.8 million General Fund deficit at the end of FY04 was the first negative fund balance in twelve years. While this deficit was primarily attributable to a delay in receiving state reimbursement for human service program costs, the negative General Fund balance was nonetheless a sign of the increasingly limited room for error in City finances. The City is currently projecting a positive fund balance of $19.7 million at the end of FY05, an amount only slightly more than 0.5 percent of total General Fund revenues. The FY06-10 Plan projects positive balances at the end of each fiscal year, but these balances are small in comparison to the large surpluses the City achieved during the economic boom of the late 1990s. Since it is unlikely that the City will experience revenue growth significantly above inflation during the life of the Plan, particularly when growth is offset by annual tax rate reductions that accelerate in FY10, it is clear that budget balance can only be maintained if creative cost-cutting initiatives are implemented and tight spending controls remain in place.

The discussion of the City's fiscal health in this chapter is organized as follows. The first section describes the causes of the City's current fiscal stress. The second section describes factors that pose a risk to the City's ability to achieve budgetary balance over the life of the Plan. The third section contains an analysis of the structural roots of the City's financial challenges. The fourth section contains an analysis of each of the City's major tax revenue sources, with revenue projections for each source for FY06 through FY10.

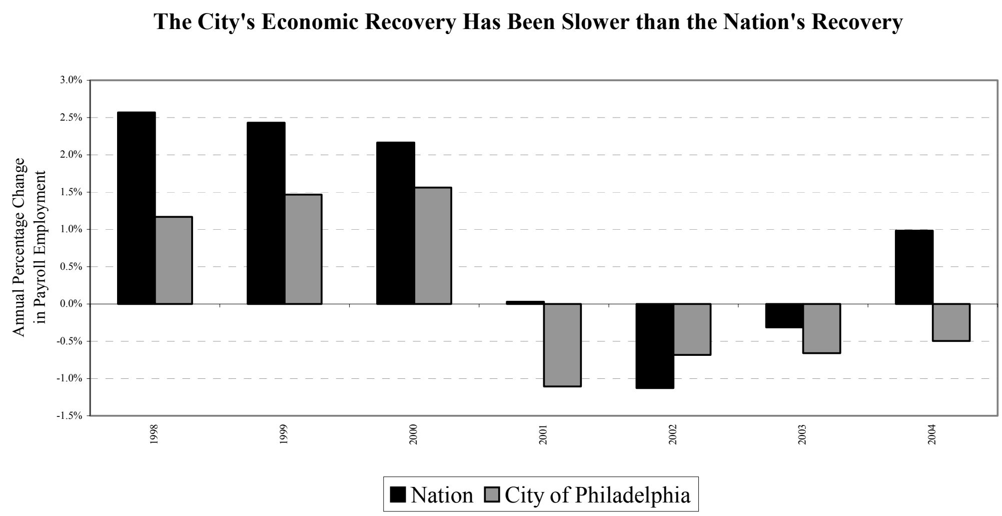
Causes of the City's Current Fiscal Stress

The principal causes of the City's fiscal distress are weak economic growth, rapidly escalating pension costs, increasing labor costs, increasing criminal justice costs, and legally obligatory and accelerating tax reductions, as discussed below.

Weak Economic Growth

After three years of positive employment growth in 1998, 1999, and 2000, Philadelphia employment has declined each year since, with declines of 1.1 percent in 2001, 0.7 percent in 2002, and 0.7 percent in 2003, according to the US Bureau of Labor Statistics. Data available through November of 2004 suggest that Philadelphia employment will decline an additional 0.5 percent in 2004. The downturn in the city's economic performance since 2000 has resulted in modest revenue growth for most of the City's major tax sources. Low tax revenue growth over the past four years is a primary source of the City's current fiscal stress.

Over the past three decades, Philadelphia employment growth has lagged national employment growth. Since 1998, however, the city's employment performance has more closely tracked national employment trends, with the annual gap between city and national employment growth never exceeding 1.5 percentage points. This represents a considerable improvement over prior trends. Nonetheless, Philadelphia's recovery from the national recession that began in early 2001 has been less rapid than the national recovery. The city's employment trend in 2004, in particular, failed to improve significantly, despite a significant improvement at the national level.



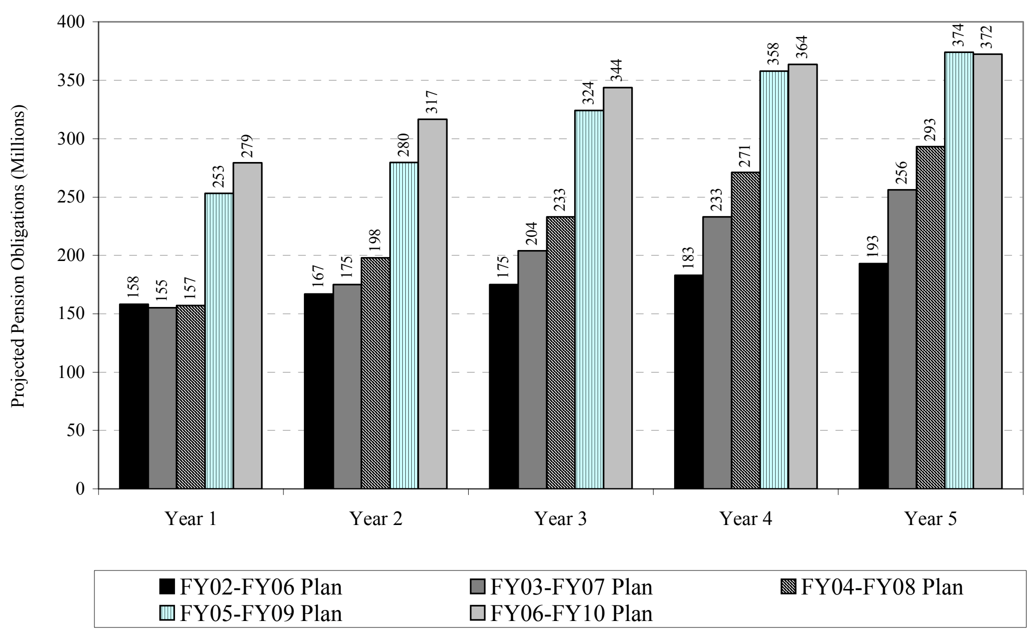
Source: US Bureau of Labor Statistics

Rapidly Escalating Pension Costs

The slowdown in the economy has also indirectly had a negative effect on the City's pension costs. The New York Stock Exchange Index dropped by 33 percent from September 2000 to March 2003, when a sustained recovery began. This precipitous loss in equity values has forced the City to contribute significantly more from its General Fund in order to meet its pension obligations. The sustained downturn in the market prevented the City's pension fund from attaining its earnings assumptions of 9 percent in each of the past four completed fiscal years. The value of the City's pension fund lost 6 percent in FY01 and another 5.2 percent in FY02 before earning 2.9 percent in FY03, still well below the 9-percent goal. While the fund had a 16.6 percent return on market value of assets in FY04, the actuarial value of assets increased only 1.3 percent, due to recognition of prior year asset losses. As a result of lower than expected average earnings over the past four fiscal years, the City must contribute more from the General Fund to the pension fund to ensure that it can make payments to retirees and maintain a relatively flat stream of payments.

The City shifted its funding policy for the FY04-FY08 Plan to the "minimum municipal obligation" (MMO) required by state law to meet future unfunded pension liabilities. At that time, the shift to the MMO policy reduced the amount the City's actuary projected that the General Fund would have to contribute to the pension fund by $245 million from FY04 through FY08. Nevertheless, the poor earnings of the past several years have caused the General Fund pension contribution to escalate dramatically, and forced severe cuts in more discretionary General Fund expenditures. The figure below shows the increase in projected pension obligations that has occurred between the FY02-FY06 Plan and the current Plan. Even maintaining the shift to the MMO funding policy for the current Plan, the City is projecting $800 million more in pension obligations in the FY06-FY10 Plan than was projected in the FY02-FY06 Plan, before the earnings target was consistently missed beginning in FY01.

Projected Pension Obligations Continue to Grow



Source: Office of Budget and Program Evaluation

The dramatic increase in pension obligations effectively decreases the City's ability to provide funding for other services while maintaining a tax reduction program. Pension obligations represented 6.9 percent of General Fund revenues in FY02. By FY10, total pension obligations, including debt service on bonds issued in 1999 to pay off the unfunded accrued pension liability, will represent 12.4 percent of projected General Fund revenues. The proportion of General Fund revenues allocated to pension and health and medical obligations is projected to increase from 13.4 percent in FY02 to 22.5 percent in FY10, an increase of more than 9 percentage points. The rapid growth in employee benefit costs, which is largely outside the control of City policymakers, represents a significant fiscal constraint. The 9 percentage point increase in the share of the budget allocated to employee benefits significantly reduces the level of revenue available to fund other programs, compared to the funding level that would have been available if the growth in the cost of employee benefits had not exceeded overall General Fund revenue growth.

Increasing Labor Costs

Personnel costs account for 58.2 percent of the FY05 General Fund budget. Increasing per-employee compensation costs in recent years have presented a serious problem for City finances. From FY01 through FY05, the average annual increase in compensation per General Fund employee is estimated at 5.4 percent, well in excess of inflation and General Fund revenue growth. The growth in employee compensation has been driven largely by growth in employee benefits costs.

The City negotiated new four-year contracts with AFSCME District Councils 33 and 47 in FY01. Those costs were manageable at the time they were negotiated, within the context of historical tax revenue growth and pension costs. Since FY01, however, depressed tax revenue growth and sharp increases in pension costs have made it more difficult to accommodate labor contract increases.

The FY03-FY04 contract awarded to the Fraternal Order of Police (FOP) included a 3 percent salary increase in FY03 and a 3.5 percent increase in FY04. In addition, the arbitration panel awarded an unprecedented 37 percent increase in the City's required health and medical contribution for FY03, with an additional 10 percent increase for FY04. The arbitration award for the International Association of Firefighters (IAFF) for FY03-FY05 included salary increases of 3 percent in FY03, 3.5 percent in FY04, and 3 percent in FY05. Again, the health benefits provisions of the IAFF award were more costly to the City, with a 37 percent increase in the monthly per employee health benefits contribution in FY03, and 10 percent increases in FY04 and FY05. In addition, the collective bargaining agreements with District Councils 33 and 47 for FY05-FY08 include, for FY05, a $750 per employee one-time bonus, as well as a 10 percent increase in the per employee contribution to union health care funds.

These contract awards, primarily the provisions regarding employee benefits, have resulted in significant growth in per employee compensation over the past five fiscal years, and significantly impact the City's ability to maintain service levels and financial stability in the context of a slow-growing revenue base.

Increasing Criminal Justice Costs

The increasing cost of providing criminal justice services has outpaced the growth of the General Fund as a whole from FY96 to FY05. Obligations for the District Attorney, Juvenile Justice Services, the Police Department, the Philadelphia Prison System, and the Sheriff's Office have increased by 59.9 percent, from $516.8 million in FY96 to an estimated $826.4 million in FY05, while the rest of the General Fund has increased by only 35.4 percent, from $1.9 billion in FY96 to an estimated $2.6 billion in FY05. This dedication of resources was partially spurred by the addition of 753 on-street police officers through the 1994 federal Crime Bill, which required the City to gradually assume the full cost of all Crime Bill officers by FY02.

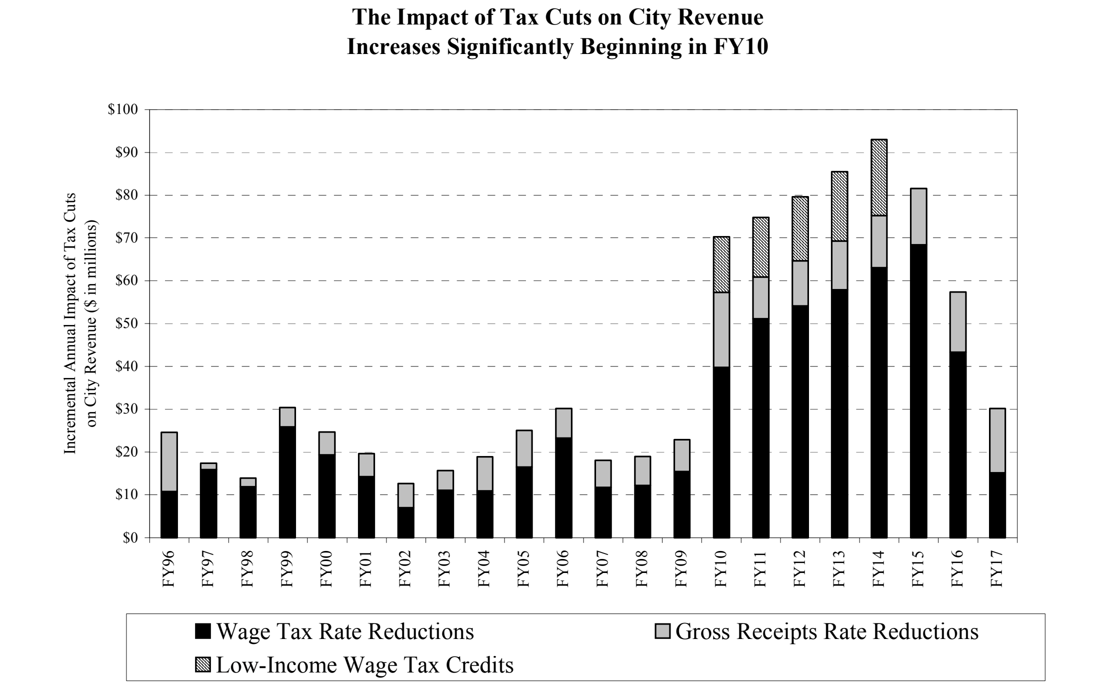
In recent years, the successes of increased law enforcement activity have caused rippling effects throughout the criminal justice system. Increased arrests resulted in increased court costs and court-related overtime for police, and a skyrocketing prison population. The average prison census increased 34 percent from FY97 to FY02. Much of the increase in the prison census has been due to increased arrests and enforcement in narcotics. Operation Safe Streets was designed to improve the quality of life in city neighborhoods by permanently removing drug dealers from city streets and reducing drug-related crimes. Operation Safe Streets has resulted in increased police expenditures and drug and alcohol treatment in the short term, but the long-term goal is to focus on crime prevention and reduce the costs of enforcement and incarceration.

Reductions in prisons admissions since the inception of Operation Safe Streets in May 2002 suggest that the program is having its intended effect: prison admissions declined from 35,559 in FY02 to 32,311 in FY04, reflecting a reduction in admissions for drug-related offenses. The City is projecting annual growth in the prison population of 4.8 percent over the life of the Plan, a reduction from past trends. Lower growth in the prison population will result in substantial cost savings in salaries and overtime, food service, and prison health care costs. The Administration has also taken steps to reduce the growth of criminal justice costs through reductions in police overtime.

Legally Required and Accelerating Tax Reductions

Wage and business privilege tax rates were reduced in FY05, the tenth consecutive fiscal year of City wage and business privilege tax reduction. At the time the tax reduction program was initiated in FY96, the intention was that the City would plan to enact annual, incremental tax cuts that were credible and not threatening to the City's hard-won fiscal stability or service levels. Since that time, the annual wage and business tax cuts have remained at a scale that the City could manage, even within the context of a slow-growing, recessionary economy. The incremental impact of each year's tax cuts on City revenues through the current fiscal year has generally been between $15 and $30 million per year.

However, as a result of Bill 040397, enacted June 10, 2004, and Bill 040607, enacted July 1, 2004, future tax cuts and credits will have a far more substantial impact on City revenue collections beginning in FY10. In each fiscal year from FY10 to FY15, the incremental impact of wage and business privilege tax reductions is projected to exceed $70 million, more than twice the maximum annual impact of tax reductions in any year up to this point. The increased annual impact results from two factors: Much more rapid reductions in the wage tax rate than have occurred to this date, and the implementation of a wage tax credit program for low-income city residents. The dramatic increase of the pace of tax reductions that will result from the 2004 legislation is a severe financial challenge to the City, as shown in the figure below.



Source: Office of Budget and Program Evaluation

It is far from clear that the City will continue to maintain balanced budgets and deliver services at the current level, in the face of the dramatic curtailment of the revenue base that the 2004 wage tax legislation creates.

In this context, it is relevant to note that the average annual increase in City tax revenue between FY00 and FY04 was $63 million. The incremental impact of tax cuts mandated under current law from FY10 to FY15 exceeds $70 million each year. Thus, tax cuts mandated under current legislation could very possibly lead to a nominal revenue decline in some or all fiscal years during the FY10 through FY15 period. In light of the many rapidly growing expenditure obligations, such as debt service and health and pension obligations, such a scenario, if occurring, would be fiscally insupportable.

The combined result of these impacts on the City's fiscal health, most of which lie outside the Administration's control, is operating deficits in three years of the Plan: FY06, FY07, and FY10. These financial constraints, given mandated tax cuts, mean that the City has little latitude for financial contingencies and may well have to continue workforce reductions and other significant cost savings initiatives, if it is to avert another negative fund balance and maintain financial health.

Risks to the Plan

Risks to the Plan include additional tax reductions, future health and medical costs, SEPTA's financial crisis, the fiscal difficulties of PGW, and the challenge of continuing to identify target budget reductions.

Potential Additional Tax Reductions

The wage tax reductions and credits mandated under Bills 040607 and 040397 will improve the competitiveness and the equity of the City's tax system, but they also pose a major challenge to the City's fiscal stability. Any further significant reductions beyond those already legislated and included in this Plan have the potential to turn a challenging situation into an untenable one. The potential for further legislated tax reductions represents a major risk to the Plan. The City's position is that any further tax reductions must be fully financed by specific new sources of revenue, as with the Administration's proposed FY06 shift increasing the parking tax rate in return for an accelerated gross receipts BPT rat reduction, or changes in the City's service responsibilities. Further tax rate decreases are simply not justified at this time, absent changes that substantially improve the City's fiscal outlook.

Future Health and Medical Costs

Uncertainty surrounds the cost of employee health and medical benefits during the Plan period. In the most recent arbitration panel award to the FOP, salary increases were fixed through FY08, while health benefit costs were determined for only the first year of the four-year contract award. Under the award, FOP health care costs are fixed at $898 per employee per month in FY05, but future costs will be determined by reopening bargaining for the FY06-FY08 period. During this re-opener, strategies for containing health care costs are to be considered as well as the City's ability to pay. Similarly, contracts recently negotiated with AFSCME District Councils 33 and 47 also specify salary increases for the next four years, through FY08, while the cost of employee health care is determined for only the first two years of the four-year contracts. Health care costs for DC 33 and DC 47 for FY07 and FY08 will be determined only after further negotiation, which are to include similar considerations as stated above for the Police. There is also uncertainty regarding health benefit costs for the City's unionized firefighters, with the current IAFF contract expiring at the conclusion of FY05.

The result is substantial uncertainty regarding the cost of health care benefits over the term of the Plan. Given the rapid rate of annual increases in health care costs, which is a national phenomenon, the lack of fixed agreements concerning per-employee contributions to union health care funds is a risk to the Plan.

SEPTA's Financial Crisis

The ongoing financial problems at the Southeastern Pennsylvania Transportation Authority (SEPTA) pose a serious risk to Philadelphia's economy, the tax base, and the financial stability of City government. SEPTA service is critical to the economy of Center City, whose attractiveness as a business location is due, in part, to a comprehensive network of public transportation service linked to points throughout the region. Philadelphia's health care and hospitality sectors, both increasingly important components of the city economy, are heavily dependent on the access provided by SEPTA for their workers and customers. SEPTA service is also essential to the quality of life of city residents, bolsters the value of residential property throughout Philadelphia, and promotes self-sufficiency for thousands of city residents who depend on public transportation to access employment opportunities. Resolving SEPTA's current financial crisis in a way that preserves service and fare levels and promotes the long-term viability of public transportation in this region is a crucial matter for city residents and businesses, as well as City finances.

Unfortunately, SEPTA has proposed to address the FY05 $70 million operating budget deficit through drastic service cuts and fare increases. These measures would harm SEPTA's revenue base and the economy of the city and region. Fare increases and service cuts of the level that have been proposed would make SEPTA a far less attractive transportation option, and over the long run lead to fewer riders and less revenue.

SEPTA's fares are already among the highest in the nation. The base cash fare for subways, light rail, and bus service is the highest in the country. Any significant fare increase would not only place Philadelphia even further out of step with transit fare levels in other cities, it would also be counterproductive in the long run to SEPTA. Research on SEPTA's regional rail system by economist Richard Voith suggests that in the long run a 1 percent increase in fares leads to an approximate 1 percent decrease in ridership. The implication is that in the long run, SEPTA may realize no net increase in revenue by increasing fares.

The City urges state policymakers to enact a package of new, dedicated funding sources that will provide needed revenue to transit providers across the state. Funding sources should be adequate to meet current needs and designed to increase with inflation so that they provide a long-term financial solution. Given the City's current and projected fiscal condition, any public transportation funding solution developed in Harrisburg should have no net impact on the level of City financial support for SEPTA.

Financial Difficulties of the Philadelphia Gas Works

The Philadelphia Gas Works (PGW), the largest municipally owned gas utility in the nation, encountered cash flow problems and long-term financial uncertainty in recent years as a result of numerous internal and environmental challenges. Problems included management instability and poor customer service, costly and inflexible labor agreements, and failure to receive timely and adequate rate relief from the Pennsylvania Public Utility Commission (PUC). As a result, the City was forced to loan PGW $45 million in FY01 in order to provide sufficient cash for operations until PUC rate relief took effect. In 2004, the City also agreed to release PGW from its legal obligation to pay the General Fund $18 million per year, for five years from FY04 through FY09, to help improve the financial situation at the Gas Works.

In recent years, stable, effective management, enhancements to customer service and the billings and collections systems, as well as improved labor agreements, have contributed to improved finances and cash flows at PGW. Bill collection rates improved in FY05 as a result of collections process reengineering and the mild winter weather to date, which has resulted in lower gas consumption and billings. In addition, natural gas prices, which surged from FY02 to FY04, dropped considerably in early 2005, reducing PGW costs. The Plan assumes that PGW's annual $18 million payment to the General Fund will resume in FY09, and that PGW will also repay its $45 million loan in FY09. PGW's ability to make these payments is dependent on the continuation of recent improvements in management and financial performance.

The Challenge of Continuing to Identify Target Budget Reductions

The current Plan continues the City's recent practice of including, over the last four years of the Plan, future budget reductions not tied to savings from specific initiatives. The City has successfully implemented future "target" reductions for eleven years now, but it is increasingly difficult to accomplish the reductions without impacting services. Most departments cut their personnel budgets by 1.5 percent in both FY01 and FY02 and by 2.5 percent in FY04. In FY05, departmental personnel budgets were cut by an additional 5 percent. Departmental personnel costs have been reduced by 5 percent again as part of the FY06 budget proposed as part of this Plan. Continuing to achieve unspecified future budget reductions while maintaining services to the citizens of Philadelphia is a $60 million risk in the current Plan.

Structural Financial Challenges

The array of public responsibilities the City is obligated to meet, in comparison to the typical local government in this country, or even the typical large city, is far from ordinary. The City faces the responsibility to provide basic local government services, as well as a significant array of social services that are typically the responsibility of state government. At the same time, Philadelphia's needed level of services, both basic municipal services and social services, is elevated as a result of high crime and poverty rates. Philadelphia's high tax burden and current financial challenges are rooted in the City's broad service responsibilities, limited state funding, and relatively weak tax base.

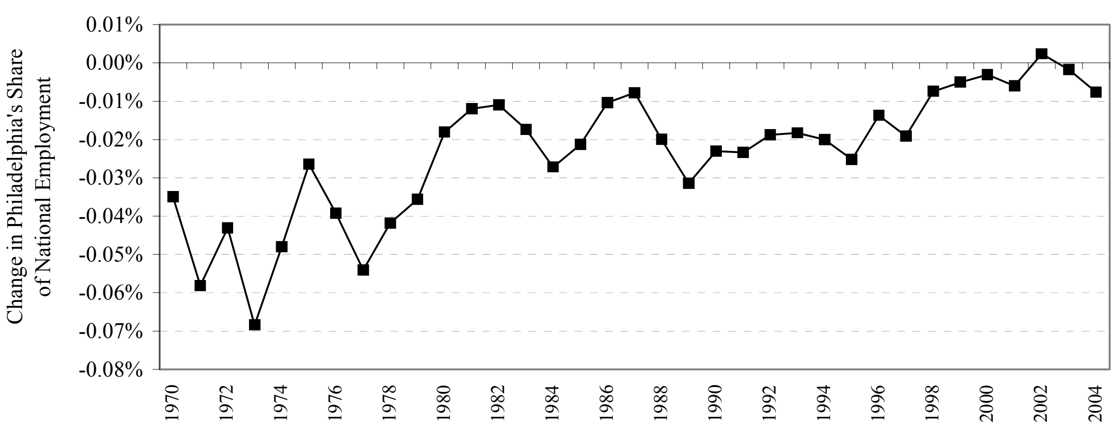
The City's structural financial challenge is evident from demographic and economic trends, comparisons with other large cities, comparisons with other Pennsylvania counties, and long-term workforce trends, which are discussed in the sections below.

Demographic and Economic Trends

While Philadelphia's population and employment levels have declined substantially in recent decades, the rate of decline has gradually moderated. According to the US Census Bureau, the city's population declined 13.4 percent in the 1970s, 6.1 percent in the 1980s, and 4.3 percent in the 1990s. This gradual improvement in performance is also characteristic of city employment trends. US Bureau of Labor Statistics (BLS) data indicate that, after declining by 15.1 percent in the 1970s, Philadelphia-based employment declined only 4.5 percent in the 1980s and 6.8 percent in the 1990s. The most recent data show the city's population declining 2.5 percent from 2000 to 2003; and employment declined 2.4 percent over the same period. While these trends suggest an increase in the rate of job and employment loss over the average annual declines of the 1990s, the increase is likely due to the recessionary trends of the period, and is not a reversal of the trend over the past three decades toward lower annual rates of population and employment decline. The overall trend of improving performance since 1970 suggests that Philadelphia may soon arrive at a period of population and employment stability. Long-term trends do provide a basis for cautious optimism about Philadelphia's economic future.

The positive overall trend in the Philadelphia's economy is evident by tracking the annual change since 1970 in the city's share of national payroll employment, as estimated by BLS. While the city's share of national employment has generally declined over the period, the pace of decline has gradually improved over the past 34 years. In fact, annual reductions in the city's share of US employment since 1998 have been below 0.01 percentage points, as shown in the chart below.

The Decline in the City's Share of National Employment Has Abated



Source: US Bureau of Labor Statistics

While the data do not show growth, they do suggest that the city is approaching a period of stability. The long-term trend suggests that Philadelphia is regaining its competitiveness as a residential and business location.

Nonetheless, the population of Philadelphia remains economically disadvantaged. As shown in the table below, the median household income in Philadelphia declined, after adjusting for inflation, by 9.3 percent between 1989 and 2002, and remains below the level in nearby suburban counties, the state and the nation. The city's 2002 poverty rate of 20.3 percent did decline slightly from the 1989 level, but remains well above state and national rates.

Demographic Comparisons: Philadelphia Versus Region, State, and Nation								
	1990 Population (000s)	**2003 Population (000s)**	**% Change**	**1989 Median Household Income**	**2002 Median Household Income**	**% Change**	**1989 Poverty Rate**	**2002 Poverty Rate**
Philadelphia	1,586	1,479	-6.7%	32,554	29,540	-9.3%	20.9%	20.3%
Bucks County	541	613	13.3%	61,374	61,230	-0.2%	4.0%	4.9%
Chester County	376	457	21.5%	59,168	67,790	14.6%	5.2%	4.8%
Delaware County	548	554	1.2%	51,748	49,981	-3.4%	6.6%	8.0%
Montgomery County	678	771	13.7%	58,532	64,808	10.7%	4.0%	4.9%
Pennsylvania	11,882	12,365	4.1%	41,541	42,043	1.2%	10.4%	10.0%
United States	248,710	290,789	16.9%	41,937	42,409	1.1%	12.8%	12.1%
Source: US Census Bureau								

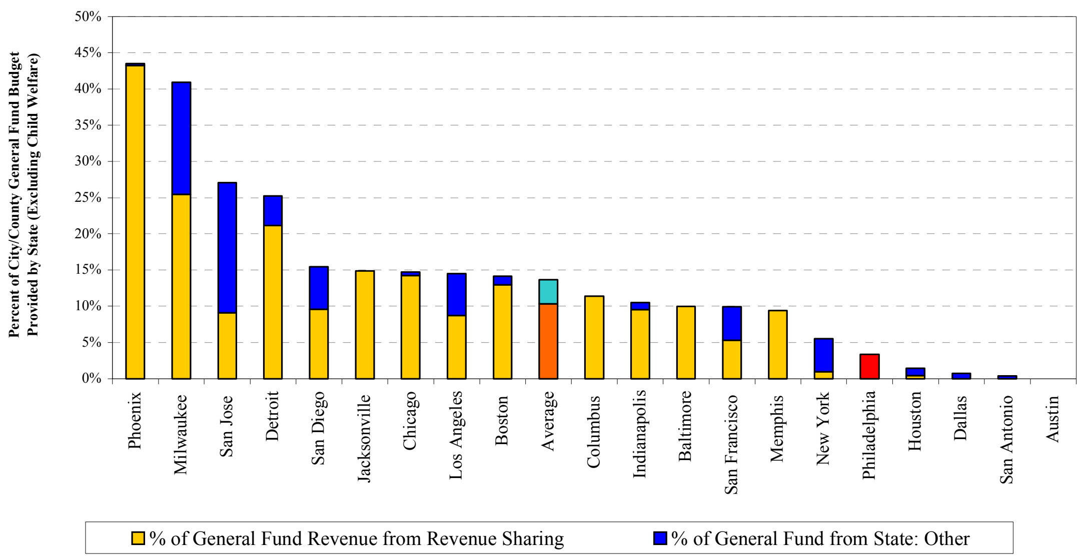
High poverty, low household income, and gradual population and employment losses have been a primary cause of the City's financial stress in recent years. High poverty rates result in high need for a variety of social services that the state mandates the City to provide. Low household income levels result in a weak tax base. The City's high overall tax burden reflects the combined impact of high service needs, state mandates to provide a wide range of services, and a weak tax base. Despite the gradual improvement in the city's basic demographic and economic indicators, Philadelphia's continuing economic disadvantage relative to the state and the nation remains an obstacle to the City's fiscal stability.

Philadelphia's Structural Fiscal Challenges Compared to Other Large Cities

Philadelphia's relatively weak tax base is put under pressure by high service needs and low state fiscal support. A 2004 Brookings Institution report noted, "In short, both the revenue-raising capacity and the expenditure needs of cities are powerfully shaped by state policies." Much attention has been paid in recent years to Philadelphia's relatively high local tax rates, but far less attention has been paid to the conditions that create it. Philadelphia's tax rates are determined in large part by demographics and fiscal institutions, including service responsibilities and intergovernmental financial aid. As the same Brookings report stated, "In their definitive analysis of urban fiscal conditions, Ladd and Yinger (1989) differentiate between the fiscal health of cities based on their socioeconomic condition and their 'actual' fiscal health taking into account fiscal institutions, which are mostly determined by state laws."

Comparing Philadelphia, a combined city and county government, to the other largest cities and their overlapping county government, illustrates that Philadelphia is challenged both by its socioeconomic condition and by its fiscal structure, including the challenges posed by high service needs and low state fiscal support. Analysis of the financial reports of the 20 largest cities and their overlapping county governments illustrates that Philadelphia has the widest range of service mandates by the state government and the lowest amount of general revenue sharing support among its peers. Among Philadelphia's peers in these cities, Pennsylvania and Texas are the only states that do not provide any general revenue sharing to local governments. Even Illinois, which has a low income tax rate comparable to Pennsylvania's, manages to share a fixed portion of state income and sales taxes with local jurisdictions such as Chicago. When excluding child welfare revenue (because it is a local government responsibility in only five of the cities analyzed), only 3 percent of the City's General Fund revenue is received from the state, compared to a nationwide average of 14 percent, as shown in the chart below. Here too, only the cities in Texas ranked lower. The data clearly indicate that local tax burdens would have to be higher in Philadelphia, to compensate for a comparative lack of state fiscal support for service delivery, even if the service responsibilities were the same across these cities.

State Financial Assistance to Philadelphia is Low Compared to Other Major Cities



Source: OBPE analysis of FY03 audited annual financial reports and budgets. Figures were adjusted to provide equal per-capita weight to the city and county government of a given central city.

However, despite this low state fiscal support, Philadelphia's local service responsibilities are actually broader than average. Pennsylvania is one of only 12 states to have county-administered child welfare programs, rather than state administration. Although the cost of programs in Philadelphia is primarily reimbursed by the state, the City carries over $40 million in local expenditures for these services each year, in addition to the long-term pension obligations for over 1,800 employees. These are costs that 15 of Philadelphia's peer cities do not bear at all at the local level. Pennsylvania's legislature continues to ignore the directive of the state Supreme Court that the court system should be state-administered and state-funded, costing Philadelphia over $117 million per year in net local expenditures, including benefits. New York City and the City of Boston, in contrast, operate under state-administered and state-funded unified court systems, and therefore avoid these expenditures. Philadelphia's peers in Baltimore and Boston are also fortunate enough to have their local prison systems funded by the state, which would save Philadelphia roughly $210 million per year, including benefits.

The City could reduce tax rates dramatically if inequities in state fiscal support and service responsibilities were addressed. If Philadelphia received the average general revenue sharing enjoyed by its peers on a per-capita basis, it would receive over $235 million per year, and be able to largely eliminate the business privilege tax. The following table illustrates the financial impact of policy changes that would more closely align Philadelphia's service and financial responsibilities with other cities, and the impact on City taxes.

Fiscal Support Category	**Net Impact to City of Philadelphia Budget**	**Peer Cities that Receive this Support**
State General Revenue Sharing (1)	$236,758,055	15 of 20
State-Administered Child Welfare System	40,540,000	15 of 20
State-Funded Unified Court System	115,605,211	New York, Boston
State-Funded Local Jails/Prisons	211,574,996	Baltimore, Boston
Total Fiscal Support	**604,478,262**	
Possible Allocation of Fiscal Support		
Elimination of the Business Privilege Tax	315,113,000	
20 Percent Reduction in Wage Tax Rates	289,365,262	
Total Allocation of Fiscal Support	**604,478,262**	

(1) At comparable per-capita average of $156

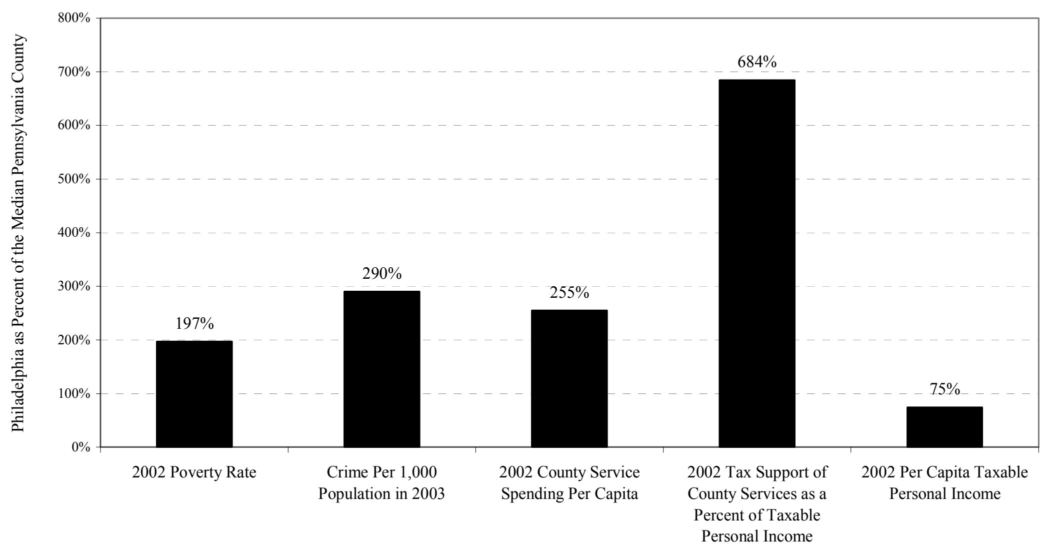
Philadelphia's Structural Fiscal Challenges Compared to Other Counties in Pennsylvania

Pennsylvania gives local governments a high level of service responsibility but limited financial support. Counties are required to administer not only local judicial and corrections systems, but also an array of social programs including child welfare, juvenile justice, and public health services. Funding for many of these programs is minimal, and if significant, is not explicitly targeted to reduce fiscal disparities. In addition, state funding supports a relatively low share of the costs of public education. The state-local fiscal structure in Pennsylvania works to the detriment of urban areas across the state. But the impact is greatest by far in the Commonwealth's largest urban center, the City of Philadelphia.

Philadelphia, as the only city-county in the Commonwealth, is uniquely disadvantaged by the state's fiscal structure. Philadelphia is the only entirely urbanized county in the Commonwealth, according to the US Census Bureau's definition of urbanized area. Throughout the rest of Pennsylvania, the burden of financing county level services is spread widely across areas of high and low social need and fiscal capacity. Only in Philadelphia are the burdens of financing county level services concentrated entirely on the urban population.

According to the Census Bureau, Philadelphia's 2002 poverty rate of 20.3 percent is 197 percent of that in the median county in the state. According to Pennsylvania State Police uniform crime reports, there were 54.5 Part I crimes per 1,000 residents in Philadelphia in 2002, nearly three times the level of the median Pennsylvania county. Philadelphia's high poverty and crime rates translate into a higher need for county level services. Based on county expenditure data compiled by the state Department of Community and Economic Development (DCED), and an analysis by the Philadelphia Office of Budget and Program Evaluation (OBPE), the City spent $1,555 per resident in FY02 for county level services, 255 percent of the median Pennsylvania county, as shown in the chart below.

Poverty, Crime and County Level Spending and Taxes are Much Higher in Philadelphia Than the Typical Pennsylvania County



Sources: US Census Bureau, Pennsylvania State Police, Pennsylvania Department of Community and Economic Development, Pennsylvania Department of Revenue, Office of Budget and Program Evaluation

Because state funding for county provided services is limited and not designed to equalize county tax burdens, Philadelphia's higher county service expenditures are reflected in a high level of local tax support for these services. Based on county tax collection data from DCED and state Department of Revenue data on taxable personal income, OBPE estimates that in FY02, Philadelphia tax collections supporting county services were 6.57 percent of personal income, nearly seven times (684 percent) the median county in Pennsylvania.

Philadelphia's relatively weak tax base also serves to increase its effective tax rate required to support county level services. According to state Department of Revenue data, Philadelphia's taxable personal income per capita in 2002 was only 75 percent of the median Pennsylvania county.

The implications of Philadelphia's high tax burden to support county level services are significant. If Philadelphia's county level tax burden in FY02 had been at the median of the other 66 counties in the state, the City would have been able to reduce taxes by $882 million, or 40 percent. In this case, the City could have eliminated the Business Privilege Tax and reduced the resident and non-resident wage, earnings, and net profits taxes by 45 percent. The resident wage tax rate could have been reduced to 2.5 percent, and the non-resident rate to 2 percent. The City could have adopted a tax structure that is significantly more competitive than even that recommended by the Tax Reform Commission.

Philadelphia Compared to Other Pennsylvania Counties					
	Poverty Rate (2002)	**Crime Per 1,000 Population (Part 1 Offenses, 2003)**	**County Service Spending Per Capita (2002)**	**County Service-Related Taxes as a Percentage of Taxable Personal Income (2002)**	**Taxable Personal Income Per Capita (2002)**
Philadelphia	20.3%	54.5	$1,555	6.57%	$10,568
Pennsylvania Counties Other than Philadelphia					
Minimum	4.8%	9.2	$236	0.55%	$11,226
Median	10.3%	18.8	$610	0.96%	$14,147
Maximum	15.2%	38.5	$1,147	2.03%	$32,022
Source: US Census Bureau, Pennsylvania State Police, Pennsylvania Department of Community and Economic Development, Pennsylvania Department of Revenue, Office of Budget and Program Evaluation.					

The explanation for much of the tax disparity between Philadelphia and other locations within the state and across the county is structural. High tax rates result in large part from the city's high poverty and crime rates, weak tax base, as well as state policy mandating significant service responsibility to counties with limited financial support.

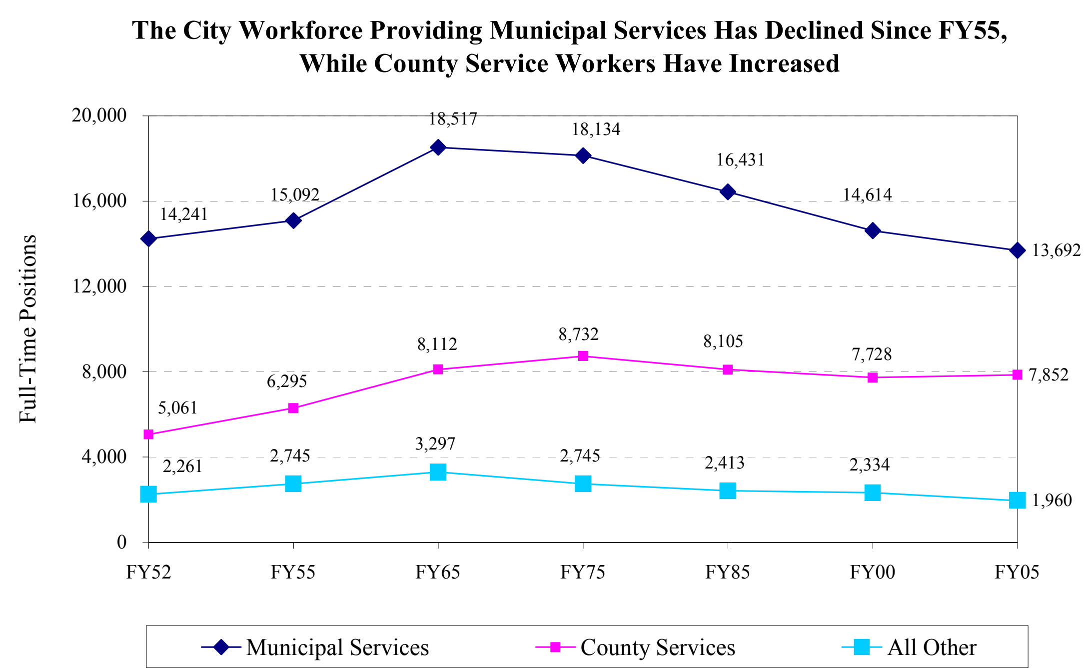
Managing the Size of the City's Workforce

The City's current fiscal condition has required difficult decisions to reduce services and cut the workforce when cost savings through greater efficiencies were not possible. The City's General Fund workforce as of September 30, 2004 was 23,542, lower than it had been for much of the past fifty years, and 3.6 percent below FY02. This reduction has been achieved through a hiring freeze, cuts to departmental budgets, and the DROP retirement program. The City projects full-time General Fund positions will be further reduced to 22,639 by the end of FY05.

Historical analysis of the City's workforce indicates that the City has successfully controlled expenditures and staffing for basic municipal services over time. The number of full-time General Fund employees providing direct municipal services declined 9.3 percent from FY55 to FY05, with a decrease of 39.3 percent over this period, excluding Police positions. The number of municipal service positions per 1,000 residents has increased from 7.3 in FY55 to 9.2 in FY05. However, the increase has primarily been driven by increases in per capita Police Department positions. When Police positions are excluded, total full time positions providing municipal services decreased from 4.9 per 1,000 residents in FY55 to 4.1 per 1,000 residents in FY05.

Staffing and expenditures for county functions, which are less discretionary than municipal functions due to federal and state mandates and increasing joblessness and poverty rates, have been more difficult to control. The number of full-time General Fund employees providing direct county services increased by 24.7 percent from FY55 to FY05. This represents an increase from 3.0 positions per 1,000 residents in FY55 to 5.3 positions per 1,000 residents in FY05.

The number of full-time positions in all other agencies, including central administrative services, decreased by 28.6 percent from FY55 to FY05. This decline has kept pace with the decrease in the city's population, with the number of positions per 1,000 residents decreasing slightly from 1.35 in FY55 to 1.32 in FY05, as shown in the chart below.



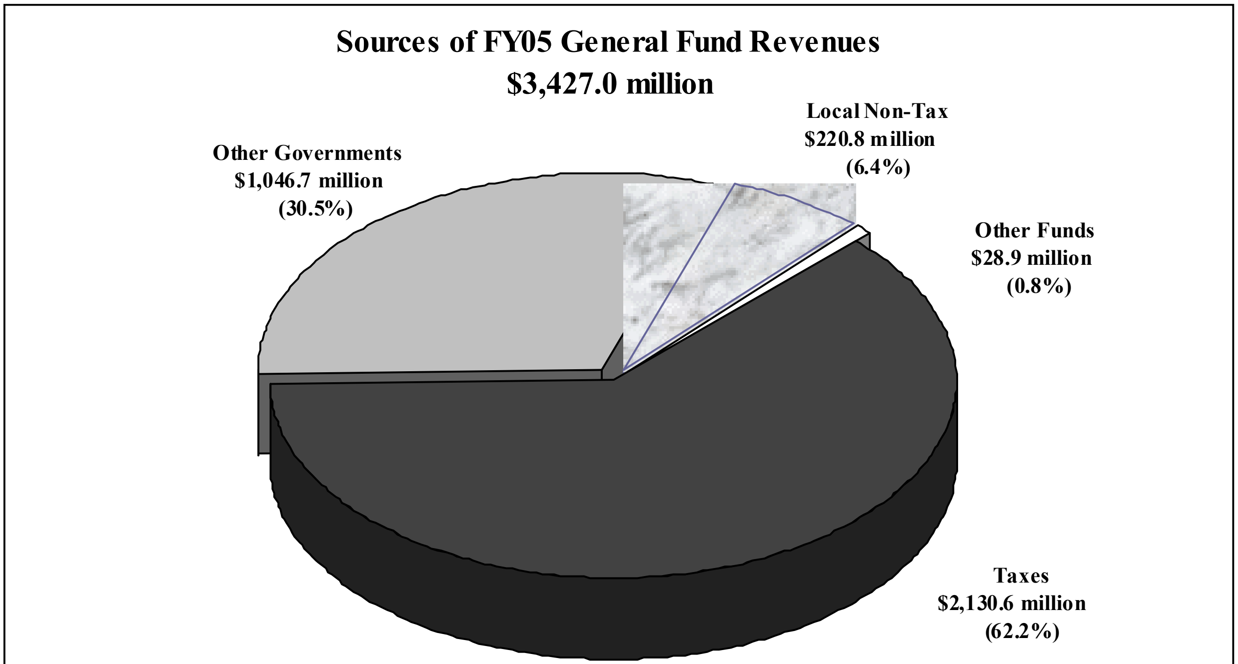
Source: Office of Budget and Program Evaluation

One key to the City's ability to handle budgetary pressure is the health of its revenues. The remainder of this chapter will discuss General Fund revenues.

General Fund Revenues

The General Fund projected FY05 revenues of $3,427.0 million are divided into four major categories, as shown in the chart below:

- Taxes (62.2 percent of the estimated FY05 total).
- Revenues from other governments (30.5 percent), which consist primarily of federal and state reimbursements for the costs of social service programs and the Pennsylvania Intergovernmental Cooperation Authority (PICA) City Account revenues. PICA City Account revenues are monies collected from the PICA wage, earnings, and net profits tax, after deductions for PICA debt service and expenses.
- Locally generated non-tax revenues (6.4 percent), which include various fees, fines, and charges assessed by the City.
- Revenues from other funds (0.8 percent), which are primarily payments to the General Fund by the Water and Aviation funds, for services performed by other City agencies.



Source: Office of Budget and Program Evaluation

General Fund revenue growth exceeded inflation in every fiscal year since FY92, with the exception of FY02, after adjusting for the effects of deductions for PICA debt service and non-recurring revenues. Revenues, excluding the effects of PICA debt service and non-recurring revenues, increased by an average of 4.2 percent from FY91 through FY04, well above the regional inflation rate of 2.5 percent. A major reason that revenue growth exceeded inflation over that period was a significant increase in revenue from other governments, mainly from the federal Temporary Assistance to Needy Families Block Grant and state and federal child welfare funding programs.

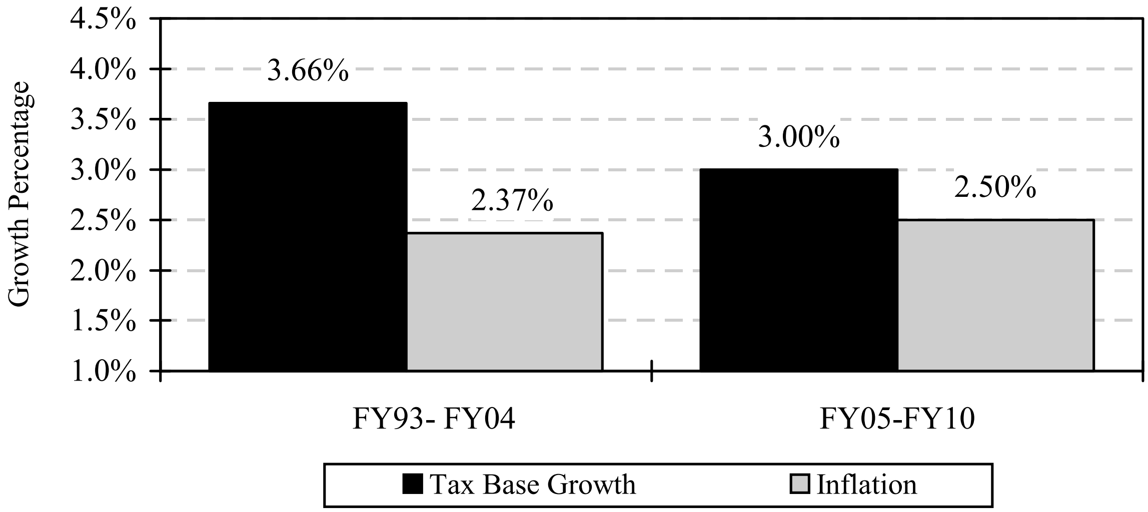
Taxes

The City's principal taxes are the wage and earnings tax, the real property tax, the business privilege tax, the sales tax, and the real estate transfer tax. The wage tax alone, not including the PICA portion of the tax, accounts for 50 percent of tax revenues and, as the following chart indicates, the five principal taxes together generate over 96 percent of total tax revenues.

Additionally, the City received $285.0 million in FY04 from the PICA tax, which is a portion of tax collections equaling 1.5 percent of wages and net profits earned by city residents. Monies remitted to the City for the PICA wage and earnings and net profits tax are not considered City tax revenues, but are classified as revenue from other governments. The revenues of the PICA tax secure the debt PICA incurred when it borrowed money on the City's behalf in FY91, FY92 and FY93, and covers PICA debt service and operating expenses, with the remaining funds paid to the City.

Philadelphia's tax base – its tax revenues adjusted for rate and tax changes and non-recurring tax revenue – grew from FY93 to FY04 at an average annual rate of 3.66 percent. The growth rate was greater than the 2.37 percent regional rate of inflation during the same period, likely as a result of the sustained national economic expansion and a surge in realty transfer tax revenue at the end of the period. As the following chart shows, this Five-Year Plan assumes that the tax base will grow slightly better than inflation, averaging 3.0 percent from FY06 to FY10, compared to an average inflation rate of 2.5 percent.

Annual Growth in Tax Base -- History and Forecast*



* Average annual growth excluding the effects of rate and tax changes and nonrecurring tax revenues.

Source: Office of Budget and Program Evaluation

The Plan assumes that tax revenue growth will average 1.8 percent annually over the FY04-FY10 period, a rate considerably below the assumed inflation rate of 2.5 percent. The relatively low rate of tax revenue growth over this period reflects low growth in FY06 and FY10. In FY06, tax revenues are projected to remain essentially at the FY05 level, due to the impact of wage tax cuts and the expectation that realty transfer tax collections will decline to a level more consistent with the historical base. In FY10, tax revenue is projected to increase by only 0.4 percent, due to a particularly large projected wage tax rate reduction, and the implementation of a new wage tax credit for low-income city residents.

Wage and Earnings Tax

The wage and earnings tax is the City's largest source of tax revenue, projected to account for approximately 50 percent of total tax revenue in FY05. It consists of a 2.831 percent tax on the wages of city residents — who also pay the 1.5 percent PICA wage tax for a total wage tax rate of 4.331 percent — and a 3.8197 percent tax on non-residents working inside Philadelphia. These rates were reduced on January 1, 1996, on each July 1st from 1996 through 2003, and on January 1, 2005, as the first ten steps in the City's incremental tax reduction program. Prior to January 1, 1996, the rate was 4.96 percent for city residents (including the PICA tax) and 4.3125 percent for non-residents.

The Plan takes into account the continuation of the City's incremental wage tax reduction plan through FY10, under Bill 040607. This legislation requires that the resident wage tax rate be further reduced to 4.301 percent and the non-resident rate be reduced to 3.7716 percent, effective

January 1, 2006. The wage tax rate will be further reduced to 4.0158 percent for residents and 3.6046 percent for non-residents by fiscal year 2010, as shown in the table below.

Wage Tax Rate Reductions[1]				
	Residents		Non-Residents	
Fiscal Year[2]	Rate	Change from FY95 Rate	Rate	Change from FY95 Rate
1995	4.9600%		4.3125%	
1996	4.8600%	-2.02%	4.2256%	-2.02%
1997	4.8400%	-2.42%	4.2082%	-2.42%
1998	4.7900%	-3.43%	4.1647%	-3.43%
1999	4.6869%	-5.51%	4.0750%	-5.51%
2000	4.6135%	-7.00%	4.0112%	-7.00%
2001	4.5635%	-8.00%	3.9672%	-8.00%
2002	4.5385%	-8.50%	3.9462%	-8.50%
2003	4.5000%	-9.27%	3.9127%	-9.27%
2004	4.4625%	-10.03%	3.8801%	-10.03%
2005	4.3310%	-12.68%	3.8197%	-11.42%
2006	4.3010%	-13.29%	3.7716%	-12.54%
2007	4.2600%	-14.11%	3.7557%	-12.91%
2008	4.2190%	-14.94%	3.7242%	-13.64%
2009	4.1690%	-15.95%	3.6850%	-14.55%
2010	4.0158%	-19.04%	3.6046%	-16.42%
Total Reduction, 1995-2010		**-19.04%**		**-16.42%**

1. Projected rates for 2006-2010 are based on legislated reductions under Bill 040607. They do not include the potential additional wage tax rate reductions made possible by state fiscal assistance for tax reform.

2 The FY96 reductions took effect January 1, 1996. The reductions for fiscal years 1997 through 2004 took effect on the first day of the fiscal year, July 1. The reduction for fiscal year 2005 took effect on January 1, 2005. Reductions for fiscal years 2006 through 2010 will take effect on January 1 of each fiscal year.

On July 4, 2004, the Governor approved HB2330 and SB100, which will provide funding for the implementation of statewide tax reform that will have a dramatic impact on the City's wage tax rate, helping Philadelphia become more competitive. The following table shows the projected wage tax rate assuming $101.1 million in annual funding to the City for tax reduction beginning in 2007. This funding is essential for the City's overall tax reform strategy. It will provide for additional wage tax cuts beyond the level legislated under Bill 040607.

Wage Tax Rate Reductions - State Tax Reform				
	Residents		Non-Residents	
Fiscal Year	Rate (Proposed FY07-FY10)	Change from FY95 Rate	Rate (Proposed FY07-FY10)	Change from FY95 Rate
2007	3.8475%	-22.43%	3.6400%	-15.59%
2008	3.8105%	-23.18%	3.6094%	-16.30%
2009	3.7653%	-24.09%	3.5714%	-17.18%
2010	3.6269%	-26.88%	3.4935%	-18.99%
Total Reduction, 1995-2010		**-26.88%**		**-18.99%**

Due to uncertainty surrounding the timing of state tax reform aid, the Plan's revenue projections do not assume any additional wage tax rate reductions due to state tax reform aid, or the corresponding state aid that will make these reductions possible. This assumption does not impact the total Plan revenue projections. Any state tax reform aid received by the City for wage tax reduction is to be revenue neutral, due to the requirement that the City reduce the wage tax in an amount corresponding to the additional state tax reform aid received.

The following table illustrates how employment and average wage per employee – the two key variables considered in formulating the City's revenue forecasts – changed in FY04, from FY99 through FY04, and from FY94 through FY04.

Wage Tax Forecast Variables - Historical Average Annual Growth Rates	FY03-04	FY99-04	FY94-04
Wage and Earnings Tax Base (1)	**4.50%**	**3.40%**	**3.70%**
Non-agricultural Payroll Employment (Phila. city)	-0.80%	-0.10%	-0.20%
Average Wage/Employee (Phila. city)	5.30%	3.50%	3.90%
Consumer Price Index (Phila. region)	2.70%	2.50%	2.30%

1. The PICA wage tax is included in the base for comparative purposes. The base is also adjusted to reflect changes in tax rates.

Source: U.S. Bureau of Labor Statistics and Pennsylvania Department of Labor and Industry

Payroll employment declined by an average of 0.2 percent per year from FY94 through FY04. Annual declines occurred in most fiscal years over the past decade, with the exception of FY98, FY99, and FY00. Since FY00, fiscal year average employment has again begun to decline, with losses from FY01 to FY04. The average wage per employee increased by 5.3 percent in the last year, 3.5 percent per year over the past five years, and by 3.9 percent per year over the past ten years. These wage increases have offset declining employment, leading to an increase in the wage tax base over the past decade. The wage tax base increased at an average annual rate of 3.7 percent over the FY94-04 period. Between FY03 and FY04, the wage tax base increased at a relatively high 4.5 percent. The growing wage tax base has helped to reduce the revenue impact of the incremental wage tax cuts over the period.

The following table shows the assumptions underlying the Plan's wage tax forecast. Average wage-per-employee growth is projected at 3.5 percent in FY06, 3.75 percent in FY07, and 4.0 percent annually from FY08 through FY10. Employment is projected to remain unchanged over the FY06-FY10 period. Accordingly, the base of the wage tax – wages and salaries of Philadelphia residents and Philadelphia-based employees – is projected to grow by between 3.5 percent and 4.0 percent annually over the life of the Plan. This level is consistent with the average annual growth over the FY94-FY04 period. The table below also presents the impact of future tax cuts under Bill 040607 on the tax base.

		FY06	FY07	FY08	FY09	FY10
	Avg. Wage/Employee Growth	3.5%	3.75%	4.0%	4.0%	4.0%
+	Employment Change	0.0%	0.0%	0.0%	0.0%	0.0%
=	Gross Growth Forecast	3.5%	3.75%	4.0%	4.0%	4.0%
-	Effect of Tax Cut	-2.22%	-1.10%	-1.12%	-1.37%	-3.89%
=	**Net Growth Forecast**	**1.28%**	**2.65%**	**2.88%**	**2.63%**	**0.11%**

After accounting for the impact of Bill 040607, current wage tax revenues are projected to grow between 1 and 3 percent annually during the FY06-FY09 period, and 0.11 percent in FY10.Actual wage tax collections for FY01 through FY04, as well as projected collections through FY10, are presented in the table below.

Wage Tax Collection History and Forecast
($ in millions)

	History				Forecast					
	FY01	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**
PICA Wage Tax	262.5	268.1	273.4	276.8	286.5	296.5	307.6	319.9	332.7	346.0
City Wage Tax	1,047.2	1,006.0	1,013.4	1,049.6	1,073.1	1,086.7	1,114.9	1,146.5	1,176.1	1,164.4
Total Wage Tax	1,309.7	1,274.1	1,274.1	1,326.4	1,359.6	1,383.2	1,422.5	1,466.4	1,508.8	1,510.4
Growth		-2.7%	0.0%	4.1%	2.5%	1.7%	2.8%	3.1%	2.9%	0.1%
Tax Rates										
Resident	4.56%	4.54%	4.50%	4.46%	4.33%	4.30%	4.26%	4.22%	4.17%	4.02%
Non-resident	3.97%	3.95%	3.91%	3.88%	3.82%	3.77%	3.76%	3.72%	3.69%	3.60%

FY01 collections include $50.5 million in one-time accruals related to the GASB 33 accounting change.
Source: Office of Budget and Program Evaluation

Actual wage tax collections, including both the City and PICA wage tax, declined 2.7 percent in FY02. Taking into account the impact of one-time accruals in FY01, actual wage tax collections growth was 1.2 percent on an adjusted basis, still well below historical patterns, and reflective of the weak FY02 economy and the impact of tax cuts. Wage tax collections were unchanged between FY02 and FY03, again a reflection of the economic recession. Collections in FY04, however, increased 4.1 percent, an indication of the gradually recovering Philadelphia economy.

Based on actual collections through the first six months of FY05, collections are projected to increase 2.5 percent in FY05. The Plan projects that total City and PICA wage tax collections will increase by an average annual rate of 2.2 percent from FY04 to FY10. This average growth rate reflects the impact of particularly low rates of growth in FY06 and FY10, due to a particularly large impact of tax cuts in those years.

Real Property Tax

The real property tax is the General Fund's second largest source of tax revenue, accounting for an estimated $391.1 million in FY05, or 18.4 percent of total tax revenue. The tax is levied on behalf of both the School District and the City's General Fund at a combined rate of 8.264 percent of the assessed value of residential and commercial property. Of this rate, for FY02 and prior years, the General Fund's share was 3.745 percent and the School District's was 4.519 percent. For FY03 through FY09, the General Fund share is 3.474 percent and the School District's is 4.79 percent. The millage shift was made to provide the School District with $25 million of the $45 million in additional annual funding the City pledged to provide to the District as part of its School District agreement with the state.

Residential assessments, including condominiums, account for approximately two-thirds of all real property tax revenue, while commercial assessments provide the remaining third. Each November, the Board of Revision of Taxes (BRT) certifies what it believes the assessments will be in the upcoming tax year. As the year progresses, BRT adjusts the assessments because of additions to the tax rolls and reductions in assessments that it grants in response to requests from commercial and residential property owners, as well as Court of Common Pleas decisions on assessment appeals. The Revenue Department's net billings for each year reflect these adjustments. As the following table shows, real estate net billings have steadily increased in recent years.

Growth in Real Estate Tax Assessments, 1999-2005
($ in millions)

	1999	2000	2001	2002	2003	2004	2005
Certified Assessments	9,241	9,452	9,741	10,159	10,621	10,946	11,031
Growth Over Prior Year	+0.4%	+2.3%	+3.1%	+4.3%	+4.5%	+3.1%	+0.8%
Adjustments	(61)	(70)	(62)	(160)	(235)	(250)	N/A
Net Billings	9,180	9,382	9,679	9,999	10,386	10,696	N/A
Growth Over Prior Year	+1.0%	+2.2%	+3.2%	+3.3%	+3.9%	+3.0%	N/A

Source: Board of Revision of Taxes

Since 1999, the real estate market has seen dramatic increases in value in many locations throughout Philadelphia. Low mortgage interest rates, and increased investor confidence in the city, have contributed to increased property demand and value. The City's Neighborhood Transformation Initiative has also contributed to the citywide increase in property values through its strategically targeted investments in neighborhoods throughout Philadelphia. The BRT has increased assessments since 1999 to keep pace with market conditions and to achieve its mandate to place fair and equitable market values on every property in the city.

The table below presents actual real property tax collections from FY01 to FY04, and projected collections through FY10.

Real Property Tax Revenue History and Forecast ($ in millions)										
	History				Forecast					
	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Current [1]	325.8	333.2	329.4	332.6	337.1	346.3	359.6	368.4	377.4	385.8
Prior [2]	37.6	40.4	31.7	45.1	54.0	48.0	48.0	48.0	48.0	48.0
Total	363.4	373.6	361.1	377.7	391.1	394.3	407.6	416.4	425.4	433.8
Growth		2.8%	-3.3%	4.6%	3.5%	0.8%	3.4%	2.2%	2.2%	2.0%

[1] The decline in current collections from FY02 to FY03 is due to the School District millage transfer.
[2] Structured tax lien sale proceeds are included in prior year history as follows: FY01 $9.0 million and FY02 $7.9 million.
Source: *Office of Budget and Program Evaluation*

Collections in FY02 increased 2.8 percent, a reflection of the 3.3 percent increase in net billings in 2002, shown above. Revenues decreased 3.3 percent in FY03, despite a 3.9 percent increase in net billings in 2003, due to the transfer of a portion of the real estate tax rate from the City to the School District of Philadelphia. Real estate tax revenues returned to positive growth in FY04, reflecting the continued increase in adjusted assessments.

The Plan projects that current real estate tax collections will increase at an average annual rate of 2.5 percent over the FY04-FY10 period, consistent with the Plan's assumed inflation rate. Prior collections are projected to increase significantly in FY05, due to a joint collections project of the Law and Revenue departments. As a result of the continuation of this project, prior year collections are projected to continue a historically high level of $48 million annually during the FY06-FY10 period. However, collections are not expected to reach the level projected for FY05 due to the anticipated receipt of a number of unusually large real estate tax settlements during the current fiscal year. The Plan projects that combined current and prior real estate tax revenues will increase at an annual average rate of 2.3 percent for the period from FY04 to FY10.

Business Privilege Tax

The business privilege tax (BPT) is the General Fund's third largest tax revenue source, contributing an estimated $315.1 million in FY05, or 14.8 percent of tax revenue. The BPT is a composite tax on net income and gross receipts, which varies depending on industry classification. The current standard rates are 0.19 percent on gross receipts and 6.5 percent on net income, although there are numerous exceptions. Regulated industries, such as financial institutions and public utilities, are taxed at the lesser of either 0.19 percent of receipts or 6.5 percent of net income. Non-regulated industries — such as manufacturers, wholesalers, and retailers — can opt for an alternative tax on receipts that permits subtracting certain product and labor costs from receipts, for purposes of their tax calculation.

As part of the first ten phases of the City's multi-year incremental tax reduction program, the rate on the gross receipts portion of the BPT was reduced annually, from 0.325 percent before the program started in FY96 to 0.19 percent in FY05. In addition, in 1996 the tax cut program also changed the methodology for calculating a firm's tax liability by double-weighting the gross receipts factor in the BPT's net income calculation. This change in methodology has reduced the liability of firms located in Philadelphia. There are three factors used in determining the percentage of net income attributable to Philadelphia operations: Property, payroll, and receipts. Before January 1, 1996, each factor was equally weighted. The revised calculation was particularly beneficial to firms that have large property holdings and large employee contingents in the city.

The City's Regional Economic Models, Inc. (REMI) model, a survey conducted by the Commerce Department, and discussions with economists show that the gross receipts portion of the business privilege tax is onerous. The gross receipts tax imposes an extra burden on city businesses, particularly small businesses and new companies struggling for profitability. As a general rule, the tax cannot be "shifted" onto firm customers, since those customers can always purchase the good or service from a non-Philadelphia business, with the exception of some retail and service businesses that can shift the tax to low-income and senior citizen consumers with relatively little mobility. High-volume, low-margin businesses are particularly penalized, as the tax can represent a significant portion of pre-tax profit margin, a higher proportion than that imposed by the net income tax. As a result, the City proposes in this Plan to shift a portion of the business privilege tax burden to the parking tax through an accelerated reduction in the gross receipts portion of this tax in FY06 from 1.9 mills to 1.5 mills, a reduction of 14 percent. The changes in the gross receipts tax rate from FY95 to date, and as proposed under this Plan through FY10, are shown in the table below.

Business Privilege Tax (BPT) Rate Reductions* – Actual & Proposed			
Fiscal Year	**Gross Receipts Rate (FY95-FY10)**	**Change from FY95 Gross Receipts Rate**	**Reduction in Total BPT Burden****
1995	0.3250%		
1996	0.3000%	-7.69%	-5.14%
1997	0.2950%	-9.23%	-5.85%
1998	0.2875%	-11.54%	-6.90%
1999	0.2775%	-14.62%	-8.28%
2000	0.2650%	-18.46%	-10.00%
2001	0.2525%	-22.31%	-10.70%
2002	0.2400%	-26.15%	-12.88%
2003	0.2300%	-29.23%	-16.23%
2004	0.2100%	-35.38%	-18.11%
2005	0.1900%	-41.54%	-21.27%
2006	0.1500%	-53.85%	-27.57%
2007	0.1375%	-57.69%	-29.54%
2008	0.1250%	-61.54%	-31.51%
2009	0.1125%	-65.38%	-33.47%
2010	0.1000%	-69.23%	-35.45%
TOTAL REDUCTION 1995-2010		**-69.23%**	**-35.45%**

* The Business Privilege Tax consists of a tax on gross receipts combined with a tax on net income. The proposed rate reductions affect only the rate of the gross receipts portion of the tax.
** This percentage includes the effects of (1) the reductions in the gross receipts portion of the BPT and (2) the double weighting of the sales factor in calculating the net income portion of the BPT.
Source: Office of Budget and Program Evaluation

The proposed shift is consistent with the Administration's position that tax reductions beyond those currently in law should be offset by new sources of revenue. Increasing the parking tax rate to 20 percent is projected to generate $13 million in FY06, which will be shifted to allow for a 14 percent rate reduction in the BPT, twice as large as the reduction currently scheduled by Council ordinance. The result is no significant net change in total Plan tax revenues. The Plan cuts the gross receipts tax rate to 0.15 percent in FY06, and to 0.1 percent by FY10, a reduction of nearly 70 percent from the FY95 level. This proposal significantly accelerates gross receipts rate reductions proposed in the FY05-FY09 Plan and puts the pace of the gross receipts reductions on a schedule for elimination of this portion of the tax by 2018.

The City believes that the proposed shift from the BPT to the parking tax represents sound, fiscally responsible tax policy. Research has shown that the gross receipts portion of the BPT is an impediment to economic growth in Philadelphia. Accelerating the proposed reduction in this tax is an investment in economic development. By contrast, there is little evidence that the parking tax is a major deterrent to business location in the city. Further, economists believe that taxes on activities with social costs are efficient, because they can generate public revenue while discouraging behavior that is costly to society. Taxes that increase the cost of automobile use, such as a gas tax or parking tax, are examples of such taxes. Increasing the City parking tax will encourage greater use of public transportation, reduce road congestion, improve air quality, and enhance SEPTA’s revenue base over the long term. In short, the proposed shift from the BPT to the parking tax should result in significant economic benefits to Philadelphia, with no net impact on the City revenues or services, or the City’s financial stability. Even with this increase in the parking tax, the rate would remain well below the 50 percent parking tax charged by the City of Pittsburgh, and a parking tax rate increase to 20 percent was one of the Tax Reform Commission's suggestions for changing Philadelphia's tax mix to afford business privilege tax reductions. As the Commission noted in its report, "compared to other Philadelphia taxes, the economic burden created by the parking tax is relatively small." The Administration's FY06 proposed shift is the full amount of tax relief that can be funded from this suggested increase in the parking tax.

The table below presents actual BPT collections from FY01 to FY04, and projected collections through FY10.

Business Privilege Tax Revenue History and Forecast
($ in millions)

	History				Forecast					
	FY01	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**
Current	275.5	273.8	238.7	269.9	271.1	261.2	264.4	267.5	270.1	271.8
Prior	38.5	22.0	47.4	39.2	44.0	42.0	42.0	42.0	42.0	42.0
Total	314.0	295.8	286.1	309.2	315.1	303.2	306.4	309.5	312.1	313.8
Growth		-5.8%	-3.3%	8.1%	1.9%	-3.8%	1.1%	1.0%	0.8%	0.5%

FY01 collections include $4.5 million in one-time accruals related to the GASB 33 accounting change.
Source: *Office of Budget and Program Evaluation*

BPT collections declined in both FY02 and FY03, a reflection of recessionary conditions in the city that impacted the growth of business receipts and earnings. In FY02, the BPT base grew by an estimated 1 percent. However, actual BPT revenue declined 5.8 percent in FY02, due to the impact of tax cuts and an accounting change mandated by GASB 33 that resulted in the inclusion of $4.5 million in one-time accruals in FY01. In FY03, BPT collections again declined, by 3.3 percent, due to continued corporate losses.

A filing process change initiated in FY03 that was intended to simplify the process for new business filers led to some initial confusion, resulting in large overpayments by some taxpayers. FY03 actual collection results were adjusted and do not include those overpayments, which were partially refunded during FY04. In FY04, BPT collections increased 8.1 percent over the prior year, a reflection of improving economic trends.

Of all City taxes, the BPT is probably the most volatile and difficult to predict. An accurate projection of each fiscal year's results is not possible until the end of April. In addition, about 60 percent of BPT collections are derived from the net income component, which fluctuates depending on corporate profits and the use of net losses that businesses are allowed to carry forward into a succeeding year to offset tax liabilities. Based on the significant increase in FY04 collections, and evidence that the city's economy is recovering from the recessionary conditions of FY02 and FY03, the Plan projects the BPT base will grow at an annual rate of 4.0 percent from FY05 through FY10, 1.5 percentage points above the assumed rate of inflation. After the effects of tax cuts are included, BPT collections are projected to decline 3.8 percent in FY06, and then increase modestly, at rates between 0.5 percent and 1.1 percent, during the FY07-FY10 period.

Sales Tax

The sales tax is the General Fund's fifth largest tax revenue source, accounting for 5.3 percent of all tax revenues in FY05. The state legislature authorized imposition of a local 1 percent sales-and-use tax under the PICA Act of 1991, and the tax was first collected in October 1991. The local sales tax is collected by the state and remitted to the City monthly. The table below shows the FY01-FY04 trend in actual sales tax collections, as well as the projected collections through FY10.

Sales Tax Collections History and Forecast ($ in millions)										
	History				Forecast					
	FY01	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**
Collections	111.3	108.1	108.0	108.0	112.0	114.8	117.7	120.6	123.6	126.7
Growth		-2.9%	-0.1%	0.0%	3.7%	2.5%	2.5%	2.5%	2.5%	2.5%
Source: *Office of Budget and Program Evaluation*										

Actual sales tax collections declined 2.9 percent in FY02, and were essentially flat from FY02 to FY04, reflecting the impact of recessionary economic conditions and employment losses on retail sales in the city. Sales tax revenues are projected to increase by 3.7 percent in FY05, based on actual collections through the first six months of FY05. The solid increase in collections in FY05, as well as the gradually improving city economic trends in 2004, suggest that sales tax collections will continue to show modest growth over the Plan period. The Plan projects sales tax collections to grow by 2.5 percent annually from FY06 to FY10, a growth rate equal to the assumed inflation rate over the period.

Realty Transfer Tax

The realty transfer tax (RTT) is a tax on the sale of real property in the city. In FY05, the RTT is projected to generate 7.7 percent of General Fund tax revenue. The current rate is 3.0 percent on the value of property transferred. The table below presents actual RTT collections from FY01 to FY04, and projected RTT collections through FY10.

Realty Transfer Tax History and Forecast ($ in millions)										
	History				Forecast					
	FY01	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**
Collections	77.0	96.7	103.4	141.3	165.0	140.0	143.5	147.1	150.8	154.5
Growth		25.6%	6.9%	36.7%	16.8%	-15.2%	2.5%	2.5%	2.5%	2.5%
Source: Office of Budget and Program Evaluation										

Revenues from the RTT have skyrocketed over the past several years, driven by increasing property values and a higher volume of transactions. FY02 collections increased 25.6 percent over the prior year, with large commercial transactions contributing to the increase. Two transactions involving Liberty Place accounted for $8 million of RTT revenue. Collections increased 6.9 percent and 36.7 percent, respectively, in FY03 and FY04. RTT collections through the first six months of FY05 suggest another significant increase in revenue in FY05, with the current projection set at $165 million.

In response to a recommendation by the Tax Reform Commission, City Council passed Bill 040019 on June 10, 2004. This legislation was designed to eliminate a loophole that previously allowed parties involved in large commercial real estate transactions to avoid the RTT. Prior to the legislation, a buyer could acquire a property by purchasing the land, while entering into a long-term lease for the value of the building. The party could legally pay RTT solely on the value of the land, not the value of the building, at the termination of the lease. Bill 040019 eliminated this loophole, and broadened the base of the tax.

The Plan projects that RTT revenue will decline in FY06 to a level more consistent with the historical base for this tax. In the FY07-FY10 period, collections are projected to increase by 2.5 percent annually, consistent with the assumed annual rate of inflation over this period.

Parking Tax

The parking tax is a tax on the gross receipts from all parking transactions. In FY05, it is projected to generate $44 million, 2.1 percent of total General Fund tax revenue. Since 1987, the rate is 15 percent of gross parking receipts.

This Plan proposes to increase the rate of the parking tax to 20 percent, effective in FY06. This proposal is made in conjunction with a proposal to accelerated planned reductions in the rate of the gross receipts portion of the business privilege tax, as described above. The City believes that this revenue neutral shift away from reliance on the BPT and toward reliance on the parking tax will have a positive economic impact, while maintaining the City's financial stability. The table below presents actual Parking Tax collections from FY01 to FY04 and projected collections from FY05 through FY10.

Parking Tax History and Forecast
($ in millions)

	History				Forecast					
	FY01	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**
Collections	39.0	37.9	38.7	42.5	44.0	58.1	59.9	61.7	63.2	64.8
Growth		-2.8%	2.1%	9.8%	3.5%	32.0%	3.1%	3.0%	2.4%	2.5%
Rate	15%	15%	15%	15%	15%	20%	20%	20%	20%	20%

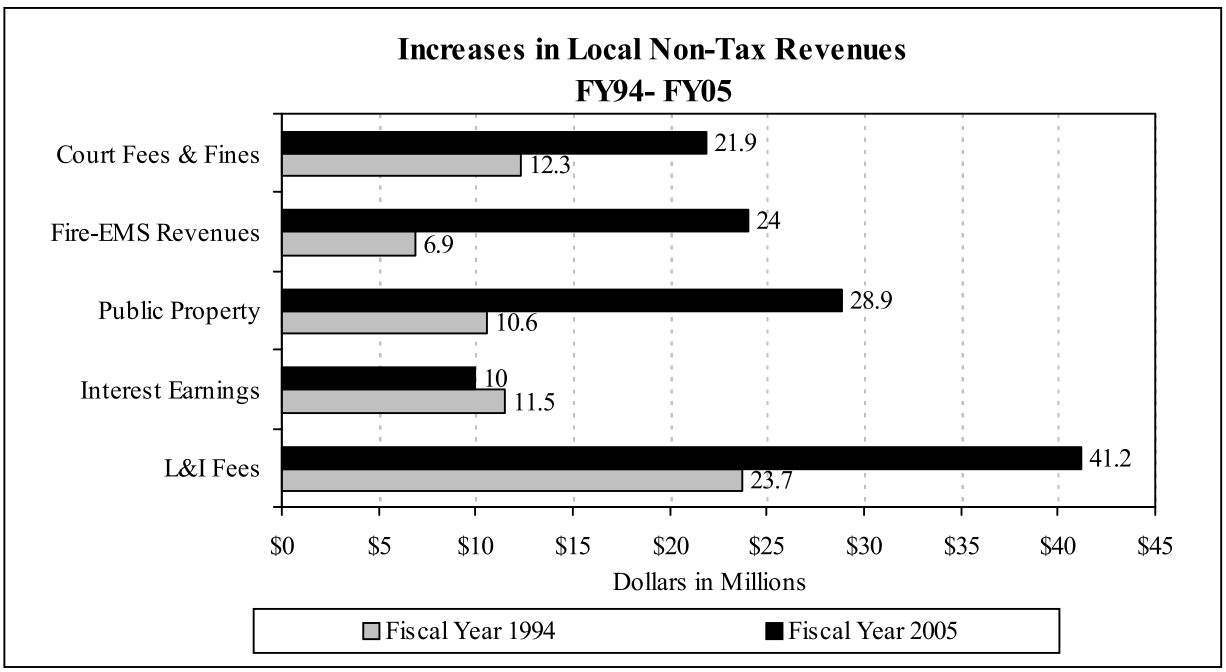
Source: *Office of Budget and Program Evaluation*

Actual parking tax collections declined 2.8 percent in FY02, a reflection of recessionary economic conditions. In FY03 and FY04, collections increased 2.1 percent, and 9.8 percent, respectively, an indication of the City's economic recovery. The City is projecting a further increase of 3.5 percent in Parking Tax collections in FY05, based on collections to date.

The Plan projects a 32 percent increase in collections in FY06, due to the rate increase, combined, with a small anticipated reduction in the tax base due to the higher tax rate. For the FY07-FY10 period, the Plan projects annual increases between 2.4 percent and 3.1 percent, which are generally consistent with the assumed inflation rate of 2.5 percent.

Non-Tax Revenues

Local non-tax revenue collection initiatives have played an important role in increasing the City's revenues since FY94. Initiatives have included: Improved license and permit fee enforcement and Department of Licenses and Inspections fee increases; the Public Property Department's cable television franchise fee; improved EMS collection efforts; and increased court fees. The impact of these initiatives on General Fund revenues is shown in the chart below.



Source: Office of Budget and Program Evaluation

In part because of these initiatives, total local non-tax revenues have increased by 40 percent from $157.3 million in FY94 to an estimated $220.2 million in FY05.

FY06 revenues are projected to increase to $244.6 million because a series of fee increases designed to cover the City's costs and revenues from initiatives like increased enforcement and the City's strategic marketing initiative. The initiatives and fee increases include the following:

- **Strategic marketing partnerships**. The City is currently working with a consulting team to develop a citywide strategic marketing plan to maximize the value of private partnerships, including sponsorships, exclusivity agreements, and leasing of City assets. The experience of New York City with a similar initiative, and a preliminary estimate by the City's consulting team, support an estimate of $47.5 million in new revenue over the FY06-FY10 period.

- **Updated L&I and public health fees.** In FY05, City Council gave approval to the Department of Licenses and Inspections for fee increases for food licenses and to the Department of Public Health for fee increases for environmental health licenses and permits. The fees, which had not been updated since 1993, are expected to generate $1.2 million annually, and are tied to the cost of providing inspections and other services.

- **Updated records fees.** In FY05, the Department of Records increased the fee charged for Police accident reports to more accurately reflect the cost of these services. Fee increases will generate $500,000 annually.

- **Updated EMS fees.** In FY04, the Administration increased EMS fees from $400 to $500. The increase will generate $2.3 million annually in additional revenue to the City, and is generally paid by insurance companies. The new fee more accurately reflects the ever-increasing costs associated with emergency transport and provides better cost recovery for this service, although it does not fully reimburse the City for all of the costs of the emergency medical system.

City of Philadelphia
Five-Year Financial Plan

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Neighborhood Transformation and Blight Elimination

Implementing Neighborhood Transformation and Blight Elimination

Overview

In April 2001, Mayor Street unveiled his Neighborhood Transformation Initiative (NTI), a strategy to preserve and rebuild Philadelphia's neighborhoods as thriving communities with clean and secure streets, vibrant retail, recreational and cultural outlets, and quality housing. Through NTI, the City and its operating departments are taking a multi-faceted, comprehensive approach to addressing every aspect of neighborhood preservation and development. The Initiative also increases opportunities for government and citizens to work together, restoring civic pride and building community spirit.

FY06 will be a pivotal year for NTI. The critical challenge going forward is to sustain the positive changes that NTI has brought to our neighborhoods: Demolishing dangerous buildings and removal of dead trees that were safety hazards, cleaning and greening debris-filled vacant lots, building affordable housing, providing home improvement grants and low-cost loans to thousands of Philadelphians, and acquiring more than 5,500 properties for future development.

Another important NTI goal was to bring about a fundamental change in how the City does business to ensure that the multitude of services provided to Philadelphia's residents are coordinated in a way that supports healthy neighborhoods and communities. To that end, NTI has made significant changes across government, including: Fostering interagency cooperation, improving technology, and streamlining processes and systems. Thus, a true measure of NTI's success will be whether the strategic changes that have occurred in the processes and systems of government during the early years of the initiative become "business as usual" for the City. The Administration will achieve this objective in FY06 by incorporating NTI principles into its emergency demolition program, code enforcement activities, blight removal programs, vacant property data management, development strategy, and developer services.

Objectives

- **Neighborhood Planning**
  Facilitate and support community-based planning and the development of area plans that reflect citywide and neighborhood visions.

- **Blight Elimination**
  Eradicate blight caused by dangerous buildings, debris-filled lots, abandoned cars, litter, and graffiti, to improve the appearance of Philadelphia streetscapes.

- **Blight Prevention**
  Advance the quality of life in Philadelphia neighborhoods with a targeted and coordinated blight prevention program.

- **Land Assembly**
  Improve the City's ability to assemble land for development.

- **Neighborhood Investments**
  Stimulate and attract investment in Philadelphia neighborhoods.

- **Leveraging Resources**
  Leverage resources to the fullest extent possible and invest them in neighborhoods strategically.

Neighborhood planning

- **Link plans to implementation strategies.** In FY05, staff of the Philadelphia City Planning Commission (PCPC) in collaboration with area residents, community stakeholders, and elected officials will complete draft plans for 16 neighborhoods. The neighborhood plans address: Housing, commercial development, transportation, open space, community heritage, and arts and culture. The information gathered is used to formulate a vision for the neighborhood and devise goals, strategies, and recommendations. Recommendations are linked to implementation strategies and earmarked as near term or long term, to ensure that the neighborhood vision and implementation action plans are thought through strategically and clearly defined.

  The 34 NTI neighborhood planning areas include: Nicetown, Tioga, Mt. Airy, Germantown, Olney, North Central, Strawberry Mansion, Brewerytown/Sharswood, Francisville, Fairmount, Fairhill/St. Hugh, Hawthorne, South of South, Point Breeze, Grays Ferry, Jefferson Square/7th Street, Kingsessing/West Shore, Mantua, West Powelton/Saunders Park, Wynnefield, West Parkside, Overbrook/Carroll Park/Haddington, Frankford, Wissinoming, Upper Holmesburg, Fox Chase, Burholme, Upper Northwood, Lawndale/Lawncrest, Parkwood, and Callowhill/Chinatown North. Planning areas that extend along commercial and transit corridors include: North Broad Street from City Hall to Glenwood Avenue, Lancaster Avenue between 52nd to 63rd streets, and the AMTRAK rail corridor from county line to county line.

  In FY06, PCPC will focus on completing plans for the remaining NTI neighborhoods and devising implementation strategies for completed plans. Implementation strategies will engage community-based organizations as well as City, state and federal agencies. The goal of this phase will be to integrate planning and operation protocols and weave them into the fabric of municipal government.

Blight elimination

- **Continue to reduce the number of dangerous vacant properties through demolition.** NTI and the Department of Licenses and Inspections (L&I) work in partnership to rid the City of dangerous buildings through demolition. Three types of demolitions are funded by the City: 1) Targeted demolitions are completed in NTI neighborhoods and are identified through analysis of condition of structures, level of vacancy, proximity to schools and other neighborhood characteristics; 2) curbside demolitions, or emergency demolitions, are conducted in non-NTI neighborhoods and address buildings identified as imminently dangerous; and 3) vacant commercial buildings are demolished based on the development potential of the buildings.

- **Targeted demolition**. By the end of FY06, the City will have completed the demolition of approximately 4,000 residential properties, through the NTI targeted demolition program. Since FY03, NTI bond funds have paid for these emergency demolitions. In the period from FY03 to FY05, L&I will demolish more than 1,200 residential properties in support of NTI. This brings the total FY03 to FY06 NTI demolitions to approximately 5,200.

- **Curbside demolition**. Starting in FY06, emergency demolition will be funded from the General Fund; the City will demolish approximately 400 dangerous residential buildings per year. In addition, L&I will continue to improve its systems for tracking dangerous buildings, scheduling re-inspections of vacant properties, and contracting for curbside demolitions.

- **Demolition of vacant commercial buildings**. In FY03, the Commerce Department, with City Council input, researched and developed a list of 60 large vacant commercial and industrial properties for demolition over the next five years. Properties were prioritized for demolition based on dangerous condition level, existing Code violations, and potential for redevelopment. During FY03 and FY04, the City demolished 13 large vacant buildings and by the end of FY06, will use NTI funds to demolish between 20 and 25 more high-priority buildings. Other buildings have been removed from the original list as owners have come forward to remediate Code violations and, in some cases, convert previously abandoned properties to other commercial or residential use.

- **Conclude the NTI stabilization program.** Stabilization involves sealing and protecting vacant buildings to prevent deterioration. Stabilizing a recently vacant property increases the likelihood that it will be acquired and rehabilitated rather than demolished. Stabilization work costs approximately $10,000 per property, with the exact amount depending on the amount of work required. The City prioritizes stabilization properties that are either in strong real estate markets, on blocks with low vacancy rates, or lack significant environmental or soil problems. By FY05, the City will complete approximately 450 stabilizations. However, the program will not continue in FY06. In FY06, the City will either condemn properties for future disposition and rehabilitation or sell them through Sheriff's Sale.

- **Repair dangerous retaining walls.** Retaining walls are private property or "private infrastructure." State and local law require abutting property owners to cover the cost of the maintenance and reconstruction of retaining walls and other private infrastructure. However, the high cost of these repairs is a deterrent for some property owners. In certain cases where private retaining walls have become a public safety hazard, the City intervenes. In FY03, the Streets Department surveyed and estimated the repair costs of more than 60 retaining walls in need of repair citywide. The City budgeted $2.2 million in NTI bond funds from FY03-FY05, and is using the funds to repair only the most dangerous walls included in the survey.

In FY06, the City will complete the final retaining wall projects, which will bring the total number of walls repaired over the three years to eight. By law, the City can assess the abutting property owners, depending on linear feet of frontage on the wall. The City expects to recoup $137,000 on the first three walls it repaired; assessments will be completed for other walls as repair projects are completed.

- **Maintain ongoing streetscape improvement programs.** Since the beginning of the Street Administration, the City has deployed operating departments in a vigorous effort to keep streets and properties clean and attractive, through the abandoned auto removal, anti-graffiti, lot-cleaning, and mural arts programs.

  - **Abandoned Auto Removal.** Mayor Street's first major clean-up initiative was the removal of 40,000 abandoned cars from City streets in FY01. This initiative continues, with the Police Department's Neighborhood Services Unit removing abandoned cars from the streets and responding to all complaints within 48 hours. In both FY05 and FY06, the unit anticipates removing 25,000 abandoned vehicles. Over 215,000 abandoned cars have been removed since the program's inception.

  - **Anti-Graffiti Network.** Graffiti defaces neighborhoods, diminishes property values, and can create a sense of hopelessness. Since FY01, the Managing Director's Graffiti Abatement Teams have removed graffiti from an average of 80,000 properties per year. In FY04, 91,110 properties and street fixtures were cleaned of graffiti. As a result of budget cuts, the number of properties and street fixtures cleaned of graffiti will be reduced to approximately 85,000 each year in FY05 and FY06.

  - **Mural Arts Program.** Murals bring art to the cityscape by transforming graffiti-scarred walls into scenic views, portraits of community heroes, and abstract art. In FY04, the acclaimed Mural Arts Program completed 112 murals throughout the City. In FY05, approximately 100 murals will be completed, including work along the Market Frankford El, I-95, and Schuylkill Expressway. In FY06, the Mural Arts Program will match this production, and will continue to transform community spaces by working with lot clean-up crews, the Pennsylvania Horticultural Society, and the School District.

- **Continue removing debris from vacant lots.** The vacant lot program under the Managing Director's Office supports NTI's greening efforts by preparing lots for greening activities. In FY02, City crews coordinated and cleaned all of Philadelphia's more than 31,000 vacant lots and removed more than 25,000 tons of debris. In FY03, City work crews cleaned 12,186 vacant lots, removing approximately 8,000 tons of debris. In FY04, 11,139 vacant lots were cleaned, and City crews removed 7,470 tons of debris. Due to budget constraints, City crews will clean only 7,000 lots by the end of FY05; the same production levels are anticipated for FY06. However, despite the reduction in effort from City forces, the overall maintenance of vacant lots should not change. The City has successfully transitioned the maintenance of over 3,000 vacant lots to community groups and will continue with this effort. Approximately 1,000 lots are in the process of being removed from the public maintenance inventory through: Transfer to community organizations for redevelopment for new houses, open space or commercial uses; and to private homeowners for use as "side yards." In addition, the Philadelphia Horticultural Society (PHS), which has greened over 5,100 vacant lots in the City, assumes subsequent maintenance and cleaning responsibilities after greening. The transition should reduce the reliance on City crews to clean lots.

- **Remove dangerous street trees and enhance pruning efforts.** Dead trees and falling limbs pose a threat to public safety, and are a form of neighborhood blight. In FY02, the City had a backlog of 8,500 dead and dangerous street trees, with an additional 2,500 becoming dangerous each year. Responding to this challenge, crews from the Fairmount Park Commission removed 3,600 trees in FY02, 4,700 in FY03, and 4,610 in FY04. The City will remove 4,300 more trees in FY05, and will eliminate the backlog in FY06 by removing an additional 3,200 street trees. On average, crews also have pruned about 13,000 trees a year between FY02 and FY04. In FY05, 14,500 trees will be pruned. By the end of FY06, when crews have eliminated the backlog of dead and dangerous trees, the City will be able to reduce the street tree pruning cycle from 17 years to 10 years.

Blight prevention

- **Continue to implement the Green City Strategy.** In early 2000, many City parks and commercial corridors were showing signs of neglect. Since the launch of NTI, PHS' Philadelphia Green Program has implemented the Green City Strategy by working with the Mayor's NTI staff, the Managing Director's Neighborhood Services Unit, the Empowerment Zone, the Office of Housing and Community Development, Fairmount Park, the Water, Streets and Recreation departments, and numerous community organizations. The Strategy calls for a targeted approach to maintenance of Philadelphia's vacant land and green infrastructure, from its parks, public spaces and gateways, to community gardens, tree-lined streets, and vacant lots. In FY06, 3,000 vacant lots will receive high level greening treatment, including grass, trees and fencing. Through community groups, PHS, and City forces, over 18,000 lots will been maintained in FY06. The goal, however, is to increase the number of regularly maintained vacant lots to approximately 22,000, and to continue to reduce the public inventory by conveying vacant land for private development and/or use as privately owned and maintained green space.

  In FY05, a consulting firm hired by PHS and the City made recommendations for a long-term vacant land maintenance plan. In addition, a study released by the University of Pennsylvania indicates a direct relationship between greening and increased real estate values. Therefore, in the next two to five years, a major fundraising effort will be launched to support the NTI Green City Strategy. In January 2005, the William Penn Foundation awarded a two-year, $2 million grant to PHS for greening and community organizing efforts. Several corporations already have pledged support for park improvements and commercial corridor projects. Private supporters include: Citizens Bank, which has supported improvements in 10 neighborhoods from Vernon Park in Germantown to Jefferson Square and Wharton Square Parks in South Philadelphia; and Moon Nurseries, which donated labor and materials to green a traffic island on Ogontz Avenue in West Oak Lane. Federal grants totaling approximately $550,000 supported vacant land maintenance and tree planting in

FY05. In FY06, this effort will be funded by $2 million from the General Fund and additional federal grants.

- **Expand "Growing the Neighborhood" program.** In FY04, the Fairmount Park Commission and Fairmount Park Conservancy announced the launch of the "Growing the Neighborhood" program. This initiative is designed to work with community members to select and implement privately funded capital improvements in neighborhood parks throughout the Park system. The program is currently funded to a level of $300,000, through $100,000 grants from the William Penn Foundation, ACE INA, and NovaCare Rehabilitation. Working with Friends groups and interested citizens in Palmer, Kemble, and Fernhill parks in FY04, Commission staff completed projects such as entranceway plantings, tree removal, landscaping, and fencing. In FY05, a total of $75,000 will be spent on similar improvement projects at Cloverly and Fisher parks. In FY06 and FY07, an additional $75,000 will be spent each year in parks that meet the project criteria and complete the competitive selection process. Projects are considered annually and reviewed by a panel with representation from the Fairmount Park Commission, NTI, the Fairmount Park Conservancy, the Pennsylvania Horticultural Society, and funding organizations. In the first two years of the program, an additional $200,000 has been leveraged from City Council and Friends groups to complement the investment in these community parks. The program is scheduled to run through FY07, and will utilize additional funds raised by the Conservancy from the Philadelphia business community.

- **Promote regional greening efforts through "Tree-Vitalize" Program**. The Pennsylvania Department of Conservation and Natural Resources, the School District of Philadelphia, the Philadelphia Eagles, and the Fairmount Park Commission have teamed up in a public-private partnership to restore the greenscape in parks and on streets in Philadelphia and the surrounding suburbs. The Tree-Vitalize program targets neighborhoods in cities and townships where the tree cover (percentage of land shaded by trees and shrubs) is less than 25 percent. A total of $8 million has been raised for this program, with over $1 million to be spent in Philadelphia. Tree-Vitalize is designed to revitalize older communities, improve the air and water quality in those communities and enhance the quality of life for citizens living in urbanized areas. A recent study conducted by the Wharton School of Business found that tree plantings showed a significant positive effect on housing prices, with an increase in value of approximately 9 percent. Ultimately, the program will plant more than 20,000 shade trees and create 1,000 acres of forested riparian buffers (the channel on both sides of a waterway, including the banks of that waterway) in the five-county Philadelphia region. Through this program, 2,400 street trees will be planted in 16 Philadelphia neighborhoods by the Fall of 2007. As many as 30,000 trees and shrubs will be planted in the forested riparian buffers.

- **Expand the City's efforts to combat predatory lending.** Predatory lending practices exploit homeowners and buyers by charging unfair fees or excessively high interest rates or engaging in other abusive lending tactics in making home improvement and mortgage loans. These practices drain equity from communities and often force homeowners into foreclosure, which increases vacancy rates throughout the City. Under NTI, the City has made a substantial commitment to the fight against predatory lending.

- The City launched a "Don't Borrow Trouble" hotline (215-523-9520) to provide information to people borrowing money and resources to victims of predatory lending. The hotline receives approximately 2,000 calls per year, and refers more than 800 callers to housing counseling agencies. The City spends approximately $4.2 million in Community Development Block Grant (CDBG) dollars on housing counseling and anti-predatory lending activities per year.

- In FY03, the City used $500,000 in NTI bond funds to create new loan programs designed to address predatory lending. In collaboration with eight participating banks and local housing counseling agencies, the Greater Philadelphia Urban Affairs Coalition (GPUAC) administered the PHIL-Plus and Mini-PHIL loan programs, providing approximately $2.6 million in loans to borrowers with blemishes on their credit reports. By December 2004, about 70 homeowners had borrowed money through the program. By the end of FY06, GPUAC anticipates that the City will make approximately 160 PHIL-Plus and Mini-PHIL loans.

- In FY04, the Homeownership Counseling Association of the Delaware Valley and partner agencies began work on the Home Equity Loan Preservation Program (HELPP), funded with $250,000 in NTI bonds and $250,000 from the Reinvestment Fund, and designed to help victims of predatory lending to refinance their bad loans. By December 2004, seven re-financings for $115,000 had been approved. In FY06, the City will work with the Pennsylvania Housing Finance Agency and the Reinvestment Fund to determine future funding availability for HELPP.

- In FY05, the City launched an advertising campaign entitled "Protected by Knowledge," to promote the "Don't Borrow Trouble" hotline and the City's anti-predatory lending activities. The campaign is being funded with a five-year $150,000 grant from Citizens Bank.

* **Promote the City's Home Buy Now program to local employers.** Home Buy Now, an employer assisted housing program, is a partnership between the City and GPUAC. Home Buy Now is an innovative way for the public and private sectors to work together to strengthen Philadelphia neighborhoods. The City has pledged $1 million in NTI bond funds to match employer contributions of up to $3,000 per employee, to help employees become homeowners in Philadelphia. Grant funds go to settlement costs and down payment assistance. The program also includes options for home inspection, housing counseling and home improvement training. By December 2004, seven employers had enrolled in the program. The first closings are anticipated early in calendar 2005. GPUAC will continue marketing the program to local employers of all sizes in FY06; future funding for Home Buy Now grants will be determined by the program's rate of expenditure for the first 100 homebuyers.

* **Increase code enforcement through Operation KICK.** In February 2004, the Law Department's Neighborhood Transformation Unit launched "Operation KICK" (Keep It

Code Klean) in an attempt to collect hundreds of thousands of dollars in nuisance liens. Operation KICK covers liens from 1990 through 2002 that arose from unpaid work performed or contracted by L&I on behalf of negligent property owners, such as demolitions, property "clean and seals," and a variety of repairs performed to stabilize properties. Because unpaid liens never show up on the property owner's credit report, they may sit indefinitely until the owner refinances or sells the property. Operation KICK is aimed at accelerating transactions by obtaining personal judgments if debtors do not pay. In FY06, the unit will continue the attempt to collect unpaid nuisance liens and judgments with the assistance of a collection agency. In 2004, the unit was able to collect $1.9 million in liens and judgments, up from the prior fiscal year figure of $1.3 million. The goal is to cause property owners to maintain their properties and understand that the City will be aggressive in collecting fines from those who do not comply with the Code.

Land assembly

- **Assemble land for future development.** The Redevelopment Authority (RDA) is using NTI bond funds to acquire land both for specific known development projects and for future projects. To ensure an effective use of NTI resources, the Interagency Review Team, comprised of representatives from City Planning, RDA, Office of Housing and Community Development (OHCD), the Commerce Department, Empowerment Zone and Mayor's Office, was established in FY03 to review proposed acquisition requests and provide recommendations to Council members. To date, the Administration has received City Council approval for the acquisition of 5,678 parcels of land. The land is being acquired for land banking, affordable housing developments, market rate housing developments, open space or side yard projects, and commercial development or institutional uses. In FY04, the City increased the NTI five-year acquisition budget from $74 million to $89 million to accommodate increased demand for acquisition. The additional $15 million will be funded through a swap of NTI funds with Community Development Block Grant (CDBG) dollars. By December 2004, the City filed declarations of taking for 1,357 of the more than 5,334 properties approved for acquisition in FY03. In FY06, the RDA will continue processing the City's approved acquisitions. To ensure ongoing funding for land assembly for redevelopment, the City executed a Recycling Agreement with OHCD that directs a portion of the tax revenue recovered from condemned parcels into a fund that will support additional acquisitions.

- **Aggressively market vacant land for redevelopment.** Philadelphia's real estate values have risen more than 30 percent since 2000. This has brought a surge in development activities for both market rate and affordable housing. The Office of Housing and Neighborhood Preservation (OHNP) receives numerous requests from private residential developers and businesses seeking to purchase property for fair market value, without City subsidy. Disposing of land at fair market value will increase development activity by generating sales proceeds to fund additional acquisition activities. At the same time, OHNP continues to work with the Philadelphia Housing Development Corporation (PHDC) and Public Property to aggressively market available parcels to the development community, and determine sites that can be assembled from a review of the inventory of land in the combined public ownership. OHNP recently released *Housing Market Development Trends*, which demonstrates the growing activity in Philadelphia's real estate market and highlights the areas where the City has assembled land for development. In FY05, OHNP will launch an interactive website that will further promote development opportunities and services available to facilitate the development of vacant land. The City plans to establish a Land Bank entity in FY06. The Land Bank will facilitate the timely disposition of publicly held properties and those acquired through NTI.

- **Implement the Unified Land Records System across City departments.** Accurate street address information is critical to almost all data used by City agencies. In the past, separate agencies maintained "stand-alone" databases, which were unable to communicate or easily share information with one another. Starting in FY03, the City committed $3 million in NTI bond funds over five years to upgrade the City's mapping and data sharing capabilities through a single system known as the Unified Land Records System (ULRS). Managed by the Mayor's Office of Information Services (MOIS), ULRS links property-specific data among the major City departments using a common address model and the City's geographic information system (GIS). The principal components of the system include an accurate and up-to-date parcel map developed from the property registry maps maintained by the Department of Records and a Citywide enterprise address management system. In FY04, MOIS converted 5,000 land registry maps maintained by the Department of Records to GIS format. In FY05, the City launched a central data warehouse, which will give ULRS users access to the City's principal land records databases through the Master Address System. In FY06, the City will continue to refine tools to facilitate interagency data sharing through ULRS and expand the number of departments actively using the system.

- **Ensure seamless map coverage by edge-matching City maps**. In FY06, the Records Department will begin a project to "edge-match" 4,200 electronic tax parcel maps. Edge-matching will eliminate gray areas that currently exist from the edge of one map to the beginning of another. When this project is completed in January 2006, the tax parcel maps will be seamlessly integrated, containing property addresses, map and parcel numbers, rights-of-way and easements, and the exact measurements of properties. The $900,000 cost of this project will be paid through NTI funds.

- **Develop a Vacant Property Management Information System.** To efficiently track the acquisition, assembly and disposition of property, the City is developing a Vacant Property Management Information System (VPMIS). The City is expending $3.5 million in NTI bond funds on this activity between FY03 and FY07. VPMIS will streamline land acquisition/ disposition processes by: (1) providing an online method for users to research, assemble, and request parcels for projects; (2) streamlining and automating the Redevelopment Authority's acquisition and disposition processes; (3) marketing inventory of surplus City-owned property by creating an electronic property inventory; (4) improving communication during all project phases by allowing property requesters to view project status and receive notifications about milestones and deadlines; (5) creating an electronic document repository for each project and enabling Agency staff to electronically track project progress; and (6) empowering policymakers, administrators, and managers with enhanced decision-making tools. During FY04, detailed business processes for acquisition and disposition were completed, and a baseline acquisition tracking system for managing information generated by new land acquisition activities was implemented. In FY05, a Project Director was hired and a consultant team completed the conceptual design for the system. Based on the conceptual design, development of the major components of the system will be deployed in phases to be completed by the end of FY06.

Neighborhood investments

- **Reorganize housing agencies under the Office of Housing and Neighborhood Preservation (OHNP).** Today, residential developers are receiving development services that include coordinated project review team meetings, support for residential rezoning efforts, and assistance in assembling parcels. OHNP has become the single point of accountability for designing, articulating, and implementing an overall housing and neighborhood preservation strategy for the City. This coordination is the first step towards an overall reorganization of the City's housing entities. During FY05, department heads are undergoing an assessment of the skills and functions necessary to the mission of the new housing organization, and are working in conjunction with union leadership to define job responsibilities and departmental functions.

  In FY05, through a competitive bidding process, OHCD selected a consultant team to manage the reorganization planning and implementation strategy. The reorganization will focus on the housing and neighborhood preservation functions principally carried out by OHCD, RDA, and the Philadelphia Housing Development Corporation. The purpose of the reorganization is to improve the quality and efficiency of the delivery mechanisms for housing and neighborhood preservation services. The reorganization process is divided into three phases: Phase I will assess existing conditions; Phase II will design the new structure; and Phase III will implement the new structure. Phase I will be completed by the end of FY05. Local 1971 of AFSCME District Council 33 represents the bargaining unit employees of all three agencies. Union officials will be a part of the planning process; while contract negotiations are separate from the reorganization process, new labor contracts will be overlaid on the final reorganization plan. The reorganization and renegotiation of the union contract is scheduled for completion by the close of FY06.

- **Ensure that 3,500 new affordable housing units exist by the end of FY07.** The City of Philadelphia is committed to providing quality, affordable housing for its most vulnerable citizens: low- and moderate-income, elderly, and special needs populations. The Administration set a goal of creating 3,500 new units of affordable housing under NTI. From January 1, 2000, through June 30, 2004, 2,806 affordable housing units were completed. As of July 1, 2004, an additional 672 units were under construction. The City has committed NTI, CDBG, and HOME Investment Partnerships Program funds to finance the development of 1,674 additional affordable units, which should be under construction by the end of FY07.

- **Create an affordable housing trust fund.** The City of Philadelphia is experiencing escalating demand for affordable housing and diminishing community development resources from the federal government. In an effort to generate new local resources for affordable housing development, the Administration supports the establishment of an

Affordable Housing Trust Fund. The Trust Fund will be funded primarily by revenue generated through increases in local document recording fees. In addition, the City allocated $1.5 million in FY05 NTI bond funds to the Trust Fund. Establishing the Trust Fund will require state enabling legislation, City Council action, and a Mayoral Executive Order. The Administration has worked closely with housing advocates and community development corporations in drafting the necessary legislation. Current projections indicate that the City could raise between $9 and $11 million annually by doubling mortgage-recording fees. Pending legislative approval, the City will be able to begin allocating Housing Trust Fund resources in FY06, as part of the City's annual consolidated community development plan.

- **Support construction of 2,000 housing units within large-scale developments by the end of FY07**. NTI's demolition and land assembly activities present numerous opportunities to create new communities through large-scale development. These new communities can jumpstart neighborhood housing markets and offer residents a variety of housing options: rental, homeownership, affordable and market rate. The City will surpass the NTI five-year goal of creating 2,000 new units in new urban communities. As of December 31, 2004, 4,844 units in large-scale developments (2,907 market rate and 1,937 affordable) are either completed, under construction, or are carrying out pre-development activities. These large-scale development projects are occurring in various neighborhoods throughout the City, and are influencing real estate markets in the surrounding areas.

- **Promote construction of 6,000 units of market rate housing by the end of FY07.** From the outset, NTI envisioned market forces and market rate construction as key ingredients in the creation of healthy, stable neighborhoods and a competitive city. Data on market rate conversions of older office and commercial buildings indicate that more than 5,000 new units of market rate housing have come on line since January 2000. In addition, infill construction and renovation are taking place in all corners of the City. An indicator of this market rate development activity is the number of successful tax abatement applications. From January 2000 to December 2003, Philadelphia awarded 1,015 real estate tax abatements for the construction and rehabilitation of homes and the conversion of other structures for residential use. Another indicator of the growing interest and confidence in Philadelphia's residential real estate market is the purchase of 148 acres of formerly vacant and industrial land on the North Delaware riverfront by residential developers. During FY05 and FY06, OHNP will continue to work with the various developers in the North Delaware area to plan and prepare sites for construction.

- **Finance repair and rehabilitation of 4,500 existing homes by the end of FY07.** Capital investments are required to preserve Philadelphia's older housing stock to ensure it remains occupied or can be sold to new homebuyers. Preservation activities take two forms: Subsidies to rehabilitate vacant properties and assistance with the repair and improvement of homes. Under NTI, the City pledged to invest in the preservation of at least 4,500 homes. Since January 2000, the City has more than tripled this goal, making 13,962 preservation investments in the form of basic system repairs, adaptive modifications, settlement grants, homeownership rehabilitation projects, and Philadelphia Home Improvement Loans. NTI funds are supporting a number of City programs that achieve this end:

- **Philadelphia Home Improvement Loans (PHIL).** Three participating lenders—Citizens Bank, PNC, and Wachovia Bank—lend up to $25,000 at 3 percent and 5 percent rates to existing homeowners, regardless of income, with no equity requirements. Between FY00 and FY03, the PHIL program averaged 80 loans per year for a total of $1.5 million. In FY03, $2 million in NTI bond funds were used to expand the program. The RDA also launched an extensive marketing campaign, including billboards, transit advertising and water bill stuffers. In FY04, the PHIL program more than doubled the average from the three preceding years, closing 207 loans for $4.1 million. In the first half of FY05, the banks closed 79 loans totaling $1.63 million.

- **Targeted Basic Systems Repair Program (TBSRP).** TBSRP helps homeowners with essential systems repairs (plumbing, heating, electrical and roofing), as well as exterior facade improvements, including porch and cornice repairs, painting and sidewalk and step replacement. The City holds contracts with eight provider agencies that work in geographically targeted areas. Agencies assist homeowners to determine the repairs needed, secure qualified contractors, provide grants, and obtain matching loans to fund the repairs. Inspections are conducted by PHDC. The program was funded with $2 million in NTI bond proceeds in FY03 and $1 million in NTI bond proceeds in FY04. As of January 2005, $2 million worth of work is under contract, with an additional $250,000 committed to the Brewerytown neighborhood, and approximately 120 TBSRP projects are in progress.

- **Basic Systems Repair Program (BSRP), Tier-II.** Under the Tier II category of BSRP, an eligible homeowner may receive up to $12,500 of rehabilitation assistance through BSRP. Typical Tier II repairs include heating system replacement, plumbing and drainage system replacement, wiring, roof replacement, and structural systems repairs (floors, ceilings, walls, etc.). Eligible homeowners receiving Tier II services also may receive up to $2,000 per property in weatherization assistance. Because many properties require more than one repair, the average cost of repairs per property is $5,492. In FY04, the City added $5 million in NTI bond proceeds to this program. As of June 30, 2004, City-funded contractors completed 2,533 repairs at a total cost of $10.4 million. In FY05, the Administration funded the program at FY03 levels of $7.3 million. In FY06, this program will be funded with CDBG funds.

- **Homeownership Rehabilitation Program (HRP).** The City will continue to allocate funds to the Homeownership Rehabilitation Program, which provides an average subsidy of $35,000 per property for the acquisition and moderate rehabilitation of vacant houses for sale to low and moderate-income first-time homebuyers. From FY03 to FY05, a total of $9 million has been committed to HRP ($5 million in NTI bond funds and $4 million in CDBG funds). To encourage maximum production, the expanded program is now available to nonprofit and for-profit developers. The program was previously available only to nonprofit developers.

Leveraging resources

- **Issue bonds to invest in the redevelopment of Philadelphia's neighborhoods.** The City anticipates issuing $275 million in bonds over the life of the NTI program. NTI Bond funds support the following activities: Blight elimination ($138 million), land assembly ($74 million), housing and neighborhood preservation ($57.5 million) and technology improvements ($6.5 million). The RDA issues NTI bonds on behalf of the City, leveraging up to $20 million in annual debt service payments to invest more than $275 million in the city's neighborhoods. As of December 2004, the City has spent $139 million of the $142 million issued in the first tranche of NTI bonds. The City will issue bonds to fund the balance of the program budget in January 2005. A mix of taxable, Qualified Redevelopment, and tax-exempt bonds will comprise the 2005 tranche; the City's ability to raise funds will depend on market conditions.

- **Leverage Empowerment Zone and Renewal Community resources.** Philadelphia is home to an Empowerment Zone (EZ) and a Renewal Community (RC). Both of these federal programs offer powerful tax credits and tax deductions to stimulate economic growth in designated areas. The EZ provides additional incentives, such as business loans, grants, and other community development programs. In FY04, three EZ Community Lending Institutions made 25 loans totaling over $3.4 million to 23 enterprises to foster economic growth and create job opportunities. A number of key EZ/RC initiatives, which began in FY05, will continue in FY06. The Girard Coalition, Inc. received a $1.1 million Redevelopment Capital Program Grant from the commonwealth, which will match City funds to begin streetscape improvements on the Girard Avenue commercial corridor. The North Central EZ provided nearly $800,000 in funding for a "Neighborhood Revitalization Collaborative" to address quality-of-life issues in the neighborhood; and the West Philadelphia EZ provided $1.5 million to implement a comprehensive commercial corridor improvement strategy. The EZ/RC office is working on land assembly and the identification of an operator to bring a supermarket to 27th and Girard, and the RC will continue to award Commercial Revitalization Deductions (CRD) to emerging and expanding businesses within the boundaries of the RC. From FY02-FY04, the RC awarded $36 million in federal tax deductions to 27 businesses for projects ranging from start-up enterprises to the development of large retail complexes and the expansion of manufacturing concerns. The RC will have $12 million in CRD deductions to allocate per year through 2009. In FY06, the City will have the opportunity to expand the geographic coverage of the RC program.

- **Build opportunities for disadvantaged firms and workers**. The primary objective of the NTI demolition program is to eliminate dangerous buildings in Philadelphia neighborhoods. However, the infusion of City resources into demolition work has created numerous business and employment opportunities for those carrying out the demolitions. NTI has established goals for participation in demolition contract work: 35 percent minority-owned firms, 12 percent women-owned firms, and 2 percent disabled-owned firms. The City also asks contractors to employ a workforce that meets these two additional goals: The total work hours for each trade is to be performed by at least 75 percent minority and 10 percent female employees; and 80 percent of all employees are to be Philadelphia residents. Accordingly, minority-owned firms were awarded 48.7 percent, or $15.7 million, of demolition contracts through the end of FY04; minority workers account for 72 percent of the 276,391 hours logged by 917 workers on NTI demolition sites; and Philadelphia residents account for 77 percent of those hours worked. The City also works with the African-American Chamber of Commerce on the Emerging Contractor Program and the Diversity Apprenticeship program, to prepare workers to work on NTI and other construction/demolition-related jobs.

- **Revitalize neighborhoods through public housing redevelopment.** Over the past five years, the Philadelphia Housing Authority (PHA), the agency responsible for developing, acquiring, leasing and operating affordable housing for City residents with limited incomes, has reshaped Philadelphia neighborhoods through the demolition and rebuilding of outmoded public housing facilities. Through redevelopments at Tasker (554 units), Martin Luther King (247 units), Richard Allen (408 units), and Cambridge (124 units), PHA has leveraged Hope VI and other funding streams to recreate its public housing stock. PHA is currently developing the 627-unit Lucien E. Blackwell Homes, on the site of the former Mill Creek high rises in West Philadelphia. The City is supporting the development with demolition and acquisition NTI funds. Together these efforts are changing the face of Philadelphia neighborhoods.

- **Improve public education and recognize school quality as a strategy for neighborhood transformation.** Integral to meeting NTI's aim of transforming Philadelphia neighborhoods are efforts to improve the quality of education and build and renovate schools so that they attract and retain families. The Philadelphia School Reform Commission has established ambitious performance goals for academic achievement, school climate and finances. Higher test scores, a new standardized curriculum, new instructional materials, expansion of afterschool programs, and student assessments are highlights of the past year. Efforts to achieve better results in teacher recruitment and retention also are under way, along with a new labor agreement that permits wider use of school- based selection of teachers. The School District may explore additional incentives, including some form of housing assistance for teachers. In addition, the School District is working to implement a $1.5 billion capital improvement plan to build several new schools and make significant renovations to other school buildings. Through NTI, the City will continue to provide land assembly, demolition information and analysis to support the process of selecting sites for new and renovated schools.

City of Philadelphia

Five-Year Financial Plan

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Economic Development

Promoting Economic Development

Background

Major Industry Sectors

Philadelphia's economic outlook closely resembles the national economic outlook, and in some respects Philadelphia has performed comparatively better than similar U.S. cities during the recent recession. The employment base has undergone a gradual shift over the last decade, most notably marked by growth in information and education and health services sector employment.

Cluster Employment Data: City of Philadelphia 1999-2004 (In Thousands)							
Sector	1999	2000	2001	2002	2003	2004 Estimated	%Change from 1999
Construction & Mining	12.2	12.5	13.4	12.3	11.7	11.8	-3.3%
Manufacturing	43.9	43.2	39.9	37.8	36.3	31.6	-28.0%
Trade, Transportation & Utilities	102.9	102.9	98.8	97.5	96.4	96.7	-6.0%
Information	16.1	16.8	17	17	16.9	18.0	12.1%
Financial Activities	52.4	53	52.2	50.9	49	50.0	-4.5%
Professional & Business Services	87.9	89	87.5	87.2	87.6	83.7	-4.8%
Education & Health Services	169.6	173.7	176.6	178.1	179.7	189.2	11.6%
Leisure & Hospitality	54.1	56.5	56	53.8	53.3	52.2	-3.6%
Other Services	28.9	28.9	29	29.7	30.1	30.1	4.1%
Government	117.2	119.6	118	118.6	118	112.4	-4.1%
Total	685.2	695.9	688.2	682.8	679	675.7	-1.4%

Source: Bureau of Labor Statistics

Despite the continued lack of a sustained national employment recovery following the 2001 recession, Philadelphia's employment in 2004 remained relatively stable, with some bright spots. Employment in Philadelphia's Information sector increased by 12.1 percent from 1999 to 2004. In addition, the Education and Health Services sector experienced growth of 11.6 percent, while Other Services captured a more modest growth of 4.1 percent. This growth has been key to stabilizing the local economy, and these sectors will continue to play a large role in Philadelphia's future.

In the early 1990s, the City focused on capitalizing on its existing, yet underdeveloped, hospitality and tourism assets as a means of replacing some of the manufacturing jobs lost in previous decades. The completion of the Pennsylvania Convention Center in 1993 spurred a surge of hotel development and new visitor destination developments. The City is in the midst of another substantial enhancement of its cultural assets, including the Kimmel Center for the Performing Arts, the Independence Visitor Center, the National Constitution Center, the new Lincoln Financial Field, and Citizens Bank Park. The pending relocation of the Barnes Foundation to Benjamin Franklin Parkway and the proposed development of a Calder Museum, coupled with the Free Library and Convention Center expansion projects, will enhance Philadelphia's position as a world-class city.

One sector of the economy that shows great promise is the "knowledge industry," also referred to as the "new economy" or "knowledge economy." In the knowledge industry, which relies on the supply of new college graduates, companies apply new and emerging technologies to deliver high-quality knowledge-based services. The knowledge industry includes sectors as diverse as financial services, engineering, health care, insurance, law, life sciences, printing, publishing, and academia. The City is participating in the recently formed Knowledge Industry Partnership (KIP), which is a broad-based coalition of Greater Philadelphia civic, business, governmental, and higher education leaders working together to maximize the impact of the region's knowledge industry on Philadelphia's competitive future.

Within the knowledge economy is another sector of great importance to Philadelphia and the region, the life sciences, which includes health care, research, biotechnology and pharmaceuticals. The Innovation Philadelphia/Chamber of Commerce "Roadmap" report identified, among other things, the region's opportunity to become an incubator for research generated by life sciences and educational institutions. Several sites could foster new incubator opportunities in the future, including the Navy Yard, the former Civic Center site in West Philadelphia, and the site of the postal lands along the west bank of the Schuylkill River.

Philadelphia's Competitive Advantages

Philadelphia's competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and its growing strength in key knowledge industries. The City of Philadelphia, the fifth-largest city in the U.S. with the third largest downtown population, is at the center of the sixth largest metropolitan region. Our region includes the fourth-largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries.

The City's marketplace is at the center of a densely populated, affluent region along the Atlantic Coast, a region which stretches from Boston through New York and Philadelphia to Baltimore and Washington, DC. Philadelphia is in a key position to access regional markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, and regional SEPTA service. The capacity of Philadelphia's transportation infrastructure is demonstrated by its median commuting time, which is 19 percent lower than the national metropolitan average. Center City is at the center of the region's transportation network, and downtown employers benefit from the large concentration of professional and business service firms located there. Recent analysis has shown that employees benefit too: Commuters to suburban firms, nearly all of whom drive to work, spend almost $7,000 per year in vehicle expenses. By contrast, 70 percent of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just $1,774.

As a major urban center with a rich historical legacy, Philadelphia is increasingly gaining national recognition for its cultural and recreational advantages. The many tourism assets of the region—overwhelmingly concentrated in Philadelphia itself—include Independence National Historical Park, the Philadelphia Art Museum, and the Franklin Institute. Recent developments, such as the construction of the stunning Kimmel Center for the Performing Arts and the Center City restaurant and retail revitalization, are increasingly drawing national attention. The development of new first-class sports facilities, as well as continued access and development along the City's Delaware and Schuylkill River waterfronts, are adding to this array.

Yet Philadelphia remains uniquely affordable when compared to its peers. The National Association of Realtors Affordability Index ranks the Philadelphia region as the 22nd most affordable housing market out of 180 sampled in the U.S. According to a study by The Reinvestment Fund, a household with median income can afford a home in 79 percent of the region, with this proportion even higher within the City limits. The 2003 fourth quarter ACCRA Cost of Living Index rates Philadelphia as significantly more affordable than its regional peers. New York City is approximately 80 percent more expensive, Washington, DC, is 15 percent more expensive, and Boston is approximately 13 percent more expensive. In fact, among 20 U.S. regions with greater than 2 million inhabitants, Philadelphia has the third-lowest cost of living.

These advantages equip Philadelphia to continue to build its knowledge industries. A January 2002 report by the Philadelphia Federal Reserve Bank found that Philadelphia ranked first among a comparison group of 14 major metropolitan areas (the nine largest metro areas and five others in the Northeast with populations above two million) in its concentration of Education sector employment, and third in life, physical, social sciences and healthcare professionals. Philadelphia houses a predominant share of the regional educational employment and enrollment, based on its major colleges and universities. The Education sector not only provides a stable support to the local economy; it also generates a steady supply of potential knowledge workers. Philadelphia has a strong core of knowledge-based industries, but the City must capitalize on these advantages to ensure future growth and dynamism.

Contrary to some commonly held perceptions, the Philadelphia region retains a strong share of its graduates (64 percent) and an even greater share of graduates who are originally from the region (86 percent). There is room for improvement, however, as the region retains only 29 percent of non-native graduates.

Philadelphia has experienced a decline in the 24-35 year-old demographic of more than double the national trend and a decline in college-educated 24-35 year olds despite a 10 percent increase nationally in this group. The region loses more 24-35 year olds than it attracts from 39 of the nation's 50 metropolitan areas, including its "competitor" regions.

Nevertheless, on average, young adults in Philadelphia are better educated (with four-year college degrees) than those in other metropolitan areas across the U.S. (33 percent vs. 30 percent). The number of Philadelphia's 18-24 year olds who are enrolled in college or university also exceeds the national average (37 percent vs. 33 percent).

In FY04-FY05, the City successfully retained 84 of 85 major commercial office tenants. This remarkable record was the result of a concerted retention campaign involving the combined efforts of the City, the Philadelphia Industrial Development Corporation, the Center City District, the Greater Philadelphia Chamber of Commerce, and the Commonwealth. Despite these important successes, in a number of cases, tenants signed leases for less space, and there have been few new major office tenants attracted to the City, resulting in a break-even outcome in recent years.

The success of minority businesses is crucial for sustained economic growth in Philadelphia. However, recent research shows that Philadelphia's 15,532 minority businesses (24.7 percent of all Philadelphia businesses) and the region's 28,973 minority businesses (10.6 percent of all businesses in the region) generate just 2.2 percent and 1.6 percent, respectively, of the City and regional gross business receipts. Minority firms that are well funded and managed have experienced sales growth at an average rate of 34 percent per year. However, studies show that funding is hard to obtain for minority businesses, which, for example, receive just two percent of all private-equity investments and only three percent of the federal government's Small Business Investment Corporation dollars. During 2001, 44,449 businesses in minority census tracts (where more than 50 percent of the residents are minority) received 7,110 loans—just 16 percent of the businesses in those census tracts. This makes Philadelphia the city with the lowest percentage of businesses in minority census tracts receiving loans among the 100 largest metropolitan areas during 2001 (the average of which was 33 percent). Additionally, in Philadelphia, just 17 percent of the businesses in low- and moderate- income tracts received loans, making Philadelphia second to last among the 100 largest metropolitan areas (the average of which is 33 percent). We can do better than that.

Mission

The goal of the City's economic development strategy is to create, maintain, and develop: 1) jobs by fostering an improved business environment, 2) increases in population, and 3) enhanced quality of life within the City of Philadelphia—all in order to grow the City's tax base.

The Role of the Economic Development Summit and Blueprint

In April 2004, the Department of Commerce initiated a planning process for the City of Philadelphia's economic development—a process that was intended to result in a strategic plan to be known as the "Economic Development Blueprint." The Department's mission was to create a plan that would contain the Administration's broad agenda for Philadelphia's economic development future, as well as guide the City's economic development investments, projects, and initiatives. At the two-day Economic Development Summit in September 2004, nearly 200 of the City's most involved, pragmatic, and resourceful citizens gathered to help think about, focus, and design the City's economic development goals and priorities.

The initiatives presented below represent the City's ongoing efforts to address the challenges to economic development in Philadelphia. Growing the population, improving the business environment and improving quality of life will all contribute to sustained economic growth in the City. All of these objectives will be analyzed in greater depth and prioritized in the Mayor's Economic Development Blueprint, which he will address more specifically at the end of February. This chapter will be revised upon the Blueprint's release.

Economic Development Goals and Targeted Initiatives

Grow Population

Goal: Sustain and develop neighborhoods. Make new communities possible. Attract and retain middle-class families, the educated, the young, and the creative. Set education and literacy standards and timeframes for our children to achieve them. Train or retrain our workers for 21st Century jobs.

Strategy: Implement New River City initiative

Philadelphia's supremacy as a city—its culture, history, economy, and industry—has been inextricably linked to two major waterways: the Delaware and Schuylkill rivers. Today, in the postindustrial environment, the City has the opportunity to transform the rivers into amenities for the City and its people by connecting new communities, new offices and commercial centers, existing neighborhoods, shopping, recreation, and leisure to the water. The City's vision for the New River City will turn acres of underutilized land into new communities on the waterfront, increase awareness of the waterfront, and stimulate economic activity and improve quality of life from a new basis of strength. Refinancing of the City's water revenue bonds will occur in FY06, providing $125 million for infrastructure investment on the waterfront. The City will purchase a surety bond to replace part of the Sinking Fund Reserve currently held for the water revenue bonds, and use these "replaced" funds for the initiative. The City will make the initial selection of New River City infrastructure projects based on allocations that maximize private-sector investment, funding from other governmental sources, job creation, and the highest and best use of the land.

Strategy: Institutionalize neighborhood development

The combination of desirable neighborhoods and a potent and varied housing market offers a better life for current residents and drives population growth in the City. In April 2001, Mayor Street unveiled the Neighborhood Transformation Initiative (NTI), a strategy to preserve and rebuild Philadelphia's neighborhoods as thriving communities with clean and secure streets, vibrant retail, recreational and cultural outlets, and quality housing. To date, the positive changes that NTI has brought to our neighborhoods have indeed been transformational: The demolition of dangerous buildings and removal of hazardous trees, cleaning and greening of debris-filled vacant lots, building affordable housing, providing home improvement grants and low-cost loans, and the acquisition of more than 5,500 properties for future development. Through these activities, NTI has contributed to the preservation, birth, or rebirth of neighborhoods across the City.

To sustain the positive changes that NTI has brought to our neighborhoods, in FY06, the City will work to institutionalize NTI and ensure that the multitude of services provided to Philadelphia's residents are coordinated in a way that supports healthy neighborhoods and communities. In the face of the City's shrinking federal Community Development Block Grant (CDBG) funding allocation and the reduction in capital funds available for neighborhood economic development, the Department of Commerce will work to increase resources for commercial corridors by leveraging funding sources in FY06.

Strategy: Attract talented people to live in Philadelphia

Recent research suggests an alternative strategy for economic growth: Instead of focusing on attracting firms, focus on attracting talent—young, energetic, educated and creative people who have the ability to create their own economic opportunities. The premise is that jobs follow talent, as opposed to talent following jobs. Philadelphia is well positioned to attract and retain talent because of its large base of educational institutions, traditional urban neighborhoods, and relatively low cost of living. These qualities also make Philadelphia a promising location for immigrants. In FY06, the City will continue its support for the Knowledge Industry Partnership, including financial support of student engagement efforts, Innovation Philadelphia's graduate retention projects, and the Greater Philadelphia Tourism Marketing Corporation's (GPTMC) attraction and marketing programs.

Strategy: Foster educational opportunity and workforce readiness

A critical component of the City's overriding commitment to provide opportunities for children is creating a first-rate system of public education. Improving the quality and performance of our schools is one of the most effective ways to promote long-term economic growth for the City and productive, fulfilled lives for our citizens. New four-year terms for the Mayor's appointees to the five-member School Reform Commission (SRC) commenced in January 2005. Through these representatives on the governing body, and through daily interaction between City government and School District managers, the City continues to work closely with the District to support educational progress and financial stability. Building academic achievement for children is the province of the School District. But children cannot learn unless they are safe and have their physical and emotional health needs met. City government has risen to the challenge, working in cooperation with the School District, to deliver a range of services that protect and nurture children and families, improve the quality of life, and foster students' success in school. In these collaborative efforts, the City and School District jointly identify needs and obstacles to learning, blend resources, and carry out essential tasks to create better opportunities for children. Initiatives for FY06, noted here but further described elsewhere in this plan, include:

- Continuing to work with the School District and School Reform Commission to improve the quality of public education and graduation and literacy rates

- Continuing the City's support of the School District's capital program to improve the City's public school infrastructure

- Working to get even more of the community, particularly business leaders, involved in schools in order to expose businesses and students to work/vocational opportunities

- Providing incentives to recruit high-quality teachers, including adopting the Home Buy Now program for the School District

- Expanding City initiatives to ensure student safety and physical and emotional well-being, including, among others, Operation Safe Schools, pedestrian safety in school zones, truancy and delinquency prevention services, and new models to promote positive school behavior and foster academic achievement

Grow Jobs

Goal: Sustain and grow existing businesses in the City to increase business profitability and foster job growth. Attract new enterprises and the jobs they bring to the City. Continue responsible tax reform. Facilitate more and more equal access to capital. Ensure that governmental policies and practices focus appropriately on women and minority participation in the public and private sectors.

Strategy: Foster job growth through tax reform

The City recognizes that tax reform plays a significant role in the achievement of the overall goal of making Philadelphia the "location of choice." So do many other factors, including the investment market's assessment of the City's credit-worthiness, residents' expectations for delivery of reliable and "world-class" City services, the ability to make strategic investments to capitalize on key industries and active markets, and creating a customer-service-oriented regulatory environment.

This is the essence of fiscal responsibility—the ultimate reality in which the factors above must be balanced. The level and form of taxation is but one characteristic in the "market basket" of characteristics that individuals and businesses consider when deciding whether to live, work, or expand businesses in Philadelphia. Although many of these characteristics are products of Philadelphia's rich history, or aspects of a dynamic, diverse citizenry and economy, others are the City's responsibility to steward. The City cannot over-emphasize this one characteristic at the expense of others—public safety, quality of life in neighborhoods, access to sound public education and social services for our children, and the fiscal health and stability necessary to provide them. The Administration is committed to continuing to ease the burden imposed by local taxation in Philadelphia in a prudent, responsible manner that weighs all available evidence and serious scholarship.

- **Continue and expand wage and business privilege tax (BPT) reductions.** By the end of this fiscal year, the City will have returned over $1.1 billion to the taxpayers through tax rate reductions over the past ten years in its unique and unprecedented tax reduction program, including over $200 million this fiscal year. No other state or local government in America can lay claim to this record of sustained annual tax reductions. The City's resident wage tax rate is almost 13 percent lower today than it was when the reduction program started in 1995, and the non-resident portion is over 11 percent lower. The gross receipts portion of the business privilege tax is over 40 percent lower today than it was when the program started in 1995, and by next year it will have been cut in half if the Administration's proposals are implemented. The City has focused on reducing these two taxes based on competitive analysis and economic study indicating that these are comparatively the highest, most economically disruptive taxes imposed in Philadelphia.

  In FY06, the Administration proposes to shift a portion of the business privilege tax burden to the parking tax through an accelerated reduction in the gross receipts portion of the business privilege tax from 1.9 mills to 1.5 mills in FY06, a reduction of 14 percent. This proposal is consistent with the Administration's position that tax reductions beyond those currently in law should be offset by new sources of revenue. Increasing the parking tax rate to 20 percent is projected to generate $13 million in FY06, which will be shifted to allow for a 14 percent rate reduction in the BPT, twice as large as the reduction currently scheduled by Council ordinance. This shift is consistent with the suggestion of the Tax Reform Commission that an increase in the parking tax rate to 20 percent is one appropriate means of changing Philadelphia's tax mix to support BPT reduction. The new pace of the gross receipts reductions create a schedule for eliminating this portion of the tax by 2018.

  The City's tax reduction efforts will soon be buttressed by commonwealth-funded wage tax relief through gaming legislation passed in July 2004. When the City receives the full annual value of wage tax relief projected by state analysts after slots parlors are constructed in Philadelphia and around the state, potentially in 2007, there will be an immediate, dramatic cut of almost 10 percent in the resident wage tax rate. The resident wage tax rate would then be under four percent for the first time in 30 years.

  The City is committed to additional tax reduction and reform for years, and billions of dollars, to come. The 2004 passage of two new wage tax ordinances will significantly expand the total of taxes returned to the taxpayers. Bill 040607 adopted an aggressive, accelerating wage tax reduction schedule that, unless amended, locks in annual reductions through 2016. The resident and non-resident wage tax rates would both be 3.25 percent at the end of that period, excluding the potential impact of state-funded wage tax relief, and potentially under three percent including state relief. Bill 040397 provides wage tax credits to low-income workers beginning in FY10, based on the commonwealth's Personal Income Tax Forgiveness Program. Based on these laws and the assumed continuation of the Administration's accelerated annual gross receipts rate reductions, the City will return over $3.2 billion to the taxpayers over the next nine years, when compared to the City's FY95 tax code.

The impact of these reductions and credits is projected to be so large in each year beginning in FY11 that they will exceed the growth in the tax base. In other words, the City is likely to collect less tax revenue each year than it did before, beginning in FY11. The effect of these ordinances is already felt in FY10, the last year in this Plan, when tax revenue is projected to grow by only $9 million. Since taxes provide 62 percent of the City's General Fund revenue and 88 percent of its unrestricted revenue, by FY11 the City will be left with almost no ability to fund increases in the cost of wages, health insurance, or pension benefits for its workers, let alone expand services, respond to emergencies, or meet inflationary cost increases for services and goods. The Street Administration has reservations about the wage tax laws passed in 2004 out of concern for this long-term problem, which will impact the next mayoral administration deeply. It is this same concern that leads the Administration to oppose additional multi-year tax reduction programs beyond those already in law without offsetting revenue increases, as they will simply accelerate the impending revenue implosion.

- **Provide business privilege tax credits.** In addition to fostering job growth through annual tax rate reductions in order to make Philadelphia more competitive, the City also has several business privilege tax credit programs to provide incentives for job creation and community development. A tax credit for job creation against business privilege tax liability was originally passed in 2002 to provide $1,000 per new job created in Philadelphia and maintained for a five-year period. Eligibility for the credit is based on the eligibility requirements for the commonwealth's Job Creation Tax Credit program. In 2004, the Administration and City Council modified the program to provide a credit worth 2 percent of the annual salary of the new job created, which provides a better incentive for the creation of high-wage jobs. As of December 15, a total of 1,412 new jobs had been approved for credits, with an additional 300 pending. The modification of the program is leading to significant new interest that should result in even more jobs created in 2005 through this program. The City also provides a $100,000 BPT credit per year to businesses that provide an equivalent contribution to a partner Community Development Corporation each year for ten years. City Council has authorized 25 such partnerships.

- **Sustain responsible tax reform.** The City's ten-year program of incremental wage and BPT reductions was begun on the premise that moderate tax reductions each year could be incorporated into a balanced City budget that maintains service levels by generating efficiencies and taking advantage of economic growth. Former Mayor Rendell and Council President Street adopted this premise after consultation with Professor Robert Inman of the Wharton School of Business, who has performed numerous studies of the impact of the City's tax structure. In his latest analysis, "Local Taxes and the Economic Future of Philadelphia: 2004 Report," Professor Inman reiterated that:

> For the Plan's proposed rate reductions to be credible to City residents and firms, however, they must be part of a balanced City budget. Tax reductions financed by a current period deficit signal future tax rate increases or service cuts, both of which can undo the initial economic benefits of the original tax rate reductions.

In other words, tax reductions that lead to City service cuts undermine the very value of the tax reduction, by depleting Philadelphia's "market basket" of characteristics.

Professor Inman's report also addressed the issue of "supply side" benefit from local tax reductions, the notion that economic growth spurred by the reductions might offset revenue losses:

> ***Lower City tax rates will mean less City revenues.*** Philadelphia is not in the range of tax rate reductions where lower rates so stimulate business activity and property values that City revenues actually rise following the cut in rates. The FY05-FY09 Five-Year Financial Plan's proposed reductions in the City's gross receipts tax rates and resident and non-resident wage tax rates will stimulate additional business activity and new city jobs, but the resulting increases in tax base will lead to additional revenues which are likely to offset only 15 to 20 percent of the projected decline in revenues over the life of the Plan.

The proposition that tax cuts will pay for themselves is a fallacy. The most reputable, independent, longstanding analyst of Philadelphia's taxes and their economic impact has estimated that while there is some offsetting revenue benefit to tax reductions, it only compensates for 15 to 20 percent of the revenue loss. This means that the other 80 to 85 percent can only be paid for by efficiency improvements, service reductions, or unbalancing the budget. The City's previous tax reduction program was manageable and could be offset by efficiency improvements. The upcoming tax reductions and credits, which will cost three to four times as much per year as the largest cuts of the old program, will likely only be funded through service reductions or unbalancing the budget—eliminating any value from the tax reductions in making Philadelphia a more attractive location.

The marginal, offsetting benefit to tax reductions identified by Professor Inman already is reflected in the aggressive tax base growth rates assumed in the FY06-FY10 Five-Year Plan. The wage and BPT growth rates assumed in this Plan are the highest assumed in any of the City's 14 Five-Year Plans. Projecting even higher growth rates is not supported by economic opinion or recent trends after nine years of tax reductions, and would leave the City's finances at great risk in the event of another recession.

Therefore, the Administration's plan for responsible tax reform is to:

- Carry out the wage tax rate reductions, real estate tax abatements, and wage and business privilege tax credits currently in law

- Implement the proposed BPT/parking tax shift in FY06 and the resulting accelerated gross receipts rate reductions over the life of the Plan, providing additional relief from this disruptive tax

- Continue to implement the seven Tax Reform Commission recommendations currently in progress

For the reasons outlined above, the Administration cannot support further multi-year tax rate reductions or credits beyond those assumed in this Plan.

Strategy: Foster job growth through business expansion

Attracting new business, and the jobs they bring, requires a quality product and an effective attraction process. To succeed in business attraction, the City must increase the number of opportunities to make its case, put together an incentive package, and effectively communicate its message. The City must also effectively leverage its current market strength in the knowledge economy, including education, healthcare, life sciences (e.g., biotechnology, pharmaceuticals, chemicals), information technology, communications, financial and professional services, and tourism and hospitality. In FY06, the City will continue to promote the region's economic and quality of life assets in order to attract new firms in this sector to the City through several initiatives:

- **Promote Philadelphia's knowledge economy.** In FY06, the City will:

  - Support and enhance the City's strengths in this sector in order to attract the best and brightest to the knowledge economy concentration here

  - Provide meaningful incentives to promote Philadelphia as the smart locational choice for these businesses

  - Attract venture capital and federal programs to fund early stage technology companies, through programs like Innovation Philadelphia's economic stimulus and research fund programs

- **Build business leadership coalitions.** Job creation and marketing efforts should also focus on recruiting non-local firms to relocate to or expand in the Greater Philadelphia region. The City will continue to work closely with the Greater Philadelphia Chamber of Commerce and its Select Greater Philadelphia initiative on a regional approach, and has already committed $1 million to the Select Greater Philadelphia program over the next four years. Select Greater Philadelphia also will serve as the City and region's marketing and sales organization for business attraction. The City's primary "sales executive" or "fulfillment center" will continue to be the team led by the Commerce Department, with PIDC, Center City District, Innovation Philadelphia, PECO, and others. The team serves as the single point of contact for data dissemination and organization of executive meetings and tours for those interested in growing in, or moving to, Philadelphia.

Strategy: Integrate women and minority businesses into the City's mainstream economy

The success of minority businesses is crucial for sustained economic growth in Philadelphia and is a source of job creation and tax revenue generation. The City is committed to using the power of government to enhance and coordinate efforts to encourage minority business development and mainstream economic integration. In partnership with private financial institutions, the City will improve access to traditional and nontraditional sources of capital for small and women- or minority-owned businesses.

Strategy: Reduce the cost of and barriers to doing business in Philadelphia

In Fall 2002, the Managing Director's Office established a taskforce to study the City's business regulatory process and compile a list of recommendations for process improvement. In March 2003, a report was issued that outlined 26 separate projects and initiatives to improve the regulatory climate in Philadelphia.

As a result of the recommendations outlined by the MDO taskforce and a subsequent Building Industry Association of Philadelphia (BIA) report, Philadelphia is committed to making it easier and less expensive to do business with the City through targeted projects aimed at reshaping municipal service delivery. These include: Rightsizing and targeting the City's workforce on the City's priorities; improving public knowledge of and access to City regulations, programs, and assistance; reforming land delivery processes; and developing a model for fair and responsible labor cost reductions. In FY06, the City will:

- Complete a review of BIA recommendations, and report on progress

- Establish a taskforce of experts to recommend reforms for zoning rules and procedures and Licenses and Inspections rules and procedures

- Create a formal liaison process that includes Administration personnel, City Council staff, and taskforce members, with the goal of facilitating the adoption of reforms and ensuring public access

Also in FY06, the Managing Director's Office will disseminate a study demonstrating the benefits of broad-based business-labor accords, incorporating real-world examples of success from other cities and markets.

Strategy: Improve objectivity in planning and performance measures

Incentives are tools for encouraging business activity and outcomes, such as job creation, improvement to real property, and historic preservation. While the costs, usually in terms of foregone tax revenue, are relatively quantifiable, City government has been criticized for its record in measuring outcomes as well as the absence of transparency, consistency, objectivity and performance measurement of incentive programs and capital expenditures. These criticisms result in a perception of a system of favoritism, cronyism, and an environment in which fairness and accountability are absent.

To make the way City government works for the people more transparent and quantifiable, the City will improve the implementation and measure the outcome of incentive programs and other economic development activities. The City also will make business incentive programs more predictable, objective, and equitable. This will be achieved through the following initiatives:

- **Publish an economic development incentive programs study.** This study, to be published as an attachment to the Economic Development Blueprint, will program outcomes and establish performance measures for investments and incentives over time.

- **Conduct an organizational analysis of city economic development delivery.** In FY06, the Department of Commerce will lead an effort to study the organizational structure of the City's economic development agencies, to determine whether existing and future programs may be delivered in a more efficient manner.

- **Establish a transparent project review process and incentive award criteria.** In FY06, the City will engage an economic development expert to help conduct a planning and performance review process.

Grow Amenities and Enhance Quality of Life

Goal: Create a diverse, culturally rich city and region with a solid infrastructure and an appealing environment. Create a welcoming, clean, and safe environment for business and residents, emphasizing improved quality of neighborhood life and enhanced arts and culture. Spend public and private capital to promote the economic development vision and objectives. Ensure environmental sensitivity.

Strategy: Complete major, ongoing civic development

A number of studies have identified tourism/hospitality as a key growth sector for the economy of Philadelphia and the region. The City and the commonwealth have made many commitments to the industry, including expansion of the Convention Center and the introduction of gaming in the City. In FY06, the City proposes to use the following strategies to strengthen the tourism/hospitality industry:

- **Complete transformational civic initiatives.** The City supports completion of projects that provide immediate results and reinforce a sense of vibrancy, including retail expansion across the City and projects along the Parkway, such as Library expansion, Barnes relocation, the Calder museum, and residential development.

- **Support expansion of the Convention Center.** The City is committed to supporting expansion efforts for this essential component of the region's tourism and hospitality industry, and will fund certain infrastructure projects required for expansion to occur.

- **Address gaming.** To ensure that the City's voices and concerns regarding gaming are heard, the City will create a Gaming Advisory Board to advise the Mayor. Appointees will include civic leaders and representatives of organizations such as the Chamber of Commerce, Center City District, Philadelphia Convention and Visitors Bureau, and Greater Philadelphia Tourism and Marketing Corporation, among others. The Advisory Board will seek to ensure:

- Location decisions conform to short- or long-term City development plans
- Appropriate safety measures are planned, provided, and funded
- Promotion of gaming does not conflict with other City business and population growth objectives

- **Support expansion of Philadelphia International Airport runway capacity.** By continuing to work towards expansion of airfield capacity and the elimination of delays at peak periods because jet activity exceeds available runway space, PHL will be positioned to continue recent growth trends and be a thriving airport that attracts low-fare carriers and encourages business and leisure travelers to choose PHL over regional competitors.

Strategy: Support the stabilization of the arts and culture community

Arts and culture organizations enrich our quality of life and enhance our ability to attract and retain residents and businesses. It is important for Philadelphia's arts and cultural resources to be strong and viable businesses with predictable funding sources. Helping arts and cultural organizations build strategic partnerships to strengthen individual and collective organizational and management structures is a key component of the City's role moving forward. Achieving programming diversity and building audience attendance are also important components of any successful stabilization effort. In FY06, the City will:

- Work with the City's cultural institutions—such as museums, performing arts organizations, community organizations and festivals—to achieve program diversity and attendance commensurate with peer cities and regions
- Work with institutions to plan and carry out activities that will allow residents and visitors to make greater use of the City's natural assets, both day and night, such as the Fairmount Park system and the two riverfronts

Strategy: Beautify Philadelphia and renew infrastructure

The appearance and appeal of public spaces influence perception of the City's quality of life and business location choice: People and business both want to be in places where "the basics" work. In FY06, the City will continue to fix "the basics" by targeting a portion of governmental capital investment to public amenities and basic infrastructure. In FY06, the City will develop criteria for economic development decision making that include beautification and effect on the environment.

Conclusion

Our dream is to make Philadelphia the city of choice for new and expanding businesses, for students attending Philadelphia's great colleges and universities, for immigrants seeking new opportunity, for artists attracted by our flourishing cultural life, and for parents who decide to choose Philadelphia because of its magnificent park, bustling riverfronts, lively urban life, cultural diversity, clean neighborhoods, safe streets, and successful schools. The City, while recognizing the challenge, endorses these responsibilities in the continued economic development of the City and commits itself to their realization.

City of Philadelphia

Five-Year Financial Plan

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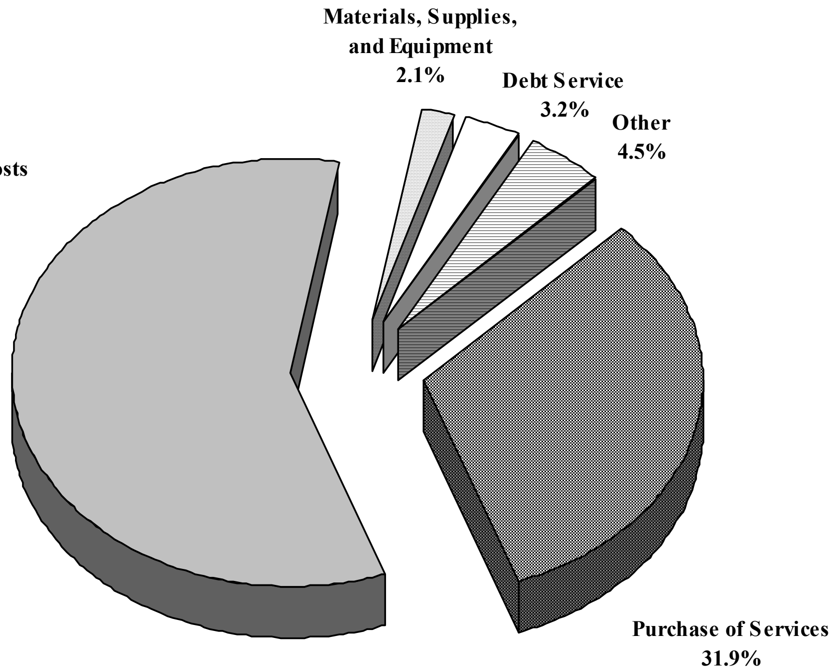
City Workforce

City Workforce

Overview

It is the people who work for municipal government who respond to medical emergencies, provide safe streets, repair potholes, collect the trash, investigate child abuse and neglect, maintain parks and libraries, and deliver all the other public services that make the City of Philadelphia work. As a labor-intensive enterprise, City government's single largest expense is employee wages and benefits – representing 58.2 percent of the FY05 General Fund budget at a cost of almost $2.0 billion.

Personnel Costs Account For More Than Half of the City FY05 General Fund Budget



Source: Office of Budget and Program Evaluation

More than 90 percent of employees are represented by the City's four major collective bargaining units, as detailed in the following chart. Therefore, contract negotiations and effective labor-management relations are a large part of the challenge of controlling the cost and managing the effectiveness of the City workforce.

City Workforce as of July 2004[1] (All Funds, Excluding Court Employees)		
Union	**Description**	**# of City Employees**
AFSCME District Council 33 (DC 33)	Labor, trades, and clerical employees, including first-line supervisors	10,419
AFSCME District Council 47 (DC 47)	Professional and technical employees such as engineers, accountants, and social workers, including first-line supervisors	3,486
International Association of Fire Fighters, Local 22 (IAFF)	Uniformed fire fighters and paramedics, all ranks up to Deputy Commissioner	2,293
Fraternal Order of Police, Lodge 5 (FOP)	Sworn police officers including prosecution detectives, all ranks up to Deputy Commissioner	6,943
Fraternal Order of Police, Lodge 5 (Sheriffs)	Uniformed deputy sheriffs and clerical employees of the Register of Wills	224
Not Union Represented	Exempt employees, civil service managers, and higher-level civil service supervisors	2,758

[1] While the Administration is responsible for negotiations with the City's four unions, over 3,100 of the 22,650 employees included in the FY06 General Fund Budget do not report to the Mayor. These employees report to independently-elected officials: the City Controller, City Council, the City Commissioners, the Clerk of Quarter Sessions, the District Attorney, the First Judicial District, the Register of Wills, and the Sheriff.

Collective Bargaining 2004

In 2004, the Street Administration concluded a new round of collective bargaining with three of the four major unions that represent City workers. Four-year contracts were reached with AFSCME District Councils 33 and 47, and a four-year interest arbitration award was issued covering the Fraternal Order of Police (FOP). Because the fourth major bargaining unit, the uniformed Fire employees, represented by Local 22 of the International Association of Firefighters (IAFF), had received a three year award in 2002, their contract does not expire until June 30, 2005.

The key issues for the AFSCME district councils in FY04 negotiations were health insurance contributions, wage increases, and job security for represented employees. The volatility of the health insurance market created a high degree of uncertainty for the parties in addressing what has become the most challenging issue in most labor negotiations in this region. Additionally, each of the AFSCME district councils receives health insurance contributions that are substantially less than the uniformed employees in the Police and Fire Departments. In FY04, the AFSCME district councils received $620.51 per member per month, while the FOP received $847 and the Fire Fighters received $905.90. Since the Fire Fighters contract included a 10 percent increase in health contributions for FY05, the $285 disparity between the IAFF and AFSCME would grow to $375 unless the AFSCME district councils received significant increases in health contributions.

Similarly, the AFSCME district councils had received a bonus in the first year of their 2000-2004 contract, while the FOP and IAFF had received general wage increases in each year over the same time period. This created an additional pressure point for negotiations, particularly since the IAFF contract included a 3 percent general increase effective 7/1/2004.

For the FOP, the key issues included stability in City contributions for health insurance and wage improvements. Although the contribution of $847 per member per month was substantially higher than that paid to AFSCME, there was concern over the projected costs of benefits in future years. As with the AFSCME district councils, the FOP also pointed to the higher contribution received by the IAFF, and to the July 1, 2004 3 percent general wage increase that had already been awarded to the Fire Fighters. The 2004 FOP panel awarded the FOP a 6 percent increase in health insurance contribution in the first year of the contract to $898. The 2004 panel also reiterated what the 2002 panel had stated regarding the efforts of the FOP to contain costs. It again directed the Joint Board to "undertake a serious analysis and consideration of cost containment strategies for the medical plans and the dental, optical, and prescription plans, with the objective of identifying, among other things, plan design and benefit structure modifications which will lead to a reduction in City costs for providing health benefits." The AFSCME District Council 33 and District Council 47 settlements provided for a 10 percent increase in the Health and Welfare Contribution for FY05. This reduced the gap between AFSCME and the FOP.

The pressures detailed above were made more challenging by the lack of funding for wage increases available in the FY05-FY09 Five-Year Financial Plan approved by PICA on July 2, 2004, and more especially by the accelerated program of tax reduction approved by City Council. The Mayor made clear during the process of negotiation that he expected cooperative efforts with all three unions to address the problem of ever-increasing health insurance costs. The Mayor established that the City would provide fair and reasonable wage increases to its workers, but that these increased costs, combined with the effects of the accelerated tax reduction program, would result in a reduction in the size of the workforce.

In addition to the direct economic issues of wages and benefit costs, the Administration also recognized the need to reduce costs through improved control of absenteeism, and to increase accountability with a comprehensive drug and alcohol policy. To improve accountability, the City and the AFSCME unions negotiated a comprehensive Drug and Alcohol Policy that calls for random testing of safety-sensitive positions, training for supervisors, counseling and treatment for employees, and strict standards such as those mandated by the federal government for the holders of commercial driver's licenses.

In the FY05-FY09 Five-Year Plan, the City proposed to introduce a disability insurance program and, in return, reduce not only the number of sick days allocated per employee (15-20 days, depending on when the employee was hired), but also the maximum sick day accumulation from 200 or more days. The excessive number of sick days currently allowed has resulted in an average usage of 12 to 13 sick days per City employee per year, more than double the average in the private sector. This has resulted in service disruptions, as well as high overtime costs, to cover the unplanned absenteeism. During negotiations, the City and AFSCME unions agreed to a substantial change in the sick leave benefit. With input from the unions, the City will design a short-term disability insurance plan that will provide employees who have legitimate serious illnesses with a safety net, for the first time. Rather than being dependent on the number of unused sick days "in the bank," employees will be able to receive two-thirds of their salary until their medical problem is resolved. All employees hired after the plan is implemented will receive this insurance, as well as 12 sick days per year for less serious illness episodes, accruable up to a maximum of 90 days. Employees hired prior to plan implementation may enroll in the program at their option.

The major economic provisions of the current agreements are detailed in the following chart:

	AFSCME	IAFF	FOP
Term	4 Years	3 Years	4 Years
Wages	FY05: 2.3% one-time bonus ($750) FY06: 2% FY07: 3% FY08: 4%	FY03: 3% FY04: 3.5% FY05: 3% Salary progression for new hires restructured to match FOP.	FY05: 3% FY06: 3% FY07: 3% FY08: 4%
Longevity	Unchanged.	Unchanged	Changed to a percentage of salary ranging from 2.3% in third year to 5.8% after thirty years.
Health Benefits	City contribution rates increased by 10% per year over the initial two years of the four-year term. FY05 - $682.56 (10% incr.) FY06 - $750.82 (10% incr.) Later contributions to be determined by reopening bargaining for the period of FY 07 through FY 08 Post-retirement City contribution is for 5 years, and now coverage may be deferred. Permit employees to trade sick leave at retirement for additional post-retirement health insurance coverage on a dollar for dollar basis.	City contribution set at: FY03 - $823.37 (37% increase) FY04 - $905.90 (10% increase) FY05 - $996.27 (10% increase) $1.7 million lump sum payments in FY03, 04 and 05 Increase post-retirement City contribution from 4 to 5 years. Permit employees to trade sick leave at retirement for additional post-retirement health insurance coverage.	City contribution increased to $898 per month in FY05 (a 6% increase). Future contributions to be determined by reopening bargaining for the periods FY 06-07 and FY 08 Post-retirement City contribution remains 5 years. Employees permitted to trade sick leave at retirement for additional post-retirement health insurance coverage based on pay level at retirement.
Pensions	Unchanged.	Payments to Union Health Fund to supplement retiree health insurance of $1,007,000 in FY03 and FY04. In FY05, payment is $1.5 million.	Payments to Union Health Fund to supplement retiree health insurance of $3.25 million in FY05, $3.5 M in FY06, $3.75 M in FY07 and $4 M in FY08.
Sick Leave	City empowered to initiate a Short Term Disability Program. Employees hired after implementation will earn 12 days/year up to a maximum of 90, and will have STD coverage after the first 30 days of illness.	Unchanged.	Unchanged.

Reduction in Force

Due to the position level reductions required in FY05 and FY06 to balance the FY05-FY09 Plan, exacerbated by the need to offset increased compensation costs from the labor contracts and arbitration awards, the City initiated a reduction in force in FY05. This program included reductions from attrition, layoffs and other initiatives.

While the effects of the reduction in force have been felt across the City, and while AFSCME district councils and the Fraternal Order of Police have been experiencing these effects, the Fire Fighters represented by the IAFF have resisted the process. For the Fire Department, the reduction in force began with a plan to reduce the number of engine and ladder companies across the City in FY05, while keeping every existing station open and increasing the number of Emergency Medical Services units, to meet a growing demand. The City's plan to reduce the number of engine and ladder companies reflects long-term downward trends in the number of structural fires, and was designed to preserve safety and emergency response times. Local 22 of the IAFF has challenged the proposal through a court action, unfair practice charge, and grievance arbitration. Hearings before the arbitrator have now been completed, and the parties anticipate a ruling by the middle of March 2005.

Contract Negotiations 2005

In calendar year 2005, the City will negotiate with Local 22 of the IAFF for a successor agreement to the 2002 settlement, to commence July 1, 2005. Contract proposals between the parties were exchanged in December 2004, consistent with the requirements of state law. Once more, the issues that appear key to the parties are health insurance and wages. The City's inability to implement the redeployment plan for the closing of engine and ladder companies has added additional pressure to contract economic factors, while highlighting the dispute between the City and the Union over the City's need to maintain flexibility in managing the fire service. The AFSCME negotiations have also provided a precedent for redesigning IAFF sick leave benefits and making changes to existing post-retirement health insurance options. The 2002 Fire Interest Arbitration Award relaxed some longstanding sick leave control measures for Fire Fighters. As changes were implemented, the Fire Department saw an increase in short term sick leave usage that resulted in an increase in overtime. The City's proposal to re-institute sick leave controls, combined with the AFSCME sick leave and short term disability precedents, is designed to reduce the cost of sick leave while increasing protection for employees who have lower levels of seniority.

In addition to full negotiations with the Fire Fighters, the City will negotiate over health insurance issues with the FOP, including cost containment measures and the level of contributions for FY06 and FY07.

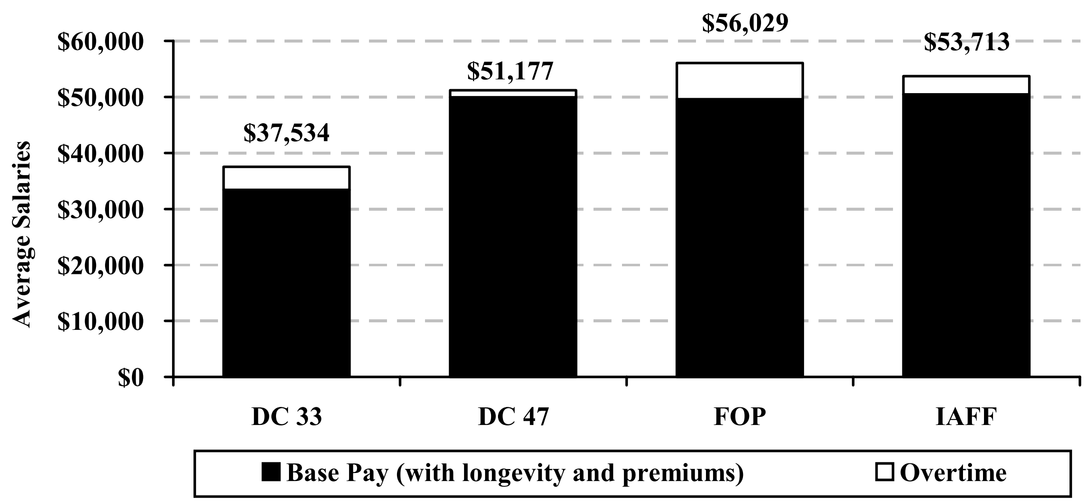
A Review of the Current City Compensation Package

In general, Philadelphia City workers receive a highly competitive wage and benefit package. The following are among the highlights of the City's current compensation package.

Wages

In addition to providing benefits and job security superior to those generally found in the private sector, City jobs provide good wages. Both base pay and overtime earning opportunities for City employees are highly competitive. For FY04, the average District Council 33 member earned over $37,000, the average District Council 47 member earned over $51,000, the average police officer earned over $56,000, and the average firefighter earned over $53,000, as shown in the table below.

Average FY04 City Employee Earnings By Union



Source: Office of Labor Relations

Health Benefits

Nonunion City employees receive a first-rate health and welfare plan, which is administered by the City. The plan provides a choice among a health maintenance organization (HMO) managed care plan; a Point of Service plan providing full family medical coverage for a small employee contribution; and a more expensive Preferred Provider Organization plan requiring a larger employee contribution. The plan also provides: Dental, vision, and prescription plans, requiring no employee premium contributions; free life and accidental death and dismemberment insurance; and annual cash bonuses for low sick leave usage. Through competitive bidding for covered services and a shift from traditional indemnity coverage into more cost-effective managed care, the City has been able to maintain the high quality of its health plan, while keeping costs at an affordable level.

Benefits under the City-Administered 2004 Flex Plan
• An HMO managed care health plan (Keystone HPE) and a Point-of-Service Plan (Keystone POS) requiring a small employee contribution, or a more expensive plan requiring a larger employee contribution (Blue Cross/Blue Shield Personal Choice Option 210)
• Delta Dental Plan, including 100 percent coverage for preventive dentistry, periodontal care, and oral surgery, and 80 percent coverage for orthodontics; or Humana Healthnet Affiliates Managed Care Dental Program
• Prescription Plan, requiring a co-pay of $5 for each new or refill generic prescription with a co-pay of $10 for covered formulary brand-name and $16 for non-covered formulary brand prescriptions
• Vision Services Plan, fully covering eye examinations and lenses, and partially covering frames
• Free life insurance coverage in the amount of $15,000, with options to increase coverage
• Free accidental death and dismemberment coverage of $15,000, with options to increase coverage
• A bonus for low sick leave usage, options to purchase Dependent Life Insurance and Salary Continuation Benefit for Survivors, and the option to establish before-taxes spending accounts for additional medical or day care expenses

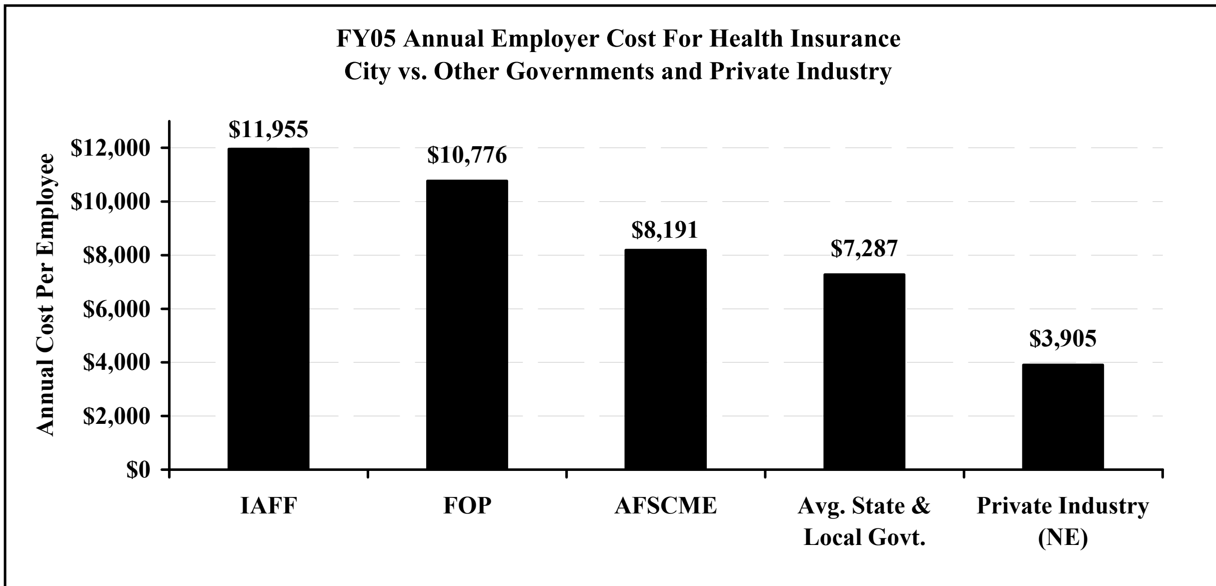
Union members receive health benefits through plans designed and administered by their respective union. Benefits are largely financed by monthly contributions for each covered employee paid by the City. Although the plans are ostensibly administered by joint boards, the City has only minority representation on the various boards and no real say in how the funds are spent. The City's level of contribution is now set by negotiation or by interest arbitration award at a flat rate for each year of the contract. As of July 2004, the City’s monthly contribution was set at $682.56 per employee for AFSCME, $898.00 for the FOP, and $996.27 for the IAFF. Both the FOP and the AFSCME contract language calls for the re-opening of negotiations on the City’s contribution rate in the out years of the contract.

While the City provides a set contribution per employee per month to purchase coverage, the actual costs of benefits may be more or less than the City’s contribution. If benefit costs are less than the City’s contribution, the unions retain the difference. If benefit costs exceed the City’s contribution, the unions must make up the difference, redesign the plans, or institute an employee contribution. For example, District Council 47, which currently offers the same preferred provider plans as the City-administered health program, has realized that funding these plans required an employee contribution. If a DC 47-represented employee chooses the union’s Personal Choice plan, a biweekly contribution is required. However, the Police and Fire unions continue to fund the entire cost of members' health benefits from City contributions and reserves in their respective funds, without requiring any employee contribution even for the Personal Choice plan.

The small number of City employees making a contribution toward their own health coverage premiums contrasts sharply with national trends. According to Kaiser/HRET, overall health care premium costs for 2003 increased 13.9 percent over the previous year, and were projected to rise another 15 percent in 2004. The employer's share of health care costs increased more slowly, rising 10.2 percent in 2003, according to the *2003 Mercer National Survey of Employer-Sponsored Health Plans*. According to Mercer, the reason for the difference between the growth in overall costs and the employer's share of costs was "an unprecedented wave of plan design change," whereby employers shifted costs to employees. Among the plan design changes reported, employers raised deductibles, added three-tier copayments for prescription drugs, and raised out-of-pocket maximums. The Mercer survey reflects what the *2003 Segal Health Plan Cost Trend Survey* recommended, namely, cost-sharing with employees. Segal reports that "plan design is one of the most controllable factors that influence health plan costs."

In response to benefit cost increases, most other employers have adopted higher levels of employee contribution, plan redesigns, higher deductibles, higher medical copayments and tiered prescription copayments. According to the Mercer Survey, 89 percent of employers require an average employee contribution of $792 annually for Preferred Provider Organization (PPO) individual health coverage, while 96 percent require an average employee contribution of $2,688 per month for PPO family coverage, which is around 33 percent of the total per-employee cost.

In evaluating the City's health benefits contributions, it is instructive to compare the amount paid by the City to its unions to the amount typically contributed for health coverage by other employers. According to the Bureau of Labor Statistics, the City contribution level for FY05 for FOP and IAFF members is well in excess of an average government benefit and almost triple the average private sector employer's share of health insurance costs, as shown in the table below.



Source: Bureau of Labor Statistics, 3rd Quarter 2004 ECEC, Office of Labor Relations

Not only does the City contribute a relatively high employer cost, the funding level is also higher than the average full cost of health insurance in this region. According to a Business and Legal Reports survey of more than 3,800 employer-sponsored health plans, the annual 2004 employer's benefit cost per employee averaged $5,197 for employers in the Mid-Atlantic region and $5,061 nationally. In FY04, the City contribution to its four unions will average $9,440, not including lump sum payments. Unless the uniformed unions undertake some serious reforms and introduce cost containment measures, the gap of more than $4,000 between the average Mid-Atlantic employer and the City will continue to grow.

The benefits dollars spent by the City also continue to increase at a higher rate than the average for State and Local Government employees and the Employment Cost Index (ECI)[1]. As illustrated in the chart below, as a percentage increase, the benefits increases to the uniformed unions far outstripped those provided to the AFSCME unions, which were only slightly higher than the ECI. The FOP and IAFF received percentage increases in the City contribution rate that were more than 230 percent of the consumer price index for urban consumers (CPI –U) for medical costs during that period.

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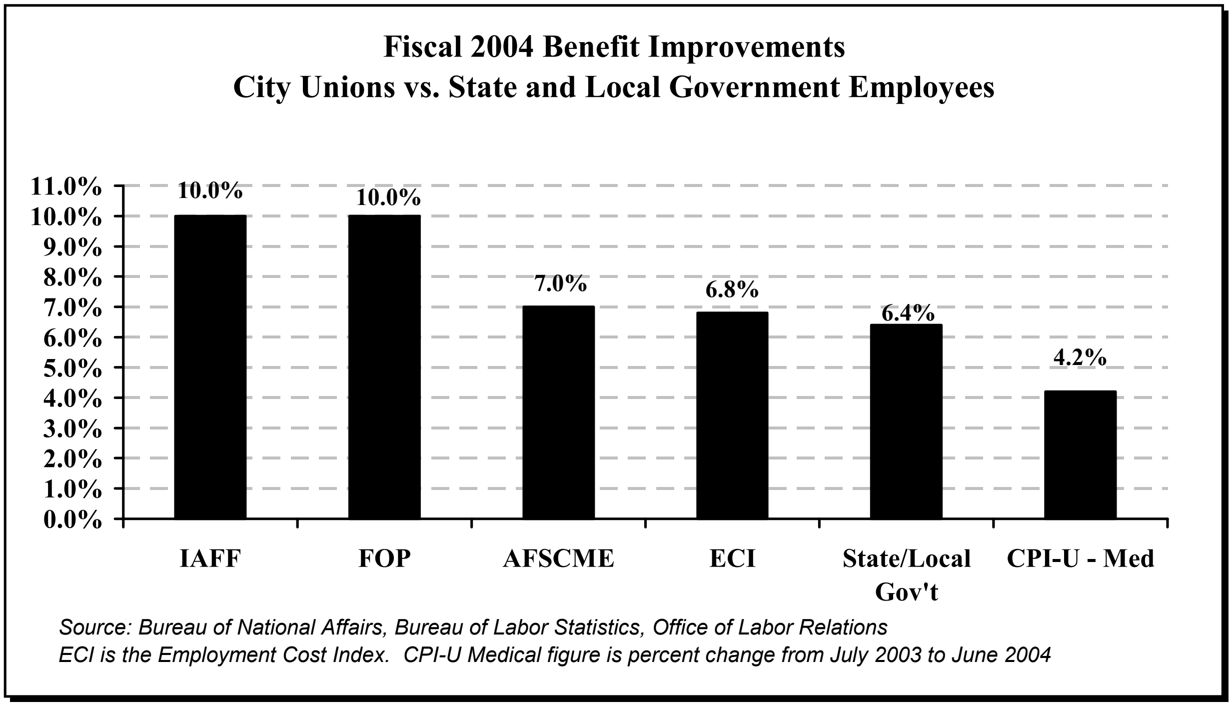
[1] The Employment Cost Index (ECI) is a measure of the change in the cost of labor, free from the influence of employment shifts among occupations and industries. The compensation series includes changes in wages and salaries and employer costs for employee benefits. The wage and salary series and the benefit cost series provide the change for the two components of compensation.



As illustrated by the delayed redesign of health and welfare plans in response to changes in negotiated funding levels over the past ten years, the unions typically have difficulty responding to changing market conditions, while few markets have been more volatile in recent years. With health care cost increases outstripping inflation, it is imperative that the City be able to respond quickly to contain costs while continuing to offer competitive benefit provisions. The City should follow the pattern prevalent in private industry—true joint administration of health and welfare benefits—to better answer the needs of the employees while responsibly managing costs.

Leave Benefits

A reasonable level of leave usage for holidays, vacation, illness, and personal emergencies is needed to maintain a productive and positive work environment. The City, however, provides high levels of leave in almost every category, resulting in an overall paid leave package, and overall leave usage, well in excess of competitive norms. When the City benchmarks its costs against those of the private sector–for example, when considering whether to contract out a municipal service–the City's leave benefit is consistently a key factor in making City operations more costly and its workforce less competitive.

On top of generous vacation benefits, military leave, and funeral leave, City employees also receive 11 paid holidays annually and four personal days or "floating holidays," for a total of 15. According to the 2003 *Hay Benefits Report*, the average number of fixed and floating holidays provided nationally is only 10.3. More than three-quarters of government survey respondents provide two or fewer personal days, with one-third providing none at all.

City employees hired before the implementation of the short-term disability plan receive 15 or 20 sick days per year, an extraordinary benefit that drives high leave usage and overtime costs. The 2003 Hay Group survey found that only 6 percent of employers provided as many as 15 days per year, and only 4 percent provided more than 15 days. Of 488 employers allowing uniform accumulation of sick leave, 87 percent provide 12 or fewer days per year.

Although incentive schemes have been developed to address excessive use of sick leave, the City's research and experience suggests that the simplest approach would be the most effective. If the number of days available were reduced, there would be less opportunity for excessive use. In fact, in 1992 collective bargaining, the City and its unions took the first step toward this principle by reducing earned sick leave for new employees from 20 days per year to 15. While 15 days continues to be a generous benefit, this reduction appears to be helping to rein in overuse.

The City seeks to restructure the sick leave benefit further, including the addition of short-term illness and accident insurance to replace the protection that high levels of sick leave accrual now afford to employees who do not use excessive sick leave. Several other measures might be considered, as well. For example, sick-leave abuse could be minimized by tightening the criteria for approval, regardless of whether doctors' notes are provided for absences. Similarly, it would encourage and reward good attendance if the rate of accrual of personal days were linked to attendance. A best practice standard common in the private sector is elimination of sick leave altogether, folding it into annual leave. The practice eliminates the need for administration of sick leave accountability.

City of Philadelphia Compensation Package By Bargaining Units				
	AFSCME	**FOP**	**IAFF**	**Comparisons**
Wages	Average FY04 earnings of $37,534 for DC 33 and $51,177 for DC 47.	Average FY04 earnings of $56,029. FY04 earnings do not reflect 3 percent general increase received after July 1, 2004.	Average FY2004 earnings of $53,713. FY04 earnings do not reflect 3 percent general increase received after July 1, 2004.	Average earnings for full time City unionized employees in FY 2004 were $46,776 compared to calendar 2003 average wage per job for workers in Philadelphia of $36,181 according to Bureau of Economic Analysis. Average wage increases nationally for State and Local Government through first three quarters of 2004 are 2.0 percent (based on the Employment Cost Index published October 2004).
Health	City funds union plan at cost of $8,191 per employee in Fiscal 2005.	City funds union plan at cost of $10,776 per employee in Fiscal 2005.	City funds union plan at cost of $11,955 per employee in Fiscal 2005.	All union plans funded by the City at levels more than double the average northeast employer contribution level for 2004 of $3,905 (based on Employer Costs for Employee Compensation September 2004).
Retiree health	City provides five years of free post-retirement coverage to all pension-eligible employees. Employees can use accumulated sick leave to purchase additional retiree healthcare at retirement.	City provides five years of free post-retirement coverage to all pension-eligible employees. Employees can use accumulated sick leave to purchase additional retiree healthcare at retirement.	City provides five years of free post-retirement coverage to all pension-eligible employees. Employees can use accumulated sick leave to purchase additional retiree healthcare at retirement.	According to the most recent Business & Legal Reports national survey (2003 data), only 15 percent of employers offer retiree health coverage to employees under age 65. This has declined from 46 percent in 1993. In contrast, City has increased coverage from four to five years.
Disability	City Injured-On-Duty (IOD) system pays 75 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	City Injured-On-Duty (IOD) system pays 100 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	City Injured-On-Duty (IOD) system pays 100 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	Workers' Compensation pays only 66 2/3 percent of pre-injury pay, tax-free, and does not continue general medical benefits, sick leave accrual, or pension credits.

City of Philadelphia Compensation Package By Bargaining Units				
	AFSCME	**FOP**	**IAFF**	**Comparisons**
Pension	Under the current 1987 City plan, AFSCME members can retire at age 60, earning benefits accrued at 2.2 percent per year for ten years and 2 percent per year thereafter (for example, 72 percent of average final compensation after 35 years of service, with no offset for Social Security). Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 55).	Under the current 1987 City plan, police officers can retire at 50 and accrue benefits at a straight 2.2 percent per year. Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 45). In addition, the City contributed $2.5 million in FY01, FY02, FY 03, and FY 04 and will pay $3.25M in FY 04, $3.5 M in FY 05, 3.75 M in FY 06 and $4 M in FY 07 to a union fund for supplemental retiree benefits.	Under the current 1987 City plan, firefighters can retire at 50 and accrue benefits at a straight 2.2 percent per year. Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 45). In addition, the City contributed $1 million in FY01, FY02, FY03, and FY04 to a union fund for supplemental retiree benefits. Contributions for FY05 are $1.5 million.	The City's retirement plans are extremely generous relative to most employers', offering a defined benefit (instead of the increasingly common defined contribution), a relatively early age for retirement, and no social security offset. Changes to Pension Plan permit employees to begin receiving pension payments as deferred compensation while still working, for up to four years. Additionally, Pension Adjustment Fund provides for possible sharing of investment earnings with current retirees.
Paid leave	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 10 to 25 vacation days, plus paid funeral and military leave.	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 10 to 25 vacation days, plus paid funeral and military leave.	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 96 to 192 vacation hours, plus paid funeral and military leave.	Combined 15 paid holidays and personal days exceeds national average of 10.3 found in 2003 Hay Benefits Report.
Legal	Free legal coverage funded by the City at a cost of $12 per-employee per month.	Free legal coverage funded by the City at a cost of $24 per-employee per month.	Free legal coverage funded by the City at a cost of $19 per-employee per month.	Legal benefits rarely provided in either the public or private sectors.
Miscellaneous	Uniform and tool allowances are provided where job-related. Life insurance benefits provided.	Free uniforms are supplied to new employees, and a total of $800 each year provided in cash uniform allowances. Life and accidental death and dismemberment insurance benefits provided.	Free uniforms are supplied to new employees, and a total of $775 each year provided in cash uniform allowances. Life and accidental death and dismemberment insurance benefits provided.	Varies. Generally, City benefits are competitive and often more than competitive.

City of Philadelphia

Five-Year Financial Plan

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Education and Social Services

Providing High Quality Public Education and Comprehensive, Coordinated Social Services

Overview

The Street Administration is committed to promoting long-term economic growth for the City and productive, fulfilled lives for all of our citizens. One of the most effective ways to achieve these connected goals is to provide our children with a first-rate education while ensuring that the health and social needs of our children, adults and families are being met at the same time.

It has been more than three years since the Administration took action to set the School District of Philadelphia on the right course, after years of financial and political turmoil. Those actions worked to establish an effective state-City governing partnership, achieve financial stability with record new funding and recruit an innovative chief executive, whose reform efforts have brought change to nearly every aspect of public education in Philadelphia. The Administration continues to work closely with the District to foster educational progress, while District finances remain stable.

Five years ago, the Street Administration created the Division of Social Services within the Managing Director's Office to improve the quality of social services delivered to Philadelphia's children, adults and families. By integrating and coordinating the work of all City departments, agencies and commissions that deliver social services, the Division of Social Services can more effectively anticipate, plan for and respond to the health and social needs of our citizens.

Objectives

- Support the Philadelphia School District to provide high quality-public education
- Invest in programs that support family structures
- Invest in programs to support youth and maximize their potential to become self-sufficient adults
- Ensure that adults have the supports and tools to become and remain self-sufficient
- Ensure that Philadelphians have the earliest possible access to treatment

Support the Philadelphia School District to provide high quality public education

- **School District: Set higher goals**. Recognizing that the academic achievement of all students in the School District of Philadelphia must improve, in FY04 the School Reform Commission (SRC) established comprehensive new goals to be achieved by June 2008. Embodied in the SRC's "Declaration of Education," the goals set specific targets for improving early literacy, academic achievement, equity, safety, community involvement, school support services, and financial performance. The Declaration goals augment the national performance targets set under the federal No Child Left Behind (NCLB) Act, which requires that all students demonstrate academic proficiency by 2014. The School District continues to budget for and carry out a series of educational reforms designed to help students and schools meet the high standards.

- **School District: Improve test scores.** School District students showed continuing progress on the Pennsylvania System of School Assessment (PSSA), which was taken by fifth, eighth, and eleventh graders in Spring 2004. Overall, the percentage of students scoring at the proficient and advanced levels in reading rose 6 percentage points, from 27.6 percent to 33.6 percent. Math scores increased 7 percentage points, rising from 21.6 percent to 28.6 percent at the proficient and advanced levels. While scores for Philadelphia students were still below Pennsylvania averages, the rate of improvement by District students, including those attending privately managed schools, outpaced state averages for gains in five of six categories.

  Test results and other improvements translated into Philadelphia's public schools making significant advances on the Adequate Yearly Progress (AYP) measure used to monitor performance under NCLB. For 2004, Pennsylvania required proficiency levels of 45 percent in reading and 35 percent in math to earn this distinction. Local performance nearly tripled—from 58 to 160 schools—achieving the AYP goal. School Assistance Teams are assigned to the remaining schools, as well as others that have historically been low performers, to help them make the mark in FY05 and FY06.

  NCLB also requires school districts to disaggregate performance data and close the achievement gap between white students and students of color, and between economically disadvantaged students and those who are better off. Performance gaps between black and Latino students and white students in reading and math ranged from 26 to 29 percentage points in 2004.

- **School District: Evaluate partnership schools.** A signature approach to school reform in Philadelphia has been the use of a variety of for-profit and nonprofit providers to manage public schools. Four Education Management Organizations (EMOs) and two universities hold contracts to operate 45 elementary, middle and high schools, with a combined enrollment of 25,318, or about 12 percent of all District students. The partnership contracts are built on a per pupil payment, ranging from $450 to $750**,** on top of regular school budgets. Contracts contain performance targets that are evaluated annually by the SRC and School District management. The independent Accountability Review Council, appointed by the SRC pursuant to the partnership agreement and state law, will help guide the cost-benefit analysis to determine the future direction of the partnership initiative.

- **School District: Implement a new standardized curriculum**. Beginning in the 2003-2004 school year, the School District has mandated the use of a locally developed standardized core curriculum in literacy, mathematics, social studies, and science in kindergarten through grade 11, to afford all students the opportunity to learn at proficient levels and apply what they have learned. To support implementation of the standardized curriculum, the District invested $26 million in the 2003-2004 school year in core texts in literacy and mathematics, as well as other instructional materials, and enhanced professional development for teachers in the first year of the curriculum roll-out. The District invested an additional $27 million in the 2004-2005 school year to implement the core curriculum in additional grades and subjects.

The 2005-2006 school year will see the completion of the curriculum rollout in all four core subjects in grade 1 through grade 11, at an additional one-time cost of $15 million. Implementation of the standardized curriculum is also backed by the use of blocks of extended "time on task" and a computerized benchmark assessment system that provides student information to guide needed instructional changes. Additionally, a computerized database that provides curriculum and instructional resources to teachers, principals and administrators is expected to be in place in all schools by the end of FY06.

- **School District: Conduct educational reorganization.** The District is continuing to phase out most middle schools, converting the buildings to small high schools or K-8 schools, and expanding elementary schools into K-8 grade schools where space permits. Local and national research has shown that students attending K-8 schools fare better than their middle school counterparts, through improved attendance, higher test scores and fewer disciplinary problems.

  The School District completed four conversions in FY05 and will complete an additional 18 in FY06. Reorganization is funded through 2008, at which time the District will have decreased the number of middle/intermediate schools from 43 to 12. The total multi-year capital cost for middle school conversions and elementary school expansions is projected to be $60 million.

- **School District: Strengthen instruction**. Class size reduction in primary (K-3) grades and middle (4-8) grades is a significant reform that makes classrooms more manageable for teachers and helps students receive the instructional attention they need to succeed. As of FY05, the School District has hired 532 new K-3 teachers, helping reduce class size in nearly 2,200 classrooms. The School District also has begun reducing class sizes in the middle grades. Currently, average class size is 23 students in grade K-3 classrooms and 26 students in grade 4-8 classrooms.

  To ensure that struggling students receive more support during the school year, the District has continued its Extended Day program. From October through April, over 31,000 students performing below grade level in grades 3-9 receive two extra 75 minute blocks of instruction in reading and math, four days per week. The annual cost is $14.2 million. An evaluation of the program is ongoing in order to maximize cost-effectiveness.

  Efforts to improve academic performance continue year-round in Philadelphia. In 2004, the District opened a Summer Program, which for the first time was mandatory for students who failed a core subject or scored in the bottom quartile (below the 26th percentile) on the TerraNova Test. The Summer Program allows high school students to earn credits towards graduation, and offers struggling students the opportunity to increase their reading and math skills. Nearly 60,000 students in grades 1-10 were eligible for the program and an additional

30,000 were eligible to participate in school readiness and optional enrichment programs at eight camps. The Summer School Program costs $19.3 million annually.

- **School District: Provide early childhood education.** To ensure that students are prepared to learn when they enter kindergarten, the School District has been expanding pre-school programs, the largest of which is the Head Start Program. The comprehensive pre-school program is free to three- and four- year old children whose families fall below the poverty line. In FY05, the School District expanded the number of slots by over 500 to 5,455. Head Start is funded by a $45 million grant from the federal government and a $4.4 million grant from the Commonwealth of Pennsylvania. A variety of other pre-K opportunities also have been added.

- **School District: Foster safe schools.** Safe, orderly environments are essential for effective teaching and learning. An important part of the School District's reform effort has been developing alternative programs for students who have committed serious violations of the Student Code of Conduct; who are returning from court-ordered placement; or who are over-age, under-achieving, and seeking a high school diploma. During FY05, the District added four new programs, increasing its capacity to serve 3,500 middle and high-school age students (up from 2,800 in FY04).

  The School District has taken additional steps to foster safer schools. In FY05, school police officers were assigned to every elementary school (high schools already had school police deployed), at a cost of $2 million. The District continues to operate the $1.8 million Saturday Morning Alternative Reach and Teach (SMART) program that offers an alternative to expulsion for frequently suspended students and their parents and the $2.2 million Attendance & Truancy Intervention/Prevention Supports (ATIPS) initiative, through which Parent Truancy Officers make home and school contacts aimed at boosting school attendance.

  The School District is also working in collaboration with the City to address safety concerns in and around schools. Operation Safe Schools was created as a new intelligence unit in the Police Department, to collect, analyze, and act on information about student conflicts and disputes before matters escalate. At the same time, pedestrians in school zones have been made much safer through a concerted effort to improve traffic engineering, enforcement and pedestrian education. There has been a 25 percent reduction in the number of students injured by automobiles as they walk to and from school so far in the 2004-2005 school year compared to the previous school year.

- **School District: Offer charter school options.** Strong, vibrant charter schools support the School District's reform efforts by offering families a choice among public educational programs, helping to relieve overcrowding in elementary schools, and depopulating large high schools. Fifty-two charter schools are now operating, with an enrollment of over 24,000 students.

Like all educational reforms, charter schools come at a cost. The School District has been successful in securing additional reimbursement from the Commonwealth to alleviate the annual gross cost to the School District, which is projected to be $182.5 million for FY05. The SRC is formulating a policy to guide the growth and placement of charter schools in the coming years.

- **School District: Prepare students for work and higher education.** The School District initiated the Secondary Education Movement (SEM) to ensure that all graduates of School District Schools are prepared for employment and/or post-secondary education. The Career and Technical Education (CTE) program is improving the work-readiness of graduates. Nearly 15,000 students in 34 high schools are now participating in an array of quality, state-approved career preparation programs, integrating occupational and academic coursework. At the same time, the SEM is working to increase the rate of graduating seniors who go on to post-secondary institutions by offering more rigorous academics, such as advanced placement classes and SAT preparation. Other college readiness programs include GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs), a federally funded, $7.4 million mentoring and college guidance program; and the College Excel Dual Enrollment Program, under which the School District will cover the cost of tuition and textbooks for up to 1,000 students in 2004-2005.

  Efforts to promote college attendance were given a big boost at the beginning of the FY03-04 school year, when Mayor Street, Congressman Chaka Fattah, and School District CEO Paul Vallas launched the College Opportunity Resources for Education (CORE) Philly scholarship program. Open to graduates of public, charter, parochial, and private high schools, CORE Philly offers freshman year "last dollar" scholarships of up to $3,000 to students who attend one of 19 public colleges in Pennsylvania. Last dollar scholarships cover the gap between tuition costs and financial-aid packages. Philadelphia is the first city in the nation to offer system-wide scholarship assistance to every graduating senior.

  High school graduates of the class of 2004 were the first students eligible to apply. For the fall semester, 1,977 students (nearly 80 percent of whom are public school alumni) were awarded scholarships averaging $2,498 (annualized). Scholarship costs were shared by the City (40 percent) and the School District (60 percent) for public school graduates and funded 100 percent by the City for private school students. The City pledged up to $4 million annually from FY05-FY08, while the School District pledged up to $6 million for each of those same years, contingent upon the availability of grant funding. After FY08, it is anticipated that the program will be supported through a privately funded endowment.

- **School District: Develop the District's human capital**. Perhaps the most essential path to improving student achievement is success in recruiting, retaining, developing and deploying quality educators and school principals. Two years ago, the School District kicked off the Campaign for Human Capital to strengthen its competitive position and guide investments, totaling $7 million annually in this highly competitive effort. New recruitment activities include "Live, Learn and Teach in Philadelphia," a multi-media recruitment drive, personal outreach through "Roll Out the Red Carpet" candidate visits, and enlisting new sources, such

as Teach for America, to boost recruitment results. Year-round professional development and school-based coaches also have combined to improve retention.
At the start of the 2004-2005 school year, the SRC and the Philadelphia Federation of Teachers (PFT) reached agreement on a new four-year contract. Chief among the changes is a significant expansion of school-based teacher selection rather than assignment by seniority. This puts Philadelphia more in step with other school districts attempting to match teacher abilities with student needs and correct the teacher experience imbalance that exists in lower performing schools.

Effective school principals are critical for school performance and teacher retention, so the School District has launched a Principals' Leadership Academy to identify current assistant principals and teachers to train for future principal positions. Seminars, summer workshops, and independent summer "principalships" are provided as part of the Leadership Academy. A total of $15.8 million will be dedicated to the Academy over the course of three years, more than half of which is expected to be covered by private sources.

- **School District: Implement a capital improvement program**. Recognizing that meaningful school reform must include improvements and updates to the environments in which teaching and learning occur, the District is in the midst of a $1.8 billion capital improvement program to build new schools, create additions to existing schools, make major renovations to school buildings, and expand and upgrade facilities and school grounds throughout the City.

  The capital project that has drawn perhaps the greatest public attention is a state-of-the-art "School of the Future," being developed through a unique partnership with Microsoft Corporation, to be built on land leased by the Fairmount Park Commission to the School District and expected to open in September 2006. The new high school promises to incorporate the latest research and technology to enhance the teaching and learning experience. Students from across the city will have the opportunity to attend the new school.

  The District is continuing to assess the condition of all school buildings to make capital allocation decisions. To provide further direction and support for the capital program, the SRC has initiated a master planning study to ensure that the School District maximizes its real estate opportunities, rightsizes its infrastructure for expected enrollment and uses its capital investments not only to enhance educational opportunities, but also to complement City and private economic development initiatives.

- **School District: Maintain financial stability.** The School District continues to maintain the financial stability achieved through the partnership agreement between the City and Commonwealth. The agreement has yielded more than $75 million in additional annual funding from the Commonwealth and $45 million from the City. Part of the local contribution was applied to paying down debt service on a $317 million bond used to cover an accumulated deficit as well as annual operating deficits.

FY04 ended with an operating deficit of $97.2 million and a fund balance of $78.5 million. For FY05, the District adopted a $1.9 billion operating budget. It currently appears that the combined net effect of operating surpluses and deficits for FY05 and FY06 will be negligible with significant operating deficits recurring in FY07

The deficit financing proceeds were originally projected to last from three to five years. The School District's most recent five-year plan now forecasts the proceeds providing coverage through FY09, when the District will have a $55 million operating deficit and a small negative fund balance. Despite growth in the annual operating budget to support education reforms and satisfy labor agreements, this stronger financial picture is the result of several factors including: Increased local revenues, new commonwealth and federal funding, management savings, an early retirement incentive, and the use of financing mechanisms to generate cash and reduce and extend borrowing costs. In FY06, the School District will consolidate administrative personnel in new headquarters at 440 North Broad Street and sell the buildings previously used to house personnel performing administrative functions. The Five-Year Plan incorporates $25 million in new revenue, spread over five years, through the sale of current buildings.

Local tax revenues earmarked for public schools are projected to reach $669 million in FY05. While the City maintains a strong commitment to funding public education and to fiscal discipline, the Street Administration has always held that a substantially bigger commonwealth commitment would be needed to give our schools the chance to succeed. The City is beginning to receive the benefits of this advocacy.

Total commonwealth funding for the School District is budgeted at approximately $1.19 billion for FY05. The Governor's aggressive push to improve the quality of public education throughout the Commonwealth generated increases for Philadelphia in FY05 of over $100 million. Growth occurred in the basic education grant, as well as for designated purposes, including charter schools and disciplinary programs. FY05 also marked the start of the commonwealth's new $250 million accountability grant program, through which Philadelphia realized $40 million.

- **School District: Enhance City support for schoolchildren.** Children cannot take advantage of better academic opportunities offered by the School District unless they are safe and have their physical and emotional health needs met. City government is rising to the challenge, working in cooperation with the School District, to deliver a range of services that protect and nurture children and families, improve the quality of life, and foster students' success in school. In these collaborative efforts, the City and School District jointly identify needs and obstacles to learning, blend resources and carry out essential tasks to create better opportunities for children. In addition to the City's partnership with the School District, the City has direct responsibility for providing hundreds of millions of dollars for social services. DSS will continue to provide comprehensive, coordinated social services with the following major objectives and new initiatives.

Invest in programs that support family structures

- **DHS: Support reunification by providing comprehensive support services.** While the Department of Human Services (DHS) and its provider network offer an array of services to support the children in foster care, the Department has found that their parents often need additional assistance to address the challenges preventing them from regaining custody of their children. To better support parents in overcoming barriers to timely reunification with their children and to help them achieve self-sufficiency, DHS and the Philadelphia Workforce Development Corporation (PWDC) have designed a new one-stop service delivery model, the Achieving Reunification Center. The Center will provide services to parents with children in placement who have a "permanency goal" of reunification, and to other caregivers who have been identified as the reunification resource for a child in placement. The Center will use existing DHS and PWDC resources to provide parents with more intensive support in obtaining housing and employment, a full range of health and social services, specialized visitation programs with their children, parenting skills enhancement programs, and other practical supports. The Center will provide services to parents with children in placement who are motivated to seek reunification, as well as other caregivers who have been identified as reunification resources. On average, there are over 2,000 families with one or more children in out-of-home placement for whom reunification is the goal.

  In FY06, DHS will dedicate approximately $2.5 million specifically for the operations of the Center. Additionally, the Department's community-based network of prevention services will be redirected as needed, to give priority access to these families. The Center will begin operations in January 2005. The goal for the Center in its initial calendar year of operation is to serve 500 families with at least one child in placement. Goals for future years will be based on review of operations in the first year.

- **AS/OBH/MRS: Implement a "Housing First" Program for families in emergency shelter with high levels of behavioral health needs.** Adult Services (AS) and the Office of Behavioral Health and Mental Retardation Services (OBH/MRS) are partners in the Family Shelter Support Team (FaSST) program, which provides behavioral health assessments, coordination with current service providers, and referrals and links to other providers offering services to families in AS shelters who have a high level of behavioral health needs. To augment this program, AS will use nearly $2 million in federal grant funds for permanent housing for 45 of these families at any one time, enabling them to live in the community while they continue to receive the high level of services they need to maintain stability. In FY06, DHS' Prevention Division will join the FaSST partnership by providing social service support to DHS-involved families who have achieved reunification when they move into their permanent housing. The FaSST Housing program is expected to begin in FY06.

- **DHS: Enhance family preservation-housing support.** Among the services provided to keep families intact and prevent the unnecessary separation of children from their families are those provided to the vulnerable population in crisis due to a lack of housing. Of the children who entered placement in FY04, inadequate housing was identified as the sole reason for 9.8 percent. Services are provided in a family's current living arrangement to assist with immediate needs and help meet the goals of: Safe, decent, permanent housing; family preservation; and family self-sufficiency. These family preservation support services, while intensive interventions, cost substantially less than foster care.

In FY06, DHS will allocate an additional $4.31 million to provide housing support services to keep families intact, and prevent the unnecessary separation of children from their families, serving an additional 264 families with approximately 680 children.

- **DHS: Target Parenting Collaborative services.** Approximately 6,000 parents will be served annually through the Parenting Collaborative, the first organized effort to support and expand the existing network of parenting education and support programs in Philadelphia. Parents are referred to the programs by DHS social workers, provider agency social workers, and Family Court. Other referrals come from the Division of Community-Based Prevention Services (DCBPS) service network, calls to 215-PARENTS, and neighborhood outreach. In FY06, plans are to redirect services to target more parents with children in foster care and parents of delinquent youth. The same number of families will be served, but services will be directed to those families whose need is more aligned with DHS' goals of reunifying and preserving families. Services will be directed at families to help prevent truancy, which, if unresolved, often results in placement of the youth in out-of-home placement.

  During FY05, DHS is convening a workgroup of the major organizations serving fathers in Philadelphia, to assist in the development of a focused effort aimed at re-engaging the absent fathers of youth in care, and supporting fathers so that they can remain a positive factor in the lives of their children. Increased training offerings on "Engaging Fathers" will be provided to staff through the Philadelphia Regional Training Center (the regional center of the Department of Public Welfare's statewide competency-based child welfare training program). The plan developed with these groups in FY05 will influence allocations for parenting-related programs by DHS in FY06.

Invest in programs to support youth and maximize their potential to become self-sufficient adults

- **Continue unprecedented investments in afterschool, youth development, and family support programs**. The Children's Investment Strategy (CIS) is a broad initiative of Mayor Street to improve the outcomes for the City's 360,000 children and youth, as indicated in the *Children's Report Card 2004***.** The *Report Card* tracks childhood health, safety and positive development indicators so that progress can be measured ensuring that children live in stable, supportive families; children and youth are involved in healthy behaviors and do not engage in high risk behaviors; children live in safe and supportive communities and environments; and children and youth achieve in school and make successful transitions to adulthood. Efforts to improve the outcomes for children and youth include expanding afterschool and other youth development opportunities during non-school hours and redirecting more resources to DHS' prevention services to strengthen the relationship between parents and children.

  Since the inception of CIS in 2000, through June 30, 2005, youth development and family support programs will have expanded their respective capacity to serve an additional 47,850 children and their families. "Youth development" offerings include afterschool programs; Beacon Schools; various DHS programs, such as truancy-related programs, delinquency programs, and programs specifically targeted towards 12-18 year olds; Recreation Department programs, such as afterschool programs and Teen Centers; and Workforce Development programs. "Family Support" programs include DHS' intensive home visiting, parenting programs, and school-based case management programs.

In FY05, CIS refined the strategies for targeting youth who possess characteristics which suggest that without such targeted, preventive attention, would be more likely to enter the DHS system of care. By FY05 a total of $88.7 million in new or redirected dollars will be targeted for prevention programs under CIS. Of this amount, $67.8 million is towards the expansion of "youth development" programs and another $20.9 million is for expanding "family support programs."

The primary sources of CIS funding have been the federal government through Temporary Assistance for Needy Families (TANF) and the Commonwealth through the Human Services Development Fund (HSDF). The City's FY06 budget includes an additional $19.5 million, again, with a primary origin of federal and state sources. The realization of this continued growth, however, is contingent upon appropriate levels of funding from other governmental agencies.

- **DHS/OBH/MRS: Direct School-based Case Management (SBCM) at truancy.** A school/community collaboration aimed at ensuring the provision of family supports that address the barriers related to a child's truancy will result in improved school attendance and participation. This service is available to DHS-involved and at-risk youth and their families on a full- or part-time basis at all Philadelphia public elementary and middle schools, by referral from DHS or provider case manager and through the individual school's Comprehensive Student Assistance Program. SBCM services also are coordinated with the OBH/MRS's School-Based Behavioral Health Initiative in those schools where both services are available. Over 3,000 families will receive services in FY05. In FY06, the DHS will allocate $2 million to serve 2,400 additional chronically truant youth and their families. Families will receive short-term intensive case management services addressing behavior that has resulted in the youth's failure to attend school. The DHS will fund an additional 31 school-based case managers to provide these services in public middle schools and high schools in FY06.

- **DHS: Address truancy by improving tutoring and mentoring services to public schoolchildren.** In FY05, the School District reorganized the process through which Philadelphia public school children with school attendance problems are identified and linked to services. Beginning in FY06, chronically truant public school children will be linked to support services provided by DHS' network of providers. Previously, these children were referred to agencies outside the DHS network, making the children's attendance difficult to monitor. As a result of this change, DHS projects an increased demand for services from neighborhood-based networks of child and family supports for these youth. The services expected to be most in demand include individualized academic tutoring, literacy training for both children and their parents to better prepare parents to assist their child with homework and to support their child's academic achievement, and mentoring services. Current projections, based on the expansion of school-based case management services planned for FY06, indicate that approximately 3,100 youth will benefit from these services in FY06. Based on these projections, DHS intends to allocate $2 million for tutoring, literacy programs, mentoring and other supports for chronically truant youth.

- **OBH: Provide behavioral health school-based services to public schoolchildren**. OBH provides for the coordination and integration of behavioral health, educational, and human services via supports delivered to children and adolescents in public schools. These services are targeted to children who need assistance in managing their behavior in educational settings. As of December 2004, assistance has been provided to 592 students in 31 elementary and middle schools in Philadelphia. School-based services will be expanded with the addition of a pilot program in one high school in FY06. The pilot program will last at least one full year.

- **DHS: Enhance social service supports for aging-out youth.** In FY06, DHS, PWDC, and providers will use funding from the U.S. Department of Housing and Urban Development (HUD) to fund a transitional living program to serve 81 youth who are "aging out" of the foster care system but do not have a stable housing arrangement. DHS, AS and provider agencies, will provide ongoing health and social support services in addition to life skills training, rental subsidies, and other supports to youth in the program. In order to provide these services, DHS intends to allocate $1 million to provide case management, life skills training, and other supports to these youth. The programs, developed in FY05, will become operational in FY06.

- **DHS: Augment employment and training services for aging out youth.** Employment that provides a sufficient income for sustainable independence is a critical factor in the ability of aging-out foster youth to succeed after discharge from the child welfare system. Provision of dedicated job readiness and employment training programs designed specifically for aging-out youth, along with appropriate social service supports and aggressive job placement efforts, will help them obtain and sustain full-time employment.

  In collaboration with the Philadelphia Youth Network and PWDC, DHS will expand job placement options for youth in care, and develop of new skills training programs with area employers. In FY06, DHS intends to allocate $1 million to establish a minimum of three employment training and placement programs for aging-out foster youth. Through this mechanism, DHS expects to connect 240 additional Achieving Independence Center (AIC) youth to full-time employment at or above minimum wage, over the course of the fiscal year. Together with the expansion of the Independence Café, a skills training program that is an essential component of the AIC, the program will increase the number of aging-out youth receiving employment and training support by 300 in FY06.

- **DHS: Implement performance-based contracting for congregate care.** According to the most recent available state data, DHS' use of group home and institutional placements is higher than the statewide average. Current controls and supports are not adequate to assist and encourage social workers to use less restrictive placement alternatives. To help children in group home and institutional settings to "step-down" to more appropriate levels of care and achieve more timely permanency, DHS plans to move forward with the development of a performance-based contracting system in FY06. Learning from key FY05 activities, such as national Child and Adolescent Needs and Strengths (CANS) tool review of children in congregate care settings to increase understanding of the unique needs of these youth and site visits, will help determine which level of care will be addressed first, and inform the planning process for contractual change.

- **DHS: Increase efficiency of sex abuse investigations.** To improve investigation of sex abuse cases and avoid further trauma to young victims, DHS is planning to co-locate the Intake Sex Abuse Investigation Units with the Philadelphia Police Special Victims Unit and the Philadelphia Children's Alliance. Co-location will allow an integration of investigative resources so that each of the three partners can perform unit functions with minimum additional trauma to the child victim. DHS has applied for a loan from the Productivity Bank to assist with the costs involved in renovating the space. DHS expects to move into the new location by mid-FY06.

- **Library: Collaborate with the School District to prepare children for kindergarten.** The Free Library is working closely with the School District's Kindergarten Transition Collaborative, whose mission is to help prepare children for kindergarten so that they are ready to learn. As part of core efforts to support reading readiness and literacy in FY06, the Library will continue hosting information sessions, begun in FY04, for parents preparing their children for kindergarten. The School District reimburses the Library for program-related expenses. Library staff are now working on a "Kindergarten Mixer," an opportunity for kindergartners and their families to meet teachers and others and to learn about resources available to them, to be held at the Please Touch Museum in August 2005. In addition, the Library will create a publication or website to serve as an additional resource for parents whose children will be entering kindergarten.

- **Library: Continue family literacy programs.** In cooperation with the School District's Even Start Program, the Free Library presents "School Success Workshops" for students grades K-3 and their parents. Parents attending the workshops learn skills to help their students with homework and become more successful in school. Students get tips on dealing with school problems. Families receive a school backpack filled with books and school supplies. In FY05, the School District of Philadelphia is providing $25,000 in funding for the workshops, which are held at the Central Library and seven branch libraries throughout the city. Future plans include expanding family literacy programs, including a possible early literacy initiative.

- **Library: Evaluate afterschool programs.** On a weekly basis, approximately 85,000 children and teens participate in the Library's LEAP afterschool program, held in every branch library, five days a week. The City contributes $1.3 million annually for LEAP staffing, supplies, and give-away books; the Library raises an additional $100,000-150,000 in private funds for program components. In the Spring of FY05, LEAP will develop a specific program to measure outcomes related to its goals of increasing literacy and library use, and will begin collecting data on the impact of LEAP and its effectiveness in connection with the Associate Leaders and the Teen Leadership Assistant Program. The program design will be revised according to the results of the $30,000 evaluation.

- **Library: Extend the Unlimited Writing Project.** Begun in Summer 2004 as a pilot project funded by the School District of Philadelphia to help improve students' writing skills, the Unlimited Writing Project will be expanded in Summer 2005, based on the program's success in improving student achievement in writing. The Library plans to hire six Summer Outreach Specialists, who, over the course of six weeks, will present the Unlimited Writing Project in the Central Library, three regional libraries, and the Rodriguez and South Philadelphia Branches. Specialists, who include teachers, school librarians or graduate students in education, will receive special training for this project. The Summer Outreach Specialists will work 20 hours per week on the Project: Ten hours will be spent in the library working with students, who will bring in writing work, and with summer reading game participants, who will be encouraged to start writing. The remaining 10 hours will be spent in outreach, encouraging camps, recreation centers, and summer schools to participate in the Unlimited Writing Project and summer reading. All students will be offered the opportunity to participate in the project, but special attention will be given to incoming sixth and ninth graders. At the libraries, students will be offered the choice of talking to the specialist about their writing or using LEAP Online (Tutor.com), an interactive online homework assistance program. The School District will fund the $25,000 cost of this project.

- **MCOL: Strengthen literacy services.** The Mayor's Commission on Literacy (MCOL) was moved physically and organizationally to the Free Library in Fall 2004. Beginning in FY06, the Free Library plans to combine MCOL with its Reader Development Program (RDP) for more seamless delivery of literacy training. As part of the reorganization, RDP services will be incorporated into the training MCOL conducts for literacy service providers. The combination of programs also should allow for better delivery of RDP literacy materials from RDP to the literacy providers served by MCOL, which in turn will make for a more efficient delivery of literacy materials to target audiences.

Ensure that adults have supports and tools to become and remain self-sufficient

- **AS/OBH/MRS: Enhance outreach efforts.** AS continues to assist persons living on the streets with finding safe, supportive alternatives to living in outdoor public spaces. In FY06, AS will work with OBH/MRS to expand behavioral health services to this population through two targeted initiatives:

  - **Collect behavioral health information.** Over the past six months, data matching with Behavioral Health, Criminal Justice, the Department of Human Services, and the Outreach Coordination Center, has enabled AS to develop detailed information on persons who have been living on the Parkway. Two new outreach staff were added to Project HOME's teams, whose primary responsibility is to focus outreach efforts on those living on the Parkway. People who have been living on the Parkway for more than three months, despite repeated interaction with outreach workers, are being assigned a dedicated outreach worker who will visit with them at least three times a week, ascertaining what they need to move indoors and encouraging them to use the services available to them. AS will continue to support the additional outreach staff in FY06, at an approximate cost of $100,000 in grant funds.

- **Provide psychiatric services.** Starting in calendar year 2005, AS will have a psychiatrist available to spend time "on the streets" offering assessments, access to medications, and encouragement to persons to seek treatment. Outreach workers have sometimes been hindered by the inability to bring psychiatric services directly to the people on the streets who refuse to go indoors for the kind of treatment that ultimately could help them secure shelter. The service will be funded through OBH/MRS.

- **AS: Support households with employment and training opportunities.** Beginning in FY06, AS and PWDC will jointly support households that are in housing crisis to regain and maintain stability. In the first component of this partnership, AS will provide short-term housing support (funds for furniture and leased apartments) to households participating in PWDC-sponsored employment programs that are in housing crisis. PWDC contributes first month's rent, security deposit, and supportive services; AS provides rental subsidies for up to 20 apartments at a time, paying rent for the next five months. The maximum length of the housing support is six months; accordingly, this program will serve a minimum of 40 households in FY06. Housing support will enable households that are close to achieving employment to maintain permanent housing. AS support for this project will be approximately $240,000 (expected to be grant funds) in FY06.

  Beginning in FY06 under a Memorandum of Understanding arrangement with AS, PWDC will provide employment assessments for approximately 20,000 adults who enter emergency shelter each year, and based on those assessments will make referrals for appropriate employment training programs in the PWDC training network. This training support will allow AS to move toward making work or participation in work training a condition of receiving emergency shelter for those able to work or participate in training. The more households are supported in securing adequate employment, the more successful they will be in maintaining permanent housing and ending their homelessness.

- **AS/OBH/MRS: Reach full capacity in New Keys and Home First homeless services.** Beginning October 1, 2002, a collaboration between OBH/MRS and AS received funding from the federal Substance Abuse and Mental Health Services Administration (SAMHSA) to begin "Housing First" programs, which offer an Assertive Community Treatment Team and rental subsidies to chronically homeless individuals with behavioral health needs. The first program, New Keys, targeted persons living on the streets of Philadelphia who were suffering from both severe behavioral health and addiction disorders. As of December 2004, 46 people had been housed in their own apartments, with significant clinical support.

Another five people are living in group homes or other programs and awaiting apartments. The program is expected to reach full capacity in FY06, when it will serve 60 people who formerly were living on the street.

In October of 2003, $3.3 million was awarded to the City of Philadelphia, as one of 11 federal Interagency Council on Homelessness grants. The project, a collaboration among the City of Philadelphia, Horizon House, 1260 Housing Development Corporation, Philadelphia Health Management Corporation and the local Veteran's Administration, is called Home First. As of December 2004, 55 people with behavioral health care needs who are living in shelters have been identified. Thirty-four have been placed in permanent housing with intensive clinical team supports. The City was recently notified that Horizon House will be the recipient of a federal earmark request for an additional $75,000, and will likely be able to serve an additional 10 consumers. Along with the original grant dollars, the new funds will result in services to between 80 and 90 individuals in FY06.

The projected annualized cost of these programs is $1.4 million, the majority of which will likely be covered by federal McKinney-Vento grants of approximately $1.15 million a year for at least five years. As program renewals, these programs will be highly ranked and are expected to be funded as long as they remain successful. The federal services grant for New Keys is three years, and will be completed on September 30, 2005. Horizon House, as the SAMHSA grantee, is expected to have significant funds still available, and has approached SAMHSA regarding rolling over funding into the next federal fiscal year. The services grant for Home First is also fully funded through September 30, 2005; 75 percent of the original grant is expected to be funded through FY06. New Keys yearly services budget is $670,000, while Home First's yearly budget for Behavioral Health services is $750,000.

- **AS: Expand Emergency Shelter's management information system to cover transitional and permanent supportive housing and a variety of related social services.** AS is in the process of implementing a new Homeless Management Information System (HMIS) using a three-year federal grant with one-year renewal for a total of $640,000 and City matching funds of $350,000. This funding will support Philadelphia's provision of a continuum of homeless services by requiring every provider who receives federal homeless funding to participate in the system so that comprehensive information can be collected and reported. A file will be created for every client entering shelter that "follows" clients as they move through the continuum of programs, and documents services over time and through providers. The system has been tested, and implementation has begun. By the end of FY06, the system will be functional at all family, single female, and single male shelters; all transitional housing programs; and all permanent supportive housing programs.

- **AS: Support efforts to end homelessness in Philadelphia using technology.** In FY06, AS will develop and implement initiatives funded by a federal grant from the Department of Commerce's Technology Opportunity Program (TOP). Three initiatives will support the City's goal to end homelessness in Philadelphia by: (1) Providing a "Community of Practice" to electronically link service providers to each other and to the management information system, where they are required to perform assessment and access client-level data; (2) giving mobile computer technology to street outreach and emergency relocation workers, to aid them in identifying client histories and current case managers or existing shelter or housing arrangements for persons they encounter; and (3) offering an electronic resource, Benefits Bank, to homeless persons as well as case managers and volunteer counselors, in five locations. The Bank will help individuals and families apply for a range of tax and public benefits quickly and effectively. The three-year federal grant of $527,358 is matched by a City commitment of $531,138 of funds and in-kind resources. Philadelphia's award was one of 27 nationally, in a competition among 494 applications.

- **OBH/MRS: Develop a supports coordination system that will improve the quality of mental retardation services.** In FY05, a new supports coordination system for Mental Retardation Services became operational. The system significantly restructured supports coordination to meet state and federal mandates, as well as the needs of citizens of Philadelphia. Services are provided to over 12,000 individuals and families, including registering, planning, locating, coordinating, and monitoring services. The old system was inconsistent, inefficient, and did not meet the Commonwealth's "conflict-free" requirement. The restructured system contracts out support coordination services to agencies that do not provide other services. To implement the restructured system, OBH/MRS offered 8,000 individuals and their families their choice of support coordination agencies. Of these, 2,500 individuals chose a support coordination provider.

  Restructuring has been cost-neutral, with funds redeployed to reduce caseloads, lower supervisor-to-staff ratios, and add supports to provide timely and quality services. In addition to administrative efficiency, key benefits to consumers include the opportunity to choose a supports coordination agency, greater individual attention, an extensive focus on responsiveness, and staff training to ensure a higher level of quality and accountability.

Ensure that Philadelphians have the earliest possible access to treatments

- **DPH: Continue childhood lead poisoning intervention initiatives.** In FY06, DPH will continue efforts to reduce lead from homes and school buildings. The backlog of housing units awaiting lead hazard reduction work was reduced from 1,400 in FY02 to 250 in FY05 due to the combined impact of the expanded lead hazard reduction capacity of the Childhood Lead Poisoning Prevention Program (CLPPP), the Lead Abatement Strike Team (LAST), and Lead Court. During FY06, DPH will target 1,400 housing units to receive lead hazard reduction services. City crews will provide lead hazard reduction services on 650 of these dwellings, with the balance of the dwellings being treated by owners and their contractors, or HUD. In FY05 and FY06, DPH has been awarded $477,100 from the Environmental Protection Agency Congressional grant project, Lead Safe Communities. Using these funds, DPH will increase outreach to at-risk children, targeting Hispanic and Asian communities. Through increased outreach efforts in FY06, CLPPP will monitor lead levels of 1,575 children with elevated blood lead levels, stabilize the blood lead level of 350 children, and decrease the blood lead level of 1,200 children in FY06.

  A 2003 change in the City Building and Occupancy Code required that DPH certify school buildings to be in substantial compliance with applicable lead paint requirements. Fortythree schools with 123 classrooms had passed in the pre-kindergarten category and 61 schools having 166 rooms had passed in the kindergarten category by December 2004. It is expected that this program will continue indefinitely as annual certification is required by the Code. This program cost $30,000 in FY05, and is projected to cost $40,000 in FY06. Schools will continue to be inspected annually, with remediation performed as necessary to comply with applicable provisions of the Code.

- **DPH: Expand public high school STD testing.** DPH has aggressively expanded its program of voluntary, confidential, on-site screening for students in all 54 public high schools in the City, coupled with appropriate sexually transmitted disease (STD) treatment arrangements. The goal is to screen, identify, and treat infected students, and ultimately eliminate the chlamydia/gonorrhea epidemic in schools. In FY05, DPH enhanced the program to include a contact notification system offering testing and treatment for sexual contacts of students who test positive. This expansion also entails offering a second test three to four months after initial treatment. To help offset the program expenses, students who are insured by a Medicaid managed care organization are being asked to consent to insurance billing; procedures have been established to ensure reimbursement. It is expected that payments totaling $140,000 per year will be received annually in FY05 and FY06. The total cost of the program is approximately $900,000 a year. In FY05 and FY06, DPH intends to serve 18,000 high school students each year, up from 17,019 in FY04.

- **OBH/MRS: Establish New Directions halfway house for single women.** A new halfway house program for women with addictions and behavioral health problems will be opening in the Spring of 2005. At any one time, the new program will house 22 women for three to six months as part of a licensed therapeutic community that focuses on rehabilitation, recovery and the building of skills needed for more independent living. Educational, vocational, psychiatric and medical care will be available at the site, as well as a case manager to assist with longer term housing and a broader network of family and neighborhood supports. Establishing this halfway house will provide many benefits, including reducing the chance for homelessness, reducing the probability that these women will further injure themselves, as well as serving to strengthen families and neighborhoods.

  Over the course of a 12-month period, approximately 70 women will receive therapeutic services in a safe, secure environment. The cost of this new service will be borne by a combination of federal and state funds and there will be no City General Fund obligation. The projected FY06 cost for the halfway house is $737,154.

- **OBH/MRS: Enhance behavioral health services for individuals who are deaf or hard of hearing.** A fuller range of services is needed to adequately provide behavioral health care for persons who are deaf or hearing impaired. The projected annualized cost for all four initiatives detailed below is $2.9 million. The projected total cost for FY06 is $1.7 million to be provided through the HealthChoices Behavioral Health Program (HealthChoices) under Medical Assistance through OBH/MRS.

- **Outpatient individual and family therapy for children and adults.** Plans are under way to develop one or more satellite outpatient offices to increase behavioral health treatment services for persons who are deaf or hearing impaired. With the license for the first satellite approved, it is anticipated that the outpatient clinic will open in Germantown by June 2005 and serve 10 to 20 individuals per week. A second site will be developed if it is deemed necessary to respond to unmet needs elsewhere in the City. The hourly rate for the service will be $75.

- **Adult mental health residential services within community treatment team model.** This new service integrates treatment, case management and related supports for persons living in apartment settings with other residents who are deaf or hard of hearing. One person already has moved into the adult residential program. The number of residents is expected to grow to five by the conclusion of FY06.

- **Behavioral Health Rehabilitative Services (BHRS).** OBH/MRS has worked with several treatment providers during the past decade to provide comprehensive, "wrap-around" services to children and/or parents who are deaf or hard of hearing. Services are flexible and comprehensive, allowing mental health professionals to work with children and families in their homes, schools, and other community settings. Service providers will be selected via a formal review process concluding in early FY06. At least one program will be implemented during FY06 that will benefit 15 to 30 children.

• **AS: Implement Medicaid-funded intensive residential services.** During FY05 and FY06, two new Long-Term Structured Residential programs (LTSRs) will be developed. One 16-bed program will be located in Chester County, and will admit consumers from the five-county Philadelphia area. The facility is expected to open during the first quarter of FY06. The second new LTSR will be an eight-bed, medically enhanced Philadelphia facility that will become operational in July 2006. Both programs are designed to serve adults with challenging and persistent behavioral healthcare needs in settings that provide intensive staffing and treatment supports. Program costs will be transitioned to HealthChoices during FY06, and will be designated as supplemental Medicaid services. The 16-bed LTSR will have an annual operating budget of $1.9 million. The eight-bed facility is projected to cost approximately $1.2 million annually

• **OBH/MRS: Initiate strategic planning initiative.** The first step in the Strategic Planning process was implemented in FY04 with Mayor Street's Executive Order creating the Office of Behavioral Health and Mental Retardation Services (OBH/MRS). The order brought the Office of Mental Health (OMH), the Coordinating Office for Drug and Alcohol Abuse Programs (CODAAP), Community Behavioral Health (CBH, a City created non-profit agency responsible for the HealthChoices program), and the Office of Mental Retardation Services (OMR) together in one organizational structure. The FY05 process involved more than 200 stakeholders (including provider agencies, recipients of service, family members and advocates) who have contributed to the development of an action plan to dramatically improve the service delivery system and expand capacity.

OBH/MRS expects the following initiatives to be fully operational by the conclusion of FY07:

- **Develop a greater range and variety of day programs.** To better target the needs of adults who require behavioral health care, long-term Partial Hospitalization Programs (PHPs) will be converted to a variety of day service programs. Some PHPs will be converted to short-term, acute care programs intended to stabilize clients who are being discharged or diverted from psychiatric inpatient hospitals or crisis services. It is expected that the reconfigured day programs will provide services to 1,500 adults annually. The projected cost for FY06 is $2.6 million, with full year costs projected to be $5.1 million.

- **Develop a pool of funds to respond to specialized placement needs.** Funds will allow for the rapid development of specialized services for persons whose behavioral healthcare needs overlap with conditions such as mental retardation, brain injuries, deafness/hearing impairments, or serious physical illnesses. The projected annualized cost of this program is $3.2 million. The projected cost for FY06 is $1.6 million. While no savings are expected, there may be lowered costs related to the provision of appropriate service alternatives to costly inpatient treatment. Some of the specialized services provided via the pool of funds may require considerable funding, but they are expected to result in better recipient outcomes. OBH/MRS will fund this initiative through HealthChoices.

- **Increasing the rate of payment for outpatient behavioral health providers.** Increasing the outpatient reimbursement rate paid by CBH will strengthen the agencies that provide these essential services, and will decrease the length of time consumers wait to access these resources. Current consumers typically experience wait times ranging from one week to one month. The increased rate is expected to expand staffing and reduce waiting periods to a maximum of five days.

- **Develop a reinvestment plan to create additional services.** Through effective clinical and financial management of the HealthChoices behavioral healthcare program, OBH/MRS has been able to accrue savings which will be used to improve services to special-need populations, enhance supports to persons who are homeless, increase school-based behavioral health prevention activities, and divert selected juveniles and adults from prison. The projected annualized cost of this program is $20.2 million. The projected cost for FY06 is $10.1 million.

• **Implement statewide initiatives designed to reorganize the mental retardation service system to be more responsive to its constituents.** OBH/MRS is in a multi-year plan to implement standardized client and financial management processes and measure effectiveness, to be completed in FY09. These changes, developed by DPW, meet requirements to ensure consistent application of the Medicaid Waiver. The Waiver enables the City to divert approximately $240 million (95 percent) of funds previously allocated to support people in institutions to support services in the community. The commonwealth's Office of Mental Retardation (OMR) has underwritten the technology costs to support the changes in business practice. OBH/MRS must address restructuring of our administrative resources to meet the demands of changing OMR requirements within the available dollars.

In FY05, billing for agencies providing supports coordination is done through data entry into the Home and Community Services Information System (HCSIS), eliminating the need and cost for a separate billing system. In FY04, supports coordinators began entering individual support plans into HCSIS; this process is intended to be complete by the end of FY06 for all Medicaid Waiver recipients. HCSIS, when fully operational, will be a comprehensive data system with information for all individuals who use mental retardation services.

In FY06, MRS will participate in a pilot program using PROMISe, through which service data reporting and billing will occur, linking HCSIS and PROMISe. In FY08, MRS will implement PROMISe for billing of all services. This redesigned system will assist consumers and families to make decisions based on cost and effectiveness of services.

City of Philadelphia

Five-Year Financial Plan

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Public Safety and Quality of Life

Enhancing Public Safety and Quality of Life for all Communities

Overview

Since 2000, unprecedented commitments have been made to improve public safety and enhance quality of life for all Philadelphia citizens. Improvements in public safety have resulted in a significant reduction in serious crimes since the beginning of this Administration. Part One offenses, the most serious crimes as defined by the Federal Bureau of Investigation, have declined by 22 percent from the last full year before Mayor Street took office through 2004. These commitments have remained strong despite fiscal challenges, which have created a need to manage and reduce staffing levels. The City has responded to these challenges by redeploying off-street police officers to on-street duties, reorganizing management ranks, and better managing overtime for public-safety agencies. However, the City's fiscal challenges remain for the foreseeable future and the City must be allowed to make the management decisions necessary to operate with the lowest impact on City services.

Objectives

- Ensure safe streets
- Invest in programs to address and prevent further delinquency in youth
- Invest in programs that reduce recidivism
- Enhance quality of life
- Use technology to address public-safety issues

Ensure safe streets

- **PPD/School District: Implement Operation Safe Schools.** On December 6, 2004, the PPD initiated a proactive community policing effort designed to gather timely information and mobilize resources to combat youth violence in and around schools. Through close collaboration among the PPD, SEPTA, Temple University, the University of Pennsylvania, and Philadelphia Housing Authority Police, and the District Attorney's Office, Office of Probation and Parole, faith-based partners, community-based organizations, and the School District of Philadelphia, the goal of Operation Safe Schools is to reduce opportunities for criminal and antisocial activities involving young people. The approach incorporates modern community-policing strategies, including intelligence gathering and data analysis, an extraordinary effort that transcends the boundaries of established mandates to make communities and schools safer. The taskforce is comprised of nine employees from the Police Department, two officers from the School District of Philadelphia, a representative from Juvenile Probation and Parole, and a representative from Town Watch Integrated Services, all working under the direction of the Police supervisors. A 24-hour tip line (215-299-SAFE) has been established to address issues related to school safety. The Operation Safe Schools initiative will significantly aid the course of action taken by the School District

Office of School Climate and Safety in fulfilling its safety obligations in schools, as well as the ability of the Philadelphia Police Department to ensure community safety.

The Neighborhood Services Unit of PPD has also assumed additional duties related to school safety and currently has three radio patrol cars each assigned to Lincoln High School and Germantown High School during the afternoon dismissal. Assigned officers patrol the immediate neighborhood to ensure the peaceful return of students to their homes while protecting homes and businesses along exit routes from schools. The numbers of officers deployed for these assignments as well as the targeted schools and neighborhoods can be adjusted as warranted. Progress will be monitored during the remainder of FY05 and course corrections will be made in FY06, as appropriate.

- **PPD: Create Major Crimes Gun Violence Squad to combat gun violence in high-drug areas.** In FY05, the PPD's Major Crimes Gun Violence Squad was established, consisting of one lieutenant, three sergeants, 10 detectives, and four police officers who work in conjunction with local, state and federal law enforcement agencies to reduce incidents of gun violence through High Intensity Drug Trafficking Areas (HIDTA). HIDTA partnerships are designed to confront drug trafficking in areas with significant narcotics threats. The group assesses regional drug problems, designs strategies to combat threats, and implements the strategies to address threats. Areas with high levels of gun violence are targeted for intensified warrant service, plainclothes response, and increased debriefing in an effort to put pressure on the most persistent and violent offenders. Since the inception of the unit, there have been 577 attempts to locate suspects wanted on warrants, with 126 individuals captured/arrested and 21 others located in various institutions.

- **PPD: Continue to monitor and patrol high-crime areas with Operation Safe Streets (OSS).** The Operation Safe Streets initiative began with aggressive patrolling of drug-plagued areas of the City. As the characteristics of the drug trade in the city have changed, the Philadelphia Police Department (PPD) has responded by modifying the strategies to keep OSS successful. In FY05, OSS targeted gun violence by deploying officers to priority corners and by continuing the Gun Recovery Reward Information Program (GRRIP).

  Priority corners are street intersections that have experienced drug-related shootings or other violent crimes that receive a heavy amount of police surveillance and patrol. In addition to increased police presence at the priority corners, PPD, the District Attorney's Office, and federal law enforcement agencies meet weekly to analyze data on victims, suspects, connections to other illegal activities, potential motives, and other neighborhood crime in order to prevent future occurrences.

  Now in its second year, GRRIP has been successful in reducing the number of illegal handguns on the streets, while curtailing narcotics distribution and associated crimes. GRRIP was implemented in July of 2003, in response to the large number of illegal firearms in the city. GRRIP disburses cash rewards of up to $1,000 through the Citizen's Crime Commission to citizens who furnish the Department with information that leads to the arrest of persons who illegally possess and/or traffic in firearms. A 24-hour hotline (215-683-GUNS) is dedicated to receiving anonymous tips from citizens, who are then given a confidential identification number to collect the reward. From the inception of GRRIP in July 2003 through December 2004, $31,600 in awards has been authorized, and the PPD has received 487 phone calls resulting in 338 arrests and the confiscation of 136 firearms, 22 vehicles, $93,306 in cash, and over $381,838 in drugs.

- **Streets Department: Install safety tools around schools**. The Streets Department, with a $1 million loan from the School District, is preparing to install school flashers at 41 schools, with work scheduled for completion in FY06. The Department also has applied for state safety funds in the amount of $1 million to install traffic control devices around schools. This will include flashers, signs, and markings. The preparation work is starting in FY05, and work is scheduled for completion in FY06.

- **Fire Department/L&I: Improve public safety through the Zero Fire Deaths Taskforce.** During FY04 and FY05, the Department of Licenses and Inspections (L&I) and the Fire Department worked together to identify and inspect housing that is specific to the older population in the city for Code and fire code violations. There were 120 buildings identified which primarily housed senior citizens. In FY06, a commercial and industrial fire inspector and firefighter will inspect the properties to identify any hazardous or precarious situations. For the first time in Philadelphia history, the inspectors also will look for unseen defects behind covered ceilings.

- **L&I/Water Department: Improve public waterways through Storm Water Management Taskforce**. L&I and the Philadelphia Water Department (PWD) are working on improving storm water management practices in new single-family developments. New homes are being developed on sites that are sloped or susceptible to flooding. Regulating development of this nature will improve water quality and reduce local flooding. In addition, guidelines will be instituted requiring developers to institute modern methods of drainage, to alleviate the dumping of silt into waterways. PWD will work with developers to ensure that they comply with these new regulations. L&I will initiate enforcement actions based on the expertise and efforts of the PWD if developers do not comply. PWD will inspect all properties, and L&I will enforce through its normal enforcement procedures depending on the severity of the violation. The Water Department will introduce legislation to City Council in spring 2005 to enact more stringent guidelines about stormwater runoff from new construction.

- **Streets Department/DPP: Implement Right-of-Way (ROW) ordinance.** In response to the Telecommunications Act of 1996, the City examined its regulatory structure concerning the use and occupancy of its public rights of way and discovered that the City's ordinances and regulations were outdated and inadequate. This results in excessive utility excavations, inefficient utility coordination, diminishing underground capacity, street life degradation, lengthy work processes, and lost revenue. A comprehensive right-of-way management program will enable the City to minimize utility street cuts, improve coordination between street maintenance and utility construction, conserve limited public right-of-way capacity, recover administrative, inspection and street replacement costs, and ensure that the City maintains organized and efficient use of the public rights of way. The ordinance will provide policy and regulations and cost recovery for managing street openings and occupancy of street rights-of-way by telecommunications and other service providers. The City will present the right-of-way ordinance to City Council in Spring 2005. Passage of the ordinance will enable cost recovery of $13.1 million over the next five years.

- **Streets Department: Implement red light traffic signal camera enforcement**. In order to reduce the number of traffic accidents caused by drivers running red lights, the Pennsylvania General Assembly enacted a law permitting the City to pilot a program utilizing cameras to enforce red light traffic signals. The law specifically assigned the program to the Philadelphia Parking Authority (PPA) and required the passage of a City ordinance and an agreement between the City and the PPA. The Streets Department is partnering with PPA to implement the project, in which cameras are strategically placed on signals in areas where there is a high incidence of traffic accidents. The state legislation and City ordinance defined ten intersections for the pilot. Three intersections along Roosevelt Boulevard (Grant Avenue, Cottman Avenue and Red Lion Road) have been chosen to start the pilot. Cameras at these intersections will photograph the license plate of vehicles that enter the intersection during a red light. The photographs will include the elapsed time of the red signal indication. Confirmation of the violation will be done first by technicians and then a police officer, who will issue the ticket.

  The PPA expects to start the operation of the cameras at the first three intersections by mid-February 2005. A total of 12 cameras should be installed by June 2005. The PPA will reimburse the City for costs associated with installation and operation of the cameras. Any revenue earned over cost will be directed to the Commonwealth for its transportation enhancement grant program. The Department hopes to replicate the success of cities like New York, which reduced the incidence of traffic accidents at intersections with cameras, as well as intersections surrounding those outfitted with the cameras. An additional deterrent at the selected locations is the required posting of signs notifying drivers that the cameras are present. Such signs have contributed to the reduced number of accidents in other cities.

- **Streets Department: Upgrade traffic signals.** In FY05, the Streets Department will upgrade 80 traffic signals, for a total of 980 traffic signals replaced as part of a program begun in 1992 to upgrade the oldest traffic signals in Center City and along arterial streets. In FY06, the Streets Department expects to complete an additional 91 intersections. Once a signal has been modernized, it can be linked into a centralized control center. The centralized control center allows the Department to modify traffic signal timing remotely in order to improve traffic flow and alerts the Department about needed repairs. The Department anticipates that all Center City intersection upgrades will be completed by FY07. Eighty percent of this ongoing $34 million capital project is federally funded.

- **Streets Department: Improve traffic control**. The City is participating in the development of regional Intelligent Transportation Systems (ITS). The Streets Department is a major stakeholder, participant and technical advisor in Philadelphia Regional Integrated Multimodal Information Sharing (PRIMIS), the Delaware Valley's framework for sharing transportation information across jurisdictions and creating an ITS. An ITS uses advanced technology to disseminate information on travel conditions and improve transportation operations. Currently under design, the first phase of PRIMIS consists of inventorying the software, hardware, signal timing, and transportation infrastructure of the regional entities and creating a dialogue on information sharing. The Delaware Valley Regional Planning Commission (DVRPC) is currently seeking grant funding for the second of three project phases, which would enable more regional entities to link to the I-95 Corridor Coalition's Information Exchange Network, a wide-area computer network connecting transportation management centers from Maine to Virginia.

In addition to PRIMIS, the Streets Department is working on other aspects of ITS. The Department is currently working with Montgomery County to synchronize traffic signals across jurisdictional boundaries on I-76 alternate routes. Started in FY04 and completed in FY05, the Department and PennDOT upgraded signals on Holme, Frankford, and Torresdale Avenues in the northeast section of the City to improve I-95 alternate routes for ITS re-routing. These signal upgrades were completed with $3.9 million in state and federal funds. PennDOT has two traffic signal synchronization projects under design in FY05 with construction to occur in either FY06 or FY07. These projects are Broad Street from Clearfield Street to Grange Street and Aramingo/Harbison Avenues from York Street to Hellerman Street.

- **DPH: Ensure bioterrorism and emergency preparedness**. To ensure the public health infrastructure is equipped to respond to bioterrorism events and other public health emergencies, federal homeland security legislation awarded the City $1.4 million in additional resources in FY05. In FY06, an additional $1.3 million in federal funding will be used to further enhance the public health infrastructure, improve surveillance and provide additional bioterrorism-related staff training. The funds will be dedicated to the Cities Readiness Initiative, a federal requirement for select cities to plan for provision of emergency prophylactic antibiotics to all city residents within 48 hours of a bioterrorism attack. The City will identify 80 sites to serve as points of distribution, and will develop detailed plans on staffing, security, training, communication, and risk communication.

- **Library: Provide a safe environment in City libraries.** The Free Library's branches continue to provide a safe haven in many neighborhoods, especially for children after school hours. The Security Taskforce report, issued in October 2004, following a tragic accident in one branch, identified security needs for library locations. Beginning in FY05, several security improvements have been implemented, including: Securing restroom doors by lock or buzzer; Replacing or repairing locks on interior doors; conversion of exit door alarms to a library-wide standard; providing walkie-talkies to improve internal communication; and extending hours of contract guards.

  Approximately $39,000 in additional upgrades will be made in FY05. These upgrades include the adoption of system-wide eviction procedures, the purchase of additional silent panic alarms and security mirrors, and the implementation of a new staff security badge system.

Invest in programs to address and prevent delinquency in youth

- **DHS: Expand youth development services**. Youth at high risk of dependency and/or delinquency as a result of environmental factors, such as poverty, exposure to drugs and violence, and poor monitoring and supervision, who are provided with constructive activities are less likely to become formally involved with the dependent and/or delinquent systems. Accordingly, DHS has allocated an additional $10 million for the expansion of youth development services for FY06. The Department has identified the 13-17 year age group as particularly at risk for being referred for formal services and lacking sufficient alternative and diversionary opportunities. These additional funds will provide services to this at-risk group during the out-of-school hours and help bring the total number of Beacon Schools to 25. Beacon schools are school-based community centers providing afterschool, youth development and family support activities, to serve an additional 1,200 at-risk children and targeted interventions for up to 3,000 additional older youth. The goals are deterring the need for placement and providing step-down services and community supports to assist youth to leave placement and return home successfully. At an average annual cost of about $2,500 per child, these services cost just a fraction of the $18,250 average annual expense for out-of-home placement, and are a cost-effective means of reducing risk behaviors leading to dependency, delinquency, and out-of-home placement.

- **DHS: Expand intensive truancy and delinquency prevention services**. In FY03, DHS established a specialized network of intensive delinquency prevention (IDP) services to provide community-based alternatives to placement. This system of care has become the primary placement alternative used by Family Court for chronically truant, first-time offender, "informally adjusted" and "willful" youth.

  Intensive daily youth development programs involving academic support, family counseling, recreational activities, occupational and career counseling, victim awareness programs, and anger management programs are effective in reducing recidivism among juvenile first-time offenders and improving school attendance for chronically truant youth. The number of IDP program slots will be increased by 400 in FY06, increasing available capacity to serve a total of 1,300 youth. An additional allocation of $3.5 million will be required to meet the increased need for services.

- **DHS: Provide aftercare services to reintegrate adjudicated delinquent youth.** In FY05, DHS is providing supportive reintegration services to all adjudicated youth returning from residential delinquent placement. The new community reintegration process will begin implementation through a one-year pilot program. On an average monthly basis, approximately 96 adjudicated delinquent youth return from residential care to Philadelphia, resulting in about 800 youth in aftercare on any given day. Despite the efforts of Philadelphia's juvenile justice community, about 30 percent of these youth re-offend within six months to a year. The Department plans to increase its Juvenile Justice Service In-Home and Intake program expenditures by $1.7 million in FY06 to serve an additional 106 delinquent youth.

The community reintegration program is based on a three-tiered approach to community reintegration with each youth being assigned to one of three levels of aftercare at disposition based on level of need and degree of risk to the community.

Invest in programs that reduce recidivism

- **PPS: Enhance programs to reduce inmate recidivism.** Prisoners face numerous barriers to successful reintegration into the community, such as difficulties finding safe, affordable housing and steady jobs upon release from custody. When former prisoners are unable to successfully reintegrate, the likelihood of reverting to a life of crime is high. Communities pay the costs in terms of high public-safety costs, victimization, reduced economic opportunity, and quality-of-life problems. In mid-FY03, the Philadelphia Prison System (PPS) developed a baseline recidivism rate, which showed that 58 percent of sentenced inmates return to PPS custody within two years with a new sentence or a probation/parole violation. A second study conducted in January 2004 showed that the rate of recidivism had been reduced, modestly, to an unacceptably high 56 percent. Successful prisoner reentry into the community is critical to further reducing this recidivism rate and ultimately reducing the prison population.

  Recognizing that reducing the inmate population and the prison budget will require a multi-faceted approach, PPS initiated in FY04 a series of efforts to manage the prison population and to improve reentry services in order to reduce recidivism. Improving reentry services and reducing recidivism has the potential to reduce the budgets of all the criminal justice agencies, including the Police, the Courts and the District Attorney. The initiatives discussed below detail the strategies PPS is implementing to reduce the inmate population.

  - **Coordinate reentry efforts through Oversight Board.** In January 2004, a Reentry Oversight Board was formed to coordinate, educate, and organize City departments and local groups that are interested in assisting the PPS with reducing the population through the provision of reentry services, including housing and employment. The group's membership includes researchers, practitioners, academics, legislators, religious leaders, and community members as well as representatives of PPS, the Mayor's Office, the Managing Director's Office, the Court of Common Pleas Department of Probation and Parole, the Office of Emergency Shelter and Services, the District Attorney's Office, the Police Department, the Defenders Association, and the Department of Public Health.

  - **Expand community-based Forensic Intensive Recovery (FIR) program.** FIR is an early parole and re-parole program designed to provide community-based drug and alcohol treatment as an alternative to incarceration. The goals of the program are threefold—to reduce prison overcrowding, to decrease recidivism, and to enhance community safety. The program, which began in 1993, consists of more than 50 drug and alcohol programs that provide clinical evaluation, residential treatment, or intensive outpatient treatment services as well as follow-up care to FIR clients. Each client is assessed individually and may progress through multiple levels of care ranging from intensive inpatient to outpatient treatment. The program includes intensive group counseling, individual counseling, educational and vocational programming, job placement, and a variety of social service interventions. An initial independent evaluation conducted during 1997 found that FIR clients who had undergone at least six months of treatment were reconvicted within 18 months of release from prison at a rate that was 66 percent less than a control group that received no treatment. In 1999-2000, a second independent evaluation with a 48-month observation window showed that FIR participants who had completed at least six months of treatment were 44 percent less likely than a control group to be convicted of a new crime. The number of clients diverted to FIR increased by 13.1 percent from 2,474 in FY03 to 2,799 in FY04 with the number of clients projected at 2,480 in FY05 and 2,527 in FY06. By diverting clients from prison during FY04 alone, the FIR program saved 465,975 prison days. Reductions in rearrests and reconvictions, based on crime prevented, saved millions more in costs associated with criminal proceedings and incarceration. Projections for the number of prison days saved as a result of the FIR program are 485,392 in FY05 and 486,545 in FY06. Despite fewer inmates projected to participate in FIR in FY05-06, an increase in saved prison days is anticipated. Studies have shown that longer participation in the FIR program yields reduced rates of recidivism. In FY05 and FY06, it is expected that clients will participate for a longer period of time and will be less likely to re-enter custody. As the single inmate program proven effective in rehabilitating drug and alcohol abusers and decreasing inmate recidivism, FIR is a cost-effective means of reducing prison overcrowding as well as future incarceration costs.

- **Expand inmate participation in JOBS Project.** The JOBS Project was implemented in FY04 to provide vocational training in environmental maintenance, building maintenance, word processing, and customer service to PPS inmates. JOBS also includes a partnership with the Department of Records that teaches inmates computer skills and techniques for photograph archiving. The JOBS Project is different from other vocational training programs in that it brings job training, job readiness, and employment services together with life skills training, discharge planning, addictions treatment, GED preparation, and a full workshop curriculum to provide integrated and holistic training and treatment to participants. The JOBS Project involves six community-based reentry partnerships with agencies that connect with inmates prior to release and provide post-release job training, placement, and counseling, transportation, housing assistance, parenting and childcare services as well as case-management services to participants. Specialized programs prepare female inmates for gender non-traditional blue-collar jobs and provide entrepreneurial training to offenders in starting small businesses. The JOBS Project is expected to serve about 600 sentenced inmates in FY05 and FY06 with estimated expenditures of $600,000 in each of the years for contracts with the reentry partners. This project is funded from the Community Service Block Grant (CSBG), $250,000 earmarked by the City for prisoner reentry efforts, and from the $2 million *Jackson v. Hendrick* (1971) Settlement Fund. *Jackson v. Hendrick* (1972) was a state class-action lawsuit concerning conditions of confinement. The Settlement Fund was established when *Jackson* was settled in June 2002 to evaluate, enhance, and expand vocational, educational, work-release, and post-release training programs and to help inmates find transitional housing upon release from prison custody.

- **Continue to implement reentry project.** The PPS allocated $175,000 of the *Jackson v. Hendrick* Settlement Funds to finance a reentry project by the Urban Institute, a nonprofit policy research organization based in Washington, DC. The Urban Institute has provided its draft *Profile of Prisoner Reentry in Philadelphia*, which details the challenges faced by the city from returning prisoners, such as large concentrations of inmates returning to particular neighborhoods upon release. The Profile also provides an assessment of the preparation for reentry and a performance measurement system for evaluating and improving the chances of successful reintegration. In cooperation with PPS, the Urban Institute was scheduled to hold a roundtable with stakeholders of a targeted Philadelphia community in March 2005 to develop a network of services in FY06 in a community with a high concentration of ex-offenders. The roundtable will serve to strengthen existing community resources and to develop new resources to provide post-release job training, placement, and counseling, addiction treatment, housing assistance, childcare services, and case-management services.

- **Redirect treatment resources toward sentenced inmates and those programs proven to aid successful prisoner reentry.** In January 2004, CORESTAR (Correctional Outcomes Reentry Ethics Security Treatment and Accountability Review) was implemented. Patterned after the Police Department's CompStat process and the successful TEAMS management system implemented by the New York City Department of Corrections, CORESTAR systematically examines each aspect of prison operations. As part of this process, new outcome and performance measures are being developed for inmate programs, and a plan will be developed by March 2005 to redirect treatment resources to the sentenced and predictably long-term population. In addition, modifications will be made to the Inmate Work Desktop of Lock&Track, PPS' integrated jail management system, in order to measure recidivism by program so that resources can be directed toward those programs that are most successful in reducing recidivism. Modifications to Lock&Track will begin in January 2005, and the project is targeted for completion by the end of April 2005. The cost for necessary modifications to Lock&Track is $51,000.

Use technology to address public-safety issues

- **PPD: Implement "AlertPhila" in Center City.** In January 2005, the Philadelphia Police Department and the Center City District (CCD), a business improvement district located in Center City, will launch a pilot program to test AlertPhila, a first-alert program with Center

City businesses. Using Remote Secure Alert Network (RSAN) technology, PPD will be able to communicate with participating businesses regarding crime patterns, traffic congestion and terrorist alerts utilizing text messaging through cellular phones, pagers, and the Internet. The AlertPhila project is funded equally through a Local Law Enforcement Block Grant and CCD at a total cost of $50,000. The pilot will consist of approximately 200 Center City businesses.

- **PPD: Use DNA technology to solve rape cases**. Using a federal grant of $68,000, the PPD Forensic Laboratory, working in conjunction with the PPD Special Victims Unit, submitted DNA from 70 rape cases to BODE for analysis. "No Suspect DNA Backlog Reduction Grant" was established to reduce DNA backlogs across the nation. The results of these analyses have brought forth three serial rapists operating over the past several years and five hits linked to convicted offenders.

  A second grant, the Forensic Casework DNA Backlog Reduction Formula Grant, will provide over $1,000,000, allowing PPD to send out approximately 1,200 more forensic samples for analysis. As the number of evidence analyses increase, more cases will be linked together, and more offenders will be identified.

- **PPD: Improve 911 recording system.** In January 2005, the PPD will begin implementing a state-of-the-art 911 recording system. This system will permit voice recording and allow for search and replay operations of radio and telephone traffic. This new recording system, at a cost of $425,000, records calls on a primary and a backup recorder unlike the current system, which does not allow for backup recording. It will provide the capability to search numerous fields thus increasing the efficiency and speed of any investigation regarding emergency calls. The digital technology will replace bulky tapes with CDs, thus facilitating investigations through use of digital review. Implementation of this project is expected to begin in January 2005.

- **PPD: Implement Phase One/Phase Two wireless technologies**. With the increase in the use of cellular telephones by the public, it has become apparent that there will be a significant use of cellular phones (38 percent of all calls in 2004) to place emergency phone calls to the Police Department. Under the current technology employed by the department, however, there is no means to identify the call by name or location when the caller is using a cellular phone. Such information is critical, not only for genuine emergencies, but also to address the problem of "crank" 911 emergency calls.

  The department has a two-phase plan to provide comprehensive emergency call service and to combat crank cell phone calls. Under Phase One technology, using satellite technology, Police Communications will allow dispatchers to receive the call back number of the wireless caller, the address of the tower that delivered the call, and the name of the wireless company. Installation of Phase One is currently under way with anticipated completion by the end of February 2005**.** Costs for the Phase One technology (provided through 911 funding) are estimated to be under $100,000.

Under Phase Two technology, the PPD will obtain the capability, via triangulation, to receive the latitude and longitude of a wireless caller, ultimately allowing the call taker to determine the approximate location of the caller and to track callers as they move. Phase Two is expected to begin within the next few years. Costs for the Phase Two technology will range from $400,000 to $500,000. Upon completion of Phase Two technology, the 911 Emergency Call Center will be able to track more than one million cellular phone calls each year.

- **PPD/Fire Department/DPP: Implement computer-aided dispatching (CAD).** The PPD together with the departments of Public Property and Fire is in the process of installing a new $4.4 million computer-aided dispatch system. The CAD system sits at the heart of older 911 systems employed by the Police and Fire departments. Under the current CAD system, an automatic call distributor connects 911 callers to one of three systems: The Police 911 dispatcher unit, the Fire 911 dispatcher unit, or the City Hall switchboard. Because these systems are not linked, departments cannot simultaneously communicate with one another. The new CAD system will link the Fire, Police, and Department of Public Property's systems, thereby allowing each dispatcher to enter information into a computer system that dispatchers from all three departments can access. This will eliminate the current system inefficiencies and redundancies and allow for speedier deployment of police or fire units. It also will enable the Police and Fire departments to share and access much more information. Implementation of the project is anticipated to be completed by June 2006.

- **MOIS: Implement a new business continuity and recovery plan for City services and agencies.** Recent events, such as the September 2001 terror attacks and the major power grid failure of August 2003, have highlighted the City's need to be prepared to maintain computerized operations following a catastrophic event. Currently, the City is equipped to provide backup mainframe data center operations and maintain basic financial and other IT functions for a period of 72 hours following a terrorist attack, natural disaster, or other systemic disruption of information technology operations.

  Many critical departmental applications are now supported by server technology. These servers are increasingly being relocated from department offices to the data center at MOIS where they can be administered, backed up and maintained centrally. This is a major goal of the City's server consolidation effort. As a result, the existing emergency backup generating capacity at the data center must be expanded to meet this new demand. Expanding the generating capacity at the data center will cost $1,400,000 in capital funding in FY06.

  Even with server consolidation, there is a need to develop a comprehensive disaster recovery plan addressing all of the business needs of the departments and MOIS. In FY05, MOIS is conducting a risk analysis to identify current gaps in providing a secure and safe operating environment in the event of a disaster. Recovery and emergency response strategies for key functions are being developed. In FY06, MOIS will begin to plan and implement elements of the recovery strategy. The FY05 planning is estimated to cost $500,000, and the total implementation is estimated to cost $1 million. This project is being funded through the capital program.

- **PPD: Implement Police Integrated Information Network (PIIN)**. Nearly fully implemented, the Police Integrated Information Network (PIIN) was first introduced in 1996 when the PPD entered into a federal consent decree which compelled the Department to develop a Records Management System (RMS), or PIIN as called here. The consent decree directed the Department to acquire an RMS that would facilitate easier access to Departmental records on investigations and officer conduct, while also tracking statistical data and generating reports. The system, which was funded by an $8.5 million Productivity Bank loan in FY00, consists of two integrated, automated case-management subsystems: The Incident Reporting System, for use throughout the entire Department, and the Internal Affairs Bureau (IAB) System for use by the Department's IAB. The $1.2 million IAB case management system was successfully implemented in April 2004.

  In June 2004, the South Police Division was chosen to pilot the base version of the Records Management System (RMS). Additional functionality needs identified through the pilot are currently being developed and tested. The remainder of the Department will be added incrementally beginning February 2005 and extending over the next 18 months. When fully implemented, this system will support the Department's efforts to reduce crime through more efficient deployment of officers and a principled police force that upholds the highest standard of conduct.

Enhance Quality of Life

- **MDO: Continue quality-of-life improvement programs.** The MDO's Community Life Improvement Program (CLIP) was designed to improve the quality of life in the City's neighborhoods through public education, code enforcement, and abatement of quality-of-life violations. The violations addressed by CLIP include high weeds, dumping on private property and noncompliance with the trash collection schedule. Since CLIP's inception in FY02, over 25,000 L&I violations have been issued which include mostly exterior property maintenance violations. In addition, 9,500 Streets Department sanitation violations have been issued for infractions, such as unclean sidewalks and trash set out early. Since FY02, compliance rates for nuisance violations have increased from 34 percent to 83 percent in the second quarter of FY05. Citywide, from FY01 to FY03, over 157,000 quality-of-life code violations were issued by various City agencies according to information received from the Bureau of Administrative Adjudication. In FY03, over 65,000 code violations were issued. In addition to CLIP, the West Philadelphia Improvement Program (WPIP) continues to enhance the quality of life in West Philadelphia through education, enforcement and beautification.

- **DPH: Increase the childhood immunization rates**. In accord with the goals of Health People 2010, DPH is working to increase childhood immunization rates to 90 percent across the City. As of calendar year 2003, the childhood immunization rate for Philadelphia was 81 percent. Using a strategy of community-based outreach to children living in geographic areas of the City with poor immunization rates, the objective is to first improve immunization rates in selected zip codes and then to achieve improvements citywide. A goal of 90 percent for the childhood immunization rate was proposed as the FY06 target. Outcome data to assess effectiveness will be available in CY08. By the end of FY05, 345 pediatric providers, of approximately 360 that administer childhood immunizations in Philadelphia, will be reporting data into KIDS, the DPH childhood immunizations registry database. The childhood immunization program is funded by a CDC grant of $3.4 million in 2005. This level of funding is expected to remain consistent through 2010.

- **DPH: Continue STEPS to a Healthier U.S.** In 2003, the City was awarded a $14 million grant from the Department of Health and Human Services and the national Centers for Disease Control for the STEPS to a Healthier U.S. programs. Of the $14 million, $9.2 million is remaining. The Department of Public Health is responsible for development, fiscal administration, and monitoring of the City's STEPS programs. The goals of STEPS are to develop a coordinated system that engages and links health and community resources for maximum efficacy; to reduce the burden of diabetes, obesity, and asthma; and to address three related risk factors—physical inactivity, poor nutrition, and tobacco use—in targeted high-risk areas. Using the STEPS grant, the Department has engaged 40 health and human service providers and community/faith-based organizations through development of a planning consortium. Programs will target both children and adults throughout the community and in schools. To operationalize the goals of STEPS, 18 direct service providers were funded in the following service categories: Diabetes awareness and self management education; asthma self-management and education; disease care coordination and physician practice standardization and improvement; school-based chronic disease self management; community-based physical activity; school-based physical activity and nutrition; community-wide social marketing campaign; building healthy environments; increasing access to nutritious foods; building a healthy school environment; and addressing tobacco and other environmental triggers

  STEPS programming implemented in FY05 included: Educational programs for diabetes and asthma self-management taught in English and other languages; afterschool programs focused on juvenile diabetes, asthma, and obesity management health clubs; expansion of the Philadelphia Fun, Fit and Free program; creation of a healthy environment collaborative to ensure that social and physical health considerations are included in planning, construction, and retrofitting of buildings; and courses on safe bicycling as a healthy alternative mode of transportation. An array of additional programs is planned for FY06.

- **DPH: Develop plan for universal healthcare**. In November 2003, DPH was mandated by the voters of Philadelphia to prepare a health-care plan that provides all City residents with comprehensive healthcare services. Since that date, the Department has worked toward the goal of creating a realistic and practical plan to provide quality healthcare services for every citizen. To understand the current fragmented and tenuous system of healthcare services, DPH sought the participation and involvement of a variety of stakeholders in a series of community meetings and information gathering sessions to assess the full universe of problems with the current system. Each aspect of the current system was identified and evaluated for its impact on the system as a whole in order to determine what, if any, changes must be made. To accurately accomplish such a complicated analysis, DPH retained the services of a physician with both clinical experience and policy and advocacy experience to examine these issues in light of local, state and federal limitations. The consultant will assist the DPH in developing a practical strategy for making universal health care available to all Philadelphia residents. While data analysis is ongoing, a final report is anticipated by about January 31, 2005.

The General Fund cost to the Department in FY04 was $24,200. The FY05 cost through January 2005 is $30,000, and depending on the outcome of the report, additional costs for Departmental activities related to the original mandate may be necessary in FY05 after the report is issued, and possibly in FY06.

- **AS: Implement "Housing First" programs for families and single women with skills/income.** In FY05, AS developed two initiatives that aim to move households out of emergency shelter who have the income, or the income potential to be realized after completing employment training, that enables them to support themselves in permanent housing within six months. These two initiatives are part of AS' efforts to support households in their steps toward self-sufficiency and to reduce the number of people in emergency shelter. When fully implemented in FY06, the Prime Initiative will serve 100 families over the year (50 at one time) and the TJ Properties Initiative will serve 60 single women over the year (30 at one time). The Housing First programs will cost approximately $1.8 million for housing and services in FY06, paid by grant funds.

- **OBH/MRS: Implement OBH/MRS regional pilot project for older adults.** Older adults often do not receive behavioral services due to the stigma related to mental health treatment, the limited availability of services, and complicated insurance coverage benefits. In response to City Council's request for a plan for improving behavioral health services to older adults, the City created a taskforce composed of representatives from the Philadelphia Behavioral Health System, the Philadelphia Corporation for Aging (PCA) the Medicare HMOs, advocates, consumers, and providers. The regional pilot project recommended by the taskforce brings together OBH/MRS, PCA, AmeriChoice, Independence Blue Cross, Aetna, the Pennsylvania Department of Public Welfare (DPW) and the Pennsylvania Department of Aging (DOA) to improve access to care for older adults and achieve significant cost savings in inpatient and emergency care, allowing dollars to be reinvested in services.

  The goal of the project is to reduce the need for physical healthcare costs by lessening the isolation of older adults and increasing access to mental health services. About 2,000 seniors will be enrolled in the project. Care managers will assess, refer, and track the progress of these individuals regardless of their insurance coverage for three years. Obstacles to service will be addressed directly with each insurance company. In addition, access to in-home treatment, outpatient services, and social services will be expanded. The $396,500 cost of these services to Philadelphia citizens will be paid for by state and federal funds and through contributions from PCA and the Medicare HMOs. The initiative will begin in late FY05 and will be operational by FY06.

- **OBH/MRS: Increase life-sharing and in-home services.** OBH/MRS is committed to ensuring that people with mental retardation remain in community services, rather than return to large institutions. Institutionalization is not supported in current philosophy or practice and is not cost effective. In FY06-FY10, OBH/MRS will develop services that are less reliant on costly long-term care outside the home, including providing additional support services to enable individuals to remain in their home and developing options for living with another family. Community living programs do not depend on paid staff and promote community inclusion, which cannot be achieved in a living arrangement operated by an agency. MRS projects 25 people each year could choose life-sharing and another 25 could receive less intensive supports. During FY04, the net number of people in less intensive settings increased by 13, rather than the projected 25, but the number is expected to increase more in future years as providers use this model to a greater degree. The number of people in institutional settings continues to decrease each year.

City of Philadelphia
Five-Year Financial Plan

Appendices

City of Philadelphia
Five-Year Financial Plan

Appendix I

Key Performance Measures

Key Performance Measures

The City's performance measurement program, which began in late FY94, has become an increasingly important part of the City's resource allocation process. By helping focus attention on the services departments provide and how well the services are provided, the performance measurement program helps broaden discussion about departments beyond departmental spending. The measures have been used by departments to justify requests for increased funding as well as a way to ensure that departments are able to sustain or increase services with the same or decreasing amounts of resources.

Adult Services						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Projected**
Homeless Services/OESS						
Average Daily Number of Emergency Shelter Beds[1]	2,011	2,109	2,412	2,200	2,500	2,500
% of Beds Occupied	105%	123%	110%	100%	110%	110%
Number of Households Receiving Prevention Services[2]	N/A	2,526	1,179	100	840	882
Number of Placements into Transitional Housing	615	458	489	600	467	490
Number of Placements into Permanent Housing (Subsidized or Unsubsidized)	268	67	399	528	584	584
Number of Enrollees in Employment and Training Programs[3]	502	302	357	50	70	70
Number of Employment and Training Participants Placed in Jobs[4]	157	118	118	150	54	54
Point in Time Count of Homeless Living on Street[5]	370	421	280	451	261	258
Riverview						
Average Daily Census[6]	226	225	231	252	180	145
Admissions	191	254	79	254	60	50
Readmissions w/in One Year of Discharge	22	17	8	17	8	5
Readmissions as a % of Total Admissions	12%	7%	10%	7%	13%	10%
Discharges	155	187	125	187	145	125

[1] Average Daily Number of Emergency Shelter Beds. Because OESS does not turn away any eligible person or family that requests emergency shelter, supply of beds equals the demand. A prolonged poor economy continues to fuel the growing demand for beds.

[2] Prevention Services. The FY05/06 projections are based on prevention activities performed solely by OESS's Relocation Unit. Prior fiscal year data included activities from the Relocation Unit as well as contracted prevention providers, which are not presently in place. Prevention activities have been redefined to include any intervention that prevents clients from becoming homeless. Activities can include interventions with landlords or families, special need transitional housing placements, or referrals to community agencies.

[3 and 4] Enrollees in Employment and Training Programs/Employment and Training Participants Placed in Jobs. The FY05/06 reduction reflects the phasing out of the HUD-funded employment training programs due to grant expiration at the end of FY05. These numbers represent the Ready, Willing and Able (RWA) program exclusively, which trains participants for 18 months.

[5] Point-in-Time Count of Unsheltered Homeless. The City's housing first programs, New Keys and Home First, funded to house 130 individuals experiencing chronic homelessness, as well as a 140-bed low-demand shelter, have

helped Adult Services continue to implement new and innovative strategies to reach the remaining individuals who live on the streets of Philadelphia.

[6] Riverview Average Daily Census. Riverview seeks to continue to reduce the current census by assisting residents in obtaining benefits and suitable housing. Riverview plans to make available one additional cottage (~60 beds) for temporary, emergency use by the Office of Emergency Shelter and Services.

Division of Aviation						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Projected**
# of Enplaning (Departing) Passengers	12,652,900	11,715,114	12,078,000	13,150,000	14,000,000	14,500,000
Total # of Aircraft Operations[1]	483,401	456,879	454,428	475,000	475,000	490,000
Air Cargo Activity (in tons)[2]	622,593	576,265	589,691	624,000	624,000	640,000
Number of Aircraft Gates[3]	103	120	120	120	120	120
Gross Concession Development Program Revenue (in millions)[4]	$80.90	$83.20	$88.00	$93.00	$106.30	$116.50

[1] Total # of Aircraft Operations. An aircraft operation is either a takeoff or landing.

[2] Air Cargo Activity. Airfreight and mail combined

[3] Number of Aircraft Gates. In FY03, the new International Terminal complex provided 13 new gates, and the expansion of Terminal D provided four new gates for the Airport.

[4] Gross Concession Development Program Revenue. This revenue consists of the total sales for food, beverage and retail sales within the Terminal building. Revenue from concessions has been increasing for various reasons including airlines not offering food onboard planes, causing passengers to buy at the Airport. In addition, passengers are arriving earlier at the Airport to reduce wait times in line, enabling longer periods of time to make purchases.

Fairmount Park Commission						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Total Acres of Grass Cut[1]	22,578	17,980	24,420	32,000	29,580	22,345
Weeks between Cuts-Frequency	2.60	3.26	2.00	2.00	2.00	2.00
Street Trees Removed - Contractual Services and Park Crews[2]	4,255	5,548	4,610	4,300	4,300	3,200
Street Trees Pruned - Contractual Services and Park Crews	13,886	14,311	11,839	14,500	14,500	12,800
Street Trees Planted	196	999	741	1500	958	800
Park Trees Removed	2,512	2,858	1,643	1,600	1,600	1,600
Park Trees Pruned	2,908	2,523	2,471	2,350	2,000	2,300
Volunteer Park Cleanups	569	414	442	350	450	425
Number of Ballfields Maintained[3]	802	599	509	600	440	440
Number of Ballfields Renovated[3]	143	109	116	120	105	105
Citizen Survey: Percent Satisfied with Fairmount Park	81.2	78.1	77.2	80	80	81
Citizen Survey: Percent Satisfied with Neighborhood Park	71.6%	71.6%	71.3%	75%	75%	76%

[1] Total Acres of Grass Cut. Fairmount Park mows approximately 2,000 acres, generally 15 times each season. During FY05, total acres of grass cut includes a portion of Department of Recreation mowing responsibilities during September and October 2004. The FY06 projection is less because the full assumption of PDR turf management by FPC has not occurred.

[2] Street Trees Removed. Street tree removals include operating and capital dollars. Fewer prunings and removals will occur in FY06 based on anticipated budget reductions for these services.

[3] Ballfields Maintained and Renovated. The reduction in the target projection for ballfields maintained and renovated is directly related to anticipated reductions in available staff to perform this work.

Fire Department						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Number of Fires	11,657	10,077	9,832	11,210	9,790	9,790
Structural	2,526	2,465	2,330	2,500	2,300	2,300
Non-Structural[1]	8,873	7,416	7,310	8,500	7,300	7,300
Vacant Buildings	258	196	192	210	190	190
Average Response Time (minutes: seconds)	4:19	4:28	4:32	4:30	4:30	4:30
Fire Deaths (Civilians)	38	33	40	45	41	42
Fire Prevention Activities	11,177	17,007	22,028	12,000	12,000	12,000
EMS Runs	188,200	195,504	200,849	210,642	210,642	221,000
EMS Average Response Time (minutes: seconds)[2]	5:54	6:35	6:41	7:00	6:39	6:39
Citizen Survey: Percent Satisfied with Fire Protection	89%	88%	87%	90%	90%	90%
Citizen Survey: Percent Satisfied with EMS Response	91%	89%	87%	89%	89%	89%

[1] Non-Structural Fires. In FY03, the Department modified its method for counting non-structural fires, making the counts more precise.

[2] EMS Average Response Time. FY06 projection assumes addition of eight additional medic units beginning 7/1/05.

Fleet Management						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Total Number of Vehicles in the Fleet[1]	5,970	6,440	6,200	6,000	5,900	5,855
Percent of Patrol Cars Required Actually Provided	100%	100%	100%	100%	100%	100%
Percent of Compactors Required Actually Provided	100%	100%	100%	100%	100%	100%
Fleet Downtime – Citywide	10%	10%	10%	11%	11%	11%
Fleet Downtime – District Radio Patrol Cars	11%	11%	10%	11%	10%	10%
Fleet Downtime – Curbside Compactors	21%	21%	22%	21%	22%	20%
Fleet Downtime – Medic Units	13%	13%	13%	12%	13%	10%
Fuel Cost per Gallon – Unleaded	$0.78	$0.86	$1.08	$1.08	$1.43	$1.43
Fuel Cost per Gallon – Diesel	$0.72	$0.80	$1.10	$1.10	$1.41	$1.41

[1] Total Number of Vehicles in the Fleet. The City's fleet reduction initiative successfully reduced the number of City cars beginning in FY04.

Free Library						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Visits to Library[1]	6,226,316	6,440,990	6,216,973	5,200,000	5,814,621	5,642,364
Items Borrowed[2]	7,024,391	7,056,608	6,963,935	5,800,000	6,830,000	6,429,463
Library Hours[3]	110,772	110,852	107,874	108,665	106,214	95,380
Number of Volunteer Hours	94,493	102,192	100,874	102,000	96,000	88,314
Worldwide Web Hits[4]	41,960,124	59,996,052	67,784,632	72,000,000	55,000,000	52,000,000
Citizen Survey: Percent Satisfied with Library Services	79.1%	76.9%	81.4%	75%	80%	80%
Citizen Survey: Percent Satisfied with Hours of Operation	79.7%	80.6%	78.8%	70%	78%	78%
Citizen Survey: Availability of Recently Released/New Materials	75.9%	76.4%	78.5%	70%	78%	78%
Citizen Survey: Percent Satisfied with Availability of Computers	69.7%	74.6%	76.8%	70%	76%	76%

[1] Visits to Library. Beginning in FY03, the Library had fewer visitors due to emergency closings caused by staffing shortages.
[2] Items Borrowed. The number of items borrowed dropped in FY04 and is also expected to drop in FY05 due to the number of emergency branch closings resulting from staffing shortages and less funds available to purchase new materials.
[3] Volunteer Hours. The number of volunteer hours is expected to decline in FY05 due to emergency branch closures, long-term closing of one regional and two branch libraries for HVAC replacement, and fewer branch Saturday hours throughout the system. FY06 volunteer hours will be dependent on branch schedules.
[4] Worldwide Web Hits. Each WebPage can receive multiple "hits" depending on the design of the various page sections. Although actual Free Library website use continues to increase, the number of "hits" is dropping due to design changes to the actual page layout.

Human Services						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Children & Youth						
Child Protective Services (Abuse) Reports	4,635	4,643	4,661	4,679	4,550	4,500
General Protective Services (Neglect) Reports	10,160	11,354	12,151	13,003	12,500	13,000
General Reports	-------	637	729	834	900	950
Total Children Receiving Services	22,900	23,543	25,087	25,500	25,500	26,000
Total Children Receiving Non-Placement Services	11,498	11,544	12,845	12,902	12,202	12,300
Total Children in Placement	7,786	7,895	7,668	7,500	7,500	7,200
# of Children in Institutional Placements	1,415	1,422	1,487	1,450	1,450	1,400
Children in Care More than Two Years	4,024	3,922	3,548	3,500	3,350	3,200
# of Adoptions Finalized	472	654	759	750	750	750
Adoption Subsidies	3,616	4,104	4,574	5,098	5,000	5,500
Subsidized Legal Guardians	-------	6	330	520	700	1,000

Human Services						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Community-based Prevention Services						
Children Enrolled in DHS Afterschool and Positive Youth Development Programs	16,966	29,304	36,502	44,222	44,222	49,000
Parents/Caregivers Participating in Parenting Education/Support Groups	978	5,808	5,385	6,000	6,000	6,000
First-time Mothers Receiving Intensive Home Visiting Services	-------	282	392	400	400	400
Families Diverted by DHS to Community-based Case Management Services	267	1,587	1,679	1,500	1,500	1,500
Families Diverted by DHS to Other Community-based Services	-------	1,384	1,631	1,400	1,400	1,400
Families Receiving Diversion Case Management Services (Non-DHS Referred)	-------	3,131	2,477	1,500	1,500	1,500
Chronic Truants and First-time Offenders Diverted from Placement at Truancy/Delinquency Courts	-------	-------	760	700	700	1,400
Participants in SCOP Youth Development Activities	-------	79,058	74,609	75,000	75,000	75,000
Pre-hearing Home Visits to Families of Youth Scheduled for Truancy Court	-------	2,269	2,888	2,000	2,000	2,000
Youth Referred to Community-based Services by Truancy Court	-------	2,992	2,942	3,000	3,000	3,000
Community School Attendance Stakeholder Meetings Convened	-------	95	94	96	96	96
Unduplicated Youth Receiving School-based Case-management Services	-------	3,225	3,093	3,000	3,000	4,000
Youth Serviced in Crisis Nursery Programs	-------	701	748	750	750	750
Youth Participating in Teen Court Prevention Program	-------	282	432	400	400	400
Family Services Provided to Children of Women in Substance-abuse Treatment	-------	-------	455	450	450	450
Juvenile Justice Services						
Youth Study Center Admissions[2]	6,007	5,944	5,875	5,775	5,650	5,600
Youth Study Center (YSC) Average Daily Population	112	91	101	94	95	95
Average Number of Delinquent Youth in Placement	1,146	1,295	1,369	1,511	1,462	1,450
Average Number of Delinquent Youth Served in Home	1,327	1,550	1,583	1,650	1,770	1,805
Average Number of Delinquent Youth Placed out of State	137	109	120	106	140	125

[1] Total Children Receiving Non-Placement Services. The method of calculating the number of children receiving non-placement services was altered starting in FY05 causing a variance between the target and current projections.
[2] Youth Study Center Admissions. Arrests of juveniles declined by nearly 7 percent from 12,015 in calendar year 2003 to 11,222 in calendar year 2004.

Law						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Open Cases, All Litigation Units	1,662	1,621	1,500	1,500	1,500	1,500
New Suits Filed during the FY	1,577	1,545	1,496	1,500	1,500	1,500
Number of Cases Closed	1,818	1,624	1,510	1,500	1,500	1,500
Number Closed, No Payment	1,020	981	806	840	840	840
Percent Closed, No Payment	56.1	60.4	53.4	56	56	56
Indemnities Cost ($ million)	30.0	24.2	24.5	25.1	27.1	25.1
Average Cost of Closed Cases	$16,502	$14,868	$14,439	$16,743	$16,573	$18,667
# of Contracts Conformed	887	909	849	850	850	850
Average Days to Conformance	103	119	111	110	110	110
Average Days in Law Department	34	28	25	25	25	25
Regulatory Affairs Collections	$544,759	$851,319	$1,592,559	$1,000,000	$1,600,000	$1,200,000
Revenue Collected ($ million)[1]	$123.90	$120.60	$102.60	$100.60	$100.60	$100.60

[1] Revenue Collected. Revenues projected to be collected in FY05 exclude approximately $12 million in collections for the Gas Liens project, which was discontinued as of 7/1/04. PGW will collect those revenues, and will report them separately. The Law Department projects an increase of more than $10 million over FY04 levels for all other revenues that it collects.

Licenses and Inspections						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Permits Issued	37,479	35,409	34,437	33,650	40,500	33,650
Business Compliance Inspections	49,101	41,690	46,126	44,780	42,800	44,780
Housing	n/a	n/a	159,229	110,750	150,000	110,750
Licenses Issued	119,787	116,473	120,992	120,000	120,000	120,000
Clean and Seal – Buildings Treated	1,769	1,475	1,514	1,240	1,100	1,240
Clean and Seal – Lots Treated[1]	1,080	792	213	0	100	0
Tickets Issued[2]	2,314	4,103	4,811	7,250	3,600	7,250
Citizen Survey: Percent Satisfied with L&I Services	41.3%	50.1%	48.7%	50%	50%	50%

[1] Clean and Seal - Lots Treated. Prior to FY04, workers from a first offender program supplemented the City's efforts to clean vacant lots. The Courts eliminated funding for this program, and the projected number of vacant lots cleaned is expected to decrease. In addition, the MDO also administers a vacant lot program, and the numbers are not included in L&I's numbers. For more information on the MDO program, please see NTI chapter.
[2] Tickets Issued. Legislation allowing the issuance of tickets for multiple types of violations was passed in 1999, thus increasing the number of tickets written.

MOIS						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Number of Helpdesk Queued Calls[1]	34,091	27,859	34,243	26,000	24,000	35,000
Number of E-Mails for Service (Trouble Tickets & Service Requests)	n/a	n/a	20,833	10,000	2,500	25,000
Number of Trouble Tickets Created	7,684	12,029	10,838	15,500	15,000	17,000
Number of Calls Resolved Immediately	833	3,560	1,640	3,000	2,500	3,000
Percent of Trouble Tickets Closed within 5 Days[2]	67.0%	99.0%	76.0%	65.0%	65.0%	64.7%
Number of Service Requests Created	2,845	2,040	2,974	2,500	2,500	3,000
Number of Service Requests Completed within 10 Days[3]	48.0%	55.0%	87.0%	84.0%	88.0%	83.3%
Number of IT Outage Hours across Departments	5,339	1,937	2,492	2,300	2,100	2,100
Number of IT Outages	582	578	277	450	500	280

[1] Helpdesk Queued Calls. In FY06, MOIS will begin providing service and tracking application incidents from MOCS, BRT, Prisons, and Personnel, which will increase the number of calls to the MOIS helpdesk.
[2] Percent of Trouble Tickets Closed within 5 Days. Lower staffing levels have affected MOIS' ability to close trouble tickets within 5 days. This trend is expected to continue in FY06.
[3] Number of Service Requests Completed within 10 Days. Lower staffing levels have affected MOIS' ability to close service requests within 10 days. This is expected to continue in FY06.

Office of Behavioral Health/Mental Retardation Services (1)						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Residential Rehabilitation						
Transition Planning to Facilitate Continuing Care - % of Consumers who Keep Appointments within 30 Days of Discharge	n/a	32.0%	41.0%[1]	41.0%	41.0%	43.0%
Detoxification						
Transition Planning to Facilitate Continuing Care - % of Consumers who Keep Appointments for Continuing Care within 30 Days of Discharge	n/a	41.8%	42.0%	42.0%	42.0%	44.0%
Psychiatric Inpatient						
Transition Planning to Facilitate Continuing Care - % of Consumers Who Keep Appointments for Continuing Care within 30 Days of Discharge	n/a	60.6%	61.0%	61.0%	61.0%	62.0%
Crisis Evaluation and Triage						
Recidivism - % of Consumers with a CRC Visit within 30 Days of Discharge from a CRC	n/a	19.0%	19.0%	18.0%	18.0%	17.0%
Forensic Intensive Recovery (FIR)						
# of Treatment Admissions	n/a	2,474	2,799	2,480	2,480	2,527
# of Prison Days Saved by Having Clients in Treatment	n/a	480,189	465,975	485,392	485,392	486,545
CODAAP Housing Initiative (CHI)						
% of Available Housing Slots Filled	n/a	86%	87.5%	86%	86%	88%
Mental Retardation Services						
Early Intervention - # Served in Year	n/a	3,851	3,806	3,840	3,840	4,000
# Receiving Community Integrated Employment services	n/a	1,016	1,009	1,077	1,077	1,077

[1] Data used for these indicators is taken from administrative data sets that have a six-month time lag due to a 180 day service billing window.

Personnel						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Number of Hiring Lists Due[1]	560	520	494	500	490	400
Percent of Hiring Lists Produced on Time or Early[2]	93%	96%	93%	95%	95%	90%
Number of Job Design Recommendations Due	387	384	355	380	385	310
Job Design Recommendations Produced on Time or Early	100%	98%	96%	98%	98%	90%
Percent of Critical Job Classes with Active Hiring Lists	95%	93%	89%	96%	96%	92%
Average Number of Days between Exam Announcement and Hiring List Establishment[3]	85	81	86	75	75	90

[1] Number of Hiring Lists Due. The availability of layoff lists and other staff-reduction activities caused a reduction in the number of eligible lists produced.

[2] Percent of Hiring Lists Produced on Time or Early. Internal staff reductions and the lack of workforce planning impacted timeliness.
[3] Average Number of Days between Exam Announcement and Hiring List Establishment. Additional appeal periods were introduced with the new application processing fee, causing delays in list establishment.

Police						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Number of Homicides	318	308	344	321	324	324
Avg. No of Police in On-Street Bureaus	5,986	5,898	5,855	5,968	5,834	5,564
Percent of Police in On-Street Bureaus	87.4%	87.0%	86.9%	87.0%	87.2%	87.0%
Priority Response Time (in min:sec)	6:07	6:15	6:19	6:20	6:22	6:21
Number of Abandoned Vehicles Towed	53,813	38,810	29,398	31,000	24,327	24,400
Number of Recovered Stolen Vehicles	13,306	11,797	11,172	12,500	10,551	11,000
Number of Arrests	77,701	66,083	68,486	66,691	67,642	67,600
Major Crimes Statistics	90,149	80,998	83,066	81,070	80,902	80,840
Citizen Survey: % Satisfied with Police Protection	64.7%	61.1%	71.5%	67%	72%	73%
Citizen Survey: % Reporting Police Visibly Patrol My Neighborhood	69.0%	65.2%	67.3%	69%	69%	70%

Prisons						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Average Daily Inmate Census	7,637	7,631	7,738	7,832	8,174	8,566
Escapes/Walk-aways [1]						
From Confinement (including Erroneous Discharges)	3	2	3	0	0	0
From Trustee Status	2	1	0	0	0	0
From Work-release Program	55	63	68	55	65	55
Inmates Participating in Work-release Program (Average Monthly Total)	378	336	316	325	315	325
Inmates Participating in Vocational Training [2]						
Jewish Employment & Vocational Service	1,619	1,833	1,553	932	1,323	1,323
JOBS Project	N/A	N/A	203	400	560	760
Cambria Employment Project	91	356	1,020	675	675	500
Inmates Receiving GED/High School Diplomas[3]	242	261	319	330	330	340
Inmates Participating in Substance-abuse Treatment						
In-house OPTIONS Program (Average monthly total)[4]	818	855	855	925	933	800
Community-based Forensic Intensive Recovery Program	1,926	2,474	2,799	2,408	2,480	2,527
Inmate Days Saved						
Forensic Intensive Recovery (FIR)	411,059	480,189	465,975	483,126	485,382	486,545
Earned Time/Good Time	51,783	42,339	28,195	43,000	35,000	38,000

[1] Escapes/Walk-aways. To date, 93 percent of the inmates who escaped or walked away during FY02 have been returned to custody, 86 percent of the inmates who escaped or walked away during FY03 have been returned to custody, and 68 percent of the inmates who escaped or walked away during FY04 have been returned to custody. Inmates are sentenced to participate in the work-release program by the Court of Common Pleas. In an effort to

reduce the number of walk-aways from that program, the PPS is creating criteria for inmate participation in work release. The PPS will request that the Court and the District Attorney's office abide by those criteria.
[2] Inmates Participating in Vocational Training. Effective July 1, 2003, in an effort to foster post-release job placement and to reduce inmate recidivism, most JEVS programs were expanded from 2 – 2.5 hours per day for 4 or 5 weeks to 5 – 6 hours per day for 6 or 12 weeks. Due to a reduction in the Cambria Employment Project contract, the aftercare and creative arts programs were eliminated, causing a reduction in the number of inmates participating in FY05 and FY06.
[3] Inmates Receiving GED/High School Diplomas. In January 2004, the PPS began implementing CORESTAR (Correctional Outcomes Reentry Ethics Security Treatment and Accountability Review), a performance measurement system for the collection of timely and accurate data to evaluate the quality and effectiveness of programs and services. One of the primary goals of the CORESTAR program is to improve inmate participation in the Pennypack House School. With the implementation of CORESTAR, there was a renewed focus by security staff on increasing attendance rates at the school. As a result of that focus, attendance of GED classes has improved beginning in FY04 and continuing in FY05, and the number of GEDs and high-school diplomas awarded to students has risen by nearly one quarter.
[4] Inmates Participating in In-house OPTIONS Program. Inmate participation in the OPTIONS program will decrease in FY06 due to the consolidation of the two OPTIONS units at the Philadelphia Industrial Correctional Center (PICC) into one unit pursuant to the relocation of the female population from PICC to the newly opened Riverside Correctional Facility. In addition, the social worker running the OPTIONS unit at the Cambria Community Center (CCC) will be retiring in February. The CCC OPTIONS program may be disbanded without approval to fill the resultant staff vacancy.

Procurement						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Supplies & Equipment						
Number of Services, Supplies and Equipment (SSE) Contracts Completed[1]	743	503	375	450	450	350
Total Dollar Amount of Contracts	134,250,740	110,953,354	107,682,972	110,000,000	110,000,000	110,000,000
Processing Time (Days) from Receipt of Requisition to Bid Award[2]	117	103	131	121	121	112
Processing Time (Days) from Request to Posting of Purchase Order (Existing Requirements Contract)	5	5	4	5	5	5
Processing Time (Days) from Bid Award to Contract Conformance	70	56	57	60	60	55
Number of Small-order Purchases	1,315	934	948	1,100	1100	850
Total Dollar Amount of Small-order Purchases	4,999,982	3,935,914	5,181,833	5,000,000	5,000,000	4,200,000
Public Works						
Number of Public-works Awards Made	250	240	211	250	175	210
Total Dollar Amount of Public-works Contracts	210,213,722	173,506,366	131,391,427	220,000,000	125,000,000	175,000,000
Processing Time (Days) from Bid Initiation to Award[3]	87	84	103	85	115	85
Processing Time (Days) from Bid Award to Contract Conformance	63	46	54	60	55	55

[1] Number of SSE contracts completed. A Charter change approved in the November election changed the minimum dollar value of a purchase to require a contract, raising the level from $15,000 to $25,000.
[2] Processing Time (Days) from Receipt of Requisition to Bid Award. Improvements in automation will enable the number of days to be reduced to 121 in FY05.
[3] Processing Time (Days) from Bid Initiation to Award. In FY04, processing time increased due to decreased staffing. In FY05, capital budget approval delays extended the award processing time, causing processing time to

increase from an original projection of 85 days to a current projection of 115 days for FY05. Assuming timely budget approval, processing time will decrease back to 85 days in FY06.

Public Health						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Infant Mortality Rate: Deaths/1,000[1]	10.3	10.4	9.7	9.4	10	9.8
% of Women Who Receive Inadequate Prenatal Care[2]	6.7%	6.6%	6.4%	15.0%	15.0%	14.5%
# of Children with Confirmed Elevated Blood Levels	690	578	406	350	350	300
Incidence of Vaccine-Preventable Disease among Children < 15[3]	18	61	75	72	91	72
New Cases of Infectious Gonorrhea	7,989	6,923	4,921	5,900	4,972	4,972
Surveillance, Evaluation, Follow-Up-New TB Cases/Suspects	236	208	202	200	200	200
New Reported AIDS Cases[4]	1,160	1,126	1,022	1,097	1,097	1,062
Food Complaints Investigated	3,068	3,298	2,766	3,000	3,000	2,775
Average Interval Between Food Establishment Inspections (Months)[5]	18.5	18.2	14.6	14.3	14.3	15.7
% of All Homicides Having Final Examiner's Report Completed within 8 Weeks	75%	74%	62%	65%	65%	85%
Nursing Home Census (Average)	431	433	429	437	431	437
Air Quality [6]						
Percent of Days with Good Air Quality	75%	78%	58%	53%	53%	53%
Percent of Days with Moderate Air Quality	23%	17%	40%	43%	44%	43%
Percent of Days with Unhealthful Air Quality	2%	5%	2%	4%	3%	4%
District Health Centers						
Total Patient Visits[7]	342,742	320,833	317,184	327,000	327,000	330,000
Uninsured Visits	218,327	193,783	170,327	175,435	173,310	169,295
Percent of Visits Uninsured	64%	60%	54%	54%	53%	51%
Pharmacy Prescriptions	553,075	572,965	588,616	600,000	600,000	620,000
Percent of Appointments Made within 3 Weeks of Request	70%	76%	62%	70%	70%	75%
Percent of Evening Sessions Available	89%	81%	98%	100%	100%	100%
Citizen Survey: Percent Satisfied with Services Received at Health Center	73.6%	69.4%	80.7%	75.0%	80.0%	80.0%
Citizen Survey: Percent of Health Center Clients Reporting a Wait of Three Weeks or More between Request for Appointment and Date of Appointment	33.4%	53.0%	36.3%	20.0%	30.0%	25.0%

[1] Infant Mortality. This data is provided by the State Department of Health and is collected on a calendar year basis, up to 12 months after the end of each calendar year. Therefore, the statistic presented here for FY03 covers 2001, FY04 covers 2002, etc.
[2] Inadequate Prenatal Care. In FY05 Maternal, Child, and Family Health used a more expanded definition for determining the number of women with inadequate pre-natal care. This new definition will mean a higher number of women will be defined as having inadequate pre-natal care.
[3] Infant Mortality. This data is provided by the State Department of Health and is collected on a calendar year basis, up to 12 months after the end of each calendar year. Therefore, the statistic presented here for FY03 covers 2001, FY04 covers 2002, etc.

[4] New Reported AIDS Cases. The FY05 increase is calculated using a formula that is based upon FY04 data.
[5] Interval between Food Establishment Inspections. Sanitarians recently began using a newly developed handheld computerized reporting system (FEIMS). The Department expects this system to facilitate reporting and decrease the time between inspections.
[6] Air Quality. In FY04, Air Management incorporated a more stringent ozone standard that includes fine particulate measurement, adopted by the U.S. EPA. The use of this new standard affects the data but does not necessarily represent deterioration in Philadelphia's air quality.
[7] Health Center Visits. At the end of FY03, the Department responded to appointment delays by transferring appointment calls for three health centers to the City's consolidated call center. During FY04, the remaining five health center calls were transferred, allowing patients to schedule appointments at any center and reduce wait times.

Public Property						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Building Services Division						
Work Order Requests Generated[1]	9,638	9,733	9,594	11,000	11,000	11,000
Work Order Requests Completed	8,051	7,636	9,072	8,000	9,348	9,350
Contracted Services						
Work Order Requests Generated	25,702	22,757	24,091	25,500	24,362	24,368
Work Order Requests Completed	24,654	19,849	23,427	24,500	21,830	21,836
Communications Division						
Constituent Call Center: Calls Received	1,495,000	1,444,549	1,512,702	1,770,000	1,336,154	1,403,000
Percent of Calls Answered	85%	89%	75%	93%	77%	85%
# Communications Work Orders Requested	10,127	13,057	12,439	12,175	9,430	10,690
# Communication Work Orders Completed	8,764	9,936	11,380	11,000	8,942	9,895

[1] Work Order Requests Generated. The number of work order requests generated in the building service division is expected in increase in FY05 because the division assumed responsibility for additional facilities.

Records						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Number of Documents Recorded	198,352	217,591	258,126	267,400	266,668	266,668
Number of Scanned Images of Recorded Documents[1]	1,439,086	1,689,347	2,144,669	2,184,826	2,145,672	2,145,672
Turnaround Time on Recorded Documents (Days)	2	2	2	2	2	2
Document Recording Fees/Taxes Collected ($000's)[2]	$ 136,146	$ 150,076	$ 205,804	$ 193,631	$ 206,118	$ 206,618
# of Archives/Records Center Reference Services	16,739	18,432	23,091	17,617	23,376	23,376
Records Center Materials Handled (Cubic Feet)	9,726	13,055	6,070	6,696	10,344	10,344
Police Accident Reports Copied	54,890	59,553	60,516	60,200	60,360	60,360
# Central Duplicating Services Provided	32,561,569	30,483,114	29,652,148	31,901,898	29,652,144	29,652,144

[1] Number of Scanned Images of Recorded Documents. The number of documents recorded and scanned, as well as tax and fee revenues collected, is affected by broad local and national economic factors, such as interest rates and general real-estate market conditions.
[2] Document Recording Fees/Taxes Collected. Fees collected are increasing in FY04, FY05 & FY06 due to an increasing number of documents recorded as well as higher fees.

Recreation						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Athletic Program Attendance	554,653	578,957	592,890	575,000	575,000	570,000
Cultural Program Attendance	70,148	79,246	85,506	80,000	80,000	85,000
Afterschool Program Attendance	2,567	2,457	2,176	2,151	2,151	2,151
Ice-rink Attendance	51,006	52,787	51,189	56,000	56,000	56,000
Special Events Participants	63,006	89,977	83,945	80,000	80,000	90,000
Percent of Centers in Compliance with Recreation Standards	61%	66%	68%	70%	70%	66%
Percent of Centers Providing Programmed Usage in at Least 60% of Operating Hours	73%	73%	71%	65%	65%	65%
Percent of Programs that Maintain Monthly Participation Rates of at Least 70% of Registered Participants	86%	84%	85%	87%	87%	92%
Citizen Survey: Percent Satisfied with Neighborhood Recreation Services	46%	47.4%	51.0%	49%	49%	51%
Citizen Survey: Percent Satisfied with Neighborhood Recreation Center (of Those Who Visited)	77%	78.9%	73.0%	80%	80%	80%
Citizen Survey: Percent Satisfied with Afterschool Programs (of those who Participated)	90%	94.9%	86.0%	96%	96%	96%
Citizen Survey: Percent Satisfied with Physical Condition	58.5%	66.4%	67.2%	74.0%	74.0%	74.0%

Revenue						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Number of Incoming Calls[1]	426,544	500,943	510,228	550,000	650,000	700,000
Response Rate for Incoming Calls (Percent of Calls Answered)[1]	72%	67%	55.4%	40.0%	30.0%	30%
Number of Walk-in Taxpayers Served[2]	42,018	43,832	42,241	48,000	55,000	60,000
Average Waiting Time for Walk-In Customers (minutes:seconds)[2]	10:06	13:35	16:23	24:00	35:00	40:00
Ratio of Returned Mail to Outgoing Mail	4.3%	5.6%	6.4%	6.0%	6.0%	6.0%
Value of Audit Assessments (in Thousands of Dollars)	$11,009	$22,762	$13,661	$12,000	$12,000	$12,000

[1] Incoming Calls. The lower percentage of incoming calls answered in FY05 and FY06 is attributed to both the decrease in the number of calls that could be answered and the increase in the number of incoming calls. The loss of customer representatives without replacement in the call center limited the number of calls that could be answered. Moreover, recent legislative tax reforms increased the number of taxpayers calling with inquiries. The longer hold times made some taxpayers abandon the call and then call back, which also increases the number of incoming calls.
[2] Walk-in Taxpayers. The increase in the number of walk-in taxpayers served in FY05 and FY06 can be attributed to the legislative tax reforms and the difficulties in getting questions answered via phone. The longer waiting time for walk-in taxpayers can be attributed to the increase in the number of walk-in taxpayers and the decrease in the number of customer representatives available.

Risk Management						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Workers' Compensation Recipients: Number of Employees Receiving Total Disability Benefits[1]	458	516	553	500	644	600
Average Number of Employees on "Limited Duty" Injured-on-Duty Status[2]	264	295	205	295	280	280
Number of No-Duty Days Lost	19,133	25,595	13,336	20,000	32,000	25,000
Workers' Compensation-related Revenues: Subrogation/ Supersedeas[3]	1,421,988	861,129	515,750	500,000	200,000	500,000
New Service-connected Disability Pensions Granted	52	26	43	40	50	50
Third-party Recovery[4]	$ 382,164	$ 333,097	$ 577,954	$ 500,000	$ 800,000	$ 640,000

[1] Workers' Compensation Recipients: Number of Employees Receiving Total Disability Benefits. Risk Management expects the Heart and Lung benefit to increase the number of recipients in FY05 and FY06.
[2] Average Number of Employees on "Limited Duty" Injured-on-Duty Status. Risk Management expects the Heart and Lung benefit to increase the number of limited duty employees in FY05 and FY06.
[3] Workers' Compensation-related Revenues Subrogation/ Supersedeas. Subrogation refers to recovery from third parties that negligently cause injury to City employees. Supersedeas refers to collections made from a state fund if the City wins a case on appeal or successfully files to stop ongoing benefits. Supersedeas reimbursements fluctuate annually based on judges' rulings and total funds available annually by the state to replenish this fund.
[4] Third-Party Recovery. Third-party recovery refers to dollars recovered from insurance companies when citizens damage city property. Beginning in FY05, Risk Management worked with the Traffic Engineering Division of the Streets and Police Departments to increase documentation of these damages with the hopes of recovering a larger amount of money.

Streets						
Measurement	**FY02 Actual**	**FY03 Actual**	**FY04 Actual**	**FY05 Target Projection**	**FY05 Current Projection**	**FY06 Target Projection**
Street Resurfacing by City Crews (sq. yards)	1,780,912	1,616,842	1,942,180	1,800,000	1,800,000	1,800,000
Potholes - Number Repaired	11,593	24,182	23,179	25,000	25,000	25,000
Response Time-Peak (Days) - February, March, April	3.7	4.0	4.0	4.0	4.0	4.0
Response Time-Off Peak (days)	3.9	4.0	4.0	4.0	4.0	4.0
Ditch Restorations - Number Closed	7,294	4,830	6,647	7,500	7,500	7,000
Ditch Restoration Backlog	252	2,165	2,113	2,188	2,188	2,165
Percent Closed on Time	94%	85%	83%	90%	90%	90%
Tons of Refuse Disposed	761,664	755,293	787,670	756,146	777,400	762,868
Percent of Refuse Collected by End of Shift	96%	94%	94%	97%	97%	96%
Household Recycling Collected (Tons)	38,724	45,697	44,261	49,962	47,381	50,972
Percent of Recycling Collected on Time	99%	93%	94%	97%	98%	97%
Street Cleaning-Mechanical (Miles) (Includes Hand Cleaning)[1]	82,601	77,491	90,466	83,000	82,791	83,000
Street Cleaning-Manual (Miles)[1]	7,080	2,199	2,320	4,750	4,741	3,750
Tons of Refuse per Sanitation Crew	13.88	14.3	14.64	15.35	14.83	15.35
Line Striping (Sq. Ft.)	824,991	634,103	540,280	750,000	750,000	750,000
Street Crack Sealing (Sq. Ft.)[2]	966,855	130,778	189,376	1,008,000	763,055	504,000
Citizen Survey: Percent Satisfied with Street Repair on City Roads	32.6%	29.2%	36.1%	35%	35%	35%
Citizen Survey: Percent Satisfied with Trash Collection	66.9%	67.9%	77.0%	70%	78%	78%
Citizen Survey: Percent Satisfied with Recycling Collection	77.4%	81.2%	84.8%	82%	86%	87%
Citizen Survey: Percent Satisfied with Street Cleaning	37.1%	33.4%	45.7%	40%	46%	46%

[1] Street Cleaning. As a result of reductions in staffing, the miles of streets cleaned in FY05 and FY06 will be less than in previous years.

[2] Street Crack Sealing (sq. ft.). Crack sealing measures decreased in FY03 and FY04 due to a combination of severe winter weather, the Department's focus on pothole repairs, and faulty, outdated equipment. However, beginning in FY05, staffing shortages have caused a reprioritization in work, resulting in fewer street cracks being repaired.

Water Department						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Millions of Gallons of Treated Water	98,818	100,505	97,993	100,375	99,280	100,010
Percent of Time Philadelphia's Drinking Water Met or Surpassed State & Federal Standards	100%	100%	100%	100%	100%	100%
Miles of Pipeline Surveyed for Leakage[1]	1,313	1,420	1,168	1,420	1,420	1,298
Water Main Breaks Repaired[2]	497	988	794	737	737	747
Avg. Time to Repair a Water Main Break upon Crew Arrival at Site (Hrs.)	7.9	7.5	7.3	8	8	7.6
Percent of Hydrants Available	98.50%	98.90%	97.50%	99.00%	96.50%	97.80%
Number of Storm Drains Cleaned	91,853	92,457	86,975	93,382	93,382	95,085
Citizen Survey: Percent Satisfied with Overall PWD Services	74.30%	74.80%	78.00%	79%	79%	80%
Citizen Survey: Percent Satisfied with Water Overall Quality	70.20%	72.80%	74.00%	75%	75%	76%

[1] Miles of Pipeline Surveyed for Leakage. Miles of pipeline surveyed has decreased due to vacancies in staffing.
[2] Water Main Breaks Repaired. Yearly variations in main breaks are due primarily to the severity of winter weather conditions.

Water Revenue Bureau						
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Percent of Customers Who Pay on Time (within 31 Days)	59.2%	60.4%	60.8%	60.9%	60.9%	60.0%
Number of Incoming Calls[1]	474,195	512,299	567,860	539,664	539,664	550,000
Response Rate for Incoming Calls (Percent of Calls Answered)[1]	78.4%	75.2%	50.7%	55.0%	55.0%	55.0%
Number of Walk-in Customers Served[2]	71,359	71,320	80,447	72,500	72,500	80,000
Average Waiting Time for Walk-in Customers (minutes:seconds)[2]	4:05	4:44	4:08	5:00	5:00	5:16
Citizen Survey: Percent Satisfied Water and Sewer Billings and Collections	70.0%	67.3%	72.0%	75%	75%	75%
Percent of Bills Based on Actual Reads	84.3%	88.8%	88.7%	88.0%	88.0%	88.0%

[1] Incoming Calls. The lower percentage of incoming calls answered in FY05 and FY06 is attributed to both the decrease in number of calls that could be answered and the increase in the number of incoming calls. The loss of customer representatives without replacement in the call center limited the number of calls that could be answered. In addition to that, the longer hold time made some water customers abandon the call and then call back, which also increases the number of incoming calls.
[2] Walk-in Customers. The increase in the number of walk-in customers served in FY05 and FY06 can be attributed to the difficulties in getting questions answered via phone. The longer waiting time for walk-in taxpayers can be attributed to the increase in the number of walk-in taxpayers and the decrease in the number of customer representatives available.

City of Philadelphia
Five-Year Financial Plan

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Appendix II

Departmental Five Year Obligations Summary

Appendix II:
Departmental Five Year Obligations Summary

City Treasurer

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	625,411	663,916	624,257	577,134	591,448	611,105	611,105	611,105
Class 200 - Contracts / Leases	82,992	79,901	79,901	79,901	79,901	79,901	79,901	79,901
Class 300/400 - Supplies, Equipment	26,980	24,224	24,224	24,224	24,224	24,224	24,224	24,224
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	735,383	768,041	728,382	681,259	695,573	715,230	715,230	715,230

Fairmount Park

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	9,906,230	9,283,198	9,533,178	8,917,919	9,093,417	9,263,768	9,230,755	9,230,755
Class 200 - Contracts / Leases	3,029,818	2,742,509	2,742,509	2,742,509	2,742,509	2,742,509	2,742,509	2,742,509
Class 300/400 - Supplies, Equipment	616,835	618,621	618,621	618,621	618,621	618,621	618,621	618,621
Class 500 - Indemnities / Contributions	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	14,402,883	13,494,328	13,744,308	13,129,049	13,304,547	13,474,898	13,441,885	13,441,885

Fire

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	151,895,781	146,070,409	152,680,599	148,238,881	154,959,255	161,268,414	161,268,414	161,268,414
Class 200 - Contracts / Leases	4,733,671	5,229,583	5,229,583	5,274,583	5,199,583	5,199,583	5,199,583	5,199,583
Class 300/400 - Supplies, Equipment	5,558,301	7,723,819	7,842,415	5,428,819	5,428,819	5,428,819	5,428,819	5,428,819
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	7,552,573	7,579,000	7,579,000	7,579,000	7,579,000	7,579,000	7,579,000	7,579,000
Class 900 - Advances / Misc. Payments								
Total	169,740,326	166,602,811	173,331,597	166,521,283	173,166,657	179,475,816	179,475,816	179,475,816

Fleet Management

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	17,010,161	16,818,434	16,652,270	15,653,328	15,784,422	16,219,023	16,075,361	16,075,361
Class 200 - Contracts / Leases	4,313,390	4,819,000	4,819,000	4,819,000	4,819,000	4,819,000	4,819,000	4,819,000
Class 300/400 - Supplies, Equipment	17,851,563	17,255,400	20,553,604	17,808,272	17,308,272	16,808,272	16,808,272	16,808,272
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	39,175,114	38,892,834	42,024,874	38,280,600	37,911,694	37,846,295	37,702,633	37,702,633

Fleet Management – Vehicle Purchases

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases								
Class 300/400 - Supplies, Equipment	6,699,661	2,180,000	2,180,000	4,180,000	4,680,000	5,180,000	12,000,000	12,000,000
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	6,699,661	2,180,000	2,180,000	4,180,000	4,680,000	5,180,000	12,000,000	12,000,000

Free Library

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	32,190,337	31,293,065	31,893,365	30,034,607	30,517,857	30,848,594	30,608,660	30,608,660
Class 200 - Contracts / Leases	1,512,184	1,352,202	1,407,102	1,352,202	1,352,202	1,352,202	1,352,202	1,352,202
Class 300/400 - Supplies, Equipment	2,355,361	3,880,808	3,977,672	3,880,808	3,880,808	3,880,808	3,880,808	3,880,808
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	36,057,882	36,526,075	37,278,139	35,267,617	35,750,867	36,081,604	35,841,670	35,841,670

Human Services

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	86,802,456	91,700,402	85,489,211	85,357,763	87,918,495	91,435,234	91,435,234	91,435,234
Class 200 - Contracts / Leases	493,654,524	543,565,744	517,181,755	564,997,893	582,105,292	600,725,914	618,875,154	639,159,771
Class 300/400 - Supplies, Equipment	4,706,861	5,470,615	5,318,018	5,219,435	5,219,435	5,219,435	5,219,435	5,219,435
Class 500 - Indemnities / Contributions	20,849	64,376	29,326	29,326	29,326	29,326	29,326	29,326
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	585,184,690	640,801,137	608,018,310	655,604,417	675,272,548	697,409,909	715,559,149	735,843,766

Law

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	9,951,168	9,581,235	9,647,985	9,394,567	9,625,029	9,828,900	9,810,584	9,810,584
Class 200 - Contracts / Leases	6,606,908	5,302,947	5,302,947	4,202,947	4,202,947	4,202,947	4,202,947	4,202,947
Class 300/400 - Supplies, Equipment	271,249	250,024	250,024	250,024	250,024	250,024	250,024	250,024
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	16,829,325	15,134,206	15,200,956	13,847,538	14,078,000	14,281,871	14,263,555	14,263,555

Licenses & Inspections

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	17,294,915	17,425,427	17,253,054	16,159,117	16,380,506	16,703,380	16,430,433	16,430,433
Class 200 - Contracts / Leases	5,985,492	3,256,034	3,256,034	3,256,034	3,256,034	3,256,034	3,256,034	3,256,034
Class 300/400 - Supplies, Equipment	595,780	768,698	768,698	598,198	598,198	598,198	598,198	598,198
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds			0					
Class 900 - Advances / Misc. Payments								
Total	23,876,187	21,450,159	21,277,786	20,013,349	20,234,738	20,557,612	20,284,665	20,284,665

Licenses & Inspections – Demolitions

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases		0	0	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Class 300/400 - Supplies, Equipment								
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	0	0	0	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000

Mayor's Office of Information Services

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	6,994,694	6,265,767	6,312,267	6,450,291	6,563,146	6,562,749	6,388,709	6,388,709
Class 200 - Contracts / Leases	5,474,390	4,750,853	5,138,853	4,750,853	4,750,853	4,750,853	4,750,853	4,750,853
Class 300/400 - Supplies, Equipment	198,245	162,634	162,634	162,634	162,634	162,634	162,634	162,634
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	93,614	0	0	0	0	0	0	0
Class 900 - Advances / Misc. Payments								
Total	12,760,943	11,179,254	11,613,754	11,363,778	11,476,633	11,476,236	11,302,196	11,302,196

Office of Behavioral Health and Mental Retardation Services

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	0	2,563,804	2,590,804	2,483,123	2,557,616	2,659,921	2,659,921	2,659,921
Class 200 - Contracts / Leases	0	12,128,834	12,128,834	12,128,834	12,128,834	12,128,834	12,128,834	12,128,834
Class 300/400 - Supplies, Equipment								
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	0	14,692,638	14,719,638	14,611,957	14,686,450	14,788,755	14,788,755	14,788,755

Office of Emergency Shelter and Services

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	3,428,224	2,901,789	7,280,584	6,534,818	6,677,980	6,829,016	6,817,954	6,817,954
Class 200 - Contracts / Leases	11,762,784	12,503,653	13,362,202	10,952,222	10,952,222	10,952,222	10,952,222	10,952,222
Class 300/400 - Supplies, Equipment	150,434	135,880	429,368	387,060	387,060	387,060	387,060	387,060
Class 500 - Indemnities / Contributions			35,050	35,050	35,050	35,050	35,050	35,050
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	15,341,442	15,541,322	21,107,204	17,909,150	18,052,312	18,203,348	18,192,286	18,192,286

Personnel

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	4,158,272	4,124,932	4,181,182	3,972,817	3,919,253	3,888,972	3,888,972	3,888,972
Class 200 - Contracts / Leases	604,059	362,530	362,530	362,530	362,530	362,530	362,530	362,530
Class 300/400 - Supplies, Equipment	75,799	80,609	80,609	55,609	55,609	55,609	55,609	55,609
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	4,838,130	4,568,071	4,624,321	4,390,956	4,337,392	4,307,111	4,307,111	4,307,111

Police

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	475,523,727	455,496,292	455,496,292	465,097,585	478,405,347	496,504,965	495,736,392	495,736,392
Class 200 - Contracts / Leases	7,476,824	7,425,445	7,425,445	7,425,445	7,425,445	7,425,445	7,425,445	7,425,445
Class 300/400 - Supplies, Equipment	7,651,014	7,584,765	7,584,765	7,432,070	7,432,070	7,432,070	7,432,070	7,432,070
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	2,196,056	0	0	275,653	123,841	0	0	0
Class 900 - Advances / Misc. Payments								
Total	492,847,621	470,506,502	470,506,502	480,230,753	493,386,703	511,362,480	510,593,907	510,593,907

Prisons

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	98,461,058	99,839,739	103,359,239	102,682,824	104,580,723	106,981,863	106,536,315	106,536,315
Class 200 - Contracts / Leases	80,855,513	75,429,094	78,969,094	79,273,591	79,473,591	79,833,591	80,133,591	80,133,591
Class 300/400 - Supplies, Equipment	4,068,922	3,630,209	3,650,744	3,630,209	3,630,209	3,630,209	3,630,209	3,630,209
Class 500 - Indemnities / Contributions	984,795	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	184,370,288	179,925,799	187,005,834	186,613,381	188,711,280	191,472,420	191,326,872	191,326,872

Procurement

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	3,034,226	3,003,636	2,957,492	2,814,617	2,844,705	2,847,681	2,847,681	2,847,681
Class 200 - Contracts / Leases	2,104,737	1,320,918	1,458,787	1,458,787	1,458,787	1,458,787	1,458,787	1,458,787
Class 300/400 - Supplies, Equipment	77,621	74,443	74,443	74,443	74,443	74,443	74,443	74,443
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	5,216,584	4,398,997	4,490,722	4,347,847	4,377,935	4,380,911	4,380,911	4,380,911

Public Health

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	41,963,682	39,141,994	39,737,669	39,117,575	40,043,803	41,380,331	40,877,773	40,877,773
Class 200 - Contracts / Leases	68,929,357	60,445,579	60,445,579	63,850,309	63,600,309	63,600,309	63,600,309	63,600,309
Class 300/400 - Supplies, Equipment	3,231,724	4,097,244	4,176,060	4,072,244	4,043,150	4,003,150	3,973,150	3,973,150
Class 500 - Indemnities / Contributions	0		0	0	0	0	0	0
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	1,666,309	2,100,000	2,100,000	0	0	0	0	0
Class 900 - Advances / Misc. Payments								
Total	115,791,072	105,784,817	106,459,308	107,040,128	107,687,262	108,983,790	108,451,232	108,451,232

Public Property

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	9,085,302	8,604,742	8,745,742	8,079,493	8,469,200	8,229,223	8,183,631	8,183,631
Class 200 - Contracts / Leases	23,356,743	21,757,592	21,400,392	23,143,592	23,964,088	24,801,146	25,181,181	25,894,617
Class 300/400 - Supplies, Equipment	1,019,882	909,177	928,856	909,177	909,177	909,177	909,177	909,177
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	15,817,451	14,000,000	14,200,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Class 900 - Advances / Misc. Payments								
Total	49,279,378	45,271,511	45,274,990	46,132,262	47,342,465	47,939,546	48,273,989	48,987,425

Public Property – SEPTA Subsidy

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	0	57,034,000	57,834,000	59,216,000	60,263,000	61,601,000	63,066,000	64,717,000
Class 300/400 - Supplies, Equipment								
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	0	57,034,000	57,834,000	59,216,000	60,263,000	61,601,000	63,066,000	64,717,000

Public Property – Space Rentals

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	13,842,113	13,677,177	14,312,640	14,462,759	14,610,811	14,728,258	15,110,650	15,945,980
Class 300/400 - Supplies, Equipment								
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	13,842,113	13,677,177	14,312,640	14,462,759	14,610,811	14,728,258	15,110,650	15,945,980

Public Property – Telecommunications

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	12,138,124	10,631,500	10,631,500	12,982,098	13,584,094	13,813,414	13,868,350	14,068,350
Class 300/400 - Supplies, Equipment								
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	12,138,124	10,631,500	10,631,500	12,982,098	13,584,094	13,813,414	13,868,350	14,068,350

Public Property – Utilities

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	28,223,837	26,389,036	26,389,036	26,468,000	27,638,000	28,648,000	29,028,000	29,158,000
Class 300/400 - Supplies, Equipment								
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	28,223,837	26,389,036	26,389,036	26,468,000	27,638,000	28,648,000	29,028,000	29,158,000

Records

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	3,536,172	3,681,812	3,738,812	3,535,248	3,602,061	3,573,833	3,558,108	3,558,108
Class 200 - Contracts / Leases	3,149,466	3,141,084	3,141,084	2,829,714	2,808,115	3,144,609	3,144,609	3,144,609
Class 300/400 - Supplies, Equipment	635,595	452,607	452,607	742,607	788,607	452,607	452,607	452,607
Class 500 - Indemnities / Contributions	1,345	1,456	1,456	1,456	1,456	1,456	1,456	1,456
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	1,129,515		0	0	0	0	0	0
Class 900 - Advances / Misc. Payments								
Total	8,452,093	7,276,959	7,333,959	7,109,025	7,200,239	7,172,505	7,156,780	7,156,780

Recreation

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	31,336,369	30,758,928	29,943,837	27,339,616	27,279,853	27,337,711	27,105,831	27,105,831
Class 200 - Contracts / Leases	2,169,980	1,339,076	2,166,812	2,706,201	2,706,201	2,706,201	2,706,201	2,706,201
Class 300/400 - Supplies, Equipment	1,494,248	1,390,069	1,390,069	1,390,069	1,390,069	1,390,069	1,390,069	1,390,069
Class 500 - Indemnities / Contributions	1,800,000	3,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	36,800,597	37,288,073	35,300,718	33,235,886	33,176,123	33,233,981	33,002,101	33,002,101

Revenue

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	11,818,853	13,423,341	13,607,841	13,347,531	13,132,754	12,759,290	12,566,031	12,566,031
Class 200 - Contracts / Leases	4,026,703	3,595,774	3,595,774	3,575,774	3,575,774	3,575,774	3,575,774	3,575,774
Class 300/400 - Supplies, Equipment	736,445	739,971	739,971	689,971	689,971	689,971	689,971	689,971
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	0	44,883	44,883	44,883	44,883	44,883	44,883	44,883
Class 900 - Advances / Misc. Payments								
Total	16,582,001	17,803,969	17,988,469	17,658,159	17,443,382	17,069,918	16,876,659	16,876,659

Streets

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	15,520,097	13,215,863	13,460,463	13,712,273	14,123,641	14,688,587	14,632,743	14,632,743
Class 200 - Contracts / Leases	12,314,419	12,158,606	12,185,756	12,158,606	12,158,606	12,158,606	12,158,606	12,158,606
Class 300/400 - Supplies, Equipment	4,905,516	2,392,721	2,501,665	2,392,721	2,392,721	2,392,721	2,392,721	2,392,721
Class 500 - Indemnities / Contributions	14,061	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	32,754,093	27,797,190	28,177,884	28,293,600	28,704,968	29,269,914	29,214,070	29,214,070

Streets - Sanitation

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	47,497,073	45,921,685	47,201,185	43,878,269	44,279,605	44,800,604	44,352,649	44,352,649
Class 200 - Contracts / Leases	41,616,890	41,461,628	42,561,628	44,598,286	46,598,871	48,705,568	50,911,667	53,231,693
Class 300/400 - Supplies, Equipment	1,213,102	1,333,929	1,363,406	1,333,929	1,333,929	1,333,929	1,333,929	1,333,929
Class 500 - Indemnities / Contributions	48,171	48,171	48,171	48,171	48,171	48,171	48,171	48,171
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	90,375,236	88,765,413	91,174,390	89,858,656	92,260,576	94,888,272	96,646,416	98,966,442

City of Philadelphia
Five-Year Financial Plan

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Appendix III
Enterprise Funds

Philadelphia Water Department

Mission

The Philadelphia Water Department (PWD) and Water Revenue Bureau serve the greater Philadelphia region by providing integrated water, wastewater, and storm water services. The utility's primary mission is to plan for, operate, and maintain both the infrastructure and the organization necessary to purvey high-quality drinking water, to provide an adequate and reliable water supply for all household, commercial, and community needs, and to sustain and enhance the region's watersheds and quality of life by managing wastewater and storm water effectively. The PWD operates three water plants treating an average of nearly 300 million gallons of Delaware and Schuylkill river water each day, three wastewater plants cleaning over 450 million gallons per day of sewage, a 73-acre biosolids recycling facility, a sophisticated testing laboratory, and a range of technical and administrative support services. In addition, the Department maintains 3,300 miles of water mains, 3,000 miles of sewers, 75,000 storm water inlets, over 27,500 fire hydrants, and extensive related infrastructure. The Water Revenue Bureau (WRB) of the Department of Revenue manages water and sewer billings and collections for the Water Department.

Organizational Objectives and Targeted Initiatives

Provide high-quality drinking water to promote public health and achieve all regulatory standards, while ensuring a reliable and cost-effective water supply

- **Participate in the EPA's voluntary Partnership for Safe Water program**. Philadelphia's drinking water meets or surpasses the requirements of state and federal standards 100 percent of the time. Since voluntarily joining the U.S. Environmental Protection Agency's (EPA) Partnership for Safe Water in 1998 (a joint program of the EPA and the water industry), the PWD has committed itself to reduced "turbidity," an industry standard measure of water purity. In FY05, the turbidity of Philadelphia's water (.06 ntu) is 80 percent less than the amount required by state and federal regulations and 40 percent less than the Partnership's turbidity goal of 0.1 ntu. Going forward, from FY06 to FY10, the PWD has set its sights on achieving the Partnership's highest honor, the Phase IV "Excellence in Water Treatment" award. This award is earned by those few water treatment plants in the country that have overcome all obstacles to excellence in water treatment and can demonstrate their capability to maintain that level of performance by achieving a treated water quality that is consistent with the Partnership's highest goals. In order to meet this goal, the Department must control turbidity levels at its three water treatment plants so that they do not exceed 0.1 ntu for more than 15 minutes at any time. In FY05, the Queen Lane Plant will be evaluated on its ability to maintain plant performance levels consistent with the Phase IV award. The Belmont and Baxter Plants will require the completion of capital modifications to their respective filtration systems. The design phase of these projects is expected to begin in FY06, with construction in FY07.

- **Conduct pilot plant research**. PWD has been able to stay one step ahead of drinking water regulations through the operation of a pilot plant research program initiated in FY98. The pilot plants are essentially miniature water treatment plants that allow the Department to study and test the impact of modifications to water treatment procedures prior to moving forward with system-wide changes. In FY06 and FY07, pilot plant studies will focus on the effectiveness of coagulants other than ferric chloride, which PWD has used as a coagulant in the water treatment process. Coagulants bind to organic particles in the source water and cause these particles to fall out of the water treatment process by virtue of the coagulant's weight. Due to changes in the coagulant marketplace, it has become important for the PWD to evaluate alternative coagulants and determine their suitability in comparison to ferric chloride on the basis of performance and cost. In FY06 PWD will also continue with an international multi-utility study to further the understanding of the occurrence of manganese (Mn) in drinking water. Although Mn is currently undetectable in Philadelphia's drinking water, other proposed changes in the treatment process may produce a level of Mn that could be of aesthetic concern (known as black water because the color of the water changes to brown/black and clothes are often stained with small black dots). The pilot plant study will help the PWD avoid manganese problems that may result from treatment modifications that are under consideration. The annual cost for operation of the pilot plant is $970,000.

- **Implement on-line drinking water quality monitoring.** To further ensure the safety and quality of the City's drinking water, the PWD will continue to expand its "Water Quality Monitoring Network" in FY06. This system provides the Department with the ability to track real-time water quality conditions at selected locations throughout the City's water distribution system and to monitor any variations should they occur. Data is transmitted from each site to PWD's central laboratory where technicians check for early warning signs of water quality deterioration and document any unforeseen changes. Initially, in FY04, the on-line system was installed at the City's three water treatment facilities. In FY05, PWD began expanding the range of the system to critical points in the water distribution system. By the end of FY05, equipment will be installed at eight locations in the distribution system, including: the East Park reservoir, the Oak Lane reservoir, the Somerton tank, the central lab, the Queen Lane raw water pumping station, Queen Lane raw water basin, the Roxborough tanks and the Roxborough high service pumping station. From FY06 to FY10, the Department will track the performance of the monitoring system at current locations while continuing to investigate alternative technology for further installations at wholesale customer interconnects, additional standpipes and pumping stations. The monitoring system costs approximately $30,000 for each location.

Help preserve and enhance the water quality in the region's watersheds through effective wastewater and storm water services, planning and acting in partnership with other stakeholders to achieve a sensible balance between cost and environmental benefit

- **Develop and implement regional source water protection (SWP) plans.** In FY05, PWD will complete a source water protection plan for the Schuylkill River. The information developed in the Schuylkill plan is being integrated with the Schuylkill Action Network (SAN), a larger group of state and federal regulators, water suppliers, conservation districts and watershed groups working to integrate and coordinate regulatory and restoration efforts to protect the Schuylkill River as the premier drinking water resource for the region. In FY05, PWD, the Partnership for the Delaware Estuary, and the SAN received a $1.15 million

Targeted Watershed Initiative Grant from the US EPA. PWD and its partners will use these funds to begin implementation of priority elements of the Schuylkill Plan. Initial projects to be implemented in FY06 will address abandoned mine drainage (AMD) in the headwaters of the Schuylkill River. Projects will be designed and implemented for three major AMD discharges. Funds in FY06-FY10 will also be dedicated to addressing contamination from agriculture through the installation of vegetated buffers and fencing along impaired streams to reduce runoff and keep livestock out of the streams. Urban and suburban storm water runoff will be addressed through a series of projects aimed at reducing runoff at sensitive locations through the installation of swales, retention basins and buffers and outfall retrofits. Finally, a significant portion of the grant will be dedicated toward educating the public on source water protection issues and their role in protecting our region's drinking water supply. The Delaware River Plan will be developed in FY05 and FY06. This information will be shared with the Delaware River Basin Commission, whose member utilities are working towards similar goals. Employing a SWP Program and Plan will help PWD avoid potential regulatory requirements for the construction of advanced water treatment technologies using ozone and ultraviolet light treatment that could cost over $40 million in capital costs and additional millions in electrical operating costs.

- **Expand Early Warning System (EWS).** In FY04, the PWD began operation of an early warning system for regional water supplies on the Schuylkill and Delaware Rivers (the Delaware Valley EWS). The purpose of the system is to improve communication and notification between water suppliers and emergency agencies as well as to provide tools and information to aid and enhance decision making during source water contamination events. Expansion begun in FY05 will continue in FY06, including additional on-line monitoring capabilities to provide greater spatial coverage and to pilot the use of developing technologies for on-line contaminant monitoring. In addition, the website and telephone system will be optimized for speed and user friendliness. EWS is part of an overall statewide initiative to enhance the protection of the region's water supplies and rivers. A US EPA grant to develop the "RiverCast" System will enable use of EWS to predict the safety and water quality of the Schuylkill River from Boathouse Row to Manayunk in FY06. Similar to the "Ozone Warning Days" used for air quality, Rivercast information will be available in FY06 to allow the public to make informed decisions for recreation in the Schuylkill River.

- **Implement a local Waterways Restoration Program.** In FY04, the PWD created the Waterways Restoration Team, which consists of a crew devoted to removing trash and large debris from the streams and tributaries that define our neighborhoods. The team also performs restoration work around PWD's storm and combined sewer outfalls. In its first two years of operation, the team removed over 500 tons of debris from Philadelphia's streams. From FY06 to FY10, the team will work in partnership with the Fairmount Park Commission and related Friends' groups to bolster a public/private partnership that is essential to sustaining the effectiveness of this project. The cost for this program in FY06 will be $600,000 and is expected to remain in this range through FY10.

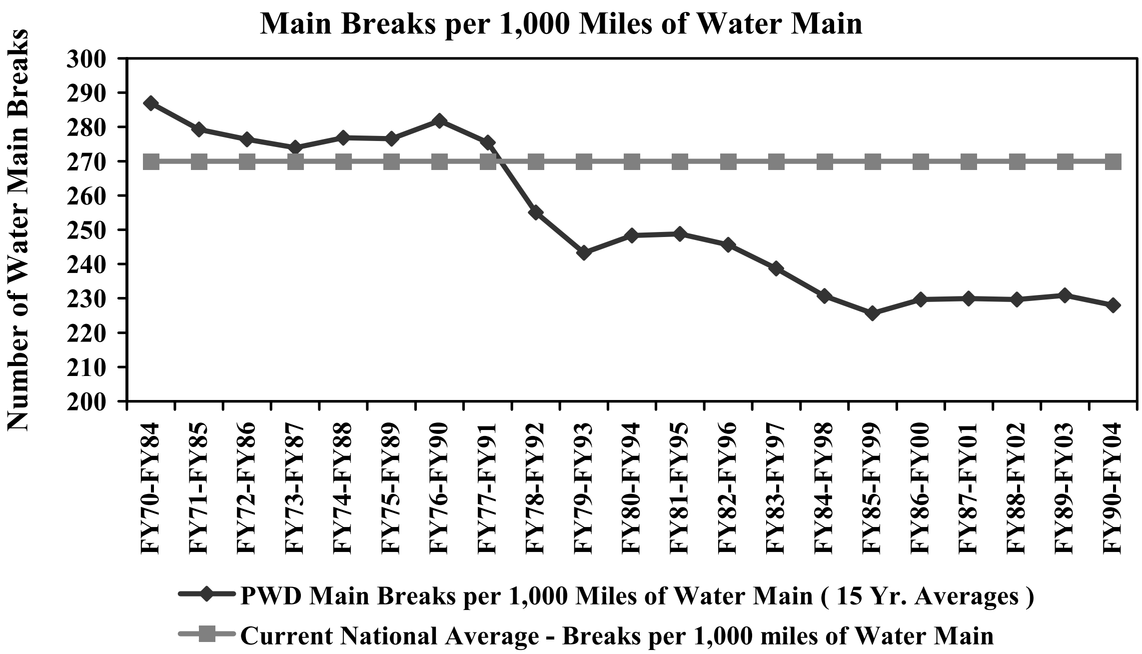
Responsibly maintain, renew, and replace the public's investment in water, wastewater, and storm water infrastructure, optimizing useful life and system integrity

The PWD maintains and operates six large water and wastewater treatment facilities and a biosolids recycling center. These systems are highly complex to operate and require a large portion of the Department's operating and capital resources to maintain. Integrated with these plants is an extensive network of underground infrastructure that delivers water to a population of over 1.5 million, and carries sewage for treatment from a population of almost 2.2 million, through retail service in Philadelphia and wholesale water and wastewater contracts in the suburbs.

- **Develop Sewer Infrastructure Assessment Program.** Completed in FY05, a $6 million pilot sewer assessment program evaluates the condition of sewer system infrastructure using video technology to inspect many miles of sewers, and populating a database and ranking system to prioritize needed improvements. Trained PWD personnel will continue the sewer assessment surveys from FY06 to FY10. In FY06, the Department will begin the analysis of data to determine needed sewer reconstruction and repair, and will schedule this work in the capital and operating budgets. This project has already helped to identify sewers that were in immediate need of repair, and it is anticipated that over time this project will result in a reduction of costly and disruptive emergency sewer repairs, such as those that occur when a sewer collapses. In FY06, $600,000 has been budgeted to continue the video inspections and to perform additional excavations and repairs.

- **Develop the Geographic Information System (GIS).** Completed in FY05 at a cost of $7 million, the full-scale conversion of citywide water and sewer assets into its GIS database will progress into the maintenance phase in FY06. PWD's trained GIS staff will maintain and manage data changes. The GIS system will spatially display PWD infrastructure, and link it to operations, maintenance, engineering, and construction data, providing a fully integrated asset management system. Quick access to utility infrastructure data through the GIS system will allow timely management decisions, thereby increasing productivity and reducing risk.

- **Optimize water and sewer main replacement**. From FY06 to FY10, the Department intends to replace 22 miles of water main per year. The effectiveness of this effort is illustrated by the 15-year average for main breaks, which tends to smooth out the effect of weather variations: The current PWD level of 228 breaks per 1,000 miles is better than the national average (240 to 270 breaks), as shown on the table below.



Finance the critical operations of the department through the development of an increasingly strong and reliable revenue base, effectively and consistently collecting fees and charges in a timely manner, under a fair, equitable and community-sensitive rate structure, while relentlessly pursuing both outstanding receivables and appropriate new sources of revenue

- **Increase rates to maintain fiscal stability**. In December 2004, the Water Department announced an update to the rate filing that was originally announced in January 2004. Accordingly, the Water Department proposed a supplemental increase to water and sewer (including storm-water) rates beginning in February 2005, based on the outcomes of a rate hearing process. Proposed rates will cover a 3.5-year period from mid-FY05 through FY08. Rate relief is needed due to seven major cost factors that will impact the Department from FY05 to FY08: Increased debt service ($72.25 million); coverage-based required contributions to the Residual Fund ($67.6 million); loss of state subsidy for wastewater operations ($32.0 million); increased personnel costs ($28.37 million); decreased interest earnings ($25.4 million); inflation on material, supplies, equipment and contracted costs ($19.5 million); and additional security and related costs ($8.9 million). A typical residential customer's monthly bill is anticipated to increase to $48.24, an increase of $6.48 or 15.5 percent. Proposed Rate changes for subsequent years are as shown in the following table.

Fiscal Year	Percentage Increase of Monthly Bill	Additional Monthly Water & Sewer Charge	Total Monthly Bill
2005	15.5	$6.48	$48.24
2006	3.2	$1.53	$49.77
2007	7.7	$3.83	$53.60
2008	7.5	$4.00	$57.60

As shown on the following table, the PWD currently provides services at the least expensive residential rates in the region. PWD's water rates continue to be less than half those charged by most neighboring investor-owned utilities. Even with the higher rates, Philadelphia water and sewer charges will continue to be among the lowest in the region.

2004 Regional Residential* Water and Sewer Charges		
	Monthly Water Bill	**Monthly Sewer Bill**
Pennsylvania American Water+	$47.23	N/A
Philadelphia Suburban Water+	$45.75	N/A
New Jersey American Water+	$35.15	N/A
North Wales Water Authority +	$26.44	N/A
North Penn Water Authority +	$25.61	N/A
Doylestown Township	$25.40	$36.67
CCMUA (Camden County) **	N/A	$26.25
Trenton	$18.12	$27.37
Philadelphia Water Department	***$17.27***	***$17.50***
Rates in effect on November 16, 2004. Storm water charges are excluded from		
*Calculations based on 6230 gallons/month (833 cu.ft.)		
** Sewer-only utility.		
+ Water-only utilities.		
Source: Philadelphia Water Department		

- **Investigate operations efficiency and cost savings at the Biosolids Recycling Center (BRC).** In FY05, the City's evaluation team reviewed submissions from pre-qualified vendors to design, build, own and operate a new Biosolids processing facility at the City's current location and to take over current operations during the interim period. It is likely that a negotiated contract would be presented to City Council in the fall of FY06. The overall intent of the project remains to construct a new facility that will use new technology to produce Class A biosolids. The new facility is expected to also achieve long-term operations efficiency, to improve the overall aesthetics, and to reduce odors associated with the current operation.

- **Implement revenue recovery program.** In FY04, the Water Department recovered an additional $2 million through the operation of its highly successful Revenue Protection Program. Now in its fourth year of operation, this program addresses billing discrepancies uncovered, in part, as a result of the implementation of the Department's Automatic Meter Reading (AMR) program. Through FY04 this proactive revenue enhancement program has recovered billings in excess of $13 million. Projections for revenue recovery are $2 million annually in FY05 and FY06.

PROJECTED REVENUE AND REVENUE REQUIREMENTS
RATES EFFECTIVE FEBRUARY 1, 2005
(in thousands of dollars)

Line No.	Description			2005	2006	2007	2008	2009	2010
				Fiscal Year Ending June 30,					
	OPERATING REVENUE								
1	Water Service - Existing Rates			140,792	140,227	140,323	139,514	138,449	137,575
2	Wastewater Service - Existing Rates			254,791	254,193	253,812	253,248	251,997	250,673
3	Total Service Revenue - Existing Rates			395,583	394,420	394,135	392,762	390,446	388,248
	Additional Service Revenue Required								
	Year	Percent Increase	Months Effective						
4	FY 2005	9.75%	5	16,071	38,456	38,428	38,294	38,068	37,854
5	FY 2006	5.70%	12		24,674	24,656	24,570	24,425	24,288
6	FY 2007	5.70%	12			26,061	25,971	25,818	25,672
7	FY 2008	5.70%	12				27,451	27,289	27,136
8	FY 2009	4.00%	12					20,242	20,128
9	FY 2010	4.00%	12						20,933
10	Total Additional Service Revenue Required			16,071	63,130	89,145	116,286	135,842	156,011
11	Total Water & Wastewater Service Revenue			411,654	457,550	483,280	509,048	526,288	544,259
12	Transfer From/(To) Rate Stabilization Fund			46,500	28,100	12,000	18,500	13,500	8,000
	Other Income (a)								
13	Other Operating Revenue			13,613	13,567	13,542	13,496	13,445	13,394
14	Construction Fund Interest Income			2,045	3,753	2,080	5,947	4,231	2,434
15	Debt Reserve Fund Interest Income			0	325	325	954	954	954
16	Operating Fund Interest Income			1,367	1,391	1,418	1,411	1,432	1,450
17	Rate Stabilization Interest Income			2,128	1,375	970	662	338	121
18	Total Revenues			477,307	506,061	513,615	550,018	560,188	570,612
	OPERATING EXPENSES								
19	Water & Wastewater Operations			233,213	239,912	245,926	255,608	264,160	273,038
20	Direct Interdepartmental Charges			55,468	56,173	57,276	59,321	61,031	62,790
21	Total Operating Expenses			288,681	296,085	303,202	314,929	325,191	335,828
22	**NET REVENUES AFTER OPERATIONS**			188,626	209,976	210,413	235,089	234,997	234,784
	DEBT SERVICE								
	Senior Debt Service								
	Revenue Bonds								
23	Outstanding Bonds (b)			156,776	157,337	157,340	157,350	157,343	157,343
24	Pennvest Parity Bonds			384	384	384	384	384	384
25	Projected Future Bonds (c)			0	17,201	17,201	37,843	37,843	37,843
26	Total Senior Debt Service			157,160	174,922	174,925	195,577	195,570	195,570
27	**TOTAL SENIOR DEBT SERVICE COVERAGE (L22/L26)**			1.20 x	1.20 x	1.20 x	1.20 x	1.20 x	1.20 x
	Subordinate Debt Service								
28	Outstanding General Obligation Bonds			0	0	0	0	0	0
29	Pennvest Subordinate Bonds			1,227	1,227	1,227	1,227	1,227	1,227
30	Total Subordinate Debt Service			1,227	1,227	1,227	1,227	1,227	1,227
31	Total Debt Service on Bonds			158,387	176,149	176,152	196,804	196,797	196,797
32	**CAPITAL ACCOUNT DEPOSIT**			16,708	17,068	17,428	17,788	18,148	18,508
33	**TOTAL COVERAGE (L22/(L31+L32))**			1.07 x	1.08 x	1.08 x	1.09 x	1.09 x	1.09 x
	RESIDUAL FUND								
34	Beginning of Year Balance			10,997	3,541	4,301	4,634	4,131	4,184
35	Interest Income			13	0	0	0	0	0
	Plus:								
36	End of Year Revenue Fund Balance			13,531	16,759	16,833	20,497	20,052	19,479
37	Deposit for Transfer to City General Fund (d)			4,924	4,994	4,994	4,994	4,994	4,994
	Less:								
38	Transfer to Construction Fund			21,000	16,000	16,500	21,000	20,000	19,500
39	Transfer to City General Fund			4,924	4,994	4,994	4,994	4,994	4,994
40	End of Year Balance			3,541	4,301	4,634	4,131	4,184	4,163
	RATE STABILIZATION FUND								
41	Beginning of Year Balance			128,596	82,096	53,996	41,996	23,496	9,996
42	Deposit From/(To) Revenue Fund			(46,500)	(28,100)	(12,000)	(18,500)	(13,500)	(8,000)
43	End of Year Balance			82,096	53,996	41,996	23,496	9,996	1,996

(a) Includes other operating and nonoperating income, including interest income on funds and accounts transferrable to the Revenue Fund.
(b) Assumes a variable rate of 4.00% over the life of the Variable Rate Series 1997B Bonds.
(c) Assumes 5.50% interest, term of 30 years, with level annual principal and interest payments.
(d) Transfer of interest earnings from the Bond Reserve Account must first go to the Residual Fund as shown in Line 37 to satisfy the requirements for the transfer to the City General Fund, with the balance included in Line 15 going to the Revenue Fund.

Division of Aviation

Mission

The mission of the Division of Aviation (DOA) is threefold: Develop and operate premier air transportation facilities; maintain superior standards of customer service and convenience; and achieve the highest levels of safety, security, cleanliness and efficiency. Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE) comprise the Philadelphia Airport System (the Airport), which is owned by the City of Philadelphia and operated by the DOA of the City's Department of Commerce. Both airports are self-sustaining. Revenue sources that fund airport operations include terminal building space rentals, landing fees, net parking revenue, and concession fees.

Service at Philadelphia International Airport

Philadelphia International Airport, the nation's 17th busiest airport in terms of passenger traffic, experienced unprecedented successes in its air service in 2004. In the Fiscal Year ending June 30, PHL processed a record 26.1 million passengers – a mark that eclipsed the FY03 total by 8 percent. In addition, in FY04, an unprecedented 3.8 million international passengers passed through PHL, up 20.2 percent from FY03. In October 2004, the U.S. Department of Transportation's Bureau of Transportation Statistics reported that airfares at PHL decreased 9.9 percent from April to June 2004 compared with the same period in 2003, which is the greatest savings achieved in the nation's 85 largest airline markets. PHL's dramatic decrease in airfares contrasts sharply with the national trend, in which airfares rose 0.4 percent.

PHL is an economic, customer service, and community relations success story for the entire region. In recent years, PHL has won an impressive number of industry citations and awards, including being named one of America's five best airports by the *Wall Street Journal* in 2001; receiving more than a dozen awards over the past several years for its food, beverage, and retail program; being ranked third among major airports for wireless connectivity convenience in 2003; and receiving an award from the FAA in FY04 for continued excellence in meeting federal safety inspection standards. In addition to the success of PHL, Northeast Philadelphia Airport was designated as the best general service airport in Pennsylvania by PennDOT's Bureau of Aviation in FY05.

Organizational Objectives and Targeted Initiatives

Create positive experiences by providing world-class amenities and competitive air service options that attract and retain customers

- **Continue to promote the Airport to low fare carriers.** The surge in passenger traffic at the only major airport serving the country's fifth largest metropolitan area was buoyed by the arrival of two new low-cost carriers, Southwest Airlines and Frontier Airlines, which began serving the Philadelphia region in 2004. In October 2004, Southwest Airlines increased the number of daily departures from 14 to 41. The addition of Southwest and Frontier expanded PHL's family of low-cost carriers to six, with Air Tran Airways, American West Airlines, ATA, and USA3000 also flying from PHL. In response to the influx of low-cost carriers, US

Airways, the dominant carrier at PHL, reduced fares on many routes. The low-fare competition is expected to save the region's travelers more than $200 million annually.

- **Increase the number of destination options.** In 2004, US Airways began the first non-stop service between Philadelphia and Scotland when it inaugurated daily flights to Glasgow on May 10. Glasgow became the 11th European destination served non-stop from Philadelphia, joining London, Manchester, Shannon, Dublin, Rome, Madrid, Paris, Amsterdam, Frankfurt and Munich. US Airways announced plans to add its 12th and 13th European destinations in early 2005 with service to Barcelona, Spain and Venice, Italy.

- **Develop a new Airport–Airline use and lease agreement.** The Airport has operated under a lease agreement with its major airline tenants since 1974. This agreement, which expires in June 2006, does not reflect the current economic conditions of the aviation industry because it provides airlines with "exclusive-use" of their leased gates, whether they are being fully utilized or not. As new gates open, the airport has eliminated granting exclusive-use rights; instead, leases provide for a "preferential-use" or "common use" basis. These provisions protect the Airport from situations in which one carrier monopolizes a gate or gates and does not achieve maximum utilization of the gate, thereby blocking access to competitors and generating less revenue for the airport. The Airport initiated negotiations with airline representatives during the summer of 2004, and expects to have a new agreement in place by July 2005.

Continue to provide a safe and secure environment to inspire passenger and community confidence

- **Implement new security measures**. PHL is currently in the design process for an expanded, $185 million Terminal D/E screening facility, which will include 12 to 14 new high-tech passenger screening lanes. The new facility will provide for up to 10 integrated high-speed in-line Explosive Detection System (EDS) machines to process passenger baggage in a safe and more expeditious manner. An additional screening lane is scheduled for completion in Terminal D in fall 2005 in preparation for the Terminal D/E checkpoint expansion project. In order to move forward with the project, PHL must receive approval from airlines and City Council.

  One hundred percent in-line checked baggage systems are currently in place at International Terminal A-West, with design underway for Terminals A-East, B/C, and D/E. The A-West system includes a centralized baggage screening control room for the operation of up to 15 CTX 9000 EDS machines. PHL currently has more than 1,300 closed-circuit television cameras throughout the Airport facility that work in conjunction with the Security Access Control System to maintain a safe and secure environment for passengers and employees. The federal Transportation Security Administration (TSA) has also enhanced its passenger screening policy to require the removal of the passenger's outermost garment before passing through the magnetometer. In addition, the TSA is authorized to increase hand searches or pat-downs when screeners identify passengers wearing loose or baggy clothing.

Expand Airport facilities to ensure adequate capacity to meet demand for air travel

- **Terminal A East upgrade.** After the completion of the $550 million Terminal A West in May 2003, the Airport upgraded and modified the existing Terminal A East, and improved operations space and concession areas. The second phase of the project is a $10 million improvement package to upgrade Terminal A East leasehold areas, such as hold-rooms, ticketing pavilion, and bag claim facilities. PHL projects to complete this second phase in the summer of 2006.

- **Expand Terminal D/E.** Philadelphia International Airport has commenced a major capital improvement project to be completed in FY08, consisting of the expansion of Terminals D and E. This project includes approximately 222,000 square feet of expansion, which will provide PHL with three additional jet gates, 23 ticket counter positions, at least 5 additional security screening lanes, and 2 additional baggage claim carousels. The scope of the project includes:
  - New Terminal E hammerhead
  - Apron work on the E hammerhead
  - Renovation of Terminals D and E baggage claim buildings
  - New baggage handling system at the ground level
  - Terminal D and E security building connections
  - Construction of a third level to accommodate Division of Aviation offices
  - New airline club on the third level
  - Additional airline holdroom, clubroom, office and operations space
  - Additional concession space
  - Renovation of the existing terminal

- **Master Plan: Expedite Environmental Impact Study (EIS).** The Federal Aviation Administration (FAA) has identified the Philadelphia International Airport (PHL) as one of the airports contributing to delays throughout the national airport system. Delays at PHL are occurring partly because the primary runways are congested, while the secondary runways are underused. To provide relief from the existing delays as soon as feasible, two separate projects proposed by the City are undergoing EIS scrutiny concurrently. These projects include the Runway 17-35 Extension Project, which will reduce delays in the short-term (2007), and the Capacity Enhancement Program, which will reduce delays in the long-term (2015).

  - *Runway Improvement Project, 17-35 Extension* – The short-term solution to PHL's airfield capacity problem is being pursued through the extension of existing Runway 17-35. Extension of the 5,460 foot runway by 1,000 feet will allow for greater utilization by regional jets. Completion of the project would provide for immediate delay reduction.

  - *Capacity Enhancement Program* (CEP) – PHL is in the final stages of a master planning process that has evaluated the Airport's existing airfield and suggested improvements to improve its air operations. The FAA has concurred that capacity and delay problems exist at PHL. The long-term proposed solution is a major airfield redevelopment project referred to as the CEP. Three alternatives were considered by the FAA, including a no build option. The two construction options impact all four existing runways. One of the two final development concepts, referred to as the "Parallel Alternative," involves new runway adjustments to increase runway separation and the extension of other existing runways. This will permit smaller (primarily commuter and general aviation) aircraft to be segregated from larger commercial aircraft, thereby permitting both types of aircraft to operate in a more compatible environment. The other alternative, called the "Diagonal Alternative," would use the existing Airport infrastructure to the extent possible, while integrating four new runways diagonally across the existing airfield, ultimately leading to the complete redevelopment of the Airport.

Aviation Fund
Five Year Financial Plan
Fiscal Years 2006 - 2010
All Departments

	FY2005 Estimate	FY2006	FY2007	FY2008	FY2009	FY2010
Revenues						
Locally Generated Non-Tax	248,000,000	256,881,000	251,983,000	268,229,000	270,228,000	271,741,000
Passenger Facility Charges	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000
From Other Governments	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
From Other Funds	500,000	500,000	500,000	500,000	500,000	500,000
Total Revenues	283,800,000	292,681,000	287,783,000	304,029,000	306,028,000	307,541,000
Obligations						
Personal Services	53,199,190	55,722,961	57,395,000	59,691,000	59,691,000	59,691,000
Personal Services - FB	23,579,000	26,229,000	27,016,000	28,097,000	28,097,000	28,097,000
Subtotal Personal Services	76,778,190	81,951,961	84,411,000	87,788,000	87,788,000	87,788,000
Purchase of Services	84,278,085	91,357,085	92,727,000	94,118,000	95,530,000	96,963,000
Materials & Supplies	9,116,210	9,361,210	9,502,000	9,645,000	9,790,000	9,937,000
Equipment	6,582,894	7,545,293	7,500,000	7,500,000	7,500,000	7,500,000
Contrib., Indemnities & Taxes	3,538,000	4,012,000	4,000,000	4,000,000	4,000,000	4,000,000
Debt Service	101,764,334	94,947,451	87,039,000	96,981,000	96,983,000	97,059,000
Payments to Other Funds	12,173,000	7,201,000	5,000,000	5,000,000	5,000,000	5,000,000
Advances & Misc. Payments	500,000	-	-	-	-	-
Total Obligations	294,730,713	296,376,000	290,179,000	305,032,000	306,591,000	308,247,000
Operating Surplus / (Deficit)	(10,930,713)	(3,695,000)	(2,396,000)	(1,003,000)	(563,000)	(706,000)
Fund Balance						
Prior Year	24,269,859	18,339,146	20,644,000	24,248,000	29,245,000	34,682,000
Commitments Cancelled	5,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Adjusted Fund Balance	29,269,859	24,339,146	26,644,000	30,248,000	35,245,000	40,682,000
Year End	18,339,146	20,644,146	24,248,000	29,245,000	34,682,000	39,976,000

Philadelphia Gas Works

As the largest municipally owned natural gas utility in the nation, Philadelphia Gas Works (PGW) maintains a distribution system of approximately 6,000 miles of service lines and distribution mains, and serves approximately 519,000 customers. The utility also operates facilities for the liquefaction, storage, and vaporization of natural gas, which supplements gas supply taken directly from interstate pipeline and storage companies.

Founded in 1835, and owned and operated by the City since 1841, PGW is not a corporation or legal entity in the usual sense. Rather, it is the collective name of a group of real and personal City assets used to supply natural gas within the city limits and managed by outside entities created or authorized by the City. PGW currently operates under a management agreement with the nonprofit Philadelphia Facilities Management Corporation (PFMC), established in 1972 by the City for the purpose of operating the utility. Under the agreement, PFMC, which is governed by a board appointed by the Mayor, manages PGW through a cadre of three senior corporate officers and other personnel it considers necessary. The agreement also vests the Philadelphia Gas Commission (PGC)—composed of the independently elected City Controller, two mayoral appointees, and two appointees of City Council—with the responsibility for approval of PFMC senior personnel appointments, PGW's operating budget and any short-term loans, as well as review of the company's gas supply contracts and capital budgets with recommendations to City Council, which must approve them. Ratemaking and general regulatory authority over the adequacy, reliability and quality of service were transferred by statute to the Pennsylvania Public Utility Commission, effective July 1, 2000.

Addressing the Challenges at PGW

Since 1998, PGW has been buffeted by an almost overwhelming array of managerial, operational, regulatory and financial challenges. As Philadelphia's population shrank from 1.9 million in 1970 to 1.5 million in 2000, the residential base became poorer and more elderly. During that same period, many of PGW's large industrial and commercial customers closed or left the city. As a result, a large proportion of customers routinely have difficulty paying PGW bills. Meanwhile, others who can pay enter into and later routinely break payment arrangements; a defacto regulatory moratorium on shut offs during the winter season historically provided them with protection. Collection problems were exacerbated by a massive failure of a computerized billing system in 1999, the subsequent and related collapse of the company's call center operations; and historically high natural-gas prices, passed partially on to customers during the winter of 2000-2001. Yet the company had not been allowed to raise its base rates in ten years, even as several warm winters eroded the utility's operating margins, and unpaid customer bills mounted.

By August 2001, PGW was left with $933.4 million in long-term debt and $204.5 million in equity, an 84.8 percent to 15.2 percent allocation between debt and equity, as compared to an industry best practice of 70 percent to 30 percent. The utility was also carrying $78 million in short-term borrowing that had been intended only to meet seasonal cash flow requirements, and had taken a $45 million working-capital loan from the City in December 2000.

This precarious financial situation raised concern that PGW might be unable to repay the City's loan or even make its annual, legally required $18 million payment to the City's General Fund. Compounding this bleak picture were an expensive, constraining labor contract that covered three-quarters of the company's workforce, and fiduciary practices inconsistent with sound and efficient management principles.

By August 2003, the company had made substantial progress in its efforts to reform its operations and come into compliance with PUC regulations, as it moved completely under the purview of the PUC on September 1, 2003. Starting in FY02, the company was confronted with a new and critical problem: The unprecedented increase in the commodity costs of natural gas. The annual bill for the average customer per year has increased from approximately $900 in FY02 to $1,400 in FY04, and is projected to exceed $1,600 in FY05. Such increases have placed an almost overwhelming burden on many of PGW's customers. One consequence has been a marked increase in the provision for its uncollectible accounts. Progress in containing operations costs has been overtaken by increases in bad debt expense, employee healthcare costs, and a pension expense up from $2.5 million in FY01 to $13 million in FY03 as a result of changes in the financial markets. In FY04, the City forgave the $18 million payment, enabling PGW to utilize the cash for working capital purposes and improve overall liquidity. The City also committed to forgo the annual $18 million payment from FY05 through FY08, allowing PGW to build up sufficient liquidity to satisfy requirements of rating agencies, which had downgraded PGW's bond ratings. PGW anticipates that the $18 million payment will be made to the City in FY09. PGW also expects to repay the outstanding $45 million City loan in August 2008.

Although progress has been steady and, as indicated above, often subject to forces outside the utility's control, PGW's management team, headed by a new permanent chief executive officer, has achieved a dramatic turnaround. Among the highlights of PGW's achievements in financial and operational stability:

Cost-Saving Initiatives. As a result of substantial changes to its collective-bargaining agreement with Local 686 of the Gas Works Employees' Union in 2001, increased management flexibility is on track to save $76.5 million over five years beginning in FY02, including $9.5 million the first year. During FY02, PGW was able to reduce its annual non-gas operating expenses by 4.3 percent or $9.6 million (from $221.6 million to $212.0 million). Almost $9 million of those savings are potentially recurring in the areas of collections, field services, customer services and marketing.

Operational Improvements. PGW has achieved ongoing savings from operations while addressing a number of major challenges. Management repaired the billing, collections and customer-service (BCCS) system, the July 1999 implementation of which had initially resulted in 55,000 processing errors and 70,000 estimated or unbilled accounts. Today, BCCS' operations are well within industry standards and the company is meeting industry norms of customer satisfaction. The company expanded collection operations and reduced net receivables by $29.5 million during FY02. However, as a result of colder weather conditions and escalating natural gas prices, bad debt as a percentage of billed gas revenues rose to 11.2 percent in FY03, up from 11 percent at the end of FY00. PGW's net receivable at the end of FY03 rose by $26.3 million. The FY03 level was sustained in FY04 despite a further substantial increase in the cost of gas. For this fiscal year, the PGW fiscal outlook has improved, due to collections at the 94 percent level and a 50 percent drop in the cost of natural gas since the Fall.

PGW has also made significant strides in customer service. In 1999, customers calling PGW waited an average of 12 minutes to talk with a service representative. With the implementation of a customer service initiative in June 2001, PGW has been successful in managing and training call center personnel, who now answer 79.3 percent of all non-emergency calls within 30 seconds, moving PGW's performance from last place in the Commonwealth to the full compliance level. Dramatic improvement, sustained throughout FY02, prevented a potential PUC order to compel PGW to contract out its call center operations. In December 2002, PGW resumed its guarantee of a 48-hour response time to service calls from customers enrolled in its parts-and-labor repair program. In 2004, PGW continues to provide this high grade of service to its customers.

During FY03, the company also undertook efforts to complete re-engineering of three areas: human resources, information technology and its 1,000-person field force department. The company successfully implemented a payroll system along with its first automated human resources information system. The Information Technology Department was reorganized to directly support individual departments while cutting costs. Most important, management has undertaken a full restructuring of distribution and field services functions so as to increase productivity, address additional requirements of PUC compliance, and reduce costs.

During FY04, management undertook percent reengineering of the Collections Department. Confronted with a 1993 collection rate of only 87 percent due to an unprecedented increase in gas costs, the company returned to its customary performance level of collecting 92 percent in FY04. In FY05, PGW will have the full capabilities of an independent collection agency.

Regulatory Relief. After ten years without a rate increase, PGW was awarded a total of $69.6 million in permanent base-rate relief from the PUC in 2001 and 2002. Of that amount, $36 million was emergency relief for preservation of the utility's overall liquidity and access to capital markets, following an historically warm winter, which cut the projected annual "contribution margin" (total operating revenues less fuel cost) by $33.1 million. In August 2002, PGW also persuaded the PUC to permit implementation of a "weather-normalization adjustment," which raises customer charges in warmer-than-normal winters and lowers them in colder ones. This adjustment, which is unprecedented in Pennsylvania but implemented in 18 other states, benefits PGW and its customers by helping to stabilize the utility's finances and billing charges against the vagaries of winter weather.

Legislative Action. Facing increasing resistance from customers who in turn are faced with overwhelming bills to make timely remittances, PGW has sought the help of the Pennsylvania Legislature to allow more flexibility to gas, electric and water utilities in securing payment. The change in law took effect in December 2004 and grants PGW enhanced rights in the areas of deposits, payment agreements, terminations and winter shut-offs.

Mitigated Financial Risk. The $36 million in emergency rate relief, along with City Council's approval of PGW's request to defer repayment of the $45 million City loan until August 2008, resulted in Standard and Poor's May 2002 removal of PGW's bonds from "CreditWatch with negative implications," after nearly two years. In August 2002, the company also negotiated the removal of a commercial-paper "ratings-trigger" that would have caused the entire debt balance (currently $79.8 million) to become due if two of the three major bond rating agencies lowered PGW's ratings to below investment grade for a period of six months. Any such sudden termination of the commercial-paper program would almost certainly have required new financing from ratepayers, the City's General Fund, or both. With the increase in gas costs and consequent effects on both the customers' ability to pay and the company's liquidity in FY04, management anticipates further legislative and regulatory proposals and operational changes to increase PGW's cash flow so as to maintain its financial rating.

Capital Enhancements. Since FY01, even in the face of extreme financial uncertainty, PGW has met expert recommendations for replacing or abandoning its inventory of cast-iron main. During the summer of 2002, the utility also completed $20 million in improvements to its Port Richmond liquefied natural gas (LNG) facility, one of the largest in the United States. PGW is currently testing its expanded LNG capacity. Once the plant is fully operational, the company will be able to liquefy and store natural gas year-round, allowing it to better serve its customers and market liquefaction and related services to other companies. The new revenue stream will enable the company to fund capital projects on a pay-as-you-go basis, rather than from capital debt, which will be more economical in the long run.

Restructuring. In addition to rate regulation by the PUC, the Gas Choice Act required that PGW allow its retail customers to choose their natural gas suppliers beginning on September 1, 2003. The implementation of customer choice, known as "restructuring," meant that the company had to "unbundle" its rates, charging separately for gas supply and gas-transportation services, and institute mechanisms for customers to buy gas from other companies, even as PGW continued to serve as a regulated gas distribution monopoly and supplier of last resort.

PGW's Restructuring Plan was approved by the PUC, indicating PUC acceptance of PGW's compliance with standards for customer service, rates, and safety and reliability.

The PUC approved a new "universal service charge" that provides for recovery of costs associated with the various state-mandated programs for low-income households. The PUC also approved a new "restructuring surcharge" to recover the costs of the restructuring process, resulting in a marginal increase to the typical residential customer's annual charges beginning with the FY03-FY04 heating season.

The most significant restructuring costs are generated by the need to modify the billing and collection system to accommodate customer choice and Public Utility Code requirements; test and replace all gas meters on a 15-year schedule, which will require a complete overhaul of the company's gas-meter maintenance shop; and enter every customer's premises at least once every five years to conduct a gas leak survey, even though none of the 56 incidents PGW reported in the last 30 years has resulted from such leaks.

PGW's Challenges Ahead

Real progress has been made by the Administration and PGW managers in reforming an organization whose mode of operation had put the City's General Fund at risk. Much of the progress has resulted from the resolution of the more immediate crises facing PGW. Also essential-and still to come-is a strategic effort driven by clear operational and fiscal goals that, in part, balance PGW's continued financial viability with its responsibilities to customers, many of whom face severe financial challenges of their own.

When Standard and Poors removed PGW from "CreditWatch," it nonetheless maintained its "negative outlook" on the bonds because of "uncertainty regarding a long-term strategic plan." With past crises under control, permanent management in place, a working relationship with the PUC established, PGW's financial condition and statutory responsibilities to citizens having been addressed, PGW is turning its attention toward long-term strategic concerns. Senior PGW managers are finally able to look beyond the company's day-to-day operations for strategic opportunities to better serve customers, further lower costs and raise new revenues to ensure the company's fiscal health. The recent law addressing PGW's credit and collections policies is indicative of this change of focus. In addition, in late November 2004, PGW issued an RFP to expand the Richmond LNG facility into an LNG terminal. PGW anticipates partnering with a major, multi-national energy company to receive LNG tankers from around the world, vaporize the fuel, and inject it into the interstate pipeline system. With no capital investment of its own, PGW would nonetheless receive substantial revenues for performing this "tolling" function.

PGW's shift in orientation from crisis management to strategic management better positions it to meet its most imminent challenges:

Financial Stability. PGW will continue to contend with a relatively old and impoverished customer base, with 129,450 of the 491,500 residential customers living at or below the federal poverty level. PGW leads Pennsylvania in the number of customers receiving cash assistance through the federal Low Income Home Energy Assistance Program (LIHEAP) and similar grants for the payment of gas bills. Already successful in generating this federal aid, PGW went a step further and re-energized its LIHEAP outreach efforts over the last few years. As a result, between FY00 and FY03, the number of households receiving assistance grew from approximately 58,000 to about 71,000, a 32 percent increase (as compared with only a 20 percent increase for the entire Commonwealth). In September 2004, the PAPUC voted to discontinue the Senior Citizen Discount Program for all customers reaching the age of 65 after September 1, 2003. However, because the final position presented to the PAPUC by PGW reflected an agreement between the Mayor and City Council to keep the 20 percent discount for elderly people of modest or little income through a means test, PGW will appeal the PAPUC's decision on this important public policy issue.

PGW's March 2004 request for approval of a Cash Receipts Reconciliation Clause, designed to track the inability of PGW's customers to pay the substantially increased cost of natural gas and to provide a floor under PGW's cash position, was turned down by the PUC. However, waivers from certain PUC customer service regulations, along with legislative action recently approved by the Commonwealth of Pennsylvania anticipates may enable approximately $18 to $20 million in annual benefits through enhanced collection procedures.

Capital Investments. Among the concerns raised in Standard and Poors May 2002 statement on PGW was the need for the company to implement a comprehensive capital-improvement plan. In December 2002, City Council approved PGW's six-year (FY03-FY08), $431.5 million capital program, which emphasizes the safety and reliability of the gas system and is financed in part by $125 million in new bonds. To continue the program of capital improvements, the company issued $150 million of new bonds in October 2004.

PGW has accelerated the reduction of cast-iron pipelines and is replacing them with polyurethane or steel pipeline. The utility reduced the inventory by 21.4 miles in FY02, 22.6 miles in FY03 and 18 miles in FY04, at a total FY03-FY08 cost of $284.6 million. Additionally, the capital program will finance certain restructuring costs, such as BCCS/mobile dispatch system modifications and meter shop renovations, as well as security enhancements.

While the outlook for PGW has improved considerably, its financial forecast depends on several key assumptions. For example, paying down short-term debt as planned and fully funding anticipated capital expenditures will require $35 million per year in new cost savings, added revenues, or both, from FY07 to FY09. Forecasts also assume that annual FY04-FY09 bad debt levels stabilize at between $63 million and $65 million annually, down from the $85 million high in FY03. Achieving these levels will probably require a slight decline in gas costs consistent with current gas price projections, as well as even more aggressive bill collection efforts. Should PGW's financial forecasts prove accurate, the 8 percent ratio of bad debt to billed gas revenues will still be much higher than industry standards of 1 percent to 3 percent.

City of Philadelphia
Five-Year Financial Plan

Appendix IV
Long-term Obligations

SINKING FUND COMMISSION
GENERAL FUND OPERATING BUDGET - ESTIMATES
FISCAL YEARS 2006 to 2010

DESCRIPTION	2006	2007	2008	2009	2010
200 PURCHASE OF SERVICES					
200 Long Term Leases	85,836,788	91,027,524	83,352,364	87,869,529	88,339,263
700 DEBT SERVICE					
701 Total Interest on City Debt LT	45,479,225	54,601,521	56,328,738	57,740,219	55,886,804
702 Total Principal on City Debt LT	19,960,000	26,317,000	30,940,000	37,460,000	39,287,000
703 Interest on City Debt Short Term	11,125,000	11,125,000	12,125,000	13,125,000	13,125,000
704 Sinking Fund Reserve Payments	2,370,731	1,337,250	1,338,100	1,337,600	1,335,650
705 Committment Fee Expense	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
706 Arbitrage Payments	350,000	350,000	350,000	350,000	350,000
Total Class 700	80,284,956	94,730,771	102,081,838	111,012,819	110,984,454
Total All Classes	166,121,744	185,758,295	185,434,202	198,882,348	199,323,717

City of Philadelphia
Five-Year Financial Plan

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Appendix V
Other Statutory Requirements
General Fund

CITY OF PHILADELPHIA FY2006-2010 Five Year Financial Plan	SUMMARY OF OPERATIONS FISCAL YEARS 2004 TO 2010 (Amounts in Thousands)

FUND

General

NO.	ITEM	F.Y. 2004 Actual	F.Y. 2005 Estimate	F.Y. 2006 Estimate	F.Y. 2007 Estimate	F.Y. 2008 Estimate	F.Y. 2009 Estimate	F.Y. 2010 Estimate
(1)	(2)	(4)	(5)	(6)	(7)	(8)	(9)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	2,059,625	2,130,583	2,129,893	2,183,538	2,236,066	2,286,332	2,293,701
2	Locally Generated Non-Tax Revenues	207,382	220,859	241,428	235,537	260,725	263,795	263,831
3	Revenue from Other Governments	801,050	1,047,707	1,046,395	1,064,898	1,112,819	1,196,182	1,189,654
4	Sub-Total (1) + (2) + (3)	**3,068,057**	**3,399,149**	**3,417,716**	**3,483,973**	**3,609,609**	**3,746,309**	**3,747,186**
5	Revenue from Other Funds of City	24,732	28,873	27,574	27,578	26,992	27,414	27,845
6	Total - Revenue (4) + (5)	3,092,789	3,428,022	3,445,290	3,511,551	3,636,600	3,773,723	3,775,031
7	Revenues Forgone	0	0	0	0	0	0	0
8	**Total Revenue and Other Sources (6)+(7)**	**3,092,789**	**3,428,022**	**3,445,290**	**3,511,551**	**3,636,600**	**3,773,723**	**3,775,031**
	OBLIGATIONS/APPROPRIATIONS							
9	Personal Services	1,278,325	1,257,734	1,238,915	1,271,068	1,309,738	1,305,227	1,305,177
10	Personal Services-Employee Benefits	598,935	704,726	754,499	813,892	866,060	914,507	966,404
11	**Sub-Total Employee Compensation**	**1,877,260**	**1,962,460**	**1,993,414**	**2,084,960**	**2,175,798**	**2,219,734**	**2,271,581**
12	Purchase of Services	1,050,282	1,081,339	1,149,488	1,176,888	1,193,673	1,217,007	1,243,111
13	Materials, Supplies and Equipment	70,640	72,059	68,688	68,545	67,868	74,658	74,658
14	Contributions, Indemnities, and Taxes	95,141	111,133	108,882	108,632	108,382	89,019	88,519
15	Debt Service	93,719	90,673	80,285	94,731	102,082	111,013	110,985
16	Capital Budget Financing	0	0	0	0	0	0	0
17	Advances and Miscellaneous Payments	31,995	36,741	38,604	0	0	0	0
18	Sub-Total (11 thru 17)	3,219,037	3,354,405	3,439,361	3,533,756	3,647,803	3,711,431	3,788,854
19	Payments to Other Funds	29,137	25,158	24,268	24,321	24,488	24,488	24,488
20	Future Government Efficiencies	**0**	**0**	**0**	**(18,000)**	**(18,000)**	**(12,000)**	**(12,000)**
21	**Total - Obligations (18+19+20)**	**3,248,174**	**3,379,563**	**3,463,629**	**3,540,077**	**3,654,291**	**3,723,919**	**3,801,342**
22	Oper.Surplus (Deficit) for Fiscal Year (8-23)	(155,385)	48,459	(18,339)	(28,526)	(17,691)	49,804	(26,311)
23	Prior Year Adjustments:							
24	Revenue Adjustments	0	0	0	0	0	0	0
25	Other Adjustments	17,267	18,000	18,000	18,000	18,000	16,000	16,000
26	Funding For Future Obligations	0	0	0	0	0	0	0
27	Total Prior Year Adjustments	17,267	18,000	18,000	18,000	18,000	16,000	16,000
28	**Adjusted Oper. Surplus/ (Deficit) (24+29)**	**(138,118)**	**66,459**	**(339)**	**(10,526)**	**309**	**65,804**	**(10,311)**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS							
	Fund Balance Available for Appropriation							
29	June 30 of Prior Fiscal Year	91,329	(46,789)	19,670	19,331	8,806	9,115	74,919
30	Residual Equity Transfer	0	0	0	0	0	0	0
31	Fund Balance Available for Appropriation							
	June 30 (30)+(31) + (33)	**(46,789)**	**19,670**	**19,331**	**8,806**	**9,115**	**74,919**	**64,609**

City of Philadelphia
General Fund
FY 2006 - 2010 Five Year Financial Plan
Summary by Class

Expenditure Class	Actual FY 04	Budgeted FY 05	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08	Projected FY 09	Projected FY 10
Class 100 - Wages / Benefits	1,877,259,765	1,955,281,033	1,962,459,564	1,993,414,500	2,084,959,441	2,175,797,613	2,219,733,701	2,271,581,035
Class 200 - Contracts / Leases	1,050,281,818	1,097,054,804	1,081,339,373	1,149,487,814	1,176,888,127	1,193,672,518	1,217,006,993	1,243,111,137
Class 300/400 - Supplies, Equipment	70,640,388	68,330,864	72,059,220	68,687,726	68,544,632	67,868,632	74,658,632	74,658,632
Class 500 - Indemnities / Contributions	95,141,673	109,132,432	111,132,432	108,882,432	108,632,432	108,382,432	89,018,517	88,518,517
Class 700 - Debt Service	93,718,992	91,533,476	90,673,476	80,284,956	94,730,771	102,081,838	111,012,819	110,984,454
Class 800 - Payments to Other Funds	29,136,500	24,710,988	25,158,188	24,267,565	24,320,730	24,487,738	24,487,738	24,487,738
Class 900 - Advances / Misc. Payments	31,995,000	36,740,403	36,740,403	38,604,007	0	0	0	0
Total	3,248,174,136	3,382,784,000	3,379,562,656	3,463,629,000	3,558,076,133	3,672,290,771	3,735,918,400	3,813,341,513

City of Philadelphia
FY 2006 - 2010 Five Year Financial Plan
General Fund
Summary by Department

Department	Actual FY 04	Budgeted FY 05	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08	Projected FY 09	Projected FY 10
Art Museum Subsidy	2,250,000	0	2,000,000	1,750,000	1,500,000	1,250,000	1,000,000	500,000
Atwater Kent Museum Subsidy	291,396	0	269,875	250,000	225,000	200,000	150,000	100,000
Auditing Department (City Controller's Office)	7,498,977	7,314,505	7,392,505	7,101,333	7,298,157	7,568,463	7,568,463	7,568,463
Board of Building Standards	100,182	121,054	121,804	117,277	120,761	125,545	125,545	125,545
Board of L & I Review	194,434	212,927	215,177	206,082	211,339	218,558	218,558	218,558
Board of Revision of Taxes	7,888,037	8,286,783	8,380,533	9,522,901	9,798,542	9,790,047	9,668,336	9,668,336
Camp William Penn	410,483	283,385	283,385	278,889	283,039	288,739	288,739	288,739
Capital Program Office	2,259,899	1,977,415	1,987,915	1,903,917	1,932,004	1,970,578	1,970,578	1,970,578
City Commissioners	8,460,392	7,960,206	8,026,191	8,026,191	8,205,688	8,398,366	8,398,366	8,398,366
City Council	13,342,856	18,918,166	14,758,166	14,514,074	14,690,246	15,151,921	15,151,921	15,151,921
City Planning Commission	3,345,690	3,108,866	3,147,866	3,294,081	3,290,020	3,283,681	3,283,681	3,283,681
Commerce Department	58,543,146	4,605,733	4,611,733	4,582,511	4,617,883	4,666,461	4,666,461	4,666,461
Commerce Department-Economic Stimulus	4,131,250	4,131,250	4,131,250	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000
City Treasurer	735,383	768,041	728,382	681,259	695,573	715,230	715,230	715,230
Civic Center	233,663	271,427	0	0	0	0	0	0
Civil Service Commission	128,146	164,055	165,555	159,728	163,723	169,210	169,210	169,210
Clerk of Quarter Sessions	4,618,161	4,486,116	4,567,866	4,347,650	4,475,498	4,651,074	4,651,074	4,651,074
Community College Subsidy	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924
Convention Center Subsidy	31,995,000	36,740,403	36,740,403	38,604,007	0	0	0	0
Debt Service (Sinking Fund)	164,513,811	169,826,484	167,305,488	166,121,744	185,758,295	185,434,202	198,882,348	199,323,717
District Attorney	30,471,079	29,772,887	29,941,240	29,022,242	29,959,035	30,921,813	30,921,813	30,921,813
Fairmount Park Commission	14,402,883	13,494,328	13,744,308	13,129,049	13,304,547	13,474,898	13,441,885	13,441,885
Finance Department	25,454,962	14,569,891	18,918,831	18,239,318	18,232,555	18,371,779	14,296,806	14,296,806
Finance - Contib. School Dist./Tax Cuts	36,159,200	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
Finance - Employee Benefits	598,934,184	713,724,000	704,725,443	754,499,000	813,891,836	866,059,549	914,507,144	966,404,478
Finance - PGW Rental Reimbursement	0	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	0	0
Fire Department	169,740,326	166,602,811	173,331,597	166,521,283	173,166,657	179,475,816	179,475,816	179,475,816
First Judicial District	114,824,028	106,404,384	115,445,465	106,528,245	107,918,375	109,378,112	108,881,954	108,881,954
Fleet Management Office	39,175,114	38,892,834	42,024,874	38,280,600	37,911,694	37,846,295	37,702,633	37,702,633
Fleet Mgmt. - Vehicle Purchase	6,699,661	2,180,000	2,180,000	4,180,000	4,680,000	5,180,000	12,000,000	12,000,000
Free Library	36,057,882	36,526,075	37,278,139	35,267,617	35,750,867	36,081,604	35,841,670	35,841,670
Hero Scholarship Awards	2,400	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Historical Commission	257,684	325,618	328,618	316,325	324,906	336,690	336,690	336,690
Human Relations Commission	2,280,008	2,259,408	2,288,658	2,055,637	2,090,401	2,117,229	2,045,118	2,045,118
Human Services Department	585,184,690	640,801,137	608,018,310	655,604,417	675,272,548	697,409,909	715,559,149	735,843,766
Indemnities	18,744,148	25,113,915	27,113,915	25,113,915	25,113,915	25,113,915	24,000,000	24,000,000
Labor Relations, Mayor's Office of	461,129	494,752	497,002	490,025	503,583	522,203	522,203	522,203
Law Department	16,829,325	15,134,206	15,200,956	13,847,538	14,078,000	14,281,871	14,263,555	14,263,555

City of Philadelphia
FY 2006 - 2010 Five Year Financial Plan
General Fund
Summary by Department

Department	Actual FY 04	Budgeted FY 05	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08	Projected FY 09	Projected FY 10
Licenses and Inspections Department	23,876,187	21,450,159	21,277,786	20,013,349	20,234,738	20,557,612	20,284,665	20,284,665
Licenses and Inspections - Demolitions	0	0	0	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Managing Director's Office	14,490,907	13,982,223	13,997,223	12,688,032	12,881,234	13,046,681	12,949,643	12,949,643
Mayor's Office	3,793,907	3,945,773	3,945,773	4,176,236	4,278,426	4,418,766	4,418,766	4,418,766
Mayor - Mural Arts Program	0	864,623	864,623	849,211	865,492	887,852	887,852	887,852
Mayor's Office of Community Services	820,479	711,753	711,753	692,606	710,284	734,562	734,562	734,562
Mayor - Scholarships	199,944	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Mayor's Office of Information Services	12,760,943	11,179,254	11,613,754	11,363,778	11,476,633	11,476,236	11,302,196	11,302,196
Off. of Behavioral Health/Mental Retardation Svcs.	0	14,692,638	14,719,638	14,611,957	14,686,450	14,788,755	14,788,755	14,788,755
Office of Housing & Community Development	589,896	387,846	387,846	380,148	387,256	397,017	397,017	397,017
Office of Emergency Services	15,341,442	15,541,322	21,107,204	17,909,150	18,052,312	18,203,348	18,192,286	18,192,286
Personnel Department	4,838,130	4,568,071	4,624,321	4,390,956	4,337,392	4,307,111	4,307,111	4,307,111
Police Department	492,847,621	470,506,502	470,506,502	480,230,753	493,386,703	511,362,480	510,593,907	510,593,907
Prisons System	184,370,288	179,925,799	187,005,834	186,613,381	188,711,280	191,472,420	191,326,872	191,326,872
Procurement Department	5,216,584	4,398,997	4,490,722	4,347,847	4,377,935	4,380,911	4,380,911	4,380,911
Public Health Department	115,791,072	105,784,817	106,459,308	107,040,128	107,687,262	108,983,790	108,451,232	108,451,232
Public Property Department	49,279,378	45,271,511	45,274,990	46,132,262	47,342,465	47,939,546	48,273,989	48,987,425
Public Property - SEPTA Subsidy	0	57,034,000	57,834,000	59,216,000	60,263,000	61,601,000	63,066,000	64,717,000
Public Property - Space Rentals	13,842,113	13,677,177	14,312,640	14,462,759	14,610,811	14,728,258	15,110,650	15,945,980
Public Property - Utilities	28,223,837	26,389,036	26,389,036	26,468,000	27,638,000	28,648,000	29,028,000	29,158,000
Public Property - Telecommunications	12,138,124	10,631,500	10,631,500	12,982,098	13,584,094	13,813,414	13,868,350	14,068,350
Records	8,452,093	7,276,959	7,333,959	7,109,025	7,200,239	7,172,505	7,156,780	7,156,780
Recreation Department	36,800,597	37,288,073	35,300,718	33,235,886	33,176,123	33,233,981	33,002,101	33,002,101
Recreation - Stadium Complex	3,707,910	0	0	0	0	0	0	0
Refunds	51,445	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Register of Wills	3,161,675	3,023,355	3,130,355	3,064,493	3,152,320	3,272,935	3,272,935	3,272,935
Revenue Department	16,582,001	17,803,969	17,988,469	17,658,159	17,443,382	17,069,918	16,876,659	16,876,659
Sheriff's Office	14,470,630	14,064,381	14,078,631	12,867,075	13,233,912	13,737,702	13,737,702	13,737,702
Streets Department	32,754,093	27,797,190	28,177,884	28,293,600	28,704,968	29,269,914	29,214,070	29,214,070
Streets - Sanitation Division	90,375,236	88,765,413	91,174,390	89,858,656	92,260,576	94,888,272	96,646,416	98,966,442
Tax Reform Commission	352,475	0	0	0	0	0	0	0
Witness Fees	127,344	175,000	175,000	175,000	175,000	175,000	175,000	175,000
Zoning Board of Adjustment	470,784	497,658	501,408	442,118	453,673	469,542	469,542	469,542
Total	3,248,174,136	3,382,784,000	3,379,562,656	3,463,629,000	3,558,076,133	3,672,290,771	3,735,918,400	3,813,341,513

City of Philadelphia
FY 2006 - 2010 Five Year Financial Plan
General Fund
Estimated Fringe Benefit Allocation

	Actual FY 04	Budgeted FY 05	Projected FY05	Budgeted FY 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09	Budgeted FY 10
Unemployment Compensation	2,624,995	2,600,000	3,600,000	5,487,820	2,525,288	2,525,288	2,525,288	2,525,288
Employee Disability	40,317,452	40,100,000	42,100,000	40,947,710	41,947,710	41,947,710	41,947,710	41,947,710
Pension	170,560,293	253,110,000	243,305,000	279,273,000	316,693,000	343,795,000	358,607,000	367,386,000
Pension Obligation Bonds	58,883,289	66,327,000	66,327,000	70,506,305	74,670,321	78,762,083	83,138,660	94,356,908
FICA	60,622,939	63,900,000	63,900,000	62,606,571	62,288,940	62,102,899	62,087,526	62,087,526
Health / Medical	253,712,903	274,987,000	272,793,443	283,210,925	303,099,908	324,159,900	353,334,291	385,134,377
Group Life	7,088,900	7,200,000	7,200,000	7,093,105	7,193,105	7,293,105	7,393,105	7,493,105
Group Legal	4,227,276	4,400,000	4,400,000	4,273,564	4,373,564	4,373,564	4,373,564	4,373,564
Tool Allowance	58,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Flex Cash Payments	838,137	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL	598,934,184	713,724,000	704,725,443	754,499,000	813,891,836	866,059,549	914,507,144	966,404,478

City of Philadelphia
Fiscal Year 2006 Operating Budget
FY 2006-2010 Five Year Plan
General Fund Full-Time Positions

Department	FY 2004 Adopted Budget	FY 2005 Adopted Budget	FY 2006 Proposed	FY 2007 Proposed	FY 2008 Proposed	FY 2009 Proposed	FY 2010 Proposed
Atwater Kent Museum	6	5	4	3	3	3	2
Auditing	132	125	116	116	116	116	116
Board of Building Standards	2	2	2	2	2	2	2
Board of L & I Review	3	3	3	3	3	3	3
Bd. of Revision of Taxes	160	163	160	155	154	154	154
Camp William Penn	4	4	4	4	4	4	4
Capital Program Office	22	18	14	14	14	14	14
City Commissioners	101	96	91	91	91	91	91
City Council	216	205	195	195	195	195	195
City Planning Commission	57	46	49	49	49	49	49
City Rep. / Commerce	27	24	16	16	16	16	16
City Treasurer	15	13	11	11	11	11	11
Civic Center	3	0	0	0	0	0	0
Civil Service Commission	3	2	2	2	2	2	2
Clerk of Quarter Sessions	128	122	111	111	111	111	111
District Attorney - Total	464	438	416	416	416	416	416
Civilian	*442*	*421*	*400*	*400*	*400*	*400*	*400*
Uniformed	*22*	*17*	*16*	*16*	*16*	*16*	*16*
Fairmount Park	211	201	179	179	179	179	179
Finance	151	159	154	154	154	154	154
Fire	2,518	2,302	2,275	2,275	2,275	2,275	2,275
Civilian	*130*	*130*	*101*	*101*	*101*	*101*	*101*
Uniformed	*2,388*	*2,172*	*2,174*	*2,174*	*2,174*	*2,174*	*2,174*
First Judicial District	2,082	1,996	1,852	1,852	1,852	1,852	1,852
Fleet Management	344	345	328	321	313	313	313
Free Library	738	699	652	652	652	652	652
Historical Commission	5	6	5	5	5	5	5
Human Relations Commission	44	40	35	35	35	35	35
Human Services	1,950	1,816	1,801	1,801	1,801	1,801	1,801
Labor Relations	8	7	7	7	7	7	7
Law	207	198	185	185	185	185	185
Licenses & Inspections	399	409	360	360	360	360	360
Managing Director	92	85	73	73	73	73	73
Mayor	48	46	43	43	43	43	43
Mayor's Office of Community Serv.	20	17	17	17	17	17	17
Mayor's Office of Information Serv.	120	102	103	103	103	103	103
Mural Arts Program	0	16	17	17	17	17	17
Office of Behavioral Health/MR Sv	0	47	44	44	44	44	44
Office of Emergency Shelter Serv.	68	60	55	55	55	55	55
Office of Housing & Comm. Dev.	6	5	5	5	5	5	5
Personnel	90	83	77	77	77	77	77
Police	7,843	7,821	7,239	7,239	7,239	7,239	7,239
Civilian	*933*	*911*	*884*	*884*	*884*	*884*	*884*
Uniformed	*6,910*	*6,910*	*6,355*	*6,355*	*6,355*	*6,355*	*6,355*
Prisons	2,100	2,077	2,058	2,058	2,058	2,058	2,058
Procurement	76	68	66	66	66	66	66
Public Health	835	761	680	677	674	671	671
Public Property	236	198	170	170	170	170	170
Records	87	80	78	78	78	78	78
Recreation	601	565	494	494	494	494	494
Register of Wills	70	67	68	68	68	68	68
Revenue	267	276	267	264	261	258	258
Sheriff	267	254	247	247	247	247	247
Streets	2,043	1,957	1,820	1,820	1,820	1,820	1,820
Zoning Board of Adjustment	6	6	5	5	5	5	5
TOTAL GENERAL FUND	**24,875**	**24,035**	**22,653**	**22,634**	**22,619**	**22,613**	**22,612**

City of Philadelphia
Five-Year Financial Plan

Appendix VI
Other Statutory Requirements
Cash Flows

EQUITY IN CON CASH **GENERAL FUND FY2005** **FY 2005**

Actuals through November 30

(Amounts in $millions)

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	April 30	May 31	June 30	Total	Accrued	Under (Over)	Budget Revenues
REVENUES																
Property Taxes	1.2	7.2	7.9	7.0	4.6	13.8	27.2	195.2	96.0	16.3	8.3	6.4	391.1		(6.3)	384.8
Wage, Earnings, NP Tax	84.6	95.0	78.9	86.0	97.1	81.6	102.6	89.8	96.1	97.1	98.1	79.9	1,086.8		(14.8)	1,072.1
Realty Transfer Tax	17.8	15.0	12.6	13.6	14.3	19.3	13.1	10.6	11.6	11.8	11.4	13.9	165.0		(38.0)	127.0
Sales Tax	8.9	8.8	11.1	8.5	9.9	8.9	7.4	8.8	11.3	10.2	8.4	9.9	112.0		(4.0)	108.0
Business Privilege Tax	(2.8)	1.1	10.0	10.4	(5.7)	6.7	4.4	2.2	25.3	192.5	31.6	9.3	285.1	30.0	(22.9)	292.2
Other Taxes	4.6	6.7	4.5	4.0	4.2	4.3	4.2	6.2	4.7	5.8	6.5	4.8	60.5		(2.7)	57.8
Locally Generated Non-tax	12.6	25.9	14.7	13.0	14.0	12.3	16.7	16.8	18.8	18.0	21.0	37.1	220.9		50.5	271.4
Other Governments	42.6	5.1	96.0	144.0	6.2	6.1	28.1	36.6	102.6	46.0	67.8	38.6	619.6	213.5	(56.2)	776.9
Other Governments-PICA	14.7	15.0	18.5	14.6	16.6	22.0	15.7	17.1	17.4	19.5	20.9	14.7	206.8	7.7	7.6	222.1
Interfund Transfers	0.0	0.5	0.6	0.4	0.5	0.8	0.6	0.6	0.9	0.3	0.6	23.1	28.9		(1.0)	27.9
Total Current Revenue	184.2	180.3	254.8	301.5	161.7	175.9	220.0	383.9	384.6	417.5	274.7	237.7	3,176.6	251.2	(87.8)	3,340.1
Collection of 6-30-04/Govt.	155.9	14.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	170.8	0.0		
Other Fund Balance Adj.												3.5	3.5			
Non-revenue receipts												2.1	2.1			
Non-budget items													0.0			
TOTAL CASH RECEIPTS	340.1	195.2	254.8	301.5	161.7	175.9	220.0	383.9	384.6	417.5	274.7	243.3	3,353.0			

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	April 30	May 31	June 30	Total	V. P.	Encum-brances	Mergers	Budget Obliga-tions
EXPENSES AND OBLIGATIONS																	
Payroll	67.3	94.4	134.1	98.2	90.3	101.6	104.3	102.2	127.6	91.4	91.5	110.6	1,213.5	44.9	2.9	(19.7)	1,241.6
Employee Benefits	37.7	28.8	36.1	34.6	29.8	38.4	28.6	34.0	31.0	33.2	31.2	31.2	394.6	0.2	0.3	(0.8)	394.3
Pension	3.7	4.0	0.0	265.8	(1.9)	(0.6)	0.9	(2.1)	(2.1)	39.8	(2.1)	(2.2)	303.3	6.3		9.8	319.4
Purchase of Services	28.5	28.1	97.6	109.6	82.8	78.4	79.0	83.2	82.7	98.2	95.5	69.1	932.7	23.5	121.6	19.3	1,097.1
Materials, Equipment	2.5	0.9	5.7	6.6	3.1	5.0	4.0	5.8	5.9	5.4	4.6	5.0	54.5	4.8	12.8	(3.8)	68.3
Contributions, Indemnities	11.7	1.5	2.4	5.2	1.7	2.9	6.9	4.3	7.4	3.4	4.0	58.9	110.3	0.8	0.0	(2.0)	109.1
Debt Service-Short Term	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	10.0	10.5			0.8	11.3
Debt Service-Long Term	0.0	0.3	17.9	0.2	11.8	0.3	0.6	3.7	16.4	2.6	25.8	0.6	80.2			0.0	80.2
Interfund Charges		0.6										24.6	25.2	0.0		(0.5)	24.7
Advances, Subsidies		36.7											36.7				36.7
Current Year Appropriation	151.4	195.3	293.8	520.2	217.6	226.0	224.3	231.0	268.9	274.0	251.0	308.0	3,161.5	80.5	137.6	3.1	3,382.7
Prior Year Encumbrances	47.3	33.9	19.9	9.8	3.3	3.5	1.1	3.7	3.6	3.9	0.8	1.4	132.3	0.2	7.4	18.0	157.9
														80.6	145.0		
Prior Year Vouchers Payable	66.5	8.7	3.1	1.4	0.4								80.1				
TOTAL DISBURSEMENTS	265.2	237.9	316.8	531.4	221.3	229.5	225.4	234.7	272.5	277.9	251.7	309.4	3,373.9				
Excess (Def) of Receipts over Disbursements	74.9	(42.7)	(62.0)	(229.9)	(59.6)	(53.7)	(5.5)	149.2	112.1	139.6	22.9	(66.2)	(20.9)				
Opening Balance	41.4	116.3	443.6	381.6	151.7	92.1	38.4	32.9	182.1	294.2	433.8	456.7	41.4				
TRANS		370.0									0.0	(370.0)	0.0				
CLOSING BALANCE	116.3	443.6	381.6	151.7	92.1	38.4	32.9	182.1	294.2	433.8	456.7	20.6	20.6				

OFFICE OF THE DIRECTOR OF FINANCE
CASH FLOW PROJECTIONS
CONSOLIDATED CASH--ALL FUNDS--FY2005

FY 2005

(Amounts in $millions)

	---Actual---					--Estimate--						
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	116.3	443.6	381.6	151.7	92.1	38.4	32.9	182.1	294.2	433.8	456.7	20.6
Grants Revenue	162.7	82.0	49.7	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Community Development	(4.9)	5.0	(3.5)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	0.0
Vehicle Rental Tax	5.7	6.1	4.4	4.7	5.0	5.3	5.6	5.9	4.1	4.4	4.7	5.1
Other Funds	12.3	7.8	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
TOTAL OPERATING FUNDS	292.1	544.6	442.3	181.4	122.1	68.7	63.5	213.0	323.3	463.2	486.4	54.7
Capital Improvement	144.2	140.1	134.2	126.2	118.2	109.7	101.2	92.7	84.2	75.7	67.2	58.7
Industrial & Commercial Dev.	5.2	5.3	5.0	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
TOTAL CAPITAL FUNDS	149.4	145.4	139.2	132.7	124.7	116.2	107.7	99.2	90.7	82.2	73.7	65.2
TOTAL FUND EQUITY	441.5	689.9	581.5	314.1	246.8	184.9	171.2	312.2	414.0	545.4	560.1	119.9

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
EQUITY IN CON CASH GENERAL FUND FY2006

FY 2006

(Amounts in $millions)

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	April 30	May 31	June 30	Total	Accrued		Under (Over)	Budget Revenues
REVENUES																	
Property Taxes	1.2	7.3	8.0	7.1	4.6	14.0	27.4	196.8	96.7	16.5	8.4	6.5	394.3			0.0	394.3
Wage, Earnings, NP Tax	85.7	96.2	79.9	87.1	98.3	82.6	104.0	90.9	97.3	98.3	99.3	80.8	1,100.4			0.0	1,100.5
Realty Transfer Tax	15.1	12.7	10.7	11.5	12.1	16.4	11.2	9.0	9.8	10.0	9.7	11.8	140.0			0.0	140.0
Sales Tax	9.1	9.0	11.4	8.7	10.1	9.2	7.5	9.0	11.5	10.4	8.6	10.1	114.8			0.0	114.8
Business Privilege Tax	(3.1)	1.2	11.1	11.5	(6.3)	7.4	4.9	2.5	28.1	213.5	35.1	10.3	316.2			0.0	316.2
Other Taxes	4.9	7.1	4.8	4.2	4.5	4.6	4.5	6.5	5.0	6.2	6.8	5.1	64.2			0.0	64.2
Locally Generated Non-tax	13.8	28.3	16.1	14.2	15.3	13.4	18.2	18.4	20.5	19.7	22.9	40.5	241.4			0.0	241.4
Other Governments	43.4	5.2	88.6	142.3	6.3	6.2	26.6	34.3	100.5	45.6	66.5	39.2	604.7	216.9		0.0	821.6
Other Governments-PICA	9.1	19.4	14.9	17.4	20.3	18.5	17.9	19.0	20.4	22.5	20.4	18.3	218.0	6.8		0.0	224.7
Interfund Transfers	0.0	0.5	0.6	0.4	0.5	0.7	0.6	0.6	0.8	0.2	0.6	21.2	26.7			0.0	26.7
Total Current Revenue	179.1	186.9	245.9	304.5	165.8	173.0	222.7	387.0	390.8	442.9	278.3	243.8	3,220.6	223.7		0.0	3,444.4
Collection of 6-30-03/Govt.	201.9	19.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	221.2	0.0			
Other Fund Balance Adj.												3.5	3.5				
Non-revenue receipts												2.1	2.1				
Non-budget items												(4.0)	(4.0)				
TOTAL CASH RECEIPTS	381.0	206.2	245.9	304.5	165.8	173.0	222.7	387.0	390.8	442.9	278.3	245.4	3,443.4				
														V. P.	Encum-brances	Mergers	Budget Obliga-tions
EXPENSES AND OBLIGATIONS																	
Payroll	66.1	92.7	131.7	96.5	88.7	99.8	102.4	100.4	125.3	89.8	89.9	108.6	1,191.9	44.1	2.8	0.0	1,238.9
Employee Benefits	38.6	29.5	37.0	35.4	30.5	39.3	29.3	34.8	31.8	34.0	32.0	32.0	404.1	0.2	0.3	0.0	404.7
Pension	274.2	4.5	0.0	30.3	(2.1)	(0.7)	1.0	(2.4)	(2.4)	45.0	(2.3)	(2.4)	342.7	7.1		0.0	349.8
Purchase of Services	30.4	30.0	104.1	116.9	88.3	83.6	84.3	88.7	88.2	104.7	101.8	73.7	994.8	25.0	129.7	0.0	1,149.5
Materials, Equipment	2.4	0.9	5.4	6.3	3.0	4.8	3.8	5.5	5.6	5.1	4.4	4.8	51.9	4.6	12.2	0.0	68.7
Contributions, Indemnities	11.5	1.5	2.4	5.1	1.7	2.8	6.7	4.3	7.2	3.4	3.9	57.8	108.2	0.8	0.0	0.0	108.9
Debt Service-Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	11.8	12.4			0.0	12.4
Debt Service-Long Term	0.0	0.3	15.2	0.2	10.0	0.3	0.5	3.1	13.9	2.2	21.8	0.5	67.9			0.0	67.9
Interfund Charges	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.7	24.3	0.0	0.0	0.0	24.3
Advances, Subsidies		38.6						0.0					38.6				38.6
Current Year Appropriation	423.1	198.5	295.7	290.7	220.0	229.9	228.1	234.4	269.7	284.2	252.0	310.5	3,236.8	81.8	145.1	0.0	3,463.6
Prior Year Encumbrances	42.4	31.1	18.3	8.3	3.0	3.2	1.0	3.4	2.9	3.6	1.3	1.3	120.0	0.2	6.8	18.0	145.0
														82.0	151.9		
Prior Year Vouchers Payable	66.8	8.7	3.1	1.4	0.4								80.5				
TOTAL DISBURSEMENTS	532.4	238.3	317.1	300.4	223.4	233.2	229.1	237.8	272.6	287.8	253.3	311.8	3,437.3				
Excess (Def) of Receipts over Disbursements	(151.4)	(32.2)	(71.2)	4.1	(57.7)	(60.2)	(6.4)	149.2	118.2	155.1	25.0	(66.5)	6.1				
Opening Balance	20.6	249.2	217.0	145.8	149.9	92.2	32.0	25.6	174.8	293.1	448.2	473.2	20.6				
TRANS	380.0											(380.0)	0.0				
CLOSING BALANCE	249.2	217.0	145.8	149.9	92.2	32.0	25.6	174.8	293.1	448.2	473.2	26.7	26.7				

OFFICE OF THE DIRECTOR OF FINANCE
CASH FLOW PROJECTIONS
CONSOLIDATED CASH--ALL FUNDS--FY2006

FY 2006

(Amounts in $millions)

	I---------- Estimate											
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	249.2	217.0	145.8	149.9	92.2	32.0	25.6	174.8	293.1	448.2	473.2	26.7
Grants Revenue	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Community Development	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Vehicle Rental Tax	9.4	9.8	5.4	5.8	6.2	6.6	7.0	7.4	5.0	5.4	5.8	6.2
Other Funds	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
TOTAL OPERATING FUNDS	283.6	251.8	176.2	180.7	123.4	63.6	57.6	207.2	323.1	478.6	504.0	57.9
Capital Improvement	50.7	42.7	34.7	26.7	218.7	210.7	202.7	194.7	186.7	178.7	170.7	162.7
Industrial & Commercial Dev.	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
TOTAL CAPITAL FUNDS	57.2	49.2	41.2	33.2	225.2	217.2	209.2	201.2	193.2	185.2	177.2	169.2
TOTAL FUND EQUITY	340.8	301.0	217.4	213.9	348.6	280.8	266.8	408.4	516.3	663.8	681.2	227.1

City of Philadelphia
Five-Year Financial Plan

Appendix VII
Base Obligation Methodology

City of Philadelphia
Principal General Fund Obligation Growth Assumptions
FY 2006-2010 Five Year Financial Plan

		FY 06	FY 07	FY 08	FY 09	FY 10
Class 100	**Personal Services**					
	Civilian Wages	2.0%	3.0%	4.0%	0.0%	0.0%
	Uniform Wages (a)	3.0%	3.0%	4.0%	0.0%	0.0%
	Employee Benefits					
	Unemployment Comp.	52.4%	-54.0%	0.0%	0.0%	0.0%
	Employee Disability	-2.7%	2.4%	0.0%	0.0%	0.0%
	Pension	14.7%	13.4%	8.6%	4.3%	2.5%
	Pension Obligation Bond:	6.3%	5.9%	5.5%	5.5%	13.5%
	FICA	-2.0%	-0.5%	-0.3%	0.0%	0.0%
	Health/Medical	3.8%	7.0%	7.0%	9.0%	9.0%
	Group Life	-1.5%	1.4%	1.4%	1.4%	1.4%
	Group Legal	-2.9%	2.3%	0.0%	0.0%	0.0%
	Tool Allowance	0.0%	0.0%	0.0%	0.0%	0.0%
	Flex Cash Payments	0.0%	0.0%	0.0%	0.0%	0.0%
Class 200	**Purchase of Services**	0.0%	0.0%	0.0%	0.0%	0.0%
Class 3/400	**Materials, Supplies & Equipment**	0.0%	0.0%	0.0%	0.0%	0.0%
Class 500	**Contributions, Indemnities & Taxes**	0.0%	0.0%	0.0%	0.0%	0.0%
Class 700	**Debt Service**	**See Schedule of Long Term Obligations (Appendix II)**				
Class 800	**Payments to Other Funds**	0.0%	0.0%	0.0%	0.0%	0.0%
Class 900	**Advances & Misc. Payments**	5.0%	N.A.	N.A.	N.A.	N.A.

(a) FOP raise effective 7/1/05, IAFF effective 1/1/06.

Note:
Obligation levels in the current plan have been established for most departments and cost centers based upon specific issues concerning desired service levels, management and productivity initiatives underway, anticipated competitive contracting issues, existing and anticipated contractual obligations, and a host of other factors. The growth assumptions set forth above provide only the underlying foundations for the specific proposed obligation levels which have been established for departments in the current plan.

City of Philadelphia
Five-Year Financial Plan

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Appendix VIII

Capital Program and

FY06 Capital Budget

Capital Program
(Including Capital Program Office)

Mission

The Capital Program is the City's six-year plan for the construction and renovation of public buildings, facilities, and infrastructure. The Capital Program is structured to support the Mayor's priorities, specifically projects that promote economic development, renew the City's physical infrastructure, ensure public health and safety, improve the quality of life for city residents, support major civic assets for residents and visitors alike, have a direct impact on the City's neighborhoods, and maintain the City's fiscal stability through measures to enhance governmental efficiency.

The Process of the Capital Program

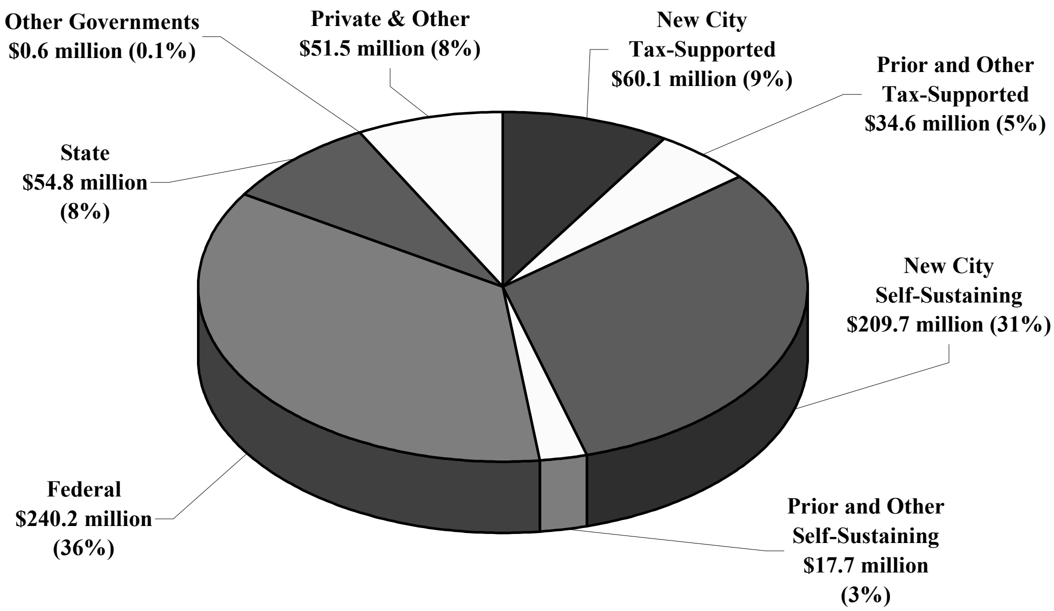
While the development of the Capital Budget each year follows a course similar to the preparation of the City's operating budget, there are several notable differences. The City Planning Commission, working in concert with the Capital Program Office (CPO) and the Office of Budget and Program Evaluation, presents the Recommended Capital Program and Budget to the Mayor. As with the operating budget, City Council must provide its approval and, once that occurs, a loan authorization for general obligation bonds to finance the City-funded portion of the Capital Budget is submitted for public referendum.

CPO manages much of the actual fiscal administration of the tax-supported program. Capital projects are implemented through a competitive bidding and contractual process, including review by the City's Minority Business Enterprise Council. In addition, CPO provides project management services for design and construction, often in consultation with affected communities. Depending on the size and complexity of the project, this process can take months or even years to complete. For that reason, the management of capital projects to ensure quality and timeliness is critical, and part of the City's focus in recent years has been to enhance its performance in that area.

Capital Budget Sources of Funds

The proposed Capital Budget, the first year of the Capital Program, totals $669.3 million. Of this, $60.1 million, or 9 percent, is to be funded through new, General Obligation bonds issued by the City. These bonds are repaid from the City's general tax revenues. Prior-year and other tax-supported funds equal $34.6 million, or 5 percent. The largest source of FY06 funding comes from City "self-sustaining" loan funds. These self-sustaining loans, issued as Philadelphia Airport and Water Department revenue bonds, account for 34 percent of the proposed budget-year spending ($227.4 million). Federal, state, and other government sources supply $295.7 million in funds (44 percent) and lastly, private sources provide $51.5 million, or 8 percent.

FY06 Capital Budget Sources of Funds

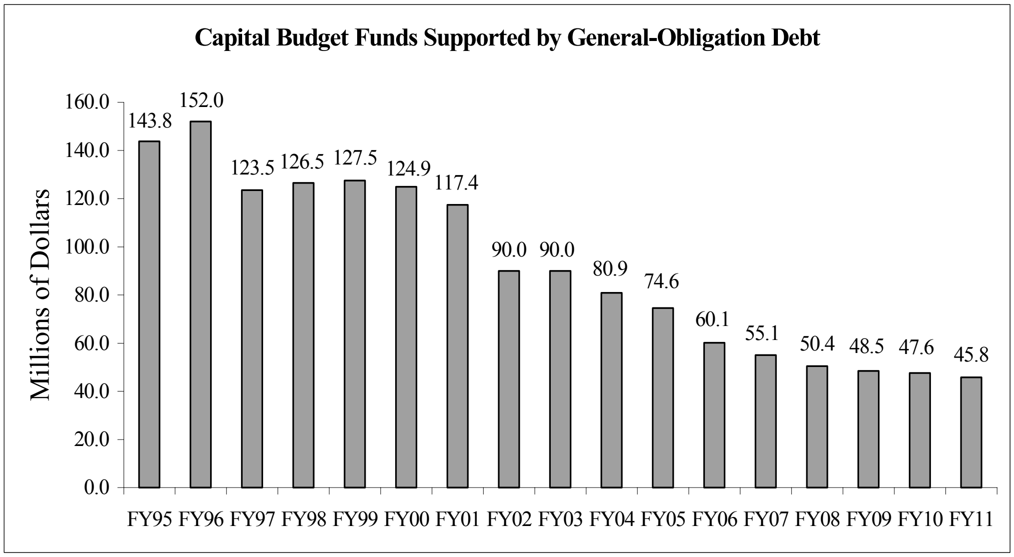


Source: Philadelphia City Planning Commission

The City's ability to issue new debt is restricted by its legal debt capacity. As defined under the State Constitution, the City's debt capacity equals 13.5 percent of the ten-year average of the assessed value of real estate. The City's outstanding tax-supported debt is subtracted from adjusted assessed value, to derive the City's legal debt margin. As of September 2004, the City's remaining debt capacity was $151 million. The debt margin only increases when debt is retired or the assessed value of real estate increases.

The Board of Revision of Taxes (BRT), following a recommendation made in the Tax Reform Commission's report, has decided to move towards 100 percent assessment of real-estate properties. When assessments increase, the 10-year moving average of assessment values used to determine the constitutional debt limit will also increase. Nevertheless, the City may still be limited in its ability to issue debt due to its increasingly high ratio of debt service to revenue. A relatively high ratio of debt service to revenue will not only crowd out other operating expenditures, but if the ratio goes too high, it also could result in a reduction of the City's bond rating, increasing the costs of borrowing. It may become more cost effective overall to make some capital purchases from the operating budget in future years.

The chart below shows the Capital Budget funds supported by general-obligation debt from FY95 through the proposed FY11 budget.

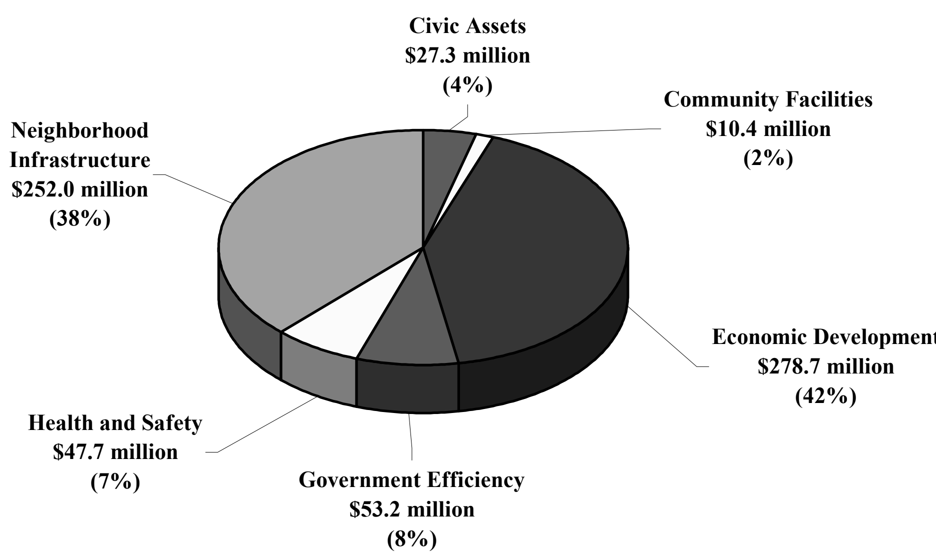


Note: $106.8 million of FY95 funding was provided by PICA debt while $37 million was City debt. PICA no longer has the legal authority to issue debt for capital projects.

Capital Budget Uses of Funds

The projects in the FY06-FY11 Capital Program are categorized by the following six priorities: economic development, neighborhood infrastructure, governmental efficiency, health and safety, civic assets, and community facilities. Shares of the budget are shown in the following chart:

FY06 Capital Budget Uses of Funds



Source: Philadelphia City Planning Commission

Economic Development projects serve to retain and attract businesses; provide jobs for residents; support neighborhood-based job creation/employment centers, such as neighborhood industrial districts; and assist similar development initiatives. Projects at the City's airports, as well as those that support major new commercial, industrial, port-related, and hospitality-industry development also fall into this category. The FY06 Capital Budget dedicates $1.8 million for land acquisition and infrastructure improvement projects to support industrial development in the City, as well as infrastructure improvements at the Navy Yard.

Neighborhood infrastructure projects focus on improvements to transit stations and other transportation facilities, street reconstruction and resurfacing, street signage, and traffic-control improvements. Replacement of water and sewer mains is also included as Neighborhood Infrastructure projects, as they are essential services to neighborhoods and their residents. For FY06, major projects include $10 million for reconstruction and resurfacing of streets and $2.9 million for the Market Street reconstruction program related to improvements to SEPTA's Market Street Elevated line.

Governmental efficiency projects promote governmental operating efficiencies and more effective service delivery. Projects in this category include communication-system improvements, database and computer-related initiatives, and energy-conservation programs. The governmental efficiency category also includes facility-assessment studies, most improvements to departmental headquarters (e.g., Police, Fire, Health, Municipal Services Building, One Parkway Building, and Family Court), and the modernization of operational buildings (e.g., Fleet, Sign/Lighting Shops, and Sanitation). The administrative expenses of the CPO that appear in the Capital Program and Budget also fall into this category. In FY06, the Mayor's Office of Information Services will continue its business and information continuity/recovery project for $1.0 million, and the Managing Director's Office will continue implementation of an integrated case-management system for $2.5 million in FY06 and FY07.

Health and safety projects promote overall improvements in public health, safety, and welfare. Examples include projects related to the City's water facilities (water and waste treatment), asbestos-abatement and life-safety improvements (fire alarm and suppression systems) in public buildings, environmental remediation, and structural improvements at City shelters and prison facilities. Americans with Disabilities Act accessibility modifications are also considered health and safety projects. For the FY06-FY11 program, $2.4 million (half of which is Commonwealth funds) will be used to replace Fleet Management's fuel tanks citywide. The Water Department is committing $42.0 million annually in self-sustaining funds for improvements to water and wastewater-treatment facilities.

Civic assets projects are those that contribute to the livability of the City as a whole, as well as to the City's reputation as a destination for tourists and visitors. Examples include Art Museum, Penn's Landing, Fairmount Park (except for neighborhood specific parks/facilities), and Zoo projects. The rehabilitation of City Hall and the Central Library also are considered civic assets projects. The FY06 budget includes $5 million for improvements to City Hall, with an additional $20 million programmed through FY11, and $1.6 million for Belmont Mansion.

Community facilities projects include the renewal of facilities serving residential neighborhoods, such as branch libraries, neighborhood parks and recreation facilities, police and fire stations, neighborhood health centers, and other projects that serve neighborhoods and promote their improvement. In FY06, more than $6.0 million is recommended for parks, recreation, and libraries and more than $1.0 million for police and fire facility improvements.

Major Current Projects

- **Youth Study Center**. This past year, the City acquired a five-acre parcel of land in West Philadelphia at 48th Street and Haverford Avenue for the purpose of constructing a new, state-of-the-art Youth Study Center (YSC). Although this new facility will include housing for 150 youths, it will be expandable to 180 beds. The facility will house medical, educational, and recreational facilities, as well as several court components (i.e., hearing rooms, intake rooms, and probation rooms) within one building. The goal of the project is to provide an atmosphere in which youths feel safe and trust the adults who care for them, while learning that in any setting or situation, they will be held responsible for their actions. CPO will be responsible for the management of the project, including oversight of the design and construction contracts, building commissioning, moving staff and residents, and overall budget management. The architectural firm Kaplan McLaughlin Diaz of San Francisco, California, was selected to spearhead the design efforts. The project is expected to be complete by the end of calendar year 2007.

- **Security program across City buildings**. As a result of the events of September 11, 2001, the City has allocated $7.9 million to evaluate and improve the security measures in place at its Center City municipal high-rise office buildings, including City Hall. Improvements implemented to date include: Securing of nonessential building entrances; increased monitoring and screening of employees and visitors using visitor-identification and badging systems, closed-circuit camera systems, and security-card access gates; and more coordinated management systems. In FY05, the City will begin implementation of a full security program at City Hall. Already installed are bollards at the perimeter of City Hall's apron to mitigate the risk posed by unauthorized vehicles entering onto the apron. In progress are the installation of closed-circuit cameras at the apron and within the building, improved lighting surrounding the building, and installation of visitor-badging and access-control systems. Together, these systems will allow the City to adjust the level of security needed at City Hall, as well as its Center City office buildings, based on national terror alert standards. The project is expected to be substantially complete by the end of calendar year 2005.

- **Streets Department projects.** The Streets Department continues to work with its regional transportation partners, including the Pennsylvania Department of Transportation (PennDot) and the DVRPC, to maximize the use of federal and state funding for infrastructure improvements in the City. Through its investment of $9.18 million in the following projects, the City will be able to leverage $55.4 million in federal and state funds for these improvements. The following table summarizes some of the Department's major projects through FY2011.

Project	Description	Total Project Cost	City Share	Expected Completion Date
South Street Bridge over Schuylkill River, I-76 and Railroads	Currently posted for 18 tons, and the subject of frequent repairs by Bridge Maintenance. The Streets Dept. is managing the engineering for the replacement of this vital link between Center City and West Philadelphia.	$41.0 million	$4.1 million	Construction - Spring 2007 - Summer 2008
40th Street Bridge over AMTRAK	Currently posted for 20 tons, the Streets Dept. is performing the engineering for the replacement of this vital link across AMTRAK south of Girard Avenue.	$11.85 million	$1.185 million	Construction - Winter 2006 - Fall 2007
Lancaster Avenue Signals	This project, which is the first phase of the Lancaster Avenue work, will modernize traffic signals at eight intersections from 52nd St to City Ave. It will include pedestrian and traffic flow improvements at the 63rd St/Woodbine Ave, 59th St and 57th St intersections. New lighting on existing PECO wood poles will replace existing streetlights from 52nd St to west of 63rd St.	$1.5 million	$300,000	Construction – September 2005 - August 2006
Delaware Avenue Extension - Bridesburg	This project will extend Delaware Ave from its current terminus at Lewis St northward to north of Orthodox St on a new alignment. It will entail construction of new roadway, a new bridge across the Frankford Creek, drainage, sidewalks/bike path and related work. The project is needed to provide truck access into a presently industrial area. Trucks are restricted from using nearby narrow streets (e.g. Richmond St, Orthodox St) in a heavily residential neighborhood and are using a former railroad bridge to cross the Frankford Creek on a temporary basis.	$7 million	$1.4 million	Construction - March 2006 - October 2007
School / Pedestrian Crossing Signs and Signals	This project is to improve student safety to and from schools. The City will be installing Flashing School 15 MPH Signals, upgrading School and Pedestrian Crossing Signs to the Yellow/Green Fluorescent signs, replacing pavement markings, and installing variable speed signs on selected streets. The Streets Department already has inspected and replaced signs at 782 intersections. Through anticipated funding of $2 million, flashing signals will be installed at 130 schools over the next 5 years.	$3.19 Million	$2.19 Million	Construction begins March 2005

		2006 $x000
ART MUSEUM		
ART MUSEUM COMPLEX - CAPITAL		
1	Philadelphia Museum of Art - Building Rehabilitation	465 465 CN
ART MUSEUM COMPLEX - CAPITAL		465 465 CN
ART MUSEUM		465 465 CN

		2006 $x000

AVIATION

NORTHEAST PHILADELPHIA AIRPORT

2	Taxiway Expansion Program	2,100 1,900 FB 100 SB 100 XN
3	Airfield Lighting Improvements	500 450 FB 25 SB 25 XN
4	Sidewalk Improvements	250 250 XN
5	Improvements to Existing Facilities	400 400 XN
NORTHEAST PHILADELPHIA AIRPORT		3,250 2,350 FB 125 SB 775 XN

PHILADELPHIA INTERNATIONAL AIRPORT

6	Terminal Expansion & Modernization Program	139,000 20,000 FB 44,000 PB 75,000 XN
7	Airport Expansion Program	15,000 15,000 XN
8	Noise Compatibility Program	3,000 2,400 FB 600 XR
9	Airfield Capacity Enhancement Program	30,000 22,500 FB 7,500 XN
10	Runway 17-35 Extension	46,500 33,500 FB 7,000 PB 5,000 SB 1,000 XN
11	Runway 9R/27L Resurfacing	6,000 4,500 FB 1,500 XN

		2006
		$x000
12	Improvements to Existing Facilities	6,000 6,000 XN
13	DOA Maintenance Center	4,200 4,200 XN
15	Airport Roadway System Modifications	2,000 2,000 XN
PHILADELPHIA INTERNATIONAL AIRPORT		251,700 82,900 FB 51,000 PB 5,000 SB 112,200 XN 600 XR
AVIATION		254,950 85,250 FB 51,000 PB 5,125 SB 112,975 XN 600 XR

		2006
		$x000

CAPITAL PROGRAM OFFICE

CAPITAL PROGRAM ADMINISTRATION

16	Capital Program Administration Design and Engineering	6,644 6,644 CN
CAPITAL PROGRAM ADMINISTRATION		6,644 6,644 CN

CAPITAL PROJECTS

17	Citywide Environmental Remediation	300 300 CN
18	Improvements to Facilities	1,650 1,000 CA 650 CR
CAPITAL PROJECTS		1,950 1,000 CA 300 CN 650 CR
CAPITAL PROGRAM OFFICE		8,594 1,000 CA 6,944 CN 650 CR

		2006 $x000

COMMERCE

COMMERCIAL DEVELOPMENT

		2006
19	Neighborhood Commercial Centers - Site Improvements	5,000 1,000 CN 4,000 SB
COMMERCIAL DEVELOPMENT		5,000 1,000 CN 4,000 SB

INDUSTRIAL DEVELOPMENT

		2006
20	Environmental Assessment/Remediation	1,700 200 CN 500 FB 1,000 SB
21	Neighborhood Industrial Districts	300 150 CN 150 SB
22	PIDC Landbank Acquisition & Improvements	12,000 12,000 Z
23	Sound Stage Development	1,000 250 CN 750 SB
24	West Parkside Utility Relocations and Improvements	100 100 CN
25	Grading and Paving - New and Existing Streets	100 100 CN
26	Navy Yard Infrastructure Improvements	4,285 1,000 CN 3,000 FB 285 SB
27	PIDC Landbank Improvements, Engineering and Administration	6,000 6,000 Z
INDUSTRIAL DEVELOPMENT		25,485 1,800 CN 3,500 FB 2,185 SB 18,000 Z

PENN'S LANDING / WATERFRONT IMPS

		2006
		$x000
28	Penn's Landing Improvements	500 500 CN
29	Schuylkill Riverfront Public Improvements	750 250 CN 500 SB
PENN'S LANDING / WATERFRONT IMPS		1,250 750 CN 500 SB
COMMERCE		31,735 3,550 CN 3,500 FB 6,685 SB 18,000 Z

	2006
	$x000

EMERGENCY SHELTER AND SERVICES

FAMILY CARE FACILITIES - CAPITAL

		2006
30	OESS Facility Renovations	200 200 CN
FAMILY CARE FACILITIES - CAPITAL		200 200 CN

RIVERVIEW - CAPITAL

		2006
31	Riverview Home Renovations	300 300 CN
RIVERVIEW - CAPITAL		300 300 CN

	2006
EMERGENCY SHELTER AND SERVICES	500 500 CN

		2006 $x000

FAIRMOUNT PARK COMMISSION

FAIRMOUNT PARK - CAPITAL

32	Athletic and Play Area Improvements	250 250 CN
33	Building Improvements	320 320 CN
34	Facility Improvements	315 315 CN
35	Historic Building Improvements	1,800 1,800 CN
36	Park and Street Trees	300 300 CN
37	Parkland - Site Improvements	100 100 CN
38	Roadways, Footways, and Parking	1,500 250 CN 1,250 FB
FAIRMOUNT PARK - CAPITAL		4,585 3,335 CN 1,250 FB
FAIRMOUNT PARK COMMISSION		4,585 3,335 CN 1,250 FB

		2006
		$x000

FIRE

FIRE FACILITIES

40	Fire Department Computer System Improvements	1,130 1,130 CR
41	Fire Department Interior and Exterior Renovations	1,450 1,450 CN
FIRE FACILITIES		2,580 1,450 CN 1,130 CR
FIRE		2,580 1,450 CN 1,130 CR

		2006
		$x000

FLEET MANAGEMENT

CAPITAL PROJECTS

42	Fleet Management Facilities	330 330 CN
43	Fuel Tank Replacement	800 400 CN 400 SB
CAPITAL PROJECTS		1,130 730 CN 400 SB
FLEET MANAGEMENT		1,130 730 CN 400 SB

		2006
		$x000

FREE LIBRARY

LIBRARY FACILITIES - CAPITAL

44	Branch Libraries - Improvements	600 600 CN
45	Central Library Renovations	200 200 CN
LIBRARY FACILITIES - CAPITAL		800 800 CN
FREE LIBRARY		800 800 CN

		2006
		$x000

HEALTH

HEALTH FACILITIES

		2006
46	Health Department Equipment and Repairs	1,000 1,000 CR
47	Health Facility Renovations	680 680 CN
HEALTH FACILITIES		1,680 680 CN 1,000 CR

PHILADELPHIA NURSING HOME

		2006
48	Equipment and Renovations - Philadelphia Nursing Home	1,900 1,900 CR
PHILADELPHIA NURSING HOME		1,900 1,900 CR
HEALTH		3,580 680 CN 2,900 CR

		2006
		$x000

MANAGING DIRECTOR'S OFFICE

CAPITAL PROJECTS - VARIOUS

49	Citywide Facilities	2,225 2,225 CN
50	Energy Star Building Upgrades	250 250 CN
51	Green Lights Lighting Upgrades	250 250 CN
52	Integrated Case Management System	1,500 1,500 CN
CAPITAL PROJECTS - VARIOUS		4,225 4,225 CN
MANAGING DIRECTOR'S OFFICE		4,225 4,225 CN

		2006
		$x000

MOIS

CAPITAL PROJECTS

53	Digital Orthophotography, Planimetric, and Topographic Data	540 540 CN
54	Business and Information Continuity/Recovery Project	1,000 1,000 CN
CAPITAL PROJECTS		1,540 1,540 CN
MOIS		1,540 1,540 CN

	2006
	$x000

POLICE

POLICE FACILITIES

55	Computer and Communication System Improvements	7,886 7,886 CR
56	Police Department Interior and Exterior Improvements	540 540 CN
POLICE FACILITIES		8,426 540 CN 7,886 CR
POLICE		8,426 540 CN 7,886 CR

		2006
		$x000

PRISONS

CORRECTIONAL INSTITUTIONS - CAPITAL

57	Prison System - Renovations	500 500 CN
CORRECTIONAL INSTITUTIONS - CAPITAL		500 500 CN
PRISONS		500 500 CN

		2006
		$x000

PUBLIC PROPERTY

BUILDINGS AND FACILITIES - OTHER

58	Improvements to Municipal Facilities	1,000 1,000 CN
59	Triplex Facility Improvements	200 200 CN
BUILDINGS AND FACILITIES - OTHER		1,200 1,200 CN

CITY HALL COMPLEX

60	City Hall	5,000 5,000 CN
CITY HALL COMPLEX		5,000 5,000 CN

COMMUNICATIONS PROJECTS

61	Communications Systems Improvements	3,000 3,000 CR
COMMUNICATIONS PROJECTS		3,000 3,000 CR

PUBLIC PROPERTY	9,200 6,200 CN 3,000 CR

		2006 $x000

RECREATION

CULTURAL FACILITIES

62	Cultural Facility Improvements	150 150 CN
CULTURAL FACILITIES		150 150 CN

ITEF - VARIOUS FACILITIES

63	Improvements to Existing Recreation Facilities	4,000 4,000 CN
64	Improvements to Existing Recreation Facilities - Infrastructure	150 150 CN
65	Improvements to Existing Recreation Facilities - Swimming Pools	500 500 CN
66	Improvements to Existing Recreation Facilities - Life Safety Systems	300 300 CN
67	Grant Funded Recreation Improvements	2,000 1,000 CN 1,000 SB
ITEF - VARIOUS FACILITIES		6,950 5,950 CN 1,000 SB
RECREATION		7,100 6,100 CN 1,000 SB

		2006
		$x000

STREETS

BRIDGES

		2006
68	Bridge Reconstruction & Improvements	20,380
		2,256 CN
		15,636 FB
		2,488 SB
BRIDGES		20,380
		2,256 CN
		15,636 FB
		2,488 SB

GRADING & PAVING

		2006
69	Reconstruction/Resurfacing of Streets	10,000
		10,000 CN
70	Historic Streets	200
		200 CN
GRADING & PAVING		10,200
		10,200 CN

IMPROVEMENTS TO CITY HIGHWAYS

		2006
71	Federal Aid Highway Program	10,110
		2,310 CN
		6,300 FB
		500 PB
		1,000 SB
72	Center City Traffic Signals - Phase 2	3,510
		10 CN
		3,500 FB
73	"Forever Green" Program	40
		40 CN
IMPROVEMENTS TO CITY HIGHWAYS		13,660
		2,360 CN
		9,800 FB
		500 PB
		1,000 SB

SANITATION

		2006
74	Modernization of Sanitation Facilities	795
		795 CN

	2006
	$x000
SANITATION	795 795 CN
STREET LIGHTING	
75 Street Lighting Improvements	1,250 250 CN 1,000 FB
STREET LIGHTING	1,250 250 CN 1,000 FB
STREETS DEPARTMENT FACILITIES	
76 Streets Department Support Facilities	185 185 CN
STREETS DEPARTMENT FACILITIES	185 185 CN
TRAFFIC ENGINEERING IMPS	
77 Traffic Control	1,000 1,000 CN
78 School/Pedestrian Crossing Signs and Signals	200 200 CN
TRAFFIC ENGINEERING IMPS	1,200 1,200 CN
STREETS	47,670 17,246 CN 26,436 FB 500 PB 3,488 SB

		2006
		$x000

TRANSIT

TRANSIT IMPROVEMENTS - SEPTA

79	SEPTA Bridge, Track, Signal, and Infrastructure Improvements	3,794 3,794 CN
80	SEPTA Station and Parking Improvements	804 804 CN
81	SEPTA Vehicle/Equipment Acquisition and Improvement Program	231 231 CN
82	SEPTA Passenger Information, Communications, and System Controls	114 114 CN
TRANSIT IMPROVEMENTS - SEPTA		4,943 4,943 CN
TRANSIT		4,943 4,943 CN

		2006 $x000

WATER

COLLECTOR SYSTEMS - CAPITAL

83	Improvements to Collector System	22,660 10 PB 22,150 XN 500 XR
84	Storm Flood Relief / Combined Sewer Overflow	4,000 4,000 XN
COLLECTOR SYSTEMS - CAPITAL		26,660 10 PB 26,150 XN 500 XR

CONVEYANCE SYSTEMS - CAPITAL

85	Improvements to Conveyance System	21,930 10 PB 21,420 XN 500 XR
CONVEYANCE SYSTEMS - CAPITAL		21,930 10 PB 21,420 XN 500 XR

GENERAL - CAPITAL

86	Engineering and Administration	19,270 17,744 XN 1,526 XR
87	Vehicles	4,000 4,000 XR
GENERAL - CAPITAL		23,270 17,744 XN 5,526 XR

TREATMENT FACILITIES - CAPITAL

88	Improvements to Treatment Facilities	42,000 31,458 XN 10,542 XR
TREATMENT FACILITIES - CAPITAL		42,000 31,458 XN 10,542 XR

	2006
	$x000
WATER	113,860
	20 PB
	96,772 XN
	17,068 XR

	2006
	$x000

ZOOLOGICAL GARDENS

PHILADELPHIA ZOO - CAPITAL

89	Philadelphia Zoo Facility and Infrastructure Improvements	400 400 CN
PHILADELPHIA ZOO - CAPITAL		400 400 CN
ZOOLOGICAL GARDENS		400 400 CN

	2006
	$x000

City of Philadelphia

Five-Year Financial Plan

Acronym Dictionary

Acronym Dictionary

Acronym	Definition
ADA	Americans with Disability Act
AFSCME	American Federation of State, County, and Municipal Employees
AIC	Achieving Independence Center
AMD	Abandoned mine drainage
AMR	Automatic Meter Reading
AS	Adult Services
AYP	Adequate Yearly Progress
BCCS	Billing, collections and customer service
BHRS	Behavior Health Rehabilitative Services
BHS	Behavior Health Systems
BIA	Building Industry Association of Philadelphia
BPT	Business privilege tax
BRC	Biosolids Recycling Center
BRT	Board of Revision of Taxes
BSRP	Basic Systems Repair Program
CAD	Computer Aided Dispatch
CANS	Child and Adolescent Needs and Strengths
CANS-JJ	Child and Adolescent Needs and Strengths Assessment for Juvenile Justice
CBH	Community Behavioral Health
CCD	Center City District
CCTV	Closed Circuit Television
CDBG	Community Development Block Grant
CDC	Center for Disease Control
CEP	Capacity Enhancement Program
CIS	Children's Investment Strategy
CLIP	Community Life Improvement Program
CLPPP	Childhood Lead Poisoning Prevention Program
CODAAP	Coordinating Office of Drug and Alcohol Abuse Programs
CORE	College Opportunity Resource for Education

Acronym	Definition
CORESTAR	Correctional Outcomes Reentry Ethics Security Treatment and Accountability Review
CPI –U	Consumer price index for urban consumers
CRD	Commercial Revitalization Deductions
CRI	Cities Readiness Initiative
CSBG	Community Service Block Grant
DCBPS	Division of Community-Based Prevention Services
DCED	Department of Community and Economic Development
DHHS	Federal Department of Health and Human Services
DHS	Department of Human Services
DOA	Division of Aviation of the City's Department of Commerce
DOA	Pennsylvania Department of Aging
DPH	Department of Public Health
DPP	Department of Public Property
DPW	Pennsylvania Department of Public Welfare
DRPA	Delaware River Port Authority
DSS	Division of Social Services
DVRPC	Delaware Valley Regional Planning Commission
ECI	Employment Cost Index
EDS	Explosive Detection System
EIS	Expedite Environmental Impact Study
EMOs	Education Management Organizations
EMS	Emergency Medical Services
EPA	U. S. Environmental Protection Agency
EWS	Early Warning System
EZ	Empowerment Zone
EZ/RC	Empowerment Zone / Renewal Community
FAA	Federal Aviation Administration
FaSST	Family Shelter Support Team
FIR	Forensic Intensive Recovery
FOP	Fraternal Order of Police
GIS	Geographic Information System

Acronym	Definition
GPTMC	Greater Philadelphia Tourism Marketing Corporation
GPUAC	Greater Philadelphia Urban Affairs Coalition
GRIPP	Gun Recovery Reward Information Program
HELPP	Home Equity Loan Preservation Program
HIDTA	High Intensity Drug Trafficking Areas
HMIS	Homeless Management Information System
HMO	Health Maintenance Organization
HRP	Homeownership Rehabilitation Program
HUD	U. S. Department of Housing and Urban Development
IAB	Internal Affairs Bureau
IAFF	International Association of Firefighters
IDP	Intensive Delinquency Prevention
IOD	City Injured-On-Duty
ITS	Intelligent Transportation Systems
KIP	Knowledge Industry Partnership
KOZ	Keystone Opportunity Zones
L&I	Department of Licenses and Inspection
LAST	Lead Abatement Strike Team
LIHEAP	Low Income Home Energy Assistance Program
LNG	Liquefied Natural Gas
LTSRs	Long-Term Structured Residential programs
MA	Medical Assistance
MBAT	Mayor's Business Action Team
MBEC	Minority Business Enterprise Council
MCOL	Mayor's Office of Commission on Literacy
MDO	Managing Director's Office
MMO	Minimum Municipal Obligation
MOCS	Mayor's Office of Community Services
MOIS	Mayor's Office of Information Services
MRS	Mental Retardation Services
NCLB	No Child Left Behind

Acronym	Definition
NTI	Neighborhood Transformation Initiative
OBH/MRS	Office of Behavior Health and Mental Retardation Services
OBPE	Philadelphia Office of Budget and Program Evaluation
OESS	Office of Emergency Shelter and Services
OHCD	Office of Housing and Community Development
OHDC	Philadelphia Housing Development Corporation
OHNP	Office of Housing and Neighborhood Preservation
OMH	Office of Mental Health
Operation KICK	Keep It Code Klean
OSS	Operation Safe Streets
PCA	Philadelphia Corporation of Aging
PCPC	Philadelphia City Planning Commission
PFMC	Philadelphia Facilities Management Corporation
PGC	Philadelphia Gas Commission
PGW	Philadelphia Gas Works
PHA	Philadelphia Housing Authority
PHDC	Philadelphia Housing Development Corporation
PHIL	Philadelphia Home Improvement Loans
PHL	Philadelphia International Airport
PHPs	Partial Hospitalization Programs
PHS	Philadelphia Horticultural Society
PICA	Pennsylvania Intergovernmental Cooperation Authority
PIDC	Pennsylvania Industrial Development Corporation
PIIN	Police Integrated Information Network
PNE	Northeast Philadelphia Airport
PODs	Points of Distribution
PPA	Philadelphia Parking Authority
PPD	Philadelphia Police Department
PPO	Preferred Provider Organization
PPS	Philadelphia Prison System
PRIMIS	Philadelphia Regional Integrated Multimodal Information

Acronym	Definition
PUC	Pennsylvania Public Utility Commission
PWD	Philadelphia Water Department
PWDC	Philadelphia Workforce Development Corporation
PWIB	Philadelphia Workforce Investment Board
RC	Renewal Community
RDA	Redevelopment Authority
RDP	Reader Development Program
REMI	Regional Economic Models, Inc.
RFP	Request for Proposals
RMS	Record Management System
ROW	Right-of-Way
RPC	Radio Patrol Cars
RPTT	Real Property Transfer Tax
RSAN	Remote Secure Alert Network
RTT	Realty transfer tax
SAMHSA	Federal Substance Abuse and Mental Health Services
SAN	Schuylkill Action Network
SBCM	School-based Case Management
SEPTA	Southeastern Pennsylvania Transportation Authority
SRC	School Reform Commission
SVM	Schuylkill Valley Metro
SWP	Source water protection
TBSRP	Targeted Basic Systems Repair Program
TOP	Technology Opportunity Program
TWIS	Town Watch Integrated Services
UII	Urban Industry Initiative
ULRS	Unified Land Records System
VPMIS	Vacant Property Information Management System
WPIP	West Philadelphia Improvement Program
WRB	Water Revenue Bureau

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