City of Philadelphia

Five-Year Financial Plan

Fiscal Year 2005 - Fiscal Year 2009 (including Fiscal Year 2004)

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

Presented by the Mayor, March 18, 2004
Approved by PICA, July 7, 2004

CITY OF PHILADELPHIA

MAYOR

John F. Street

MAYOR'S CABINET

Joyce S. Wilkerson .... **Chief of Staff**
Philip Goldsmith .... **Managing Director**
E. Ray Zies .... **Acting Secretary of Financial Oversight/Acting Director of Finance**
George Burrell .... **Secretary of External Affairs**
Stephanie Naidoff .... **Director of Commerce/City Representative**
Pedro Ramos .... **City Solicitor**
Maxine Griffith .... **Secretary of Strategic Planning and Initiatives/ Executive Director of City Planning Commission**
Sylvester Johnson .... **Secretary of Public Safety/Police Commissioner**
Debra Kahn .... **Secretary of Education**
Dianah Neff .... **Chief Information Officer**
Kevin Hanna .... **Secretary of Housing and Neighborhood Preservation**

Budget Director
Rob Dubow

COMMISSIONERS AND AGENCY HEADS

Lloyd Ayers
Acting Fire Commissioner

Karen Borski
Interim Executive Director, Fairmount Park Commission

Bernard Brunwasser
Acting Water Commissioner

Michael Covone
Deputy Commissioner, Office of Behavioral Health and Mental Retardation Services

Joan Decker
Records Commissioner

John Domzalski
Health Commissioner

William Gamble
Procurement Commissioner

William Grab
Director, Office of Labor Relations

Rob Hess
Director of Adult Services

Charles Isdell
Aviation Director

Nancy Kammerdeiner
Revenue Commissioner

Leon A. King
Prisons Commissioner

James Muller
Deputy Managing Director, Fleet Management

John Nacchio
Acting City Treasurer

Lynda Orfanelli
Personnel Director

Cheryl Ransom-Garner
Acting Human Services Commissioner

Victor N. Richard III
Recreation Commissioner

Joan Schlotterbeck
Acting Public Property Commissioner

Barry Scott
Acting Director, Risk Management

Elliot Shelkrot
President and Director, Free Library of Philadelphia

Patricia L. Smith
Director of Neighborhood Transformation

Robert Solvibile
Acting Licenses and Inspections Commissioner

Clarena Tolson
Streets Commissioner

Richard Tustin
Director, Capital Program Office

Financial Advisor
Public Financial Management, Inc.

CITY OF PHILADELPHIA
FIVE-YEAR FINANCIAL PLAN

City of Philadelphia
Five-Year Financial Plan

Introduction

Introduction

Overview

In order for the City of Philadelphia to grow, the government must make a series of strategic investments. Making those investments, however, requires that the City make tradeoffs – particularly at a time when a sluggish economy and rapidly growing pension and healthcare costs have created enormous fiscal challenges for the City. This Five-Year Plan will detail the trade offs that the Street Administration is proposing to make – it will describe the crucial investments that the Administration feels must be made and the expenditure reduction and revenue generating actions that must be taken to afford to make those investments. In crafting this Plan, the Administration was forced to make hard choices and painful tradeoffs, but remained unwavering in its commitment to preserving core municipal services and the future health of the city.

In many ways, this Financial Plan, the City of Philadelphia's thirteenth, addresses the structural problems that have plagued City leaders for decades. Suggestions from the 21st Century Review Forum – made up of citizens representing all neighborhoods and industries – provided a unique set of recommendations for resolving these problems, which helped inform the proposals included in this Plan. Creative solutions will be pursued to finally address skyrocketing health and medical benefits costs, unpredictable pension fund obligations, the arcane and unwieldy organizational structure of City departments as mandated by the City Charter, and sick leave usage that is so high that it hinders service delivery and drives up overtime costs. The success of these ambitious proposals will ensure Philadelphia's position as a first class city for decades to come.

None of the proposed solutions will be easy to implement. The City needs partnership from City Council, advocates, industry leaders, neighborhood organizers, citizens and all other independently elected officials. The City's easy options have run out; only employee lay-offs remain as a viable alternative to the suggestions included in this Plan.

Key Investments and Priorities

The devastating combination of slowing revenues and rapidly growing costs, largely in areas beyond its control, will likely result in Fiscal Year 2004 ending with the third general fund operating deficit in a row. While other cities have relied on tax increases or police officer layoffs to resolve their budget deficits, this Administration will not choose budget cuts at the expense of the future growth of the City. Too much progress has been made toward fulfilling the Mayor's key objectives for Philadelphia – revitalizing neighborhoods in decline, attracting businesses to foster economic growth, ensuring high public safety and quality of life standards in every community, repairing public schools and reducing the local tax burden – to make quick fixes that help in the short term, but derail the long term vision. Instead, as highlighted below, the Administration is proposing that key investments continue in the midst of balanced reductions, to ensure the City's progress is not slowed.

Maintain Fiscal Health with Steady Tax Reductions

- **Implement Tax Reform.** Despite a daunting budget deficit, the City is committed to implementing tax reform in a responsible and balanced manner. Tax reductions are a major investment in the city's future economic growth. Details on the specific elements of the Tax Reform Commission's recommendations that are included in this Plan can be found in the *Fiscal Health Chapter*, but the key changes that will be implemented beginning next year include:

  - **Establish Accurate Land and Structure Values for All Property Parcels.** This will provide more comprehensive and accurate data collection for the real estate tax assessment process. This is a necessary first step both for implementing assessments at 100 percent of market value and for phasing in land value taxation. The Plan includes $5 million in Productivity Bank funding in FY05 for the Board of Revision of Taxes to reassess properties throughout the City and to implement necessary changes in technology and processes.
  - **Eliminate Fractional Assessments.** The BRT will attempt to value all properties at 100 percent of value. Assessing properties at 100 percent value rather than a fraction of true market value that varies by property would increase the transparency and fairness of the real estate assessment process and make it easier for taxpayers to review and evaluate their assessment. It would also improve the fairness of the system by ensuring that all taxpayers are assessed at the same proportion of their property's value. The BRT proposes implementing this recommendation in FY06, with Administration support, following a pilot and the establishment of more accurate land and structure values. This proposal would entail adjusting real estate tax rates in the future.
  - **Accelerated Local Income-Based Tax Rate Reductions**. The Tax Reform Commission recommended that the City accelerate its program of incremental changes in the wage, earnings, and net profits tax rates to more rapidly improve the competitiveness of the city's tax structure. Bill number 040607, which became law on July 1, 2004, provides $50.4 million in wage, earnings, and net profits tax reductions, in addition to the reductions from the continuation of the City's nine-year program of tax reductions through FY09. This bill also provides for the reduction of the resident wage tax rate to 3.25 percent by 2017, two years later than the date recommended by the Commission. However, the bill's significantly sharper rate reductions after FY09, which will cost $1.3 billion through FY17, will require dramatic service reductions, increases in other taxes, or both, in order to balance the City's budget, and these reductions may not be feasible.

    City Council also passed, over the Mayor's veto, legislation that will give additional reductions in wage tax payments to low income taxpayers. While the bill will not be effective until FY10, it could eventually cost over $70 million annually.

    In addition to the wage tax reductions enacted locally, the Commonwealth passed legislation in July, 2004 (Act 72) that is expected to provide important relief: revenue generated through gaming will be provided to the City to fund additional wage tax reduction. The size of that relief will depend on the amount of revenue generated through gaming, but it is likely that the resident wage tax rate will drop below four percent by FY07. The resident wage tax rate has not been below four percent since 1976.

It is important to note that the state's gaming legislation sets conditions for the City's wage tax relief: with respect to the five fiscal years covered by this Plan, the City is effectively locked-in to the wage tax reductions contained in this Plan and Bill 040607, unless one of the exceptional circumstances specified in Act 72 occurs. In other words, the City has fewer options than before to find revenue to pay for fiscal challenges occurring over the life of this Plan, or to pay for the cost of the substantial tax cuts that are now in law beyond 2009.

Sustained, aggressive tax reduction remains a hallmark in Philadelphia's drive to increase its economic competitiveness as a place in which to live and conduct business. The total cost of tax-reduction legislation now enacted into law for Fiscal Years 2005-2017 is estimated at $2.7 billion, reflecting the full value of scheduled wage tax rate reductions and low-income taxpayer relief from FY10-FY17. The City must reject overly aggressive future tax cuts, if it is to avoid crippling service reductions and structural deficits that could result.

With these concerns in mind, Mayor Street vetoed legislation transmitted by City Council that would have added an additional $1.2 billion in tax cuts through 2017 on top of those now in place. As the debate continues over tax reform, the full measure of the City's tax cut program should be acknowledged: the City will have reduced taxes by $930 million through the end of FY04; this Five-Year Plan includes additional cuts of $360 million by FY09, including $110 million in the gross receipts portion of the business privilege tax; and Council's duly enacted legislation calls for further rate reductions and relief of $2.3 billion for the years FY10-17.

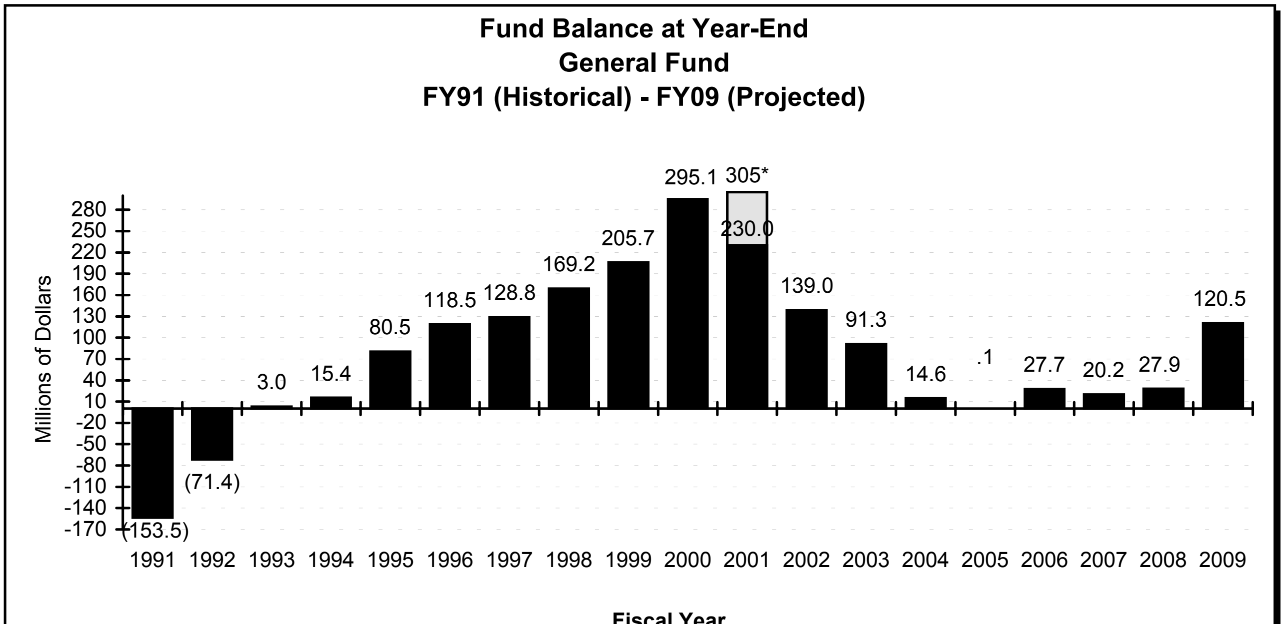
- **Shift to January 1st Implementation of Changes in Wage and Earnings Tax Rates**. Changing the effective date of reductions in the wage and earnings tax rates from July 1st to January 1st beginning in FY05 would remove a compliance burden for businesses that are required to file annual earnings tax reconciliation forms.

- **Fiscal discipline**. The next section of this chapter highlights all of the City's efforts to balance the budget. There have been a number of procedural changes and controls the Administration has implemented to further contain spending:
  - Hiring: A hiring freeze on all positions except police officers, firefighters, emergency medical technicians, correctional officers, and social workers. The freeze began on November 15, 2001 and, with the help of a significant number of DROP departures, has resulted in a reduction in the City workforce of over 850 positions. If a department wants to fill a vacancy, and it meets the 50 percent DROP replacement threshold, the department must complete a justification request that explains the impact on service if the position were left unfilled. The Office of Budget and Program Evaluation and either the Managing Director's Office or the Office of the Director of Finance review and approve or deny all requests.

– Contracts: The City's Contract Review Committee (CRC) meets monthly to review and approve all City contract requests. The CRC rejects contract requests that are not critical or could be postponed. The City's Information Technology Governing Board approves all technology requests above $100,000, to ensure they are consistent with the City's IT platform and priorities.

– Discretionary Spending: Starting in the fall 2003, the Finance Director and Managing Director required departments to get approval for all travel, training, conferences, non-work related clothing purchases and promotional items.

– Salary Increases: Exempt employees who earn over $50,000 did not receive salary increases in FY03 or FY04.



Source: Office of Budget and Program Evaluation

* The Fund Balance reduction in FY01 was primarily a result of a one-time adjustment imposed by the Government Accounting Standards Board in its Statement 33, requiring the use of the full-accrual accounting method starting that year. Without this adjustment, the fund balance would have been $305 Million.

- **Continue government efficiency efforts.** The City will continue to meet its DROP replacement goal (one position for every two departures) through the implementation of consolidation efforts, including a second Administrative Services Center, for Park and Recreation, and the Public Information Office. The City is eliminating administrative vehicles from its fleet, ending a decades old perk that it can no longer afford, and implementing an innovative car share program with a local not-for-profit. The 21st Century Review Forum's Rightsizing subcommittee highlighted a number of ways to reduce government expenditures, many of which are proposed in the budget. In particular, the subcommittee recommended that independently elected officials manage their resources and participate in cost cutting and efficiency efforts that City departments have followed. Another recommendation highlighted that the City Charter severely curtails the Mayor's ability to structure his Administration according to his needs. The Administration strongly supports the committee's recommendation to amend the Charter to give the mayor the authority to create, restructure, and/or eliminate departments, boards, and commissions, subject to the approval of City Council.

- **Augment resources in the Inspector General's Office (IG).** One of the key recommendations made by the Ethics Subcommittee of the 21st Century Review Forum was to provide additional resources to the City's Inspector General's Office, to enable investigations of criminal wrongdoing allegations involving City employees, as well as conducting its work more proactively through increased auditing of City departments. The City is proposing to add $300,000 to the IG's appropriation in FY05.

- **Increase revenue due to the City.** In FY05 the City is investing an additional $2.8 million in the Law and Revenue Departments' budgets for staffing and technology investments that will enable them to more aggressively pursue delinquent taxpayers. The departments anticipate that the increased efforts will result in an additional $10 million in annual collection revenue. The City is continuing to review the fees and fines it charges and to recommend increases when costs are not covered or incentives are not strong enough. The proposed list of fee and fine increases are included later in the chapter and are projected to generate approximately $7 million annually.

Implement Neighborhood Transformation and Blight Elimination

For decades Philadelphia neighborhoods have been plagued by dilapidated vacant buildings, debris-filled lots, graffiti, and abandoned vehicles. This blight has led to an endless cycle of further abandonment by residents and businesses and an increase of crime. The Mayor is committed to implementing a lasting solution to the problem of urban blight and created NTI, the most comprehensive neighborhood revitalization project a city has ever attempted, to do so. Despite the considerable progress made to date, investments must continue to make the dream of a new Philadelphia possible.

- **Streetscape improvements and greening efforts.** Since the beginning of the Street Administration, building safe, healthy and clean neighborhoods has been a priority. The City has supported this goal through the abandoned auto removal, anti-graffiti, street tree maintenance, lot cleaning and mural arts programs. Increased resources have been dedicated to enhance 31 neighborhood parks, six commercial corridors and more than 20 community gardens. As of February 2004, more than 17,000 vacant lots are receiving some form of ongoing maintenance; by the end of FY05, this number will grow to 22,000. The City will continue to move beyond merely maintaining and keeping lots free from debris. During FY05, enhanced greening and plantings will be performed in 6,000 of the vacant lots, and much of the work will be performed by neighborhood partners. The City will also transfer 500 parcels to community organizations for redevelopment, including new houses, open space or commercial uses, and convey another 500 to private homeowners to become "side yards."

- **Promote new housing development.** NTI will continue its multi-tiered predevelopment effort to increase the pace and number of new housing developments. In FY04, the NTI demolition program plans to complete more than 1,400 demolitions. In FY05, NTI plans to demolish an additional 1,200, at a cost of $32 million, and spend approximately $4.25 million in NTI bond proceeds demolishing commercial and industrial buildings. In FY04 and FY05, the City will complete the acquisition of over 6,000 vacant parcels of land. In some cases, the vacant parcels of land will be turned in green lots that will serve as place-holders for future development, in other instances, the greening is a permanent enhancement for overly dense neighborhoods. With the completion of the core components of the Unified Land Records System in FY04, the City now has a complete and updated parcel map of Philadelphia. This will serve as the foundation to the Vacant Parcel Information Management System (scheduled to be completed by FY06), which will allow every City department to access and update information regarding the status of a specific parcel of land. This completion of this system will dramatically accelerate and streamline the vacant land acquisition and disposal process. In FY04, the City began transferring title of all City-surplus land to the RDA for disposition and has already begun marketing 2,300 of these parcels to private developers. The City expects that these efforts will help ensure that 3,500 new affordable housing units and 6,000 market rate housing units are completed by FY07.

- **Build opportunities for disadvantaged firms**. The Administration is using NTI as a tool to create business and employment opportunities, particularly for minority and City residents. 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 the goal that the total work hours for each trade be performed by at least 75 percent minority and 10 percent female employees, and that 80 percent of all employees are Philadelphia residences. Of the $25.2 million in demolition contracts awarded since January 2003, minority firms have provided 40 percent and female firms have provided 18 percent of the work, and Philadelphia residents have performed 83 percent of the total hours worked. The City is further supporting disadvantaged firms through the Emerging Contractors Program, conceived by the Contractors Roundtable of the African-American Chamber of Commerce. The program provides hands-on training for city-based contractors whose businesses have annual revenues of less than $500,000. The program introduces participants to financing and bond assistance programs and provides technical and management assistance to help them grow their business. Upon completion of the program, the contractors are ready to compete for NTI demolition work. In FY05, NTI expects to have 20 contractors participate in the Emerging Contractors Program.

Promote Economic Development, Including a New Emphasis on Supporting Entrepreneurship

Because the future of the national and local economy is filled with so much uncertainty, the City's targeted efforts are more important than ever. During FY05, the Commerce Department will host an economic summit, the culmination of which will be a roadmap to guide the City's future economy strategy and investments. The summit will also address issues important to small businesses, reinforce how the city should capitalize on its unique assets, and refine an approach to neighborhood economic development. In addition to implementing aggressive tax reform, the Administration is committed to some key investments to help generate the sustained growth essential to reversing long-term decline:

- **Select Greater Philadelphia.** The City will invest $1 million over four years to partner with the Greater Philadelphia Chamber of Commerce and the region in the Select Greater Philadelphia campaign (www.selectgreaterphiladelphia.com). This effort will market the region nationally and globally as a location choice, and will help establish the region a premiere location to do business. Key activities will include targeted marketing, business development, research and community support.

- **$500 million Economic Development Fund to support "new Philadelphia communities."** A proposed new $500 million economic development fund, which will include financial incentives, targeted outreach through place-based initiatives and major infrastructure improvements, will be implemented in conjunction with the Neighborhood Transformation Initiative (NTI) to tackle the challenges presented by declining neighborhoods, and to create new neighborhoods. The Administration proposes to provide $125 million of the fund in 2004 as Phase I, to seed an economic development fund to develop the Naval Business Center, Delaware River North, and Schuylkill River South areas. This fund is intended to create entirely new communities with mixed residential, commercial, and recreational uses on under-utilized, formerly industrial or military land. The fund will be used for infrastructure improvements on over 15 miles of waterfront property to prepare sites and open up more of Philadelphia's valuable waterfront for development and public use, placing Philadelphia on the leading edge of waterfront redevelopment. There will be support, as well for select NTI neighborhoods. The City is currently pursuing debt restructuring options to provide proceeds for the initial phase of the fund.

- **Make Philadelphia the location of choice for the "creative class."** The City recognizes that business attraction is directly tied to the quality of the local workforce and having a concentration of young dynamic professionals is a key factor in location decisions. The Philadelphia region hosts over 213,000 full-time enrolled college students, with 80,000 in the city. In an effort to promote Philadelphia as a future home to graduating college students, the City's Commerce Department helped launch the Knowledge Industry Partnership (KIP) in 2003. In addition to coordinating to the annual "College Fest" career fair and marketing the region to prospective college students, KIP's newest initiative encourages students to take internships and search for jobs locally and has set a goal to increase the number of student internships by 5,000 per year. The City also believes that a wireless environment is important to enhancing Philadelphia's appeal and in FY04, invested $75,000 to establish a free wireless "hotspot" in JFK Plaza (a.k.a. "Love Park").

- **Support hospitality and tourism.** Key investments are needed to support one of Philadelphia's most important industries – hospitality and tourism. Recent expansion of the Philadelphia International Airport and aggressive marketing to discount airlines will increase the number of airlines servicing Philadelphia from 28 to 30 by the end of the fiscal year. The Eagles' football stadium, Lincoln Financial Field, opened to great fanfare in August 2003, and Citizens Bank Park, the new baseball stadium for the Phillies, hosted its inaugural season home opening game on April 12, 2004. This opening capped the completion of a $1 billion investment by the City, the teams and the state to create a four-facility stadium complex that is unmatched anywhere in the United States. Both the Phillies and the Eagles signed long-term 30-year leases.

- **Simplifying transactions with the City**. The City is in the process of implementing a number of initiatives to simplify and streamline government transactions. The Mayor's Office of Information Services will implement electronic bill payment and presentment (eBPP) software and services by early FY05, enabling payment of taxes and permit and license fees using credit cards via www.phila.gov. This will allow citizens and businesses to apply for licenses and permits over the Internet and reduce processing times from a few weeks to a few hours. In FY05 citizens will also be able to download police incident and traffic accident reports. The City also plans to restructure the Mayor's Business Enterprise Council and is investing $700,000 into new technology that will allow MBEC to better manage its functions including firm registration, certification, award tracking and participation compliance. These efforts should help increase the number of certified minority-, women- and disabled-disadvantaged entrepreneurs and their participation rates in City contracts.

Provide High Quality Public Education and Comprehensive, Coordinated Social Services for Children, Adults and Families

- **Continue unprecedented investments in after-school and youth development programs**. Since the inception of the Children's Investment Strategy in 2000, after-school, youth development, and family support programs have expanded to serve an additional 37,018 children, youth, and their families. Offerings include after-school programs, Beacon Schools, various DHS programs (family centers, truancy–related programs, delinquency programs and youth development programs specifically targeted towards 12-18 year olds), Recreation Department programs (Teen Centers and Recreation, Education and Computer Sites) and Workforce Development programs. The City's FY05 budget includes an additional $20 million of primarily federal and state funds for the expansion of youth development and family support services, contingent upon appropriate levels of state funding. It is the goal of the CIS to provide non-school hour programs to 100,000 youth.

- **Creation of the Office of Behavioral Health and Mental Retardation Services**. On October 23, 2003, Mayor John Street signed an executive order establishing the Office of Behavioral Health and Mental Retardation Services (OBH/MRS), within the Office of the Managing Director. The Office had been a division of the Department of Public Health. Under the Executive Order, the three major components of Philadelphia's Behavioral Health System – the Philadelphia Office of Mental Health, the Coordinating Office for Drug and Alcohol Abuse Programs (CODAAP), and Community Behavioral Health (CBH) – have been integrated, along with the Office of Mental Retardation Services, into a single office headed by a department-level official whose sole responsibility is to direct these programs. This is a step that advocates, stakeholders, and consumers of behavioral health and mental retardation services have sought for many years. This Executive Order lays the groundwork for continued reform, for further integration of services into an even more effective continuum of care, and for further cost-saving efficiencies.

- **Expand prisoner reentry programs.** In mid-FY03, the Philadelphia Prison System (PPS) developed a baseline recidivism rate, which showed that 58 percent of sentenced inmates return to the PPS within two years with a new sentence or a probation/parole violation. Successful prisoner reentry into the community is critical to lowering this recidivism rate and ultimately reducing the population. In May 2004, the PPS will release a report assessing the barriers and challenges faced by ex-offenders in order to improve the likelihood of successful reentry by evaluating and improving the effectiveness of incarceration and reentry programs and devising a prisoner reentry performance measurement system. At the end of FY04, the PPS will host a reentry summit, which will bring together for the first time in the city's history all those groups, organizations, and individuals who are interested in helping the PPS improve reentry services. During FY05 the PPS will promote employment opportunities for work-release participants and former offenders by developing marketing materials that will describe the benefits of employing work-release inmates and ex-offenders. The PPS also will work with the Pennsylvania Department of Corrections to formalize its relationship with regard to discharge planning and programming continuation for Philadelphia inmates transferred from the PPS to the Commonwealth Department of Corrections. In addition to a new investment of $750,000 targeted to inmates with mental illness through the OBH/MRS, in FY05 the City is investing an additional $250,000 to support prisoner reentry efforts.

Enhance Public Safety and Quality of Life Standards for all Communities

- **Address public safety needs.** City neighborhoods cannot flourish if crime is rampant and residents and investors do not feel safe. As discussed later in this chapter, the City is committed to meeting the growing demand on Emergency Medical Services and will invest $1.25 million to purchase new EMS vehicles and $2.1 million for staffing eight new EMS squads.

- **Provide unprecedented support to victims of domestic violence.** In the FY05 budget, the Administration will boost domestic violence efforts in the City of Philadelphia with an unprecedented level of support. Funding in the amount of $1,065,000, to be administered through the Office of Adult Services in the Managing Director's Office, will expand the number of emergency shelter beds for battered women and their children and enhance technology and staffing for a citywide Domestic Violence Hotline. Last year, the Mayor appointed a Task Force on Domestic Violence and Sexual Assault, co-chaired by Police Commissioner Sylvester Johnson and Women's Law Project Executive Director Carol Tracy, to improve, coordinate and integrate services for victims of these crimes. To build the level of coordination, the City requested $1.5 million from the Department of Justice to bring non-profit and faith-based organizations serving women and children on-site at the Special Victims Unit at Temple Episcopal Hospital. The close proximity of police, staff from the District Attorney's office, counselors, and legal advocates will further strengthen the City's efforts to prosecute abusers and promote the safety and security of women and children.

- **Launch Global Philadelphia.** In the summer of 2003, the Managing Director's Office launched Global Philadelphia to improve language accessibility between diverse linguistic communities and the City. Both Title VI of the Civil Rights Act of 1964 and an executive order signed by Mayor Street in the fall of 2001 require the City to provide "meaningful access" to Limited English Proficient (LEP) individuals. Census data indicates that approximately eight percent of all City residents have a limited proficiency in English, and surveys estimate approximately ten percent of citizens utilizing City services are LEP. The City is investing $200,000 in FY04 and $400,000 in FY05 to coordinate strategic investments to increase language access, including translations of vital documents into languages other than English, deployment of interpreters, and staff training.

- **Support Expansion of Central Library.** The City has embarked on a multi-year process to renovate the existing Central Library building and build an 180,000 square foot addition behind the building. The renovation and expansion project will transform the Central Library into a model urban library – a signature public building with a heightened visibility on the Parkway and space for twice the number of current customers. In December 2003, following a review of 40 world-renowned candidates, the Library selected Moshe Safdie as the architect to design the expansion and renovation. The City support, in the amount of $30 million, will be provided once the balance of private and other government support has been raised. The current timetable calls for the design to be completed by July 2005, with construction beginning April 2006, pending commitment of all necessary funds.

UPDATE ON STRATEGIES TO CLOSE FY04-FY08 BUDGET DEFICIT

In last year's Five-Year Plan, the City identified a number of aggressive initiatives to help eliminate its $834 million deficit with the least possible impact on service. These budget-balancing actions included policy changes, efficiency improvements, revenue generating initiatives and service cuts. The progress on these actions is detailed below.

Policy Changes

- **Replace only 50 Percent of DROP Retirees.** Last year the City set a goal of replacing only 50 percent of the 2,600 pending DROP departures by the end of FY08. The City has well exceeded its 50 percent target to date and has already reduced the workforce by 724 positions since October 2003, when the first large wave of DROP retirees left. The consolidation efforts and process for scrutinizing hiring requests (described above) will help the City continue to meet this goal through the life of the Plan.

- **Pay Minimum Municipal Obligation (MMO) on Pension Bonds.** *Completed.* By paying the MMO, the City is amortizing its unfunded pension liability more slowly than the prior payment plan, but it also means that the City's pension payments from FY05 through FY09 will be $255.9 million lower.

- **Use Floating Rate Instead of Fixed Rate for General Obligation Debt To Be Issued During Plan Period**. *Completed.* The Administration's initial goal was to save $23 million over five years by using floating rate debt instead of fixed rate. The City has achieved this goal, but is now increasing its target. In FY05 the City will take a comprehensive look at its outstanding debt and any new debt to look for opportunities to use derivatives, variable rate debt and commercial paper. By taking advantage of these opportunities, the City should be able to save another $4 million annually.

- **Modify Policy for City Take-Home Vehicles and Cell Phones.** At the end of FY03, the City's cell phone reduction policy took effect and resulted in the return of 1,796 phones, a reduction of 62 percent. In terms of vehicles – the City currently has 423 non-police take-home SUVs and sedans and pays an average of $6,200 annually for each vehicle in maintenance (fuel and parts), parking, labor and amortized acquisition costs. In April 2004, Fleet Management will remove and sell 55 cars as it begins the process of eliminating all 423 take-home and administrative vehicles from the City's fleet. In early 2004 OFM completed a new Vehicle Assignment and Usage Policy, which outlined the transportation alternatives available to employees to replace the longstanding dedicated vehicle assignment policy. Employees who meet eligibility requirements, including after-hours emergency response duties, will be entitled to a monthly stipend to cover the costs of using a personal vehicle for work-related transportation. Employees will continue to have the Personal Auto Mileage Reimbursement Program or SEPTA reimbursement available for work-related travel. Starting in April 2004, the City will also begin offering an Automated Vehicle Sharing Program to City employees – the second of its kind in the country. Full implementation of the new policy should occur by the end of FY05 and save the City nearly $650,000 a year in parking, maintenance and fuel costs. Finally, during the last quarter of FY04 and early FY05, OFM will remove operational equipment and vehicles that do not meet utilization thresholds.

Efficiency Improvements

- **Form Administrative Service Centers**. In the fall of 2003 the City formed its first Administrative Service Center (ASC), which consolidated the administrative functions of the Departments of Finance, Procurement and Personnel, the Office of the Treasurer and MOIS. The ASC has a personnel unit, responsible for payroll and human resource transactions, a fiscal unit, responsible for budget preparation, contract management and purchasing, and an administrative unit, responsible for inventory management, records management and ad hoc projects. The ASC will also absorb the Revenue Department administrative functions in early FY05. Most of the administrative processes within the City remain paper and clerical-intensive; one of the key goals of the consolidation is to streamline and automate these processes, so fewer employees are needed to support them. During FY04 the City purchased a web-based business process automation tool and the ASC is currently piloting an automated separation and new hire process. Even before automation efforts have been fully implemented, the ASC has been able to operate with 33 percent fewer positions than existed prior to consolidation. The positions not included in the ASC were absorbed in their department to perform "core" functions, transferred to fill a vacancy in another department (that would have been filled by a new hire) or eliminated through a DROP departure. Plans for the formation of the second ASC (including Park and Recreation) have begun, with the goal of an early FY05 start. The consolidation of departmental public information and education activities into the Office of the City Representative is also expected to occur in FY05.

- **Consolidate Facilities Maintenance.** There are over 350 City employees who perform facility maintenance. Only one-third of the City's maintenance workers are in the Department of Public Property (DPP); most are scattered throughout various departments and maintain recreation centers, health centers, libraries, fire stations, and so on. In FY04, the Department began planning for the consolidation of facility maintenance by conducting an inventory of City facilities and mapping them into five geographic maintenance zones. In order to understand the optimal number and mix of trades workers to staff each zone, the Department is currently canvassing City departments to identify numbers and types of employees that will be part of the centralization, while also gathering workload data to understand the frequency and type of work currently performed. DPP will take a phased approach to facility maintenance consolidation and integrate departments gradually over FY05 and FY06. Before the consolidation occurs, the Department is refining its automated work order tracking system (MP2) so that work can be better tracked by the time it is all housed in Public Property. Consolidation will also allow for at least a 10 percent reduction in the number of maintenance workers required by the end of FY05, saving an estimated $1.18 million. The consolidation will produce economies of scale in the purchase of materials and supplies as the Department will be making larger purchases and the City will need fewer storage facilities.

- **Centralize Warehousing of Supplies and Institute Citywide Inventory System**. In 1999, a consultant hired by the City performed a study of the City's warehouse and inventory management. The study found that through facility consolidation and improved inventory control, the City could achieve a five to ten percent reduction in the City's inventory-related (Class 300) expenditures annually. During FY05, the City will begin further analysis of the City's current warehousing structure and examine options for centralization and implementation of just-in-time purchasing policies to further eliminate excess inventory. The City is estimating a savings of $3.2 million through FY09.

- **Use Mobile Patrols at Detention Center**. The Philadelphia Prisons System plans to close the three watchtowers at the Detention Center and replace the towers with improved taut-wire fencing and mobile patrols. The security fence installation is expected to be completed in November 2004 at a cost of $1 million in capital funds. The roving patrols and fencing are expected to improve security and will save the City $500,000 annually through the net reduction of 10 full time correctional officers.

- **Install Municipal Fiber Optic Network.** The Department of Public Property spends approximately $3 million annually for CityNet, a privately leased fiber optic network from Verizon. CityNet connects all City departments, agencies, and quasi-agencies throughout the municipal government. The network is made up of three distinct fiber optic rings, with the Center City ring having the highest utilization and reaching its full capacity. The Department plans to design and construct a Center City ring with City-owned fiber at a cost of $2.8 million in capital funds in FY05 to replace the ring currently leased. The result will reduce the annual cost of City Net by $1.05 million annually (starting in FY06), as well as provide greater network bandwidth to all downtown municipal locations.

Revenue Generating Initiatives

- **Implement Strategic Marketing Partnerships**. The City issued an RFP in 2003 for a citywide strategic marketing initiative, seeking business partnerships with private companies as a means of providing new revenue. The City recently selected a vendor to develop a comprehensive yet tasteful approach that capitalizes on the opportunities available for an enterprise of the City's scale and is currently finalizing contract negotiations. These partnerships can take a variety of forms. The recent "Snapple" contract with New York City, which is expected to bring $106 million to the city and school district over five years, led the City to increase its anticipated revenues on the project to $50.8 million through FY09.

- **Update Streets Department Survey Fee Schedule**. *Completed.* Revenues of $1.06 million are projected from FY05 to FY09.

- **Eliminate 20 Clerical Staff in Department of Licenses and Inspections (L&I) and Hire Additional Inspectors.** In FY04, the Department began implementation of a new software application that will enable online application of permits and licenses, automation of the inspection process and related code enforcement activity, and improved customer relationship management. The Department will spend approximately $1 million in FY04 and $2.3 million in FY05 on the new system, which will be fully funded through the Department's fee increases in business privilege licenses, housing licenses, and construction permits. The automated system will allow the Department to eliminate 20 clerical positions through attrition by FY09 and partially replace these positions with five new inspectors, producing a $2 million net benefit to the General Fund over the life of the Plan. As an initial phase, to be completed in May 2004, the Department is reviewing process workflows in every unit of the Department and eliminating redundant or unnecessary steps.

- **Increase Insurance Coverage for City Health Care Center Patients**. Many of the uninsured patients the City serves at its Health Centers are eligible for coverage but are uninformed about the benefits available to them. In FY02, the Department began an aggressive campaign to help enroll eligible patients and ease the burden on the City, which absorbs 100 percent of the insured visitors' costs. Since the campaign began, the Department has hired an additional 48 full, part time and volunteer staff to support the enrollment and education effort; created a video and promotional materials; redesigned the patient sign-in process; and developed a database to track patient insurance information. These efforts will continue into FY05, as more extensive multicultural resources are also put into place to discern insurance coverage possibilities for patients with limited English proficiency. As a result of these efforts, the Department expects the percent of uninsured visitors to drop from 64 percent in FY02 to 55 percent by the end of FY04, 50 percent by the end of FY05 and 30 percent by FY09, saving the City approximately $19.1 million through the life of the Plan.

Service Reductions

- **Right-size the Number of Facilities**. The City has an infrastructure that was built to support a population of 2.5 million – well in excess of the needs of 1.5 million residents. This phenomenon was highlighted by the 21st Century Review Forum Rightsizing Government subcommittee, which strongly recommended that the City reduce the number of facilities it currently maintains. The Administration anticipates that at the end of this process the City will have fewer, but better maintained facilities. The initiatives included in the *New Strategies to Reduce the Deficit* section below include a number of proposed facility modifications and closures, to ensure the City can implement effective tax reform and maintain a balanced budget.

- **Eliminate PHLASH Subsidy**. *Completed,* with $9.4 million of savings to be achieved from FY05 to FY09.

- **Provide High-Quality Care at Riverview while Exploring Community-Based Long-Term Care for Riverview Residents**. Riverview is a temporary residential care facility for the elderly and people with disabilities located on the Delaware River in Northeast Philadelphia. Although Riverview's goal is to stabilize residents in a protective environment to enable them to return to a lower level of care, such as independent or assisted living in the community, it functions as a permanent home for many of its residents. The residents of Riverview would be better served in more appropriate full time supportive settings, but there currently are not an adequate number of alternative community-based facilities to fully absorb the Riverview population. In an effort to gradually move residents to the least restrictive settings, Adult Services will work with other City departments and community partners to identify and develop appropriate, long-term, high-quality placements in the community. In FY05, Adult Services will eliminate services at the Fernwood Cottage, reducing Riverview's census by just over 10 percent, and reserve the Cottage for emergency use by the City only. No savings are assumed in this Plan.

- **Eliminate 50 Senior Administration Positions.** *Completed,* with a savings of $17.5 million over the life of the Plan.

NEW STRATEGIES TO CLOSE FY05-FY09 BUDGET DEFICIT

Policy changes

- **Move to self-insurance on health/medical benefits.** The City will spend approximately $252 million on employee health/medical benefits in FY04 and based on projections provided by a health care consultant, estimates the cost to grow 45.3 percent over the life of the Plan. By FY09, health medical costs will be $366.8 million and the projected growth from FY04 to FY09 is larger than the size of the Health Department's budget. Clearly, this type of growth will consume City dollars that could have been directed to either improve services or reduce taxes. Under the current system, the City makes payments either to health insurers or to union health and welfare plans for health/medical benefits. The level of the City's contribution is determined through negotiations with providers or, in the case of firefighters and police officers, by a neutral arbitrator. The staggering costs make up 10 percent of the City's budget and the City has had little ability to contain them. The City is proposing to become self-insured and assume liability for claims or to do so in partnership with major institutions in the area. Although savings could be significantly more, the Plan assumes a savings of $5.6 million in FY05.

- **Switch from a defined pension benefit to a defined pension contribution.** The weakness in the stock market and corresponding losses for the pension fund have been devastating for the City's finances. The total amount of contributions included from FY05 through FY09 in this Plan is $712 million higher than the amount that was included in the City's FY02-FY06 Plan. To put that increase in perspective, the City could reduce the wage tax by over ten percent and double the size of the Fairmount Park Commission's budget and it still would not cost $712 million over five years. Under the current defined benefit system, the City guarantees a certain benefit to employees. In order to calculate whether the City's contribution is sufficient to provide that benefit, actuaries analyze the performance of the pension fund's investments and the expected retirement age of the workforce. Any change in those factors changes the City's required contribution. As a result, the City's contribution level can increase dramatically and the City can do little to control its pension cost. Under a defined contribution plan, the City would set the amount of *contribution* it would make for each retiree and allow the employee to choose how to invest that contribution, similar to a 401(K) plan. In addition to making the City's contribution level more predictable, moving to a defined contribution plan could provide substantial savings for the City. The exact amount of savings would depend on the level at which the contribution was set. Although this change would not result in savings in FY05 or FY06, this change would finally resolve one of the City's long-standing structural problems.

- **Provide disability insurance and reduce sick days accrued by five.** The City is proposing to introduce a disability insurance program and, in return, recommending the number of sick days allocated per employee be reduced from 15-20 days a year to six days and the maximum sick day accumulation be reduced from 200+ days to 18 days. The excessive number of sick days currently allowed has resulted in a mean departmental 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 high overtime costs and service disruptions to cover the unplanned absenteeism. A disability insurance plan will provide employees with 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 can continue to earn 2/3rds of their salary until their medical problem is resolved. This policy change would save the City approximately $2.3 million each year.

Efficiency Efforts

- **Encourage independently elected officials to adopt cost-reduction efforts**. In FY04, over 9 percent of the City's budget went directly to the First Judicial District and court-related agencies and another 4.8 percent went to offices of independently elected officials including City Council, the Controller, and City Commissioners. Since FY00, the budget of the Court-related agencies has grown by 7.1 percent and all other independently elected offices by 23.4 percent. During the same period, excluding public safety, county mandated services and pension/medical benefit costs; the City's budget has grown by only 2.5 percent. The 21st Century Review Forum's Rightsizing Committee, PICA and the Tax Reform Commission have all called for spending reductions by these offices. For FY05, the independently elected offices largely participated in the City's across-the-board cost reduction efforts and absorbed a five percent reduction in their budgets, resulting in a $9 million annual savings to the General Fund.

- **Leverage technology for citizen-City transactions**. The City currently spends over $400,000 annually operating two satellite service centers, or "mini City Halls"; one in north Philadelphia and one in northeast Philadelphia. The activities available to citizens are primarily limited to purchasing a business privilege license, making tax or water bill payments, or arranging a tax or water payment agreement. The City now has a number of alternative avenues for conducting these transactions, making the mini-City Halls inefficient and obsolete. In FY05, business owners will be able to apply and pay for their business privilege license using a credit card via the web (or they can continue to download the application from the web and mail it in with a check or money order). Since bill payments are only in the form of checks or money orders, which are their own receipt, there is no compelling need for cashier payment transactions to occur. Also, since FY03, the Revenue Department has allowed all payment agreements to be arranged with a Department service representative over the telephone. Mini-City Hall staff will be redeployed to a nearby Licenses and Inspections District Office or to the MSB concourse, where they can help reduce wait times for citizens who continue to conduct transactions in person or on the phone. The closures will save the City approximately $220,000 each year in rental costs and support staffing needs in the MSB concourse.

- **Standardize trash collection schedules.** The Department has developed a plan to revamp the collection system in order to offer fair and uniform services throughout the city. In March 2004, the City eliminated nighttime rubbish collection. The Streets Department initially provided this service in Center City to approximately 11,000 residents in an effort to avoid disturbing traffic on the busy streets. However, with the growth of hotels, restaurants and renewed commercial and leisure attractions, the City experiences vehicular and pedestrian traffic throughout the evening hours, to the extent that the Department determined that vehicular traffic is currently lighter in the morning – when private waste haulers typically collect Center City trash – than during the evening. In addition, City studies show that over 50 percent of households previously set out their curbside trash for collection well before the 4:00 PM legal setout time. This early set out causes considerable volumes of refuse to pile on Center City sidewalks throughout the day, creating litter, odors, and easy targets to stray animals. In order to address these issues the Streets Department has switched to morning collections in these areas. The altered schedule will help the City realize in excess of $300,000 in savings by eliminating the need for a separate night shift, while also modernizing the refuse collection system to function within a renewed and vibrant Center City Philadelphia. The Department will revamp scheduling and routing throughout the city in FY05, saving the City another $300,000 annually when fully implemented.

Reallocating Resources

- **Refocus on core activities; reduce expenditures for non-core City services.** When the strong economy provided the City's budget with significant surpluses, expenditures in nonbasic municipal services grew significantly. While scrutinizing all of the City's expenditure areas in order to find opportunities to reduce the budget, core City services were made a priority. The Administration is well aware that these cuts will impact groups that provide important services, but the alternatives required cuts to core City services that would have a severe impact on the general public. The following reductions will save the City $1.6 million annually:

- Eliminate the Office of Arts and Culture ($400,000)
- Reduce the City's contribution to the Cultural Fund ($400,000)($150,000)
- Reduce funding for the Art Museum and Atwater Kent Museum ($280,000)
- Reduce the City's Penn's Landing subsidy to $500,000 ($250,000)

- **Better address demands on the Fire Department**. The nature of the Fire Department has changed dramatically over the past decade, with an increasing portion of its work shifting from fire response to medical emergency response and transport. Since FY95, when a new policy phased the Police Department out of most medical transportation, the number of EMS runs has grown 46 percent (from 133,701 to 195,504). During that same period, the number of structural fires has fallen by 19 percent (from 3,033 to 2,510). The Department has added eight medic units since that time and its fleet of 38 units struggles to meet the growing demands of an aging population and citizens who increasingly use EMS as a portal into health care. There has been no commensurate reduction in the number of engine or ladder companies, despite a solid trend of fewer fires. The Administration plans to adjust resources within the Department to better reflect the needs of citizens by adding up to eight new EMS units and exploring three alternative reductions that would have minimal impact on public safety. The City has presented a plan for closing four of its 29 ladder companies and four of its 60 engine companies and replacing them with an additional eight medic units. The Five-Year Plan assumes that the net reduction in the Department's expenditures from the proposed changes will be over $6.4 million annually, but a Common Pleas Court judge has ruled that the City must go to arbitration before implementing the proposed changes.

- **Suspend programs that are not cost-effective.** The City continues to analyze its services to make sure that they are effective. The Prisons and OESS provide examples of cases where services have been suspended because they do not appear to be effective. In FY05 the Philadelphia Prisons System will continue its methadone heroin-addiction treatment for pregnant female inmates only. PPS is currently the only prison in the Commonwealth that operates a methadone program for all inmates, and spends approximately $480,000 annually to serve only 30 patients at a time. Program costs are driven by a mandated inmate to counselor ratio as well as state regulations that create operational challenges, particularly around requirements to maintain anonymity of program participants. During FY05, PPS will continue to provide medical treatment to mitigate withdrawal symptoms and explore methadone treatment programs with outcomes that justify the costs.

  While the Office of Emergency Shelter and Services (OESS) will continue to provide prevention activities that include phone contacts, client counseling and referrals to other resources, it is suspending some of its other prevention programs for another year. In FY04, some prevention activities, including grants to individuals for mortgage assistance and back rent, were significantly scaled back because of the unavailability of state HSDF funding. OESS is in the process of determining if the activity reduction this year has impacted the number of clients entering the shelter system and until the impact of the reductions has been established, OESS will not make further investments in those areas.

- **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 and junior high schools. Resources are not available to maintain the aging facilities and programs at their current levels. The Administration will work closely with City Councilmembers to determine where facilities can be transferred to an interested outside party; where underutilized or obsolete facilities should be closed or demolished and sold or turned into passive green space; and where facilities should be consolidated or modified to better meet the needs of the community. There are already a number of community organizations that have indicated an interest in leasing a recreation facility; the City will make lease agreements conditional on these third parties continuing to provide programming to current after-school and camp participants, without the involvement of the City. The City will also pursue opening spray parks at playgrounds in close proximity to any pools that may close. Spray pools are safe and popular in other cities and cost only $125,000 to build, with minimal maintenance costs. Through these and other changes to the Recreation Department, the City is projecting a savings of $1 million annually.

Revenue Generating

- **Increase fees to cover costs.** The City conducted a comprehensive assessment of the fees it charges for services and plans to request adjustments for activity costs that are not adequately covered.

  - **Gun Permit Fee.** The City currently issues an average of 7,830 gun permits a year and charges only $19/permit. Of this amount, the state receives $12.50 and the City receives $6.50. The Police Department performed an analysis of all 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/permit. The City plans to lobby for state approval to adjust the permit cost accordingly, which would result in an additional $850,000 in revenues annually.

  - **Right-of-Way Ordinance.** The Right-of-Way Ordinance will provide policy and regulations 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 ordinance will be presented to City Council in the fall 2004 and should help the City recover $600,000 annually.

- **Implement application fees for examinations**. It costs the Personnel Department an average of $39 to process each job applicant and currently, these costs are absorbed fully by City taxpayers although most never compete for jobs with the City. Beginning in FY05, the Department will join its counterparts in the region by charging a processing fee for all applications for examinations, excluding candidates who can demonstrate an inability to pay or for hard-to-fill classes. In addition to raising an estimated $600,000 annually to cover Personnel Department costs, the fee will serve as a mechanism to eliminate applicants who are not seriously interested in a position. On average, excluding laborer exams, fewer than half of those who apply for City work even show up for the test.

- **Increase ditch permit fees.** The Department issues permits for excavation of City streets for repair of sewer, water and other underground services, commonly referred to as Plumbers' Ditches. During FY04, the Department, with City Council's approval, increased the ditch permit fee from $140 for a two-square-yard opening to $400 for a two-square-yard opening. The revised rates cover the increased cost of materials and labor associated with the inspection and restoration of the excavations and would mark the first increase since 1977. The increase is projected to provide approximately $305,000 in additional revenue per year.

- **Update 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 to the City and is generally paid by insurance companies. The new fee more accurately reflects the ever-increasing costs associated with emergency transport.

- **Increase fees for Police Accident and Incident Reports.** In early FY05 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 the fees, which would generate an additional $500,000. The fee increase for Police Traffic Accident reports requires state legislative approval; the City is currently pursing this change.

- **Propose changes to food licenses.** The Administration submitted legislation to City Council at the same time as the FY05 budget was introduce that updated the food license fee charged to food establishments. The inspections conducted for these licenses are extensive and the fee amounts have not been updated since June 1993. At the same time, the Department will propose to consolidate many of the existing nine food licenses, in order to simplify the process for the commercial business operation and department administration. If the fee increase is approved, revenues will increase by $400,000 annually.

- **Adjust Environmental Health fees for licenses and services.** The Health Department recently amended the Health and Air Management Codes to adjust the fees levied for certain services and the issuance of certain City licenses and permits. The fees for these services have not been changed since 1993, while the costs of providing these services have increased a cumulative 26 percent. The fee adjustments would cover the Department's cost and increase revenues to the City by approximately $800,000.

- **Enhance code enforcement efforts.** Both the Departments of Streets and Licenses and Inspections (L&I) will increase code enforcement activity in FY05, increasing fine revenues by a projected $600,000 and ultimately improving compliance. Sidewalks & Walkways Education and Enforcement Program "SWEEP" officers will heighten their enforcement of trash set-out, recycling and sidewalk regulations. L & I is requesting two ordinances be approved by City Council to improve code compliance:

    - increasing the minimum fine associated with a code violation notice, from $25 to $75; and
    - levying reinspection fines after the second reinspection and for all subsequent reinspections when a property owner fails to remediate a code violation.

- **Increase tax revenue collection efforts.** In FY05 the City will invest an additional $2.7 million in the Departments of Law and Revenue to increase collection efforts, which are projected to net $10 million annually. The Law Department will increase staffing in order to create an execution unit, which will follow up on debtors who receive judgments in Municipal Court but do not pay promptly, and make investments in technology to support aggressive follow-up on delinquent taxpayers. The Revenue Department will use its funding to expand its tax return matching work to discover taxpayers who are not making their required payments.

- **Increase recycling revenue from processing centers.** The City is currently receiving high prices for its recycling products from its intermediate recycling processing center. For the past two years, the newsprint and mixed paper market has been extremely strong and the steel market is at its highest level in nearly 15 years. The Department anticipates recycling tonnage to increase in FY05, from approximately 45,000 tons in FY04 to nearly 50,000 tons, as a result of increased education and enforcement campaigns. The Department estimates this increased tonnage at the current product prices will result in an additional $100,000 in revenue.

- **Begin charging for maps.** The Philadelphia City Planning Commission currently provides maps for developers and private interests without charge. Starting in FY05, the Commission will begin charging for the work they perform and estimates they will generate $60,000 in revenues.

- **Expand 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 FY04 the Department expects to perform a total of 2,875 accelerated reviews for building permits, electrical permits and zoning reviews. In FY05, the Department will increase the fees charged for those reviews, to cover actual costs, and will expand the accelerated service to include sprinkler, ductwork, single-family dwelling, foundation, preliminary, and use permits. The Department anticipates an additional 700 accelerated permit review applications resulting from the program expansion. The inclusion of new permit types and the increase in fees should increase revenues by approximately $1.9 million in FY05, which will cover all costs associated with the program.

- **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. The City anticipates this will generate approximately $800,000 in annual revenues.

Receive Appropriate Reimbursements from Other Governments

- **Seek appropriate reimbursements for Department of Human Services 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 second bill increases reimbursements for adoption subsidies and legal custodian services from 80 percent to 100 percent. The Plan assumes that the City will be successful in gaining the appropriate reimbursements for these costs, but only includes 75 percent of the revenue that would be received from the increased reimbursements. In addition, DHS has developed a contingency expenditure plan that would help fill the gap created if the City did not receive the $15.8 million that the Plan includes for these initiatives.

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

- **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 $21 million in FY00 to over $47 million in the FY05 budget, a 124 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 will request an opinion from the Commonwealth to confirm its understanding of state law. The plan assumes $5 million annually from such reimbursements.

- **Reimbursement from state for highway patrol cost.** The Commonwealth of Pennsylvania patrols state highways in every county except Philadelphia. Since the state does not conduct those patrols, the City has deployed officers to fulfill the state's responsibility. The cost of that patrol is now $5.6 million annually and the City simply can no longer afford to perform the state's duties. As a result, the City will seek full reimbursement from the state for these costs.

Asset Sales

- **Generate revenue from surplus City properties.** The City has received expressions of interest for a number of properties that the City should no longer operate either because another entity could better provide services at that facility or because the City will eliminate the services provided there. Based on those initial expressions of interest, the City believes that it can generate $30 million in FY05 from those sales.

City of Philadelphia
Five-Year Financial Plan

• • • • •

Fiscal Health

Fiscal Health

Overview

The City of Philadelphia is facing its biggest fiscal challenge in a decade. The end of the unprecedented national expansion in FY02 and the slow recovery have had significant impacts on the City's finances. Growth in negotiated and arbitration-awarded per-employee compensation costs exceeded the growth in tax revenues in FY02 and FY03 due to the effects of the 2001 recession and slow recovery. New and unanticipated homeland defense expenditures, continued increases in criminal justice costs, and the formation of the City's partnership with the Commonwealth to avert the financial crisis at the School District of Philadelphia also combined to produce consecutive declines in the City's fund balance during FY02 and FY03. In addition, during FY02 and FY03 ordinances were passed that instituted fixed and potentially accelerating wage tax reductions. While these tax reductions benefit the long term economic health of Philadelphia, they complicate the task of preparing a balanced budget and Five-Year Plan while maintaining services in economically difficult times.

The jobless economic recovery and continued weak stock market are compounding these negative financial effects further in FY04 and throughout the life of this Plan. Tax receipts are projected to grow slower than the rate of contractual salary increases for the third year in a row in FY04. The City's required contributions to its pension fund are expected to increase by $437 million over the life of this Plan compared to last year's, and by a staggering $713 million compared to the FY02-FY06 Plan. Arbitration panels awarded substantial increases of 37 percent in FY03 and 10 percent in FY04 in health and medical benefits to uniformed police and fire officers, who comprise nearly two-fifths of the City's workforce. As a result of these and other factors, in preparing the FY05-FY09 Plan the Administration quickly faced a $150 million projected deficit for FY05 and recurring fund balance deficits throughout the Plan. At the same time, providing contingencies for potential threats such as additional tax reductions beyond those in this Plan, future exorbitant growth in health and medical benefits, or homeland security disruptions, and overcoming a number of structural financial challenges posed by Philadelphia's demographics and governmental structure made this task more difficult. By formulating creative initiatives and making difficult choices about services, the Administration has overcome the projected deficit while incorporating $405 million in net tax cuts and some of the valuable recommendations of the Tax Reform Commission.

The steps taken to address the projected deficit are detailed in the Introduction to this Plan. This chapter focuses on the causes of the current fiscal crisis, the threats that could exacerbate the fiscal crisis, the structural challenges complicating the City's response, and the projected condition of the City's revenues over the life of the Plan.

Major causes contributing to the City's current fiscal crisis include:

- A slow economic recovery, causing slower tax revenue growth
- Higher pension costs
- Increasing labor costs

- Increasing criminal justice costs
- Fixed and potentially accelerating tax reductions

Threats that could exacerbate the fiscal crisis include:

- Additional tax reductions beyond those included in this Plan
- State budget mandates and funding changes
- Future health and medical costs
- The renewed financial difficulties of the Philadelphia Gas Works
- Additional homeland security disruptions and costs
- The challenge of continuing to identify target budget reductions
- The need to use the operating budget for necessary capital obligations due to the City's limited remaining borrowing capacity

Overcoming the fiscal crisis is made more difficult by a number of structural financial challenges:

- Ongoing loss of population
- High incidence of poverty
- A weak tax base
- Low state government fiscal support
- A relatively low level of expenditures and staffing for core city government services, which limits the ability of the City to impose further cuts in those services, and relatively high and increasing expenditures and staffing on mandated, non-core, county government services.

Causes of the Current Fiscal Crisis

Delayed Recovery from the National Recession

Nationally, employment has been slow to recover from the recession that began in early 2001. Since a majority of the City's tax revenues are from the wage tax, this delayed recovery in employment has serious implications for the City's finances. National employment in 2003 was 1.4 percent lower than 2001 employment, and monthly employment gains beginning in September 2003 have been moderate and lower than increases in the labor force due to population growth. Over the last three years the city has lost jobs along with the rest of the nation. Employment in Philadelphia reached an eight-year peak in the first half of 2000 and has been declining ever since, shedding approximately 19,500 jobs as of December 2003, or over 2.8 percent of the peak total.

This loss of jobs has caused deteriorating growth in the City's largest revenue source, the wage tax. Wage tax revenues initially began to slow in late FY01, although strong collections in the first half of the year and a one-time benefit from an accounting change produced above-average gains for the fiscal year as a whole. The trend that began in FY01 accelerated in FY02, as wage tax revenue growth plummeted to a rate of 1.0 percent over FY01's receipts. Even without the revenue reductions caused by the tax cut, growth in the wage tax would have been only 1.6 percent. The chart below illustrates the growth rate over the last ten years in actual wage tax collections and the growth in the wage tax base after adjusting for the effect of tax rate cuts. The growth in wage tax collections during FY02 was the second lowest in the last ten years, and the growth in the wage tax base was the lowest in the last ten years. The 1.6 percent growth in the wage tax base during FY02 was less than half of the ten-year average tax base growth rate of 3.6 percent. In last year's Five Year Plan, wage tax collections were estimated to grow by 1.9 percent in FY03 through economic recovery, yet due to continued lack of job growth nationally and locally, collections only grew by 1.0 percent. This was significantly less than the 5.3 percent rate of per-employee compensation increase for that year due to 3.0 percent salary increases and the 37 percent increase in health and medical benefits awarded through police and fire arbitration. Wage tax collections are projected to increase by 2.7 percent in FY04 as employment stabilizes and salaries increase.

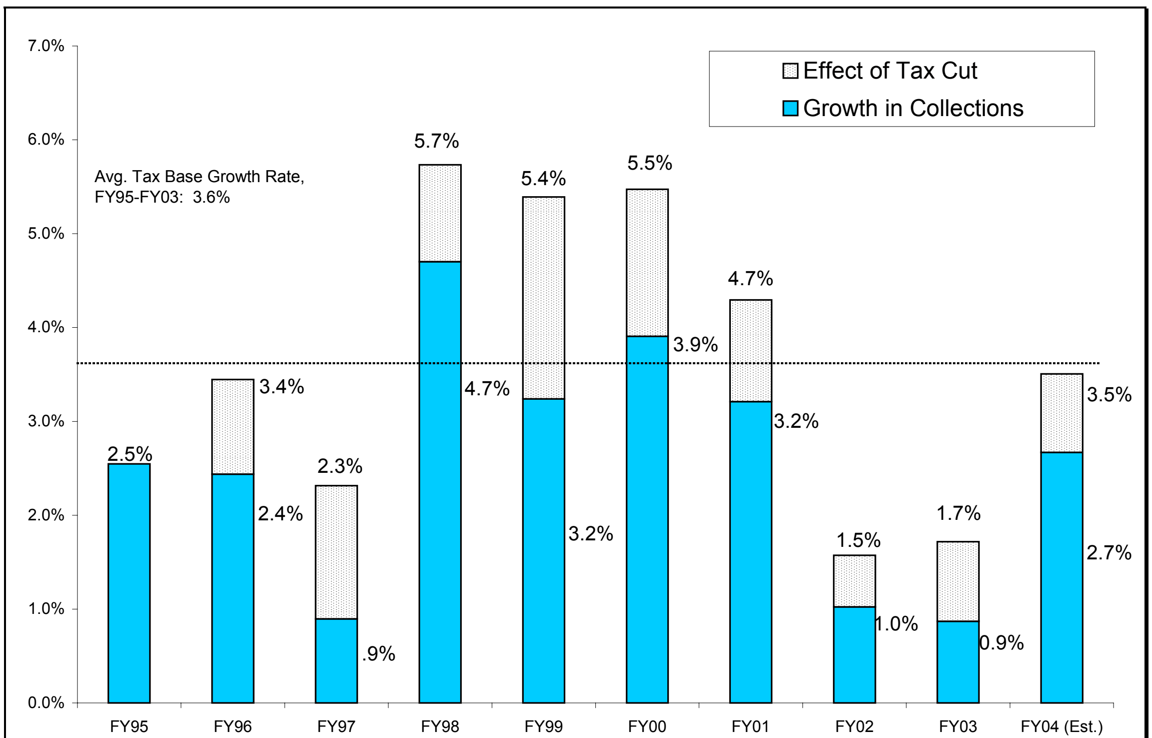
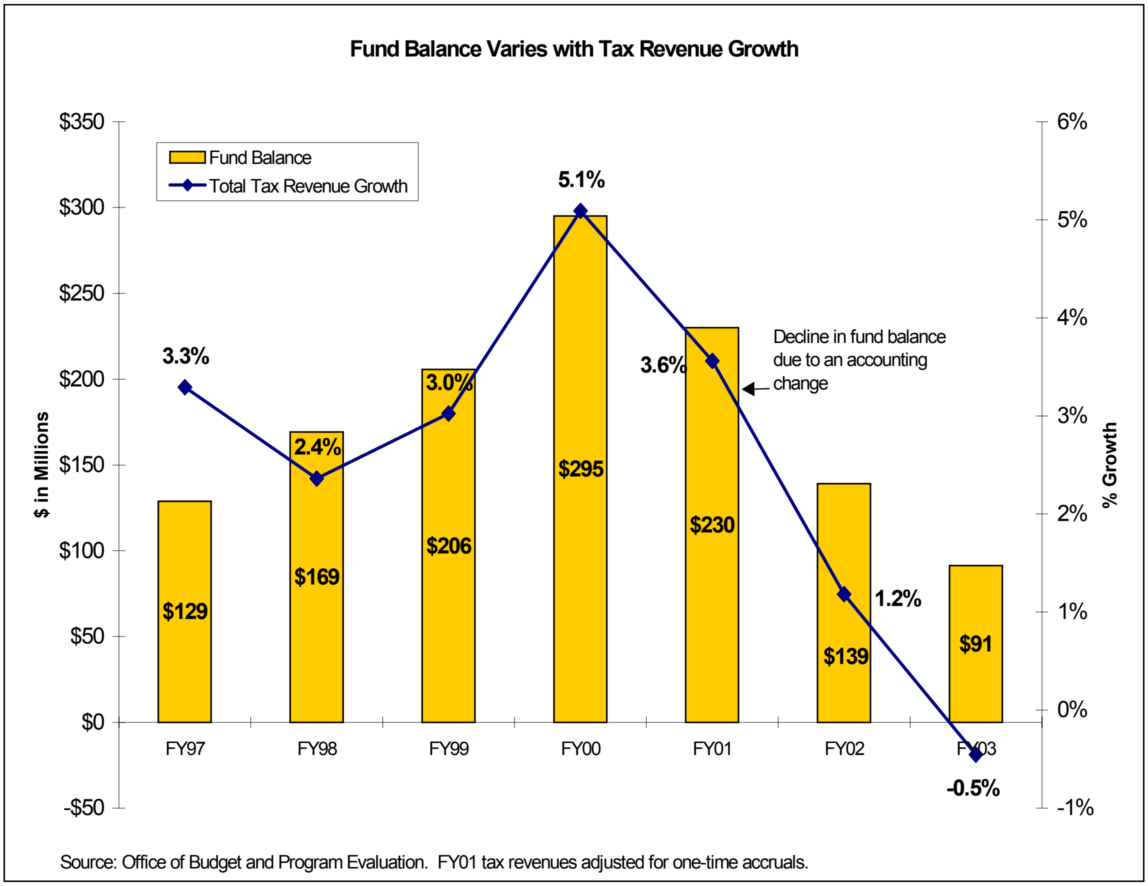


Chart illustrates annual percentage growth in City and PICA wage, earnings, and net profits tax.
Source: Office of Budget and Program Evaluation

The delayed recovery has also impacted the City's business privilege tax and sales tax revenues. Collections from these taxes declined in both FY02 and FY03 (after accounting adjustments to the business privilege tax), and sales tax growth has been moderate for FY04 to date. These taxes are discussed in more detail later in this chapter.

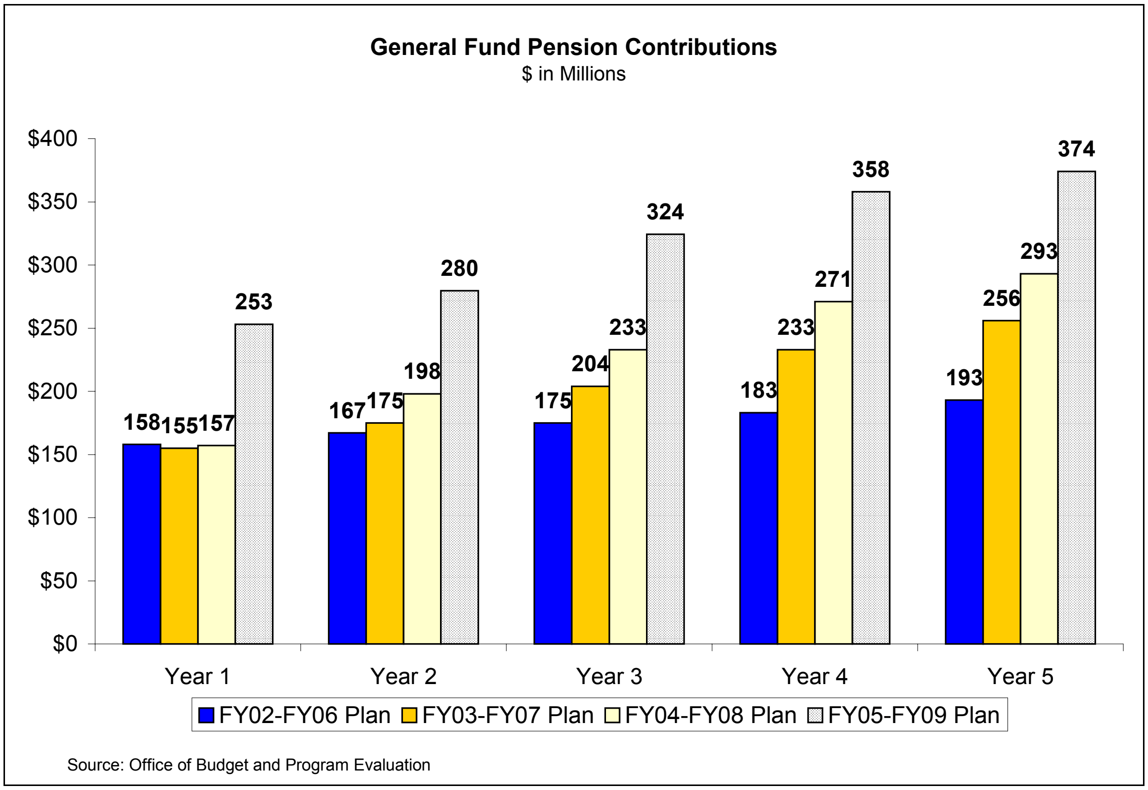
Diminished tax revenues, along with increasing employee compensation costs, contributed to reductions in the City's fund balance over the last several fiscal years. The City built a significant unreserved fund balance in the General Fund, in part through healthy tax revenue growth that in many years exceeded budgeted amounts. Tax revenue growth of 2.5 to 3.0 percent per year contributed to increasing fund balances in each of the years shown in the chart below (in FY01 the fund balance declined due to an accounting change; if not for the accounting change, the fund balance would have increased slightly). Significantly, the strongest fund balance growth in recent history occurred in FY00, when tax revenues increased by over 5.0 percent. As tax revenues slowed, so too did the fund balance. In addition to marginal wage tax collection growth in FY02 and FY03, and diminished business privilege tax and sales tax collections in those years, the City also shifted real estate tax millage to the School District in FY03 as part of the agreement with the Commonwealth to keep the District solvent. As a result, total tax revenues grew by 1.2 percent in FY02 and declined in FY03. A hiring freeze implemented in November 2001 aided in controlling the cost of employee compensation to roughly 1.1 percent growth in FY02. However, in FY03 arbitration panels awarded 37 percent increases in health and medical benefits to police and fire employees, which comprise nearly two-fifths of the City's General Fund workers. This drove a 21 percent increase in total health and medical benefits, drastically limiting the City's ability to manage compensation costs to reflect diminished tax revenues. This, among other factors such as the City's investment in the School District, resulted in a third straight year of declining fund balances, and the second straight not caused by a change in accounting practices.



Higher Pension Costs

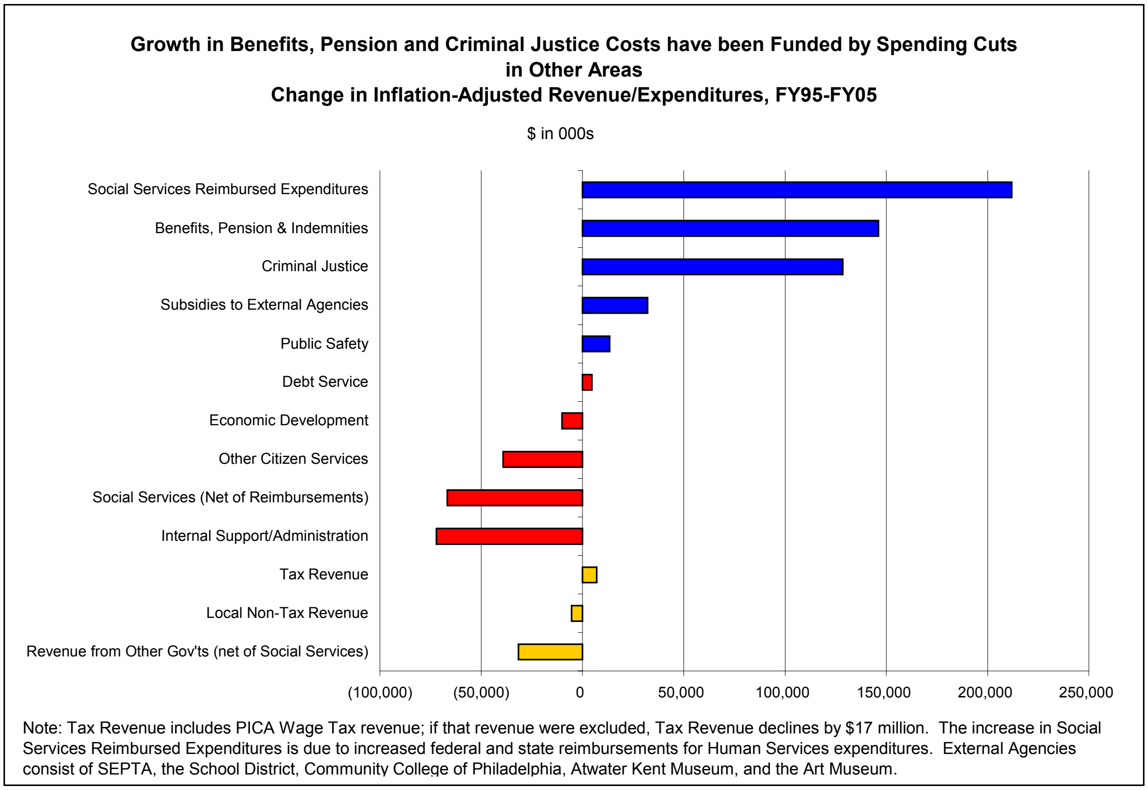
The slowdown in the economy has also indirectly had a devastating effect on the City's pension costs. The New York Stock Exchange Index dropped by 33 percent from September 2000 to March 2003, when a sustained recovery began. This precipitous loss in equity values has forced the City to contribute significantly 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 nine percent in FY01, FY02, and FY03, although earnings began to improve in late FY03 and into FY04. The City's pension fund lost 6.0 percent in FY01 and another 5.2 percent in FY02 before earning 2.9 percent in FY03, still well below the nine-percent goal. As a result of those lower earnings, 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 required by state law to meet future unfunded pension liabilities. At that time, the shift to the minimum municipal obligation 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 few years have caused the City's General Fund pension contribution to escalate dramatically and force severe cuts on the City's more discretionary General Fund expenditures, and slow pension earnings growth in FY03 has forced even greater contributions. The City must contribute $712.9 million more towards pension obligations in the FY05-FY09 Plan than was budgeted in the

FY02-FY06 Plan before the earnings target was consistently missed. This additional contribution is greater than the cost of providing a 10 percent wage tax cut and doubling Fairmount Park's budget.



This dramatic increase in pension obligations effectively "crowds out" the City's ability to provide funding for other services while maintaining a tax reduction program. After adjusting for inflation, the City's unrestricted revenues from taxes and other local sources have essentially been unchanged over the last ten years, yet, as shown in the chart below, the City's costs for pensions and benefits have increased dramatically. In addition, the City's criminal justice costs for police, prisons, courts, and other services have also increased dramatically, as discussed later in this chapter. In order to maintain fiscal solvency in these conditions, the City has been forced to make deep cuts in internal support and administration and develop valuable efficiencies.

As pension obligations increase over the next five years, these choices will become even more difficult, particularly with no revenue relief in sight due to continued tax reductions. Pension obligations represented 6.9 percent of General Fund revenues in FY02. By FY09, this proportion is projected to increase to 12.7 percent. Pension and health and medical obligations combined represented 13.4 percent of General Fund revenues in FY02; this proportion is projected to increase to 23.5 percent, nearly one-quarter of General Fund revenues, by FY09. In the absence of additional revenues – and the most optimistic "supply side" economic model projects that in any tax cut scenario, the City would lose revenue from the tax cut in future years – the City must fund this additional 10 percent of the budget that goes to pension, health and welfare obligations by cutting an amount equal to 10 percent of the budget from other areas.



Increasing Labor Costs

A majority of the City's expenditures are on salaries and benefits for predominantly union-represented workers. The growth in per-employee compensation is projected to exceed the growth in inflation and the City's tax base by 1.7 and 1.2 percentage points, respectively, from FY99 through FY04. 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. Depressed tax revenue growth and sharp increases in pension costs have made it more difficult to accommodate those costs.

The new contract awarded through binding arbitration in July 2002 to the Fraternal Order of Police (FOP) covering FY03 and FY04 imposes even more pressure on the City's finances. This contract includes a 3 percent salary increase in FY03 and a 3.5 percent increase in FY04. The health and medical benefits included in the award were a far bigger blow to the City's finances, as 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. Considering that the officers represented by the FOP account for over one-fourth of City General Fund workers, such dramatic increases in health and medical benefits have a significant impact on overall General Fund costs. The total value of this award over the life of the contract is $225 million in new costs to the City. The three-year arbitration award for the International Association of Firefighters (IAFF) mirrored the first two years of the award to the FOP, but also included a third year adding an additional $78 million in new salary and benefit costs over the life of the contract. The FOP and IAFF combined represent almost 40 percent of the City's General Fund workforce.

This FY05-FY09 Plan does not include any provision for wage increases after the contracts for the four major bargaining units expire in FY04. The $647 million projected fund balance deficit overcome in the preparation of this plan did not include any such wage increases. Identifying funding for future wage increases will pose a serious challenge. Future increases in wages and benefits should be tied to productivity improvements and other contract savings.

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 FY04. Obligations for the District Attorney, Juvenile Justice Services, the Police Department, the Philadelphia Prison System, and the Sheriff's Office have increased by 64 percent, from $516.8 million in FY96 to an estimated $844.9 million in FY04, while the rest of the General Fund has increased by less than a third, from $1.9 billion in FY96 to an estimated $2.4 billion in FY04. 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. The Crime Bill officers have helped the City to improve enforcement of the laws, and they are now essential to the emphasis on crime prevention and disruption of crime patterns that is the theme of Operation Safe Streets.

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, and has increased over 50 percent since FY95, the last full year that a court-mandated prison cap was in place. This impacts the Prison System by driving up staffing levels and overtime, food, maintenance, health care and community housing costs. Much of the increase in the prison census has been due to increased arrests and enforcement in narcotics. Operation Safe Streets is designed to break this cycle of increasing crime enforcement and incarceration costs by permanently disrupting the drug trade and reducing drug-related crimes. Operation Safe Streets is resulting 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. The Administration believes this short term cost increase is necessary in order to improve the quality of life in the city's neighborhoods and to address long-term addiction, cost, and prison capacity issues. As the Philadelphia Prisons Chapter of this Plan discusses, Operation Safe Streets is continuing to have an impact as the dramatic increases in prisons population appear to have leveled off.

Fixed and Potentially Accelerating Tax Reductions

The current fiscal year is the ninth consecutive year of wage and business privilege tax reductions. The City of Philadelphia stands alone among major cities in continuing to reduce tax rates in the wake of the recession and post-recession slump that has disrupted state and local government finances across the country. Although these tax reductions are important to the competitiveness and health of Philadelphia, in the short-term they have made the task of managing the City's finances with slowed tax base growth and increasing pension, health and medical costs even more difficult.

In the first seven years of the tax reduction program, tax reductions were made on a year-by-year basis, which provided budgetary flexibility to respond to recessions – which did not occur during the initial years of the program – or to emergencies. In conjunction with the passage of the FY05 budget, however, legislation was enacted that prescribes specific wage tax reductions for each year though FY2015.

Threats that Could Exacerbate the Financial Crisis

Threat of Additional Tax Reductions

This proposed Plan continues the City's nine-year program of wage and business privilege tax reductions into a fourteenth consecutive year while also embracing new tax reductions and reforms. On July 4, 2004, following the approval of this Five-Year Plan, Governor Rendell approved House Bill 2330 and Senate Bill 100, which will provide funding for statewide tax reform, including wage tax relief in Philadelphia. The Governor's tax relief program, which will be funded by slot machine revenue, is projected to entail $101.1 million in annual wage tax relief funding for Philadelphia beginning in FY07, resulting in a 9.9 percent reduction in the resident wage tax rate that year. This would reduce the resident rate to 3.8745 percent in FY07 – the first time in nearly thirty years that the rate would be below 4 percent. Projected wage tax rates are addressed in more detail later in this chapter. The Plan also assumes adoption of the following Tax Reform Commission recommendations:

- **Establish Accurate Land and Structure Values for All Property Parcels.** This will provide more comprehensive and accurate data collection. This is a necessary first step both for going to 100 percent assessments and for phasing in land value taxation.
- **Eliminate Fractional Assessments.** The BRT will attempt to value all properties at 100 percent of value. Currently, the BRT assesses properties at a fixed fraction, .32, of market value. For various policy and practical reasons, the BRT has also lagged market conditions in identifying market value, so assessments end up at something less than the .32 fraction of true market value. Assessing properties at 100 percent value would increase the transparency of the real estate assessment process and make it easier for taxpayers to review and evaluate their assessment. It would also improve the fairness of the system by ensuring that all taxpayers are assessed at the same proportion of their property's value. This policy would have a positive side benefit of improving the City's capital borrowing ability, as discussed later in this chapter. This policy would require an offsetting reduction in tax millage rates to be cost neutral to the taxpayer and revenue neutral to the City. Such a reduction would, in turn, require action by the Commonwealth to provide relief from Act 46, which prohibits reductions in tax rates for the School District. The BRT proposes implementing this recommendation in FY06 following a pilot and the establishment of more accurate land and structure values.

- **Adopt a Set of Assessment-Practice Principles.** A set of principles could help improve assessments, and increase public confidence and understanding related to the assessment process.
- **Expand Efforts to Address Property Tax "Ability to Pay" Issues.** The Administration will work to help develop appropriate programs.
- **Advocate for a change in the Pennsylvania Constitution to allow for variable real estate tax rates so that the City can tax different classes of real estate at different rates.** According to the Tax Reform Commission, commercial and industrial landowners are less sensitive to the real estate tax than they are to other taxes. If the City could impose a differential real estate tax rate on commercial and industrial property, reductions in the business privilege tax rate could be accelerated.
- **Increase Awareness about Real Estate Tax Relief Programs.** The Administration and its Consumer Advocate will continue to work to increase awareness of existing programs.
- **Recommend Technical Changes to the Real Estate Transfer Tax.** These changes would be made immediately and would close loopholes in the tax.
- **Eliminate the Real Estate Non-Utilization Tax**. This tax has not been enforced because of a court order and has no impact.
- **Unify Statutory Refund and Assessment Periods.** The audit period is now six years and the refund period is three years, but the Revenue Department as a matter of practice only goes back for three years in audits except in egregious cases. The legislation that would bring about this change allows for exemptions in egregious cases, so that the statute would be brought in line with the City's practice.
- **Accelerated Local Income-Based Tax Rate Reductions**. The Tax Reform Commission recommended that the City accelerate its program of incremental changes in the wage, earnings, and net profits tax rates to more rapidly improve the competitiveness of the city's tax structure. Bill number 040607, which became law on July 1, 2004, provides $50.4 million in wage, earnings, and net profits tax reductions, in addition to the reductions from the continuation of the City's nine-year program of tax reductions. This bill also provides for the reduction of the resident wage tax rate to 3.25 percent by 2015. The bill's sharp rate reductions after FY09 will require dramatic expenditure reductions, increases in revenues, or both, in order to balance the City's budget.
- **January 1st Implementation of Changes in Wage and Earnings Tax Rates**. This would remove a compliance burden for businesses that are required to file annual earnings tax reconciliation forms.

Any further tax reductions and reforms must be affordable within the context of the City's service responsibilities over each Five-Year Plan. The City faced a projected $150.2 million deficit for FY05 in preparing this Plan. The gap became even larger when it became clear that PGW would not be able to make its $18 million payment to the City from FY04 through FY08 and that that City would have to push back the date for PGW's repayment of its $45 million loan to FY09. In addition, pension actuaries identified a need for an additional $28 million in pension contributions for FY05 – bringing the total unplanned and unbudgeted increase in FY05 pension contributions from last year's Plan to $54 million. The Introduction details the numerous extraordinary steps taken to balance the FY05 budget as well as the Five-Year Plan. The tenuous condition of the City's finances have been noted by the City Controller, who advised that the City has a "structural deficit" in his FY04 Mid-Year Economic Report, as well as two of the three bond rating agencies, which maintained the City's ratings in November 2003 while downgrading the City to a "negative outlook." A study conducted for the Tax Reform Commission projected that at best the City would regain a "portion" of revenues lost by tax reductions through possible improvements in economic growth, signaling that the City cannot tax cut its way out of a deficit. The City can not afford further tax reductions beyond those detailed later in this chapter without further decreasing services or suffering through another cash crisis.

State Budget Mandates and Funding Changes

The budget proposed by Governor Rendell on February 3rd calls for an additional "tipping fee" of $5 per ton on trash disposed of in state landfills. This fee would cost the City from $2.5 million to $3.5 million per year in General Fund costs, beginning in FY05, as well as $.5 million in Water Fund costs. The fee, which would partially cover the costs of a bond to support the Governor's "Growing Greener" initiative, would more than double the $4 per ton fee that was just added in 2002. The General Assembly adjourned for the summer without taking action on the proposed Growing Greener II fee and bond issue. The state does, however, plan to form a "Green Ribbon Commission" during the fall of 2004 to make recommendations about how to establish a Growing Greener II program. Based on the results of that commissions' work, a question would be placed on the ballot in the 2005 primary election. Based on the results of that ballot question, any new fees could be imposed as early as the beginning of FY06. Being forced by the state to pay for the Governor's borrowing initiatives adds to the challenge of balancing this Plan. The state's FY05 budget also restores only a portion of the funding cut from libraries in the previous state budget. The funding cut to libraries statewide resulted in a $3.4 million cut for the City's Free Library system, which has resulted in reduced service hours and a freeze on library materials acquisition during FY04. This Plan assumes that the City's library funding will not be increased to compensate for the state's reductions. Additional mandates and budget cuts like these would further reduce the City's service levels at a time when the City needs more, not less, support from the Commonwealth.

Future Health and Medical Costs

The City's 2000 labor contracts established a significant new practice in health and medical coverage for City workers. Those contracts eliminated automatic inflation-indexed increases in the City contribution for health and welfare in favor of a system of specific negotiated City contributions. These contributions were based on what the City could afford to pay, and were recognized and evaluated as part of the full compensation package. As covered in the City Workforce chapter, health and medical costs in the market have been increasing at double-digit rates for over three consecutive years. In response, the average share of health care costs contributed by employees for all plans nationally has increased both as a means of sustaining comparable coverage and as an incentive to manage costs and service demand. Union-sponsored health plans traditionally have involved minimal cost-sharing. The arbitration award for

Fraternal Order of Police employees covering FY04 and for International Association of Firefighters employees covering FY04 and FY05 continued the practice of passing on increases in health care with no cost-sharing by employees, contrary to best practices in the rest of the country. The City's health and medical contribution was required to increase by 10 percent in each of those years. The City cannot afford to continue to bear the burden of such high rates of cost increase alone. Per-employee cost increases of ten percent or more are unaffordable when total General Fund revenue is projected to grow between one and three percent annually. The City proposes to slow the growth rate of health benefit costs in this Plan by shifting to self-insurance, which is described in more detail in the Introduction. Growth in total compensation beyond the amount allocated for health and medical costs must be funded by productivity improvements or other cost savings in the next labor contracts.

The Renewed 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. These 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. Since then, stable, effective management, enhancements to customer service and the billings and collections systems, and improved labor agreements have contributed to improved finances and cash flows at PGW.

However, other structural financial problems remained and were renewed during the harsh winter of 2003-2004, causing renewed financial difficulties for PGW in FY04. These problems include fluctuating natural gas prices, a high proportion of low-income and senior citizen customers that receive discounted rates, and most significantly, a high proportion of non-paying customers. The recent harsh winter, which featured record low temperatures for January, caused gas bills to soar, along with the number and amount of unpaid bills. Because of a policy against shutting off heat during the coldest months, PGW had to continue to provide service. As the amount of gas consumed grew, so too did PGW's expenses, yet revenue did not rise accordingly. As a result, the City does not expect PGW to make its $18 million annual payment in FY04. In addition, this Plan does not include the $18 million annual payment until FY09, in order to provide PGW with relief that was necessary to enable it to borrow at an investment grade rating in June 2004. The City does anticipate that PGW will make payment in FY09, while also repaying the $45 million loan. The inability of PGW to meet these obligations to the City would have serious impacts to the City's General Fund and to the fund balances estimated in this Financial Plan. Accordingly, PICA requested that the City prepare a fund balance of at least $63 million in FY09 in the event that PGW is unable to meet these obligations.

Additional Homeland Security Disruptions and Costs

America has found itself in a new era since September 11, an era in which, according to President Bush, it comes to grips with the "knowledge that our nation has determined enemies and that we are not invulnerable to their attacks." This era involves on-going costs and vigilance on the part of the City, particularly for those on the front lines of homeland defense: police, fire, and emergency medical services workers. During FY02, the City spent approximately $21 million in unanticipated homeland defense security costs in the General Fund and Aviation Fund. Future attacks on homeland security would at the least entail new costs to the City while also disrupting the national and regional economies.

The Challenge of Continuing to Identify Target Budget Reductions

The current Plan continues the City's recent practice of including unspecified future budget reductions over the last four years of the Plan. The City has successfully implemented these future "target" reductions for eleven years now, which makes it increasingly difficult to accomplish the reductions without impacting services. Furthermore, most departments cut their personnel budgets by 1.5 percent in both the FY01 and FY02 budgets passed by City Council and a 1.5 percent cut for the personnel budget and a 2.5 percent cut overall for FY04. Finally, the City is taking numerous actions outlined in this proposed Plan to erase its initially projected FY05 deficit, as outlined in the Introduction, and this Plan assumes a 5 percent across-the-board cut in Class 100 costs in FY06. Continuing to achieve these unspecified future budget reductions while maintaining services to the City's neighborhoods is a $60 million risk in the current Plan.

The Need to Use the Operating Budget for Necessary Capital Obligations due to the City's Limited Remaining Borrowing Capacity

The City is rapidly approaching its constitutionally defined debt capacity and may be forced to use scarce operating budget funds for necessary repairs to the City's aging infrastructure. Due to the restrictions of the Pennsylvania Constitution, as of the end of FY03 the City's remaining debt capacity was $102.3 million. The recommended Capital Program calls for only $70 million of City-supported debt financing for capital projects in FY05 in order to spread the remaining capacity over the life of the Plan, yet a review of capital needs by the City Planning Commission found that the City has capital needs that would require City-supported financing of $160 million annually. In order to make necessary repairs and investments for safety, quality of life, and development, the City may have to allocate General Fund dollars to make "pay-as-you-go" cash investments in capital projects, rather than borrowing to make these investments and paying back the debt over a twenty to thirty year period. This approach would dramatically increase the City's General Fund costs within a given year.

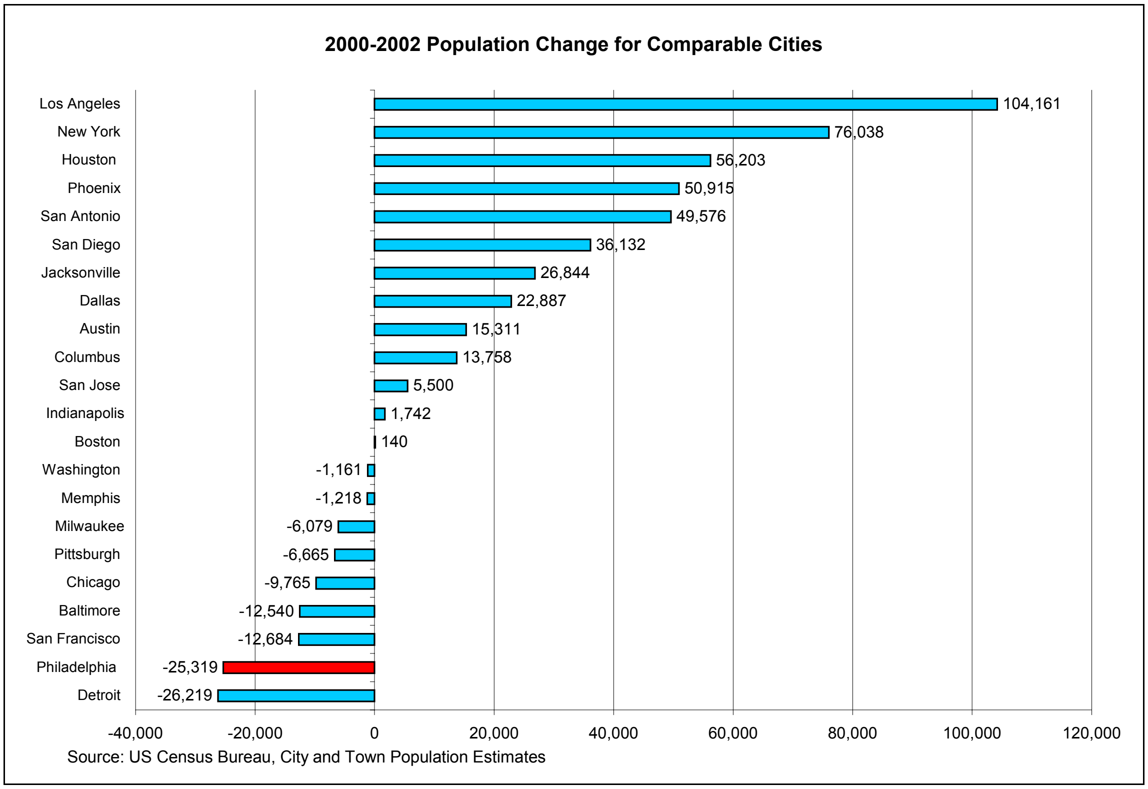
If the Board of Revision of Taxes moves ahead with its plan to eliminate fractional real estate assessments, as recommended by the Tax Reform Commission, supported by the Mayor, and assumed in this Plan, the City will quickly realize an increase in its constitutional debt capacity. Currently, the BRT assesses properties at a fixed fraction, .32, of market value. For various policy and practical reasons, the BRT has also lagged market conditions in identifying market value, so assessments end up at something less than the .32 fraction of true market value. Concurrent with the recommendations of the Tax Reform Commission, the BRT decided to move towards 100 percent assessment of real estate properties, with an offsetting reduction in millage rates. As 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 because of 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, it will potentially result in a reduction of the City's bond rating, and therefore an increase in the costs of borrowing. It may become more cost-effective overall to make some capital purchases from the operating budget in future years.

Structural Financial Challenges

Ongoing Loss of Middle Income Population and High Incidence of Poverty

According to the U.S. Census Bureau, Philadelphia's population losses continue into the 21st century. The 2000 Census confirmed that Philadelphia had lost 68,027 residents, or 4.3 percent of the population since 1990. This was not as severe as the 10 percent loss predicted by the Census Bureau's Current Population Survey estimates, and it was not as severe on a numeric or percentage basis as the losses of the 1970s and 1980s. Nevertheless, while other cities in the region such as Baltimore, Buffalo, Cleveland, Detroit, Pittsburgh, and Washington, D.C. experienced greater rates of population loss over the same period, a few major center cities in the Northeast and Midwest such as New York City, Boston, and Chicago actually gained population. The most recent Census data estimates that Philadelphia continued to lose population from 2000 to 2002 at a 1.7 percent rate. Only Detroit is estimated to have lost a greater number of residents among the twenty largest cities and regional comparables Pittsburgh and Washington, D.C., while Detroit, Baltimore and Pittsburgh are estimated to have lost a greater percentage of residents. There is a strong regional trend among these comparable cities, as nine of the thirteen cities with population growth are in the South or West Census region, and seven of the nine with population losses are in the Northeast or Midwest. Although the 2000 Census results showed that interim Census estimates can be unreliable, the estimates are troubling nonetheless.



Census demographic data indicates that the nature of Philadelphia's population loss negatively impacts both the City of Philadelphia's tax base and its service demands. Contrary to regional and national trends, key indicators of economic health continued to deteriorate in Philadelphia between the 1990 Census and the 2000 Census, as shown in the table below. Median household income declined by over five percent in Philadelphia over this period after adjusting for inflation, while the inflation-adjusted median household income increased in the four Pennsylvania suburban counties, as well as the state and nation as a whole. In addition, the poverty rate in Philadelphia increased over this period, even as it fell in the rest of the state and nation. While Philadelphia contains 39 percent of the population for the five-county region illustrated in the table below, it holds fully 75 percent of the region's poor residents. This data indicates that the net population loss in Philadelphia is disproportionately made up of middle-income residents, leaving behind a population that is proportionately poorer, less able to contribute to the tax base, and more in need of public services.

Demographic Trends between the 1990 and 2000 Census								
	1990 Population	2000 Population	% Change	1990 Median Household Income [1]	2000 Median Household Income [1]	% Inflation-Adjusted Change	1990 Poverty Rate	2000 Poverty Rate
Philadelphia	*1,585,577*	*1,517,550*	*-4.3%*	*32,415*	*30,746*	*-5.1%*	*20.3%*	*22.9%*
Bucks County	541,174	597,635	10.4%	57,111	59,727	4.6%	4.0%	4.5%
Chester County	376,396	433,501	15.2%	60,134	65,295	8.6%	4.7%	5.2%
Delaware County	547,651	550,864	0.6%	49,192	50,092	1.8%	7.0%	8.0%
Montgomery County	678,111	750,097	10.6%	57,602	60,829	5.6%	3.6%	4.4%
Pennsylvania	11,881,643	11,847,753	-0.3%	38,299	40,106	4.7%	11.1%	10.6%
United States	248,709,873	273,643,274	10.0%	39,599	41,994	6.0%	13.1%	12.5%

[1] Constant (2000) inflation-adjusted dollars.

Source: U.S. Census Bureau

A Weak Tax Base and Low State Government Fiscal Support

The recent demographic trends have severe consequences for the fiscal health of the City. On a per-capita basis, the public service needs are at least as high or perhaps higher than in other major cities, and certainly higher than in suburban areas, yet these services are supported by an increasingly weak tax base. In a comparative analysis of overlapping city and county expenditures per capita, based on U.S. Census data, Philadelphia expenditures were seventh highest for county government functions, such as welfare, public health, corrections and the court system, while Philadelphia expenditures on predominantly city government functions such as police, fire, and streets ranked 17th among the 23 cities. The county government services are largely mandated by the federal or state governments and are driven by local socio-economic conditions. Additional loss of middle-income residents and the accompanying deterioration in the tax base will likely increase the relative demand for county services, which increases the fiscal pressure on the City of Philadelphia.

The City's ability to pay for these services is undermined by relatively low state funding. Compared strictly to other major city governments, Philadelphia's state funding can appear to be average, but that is misleading because it excludes the cost of providing county functions. Analysis of Census Bureau data on state funding as a percentage of total overlapping city and county revenues indicated that Philadelphia ranked 16th of 22 cities. All of the cities and overlapping counties that received a lower proportion of revenues from their state government were located in states where the state government directly operates child welfare programs rather than granting funds to the local jurisdiction. Philadelphia's state funding as a percentage of total revenue is nearly 40 percent lower than the average when compared to the other cities that are reimbursed by their state government for a portion of child welfare and other human services.

In addition, other states directly operate some services that in Pennsylvania are locally funded and operated, which alleviates the financial pressure on comparable central cities such as Baltimore, Boston, and New York City. For example, child welfare, homeless, court, and corrections services are operated for Baltimore and Boston by their state governments, while in New York, the court system is funded and operated by the state government. The Pennsylvania Supreme Court directed the Commonwealth of Pennsylvania to do the latter in 1987 and again in

1996, but the Commonwealth has yet to comply. Compliance could save the City more than $110 million per year.

Philadelphia is a relatively poor city, which means that the revenue base it can access to fund services is smaller than the bases available to competing jurisdictions. Philadelphia's property and wage tax bases, which account for over 70 percent of General Fund tax revenues and 48 percent of total General Fund revenues, are extremely weak when compared to other major U.S. cities or to other counties in Pennsylvania. Philadelphia was tied with Pittsburgh for the lowest median residential property value among 22 comparable cities in the 2000 Census. Philadelphia's median residential property value equaled just 60 percent of the median for the cities analyzed. Philadelphia, which is both a city and a county, lagged even further when compared to the overlapping counties for the comparable cities, ranking last among the 22. The 2000 Census data also indicate that Philadelphia ranked 20th of the 22 cities in median household income, and last among the overlapping counties for those cities. Finally, comparisons of Philadelphia to the fourteen next-largest counties in Pennsylvania indicated that Philadelphia had by far the lowest property values and income per-capita, based on State Tax Equalization Board and Department of Education data.

Average Income and Residential Property Value for Comparable Cities

	Per-Capita Income (City Level)	Per-Capita Income (County Level)	Median Home Value (City Level)	Median Home Value (County Level)
Highest Value for Comparable Cities	$34,556	$34,556	$396,400	$446,400
Median Value for Comparable Cities	20,394	22,327	99,800	109,700
Lowest Value for Comparable Cities	$14,717	$16,509	$59,700	$59,700
Philadelphia	$16,509	$16,509	$59,700	$59,700
Philadelphia Rank (of 22)	20	22	21 (tie)	22
Ratio of Philadelphia to Highest Value	48%	48%	15%	13%
Ratio of Philadelphia to Median Value	81%	74%	60%	54%

Note: Comparable cities include the 20 largest cities in the U.S., Pittsburgh and Washington, D.C.
The borders of six of these cities are contiguous with the county border.

Source: U.S. Census Bureau 2000 Census.

The challenges created by Philadelphia's weak tax base, high service burden, and lack of state support are highlighted by a comparison to the City of Boston. Several policy studies have concluded that local tax rates are higher in Philadelphia than in Boston, but those conclusions did not consider the crucial fiscal relationship each city has with its state government. Analysis of the City of Boston's general, unrestricted revenues (excluding revenue for its dependent school district) indicates that the City of Philadelphia collected more general local tax revenue per capita than the City of Boston in fiscal year 2000. However, the City of Boston collected nearly 20 percent more total general revenue per capita than Philadelphia. The primary factor in this discrepancy is the general revenue shared by the Commonwealth of Massachusetts with its local governments. The City of Boston received $446 per resident from its state government in unrestricted general revenue sharing in FY00, while the City of Philadelphia received no unrestricted general revenue from its state government. Philadelphia is necessarily forced to have higher local taxes to collect comparable, but lower, revenue. Each of the three major Northeastern and Midwestern cities that gained population during the 1990s – New York, Chicago, and Boston – receive general revenue sharing from their state governments, while Philadelphia does not.

Not only did the City of Boston receive 20 percent more total revenue per resident to provide services, it had far fewer service responsibilities to provide with that revenue. The City of Boston is part of Suffolk County, which includes three other townships, yet Suffolk County as a distinct government enterprise is practically non-existent. Although voters within the boundary of Suffolk County elect the County Sheriff and District Attorney, these offices are on the state payroll. All other traditionally county functions are also on the state payroll, except for public health. Among county services, the City of Boston has financial responsibility for only public health and for five percent of the Sheriff and prisons budget.

If Philadelphia had state support similar to that of Boston, the burden imposed by the City's wage tax could be dramatically smaller. If Philadelphia received the same amount of general revenue per capita from the Commonwealth of Pennsylvania that Boston receives from its state government, the City would be able to cut the resident and non-resident wage tax rate by 2.4 percentage points. If Philadelphia had as few county service responsibilities as Boston, the City could cut the wage tax rate by an additional .8 percentage points. The wage tax rate could have been 1.4 percent for residents and .8 percent for non-residents in FY00 if the City of Philadelphia operated in an environment similar to that of the City of Boston.

Revenue and County Service Comparisons: Philadelphia and Boston

	Actual FY2000 Results	
	Boston	Philadelphia
Revenue (Net of Public Schools)		
Local Tax Revenue per Capita	$1,014.10	$1,341.73
Local Non-Tax Revenue per Capita	283.89	128.46
State General Revenue Sharing per Capita [1]	$446.46	$0.00
Local and State General Revenue Received per Capita	**$1,744.45**	**$1,470.19**
Net Local Expenditures on State-Mandated County Functions [2]		
Net Mandated Local County Expenditures per Capita	**$109.74**	**$261.73**
Wage Tax Rate Reduction Possible If Philadelphia:		
Received State Revenue Sharing Comparable to Boston		**-2.4%**
Had County Service Burdens Comparable to Boston		**-0.8%**
		-3.2%
Remaining Wage Tax Rate: Resident Portion		**1.4%**
Remaining Wage Tax Rate: Non-Resident Portion		**0.8%**

[1] Massachusetts local governments receive state lottery proceeds as well as appropriation-based Additional Aid that offsets Proposition 2 1/2 property tax restrictions.

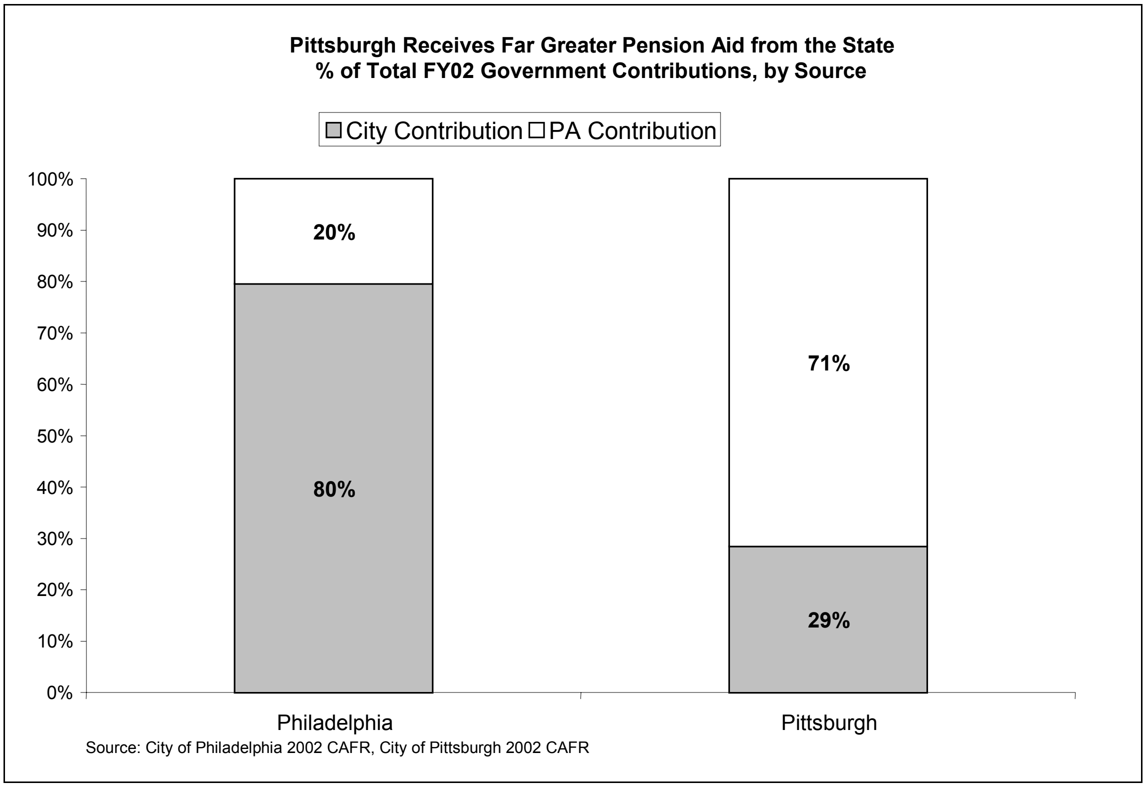
[2] Boston is part of Suffolk County, which includes 100,666 residents in three other townships. However, all traditionally county functions but public health are on the state payroll, and public health is in the City of Boston's budget.

Even within Pennsylvania, Philadelphia's fiscal structure suffers from comparisons to other cities. An article published in the Second Quarter 2003 *Philadelphia Federal Reserve Quarterly Business Review* by Professor Robert Inman of the Wharton School of Business notes that poverty spending, and the resulting tax burden on income, is far higher in Philadelphia than in both its surrounding suburbs and in the Pittsburgh area:

> The root causes of these spending and tax disparities are, first, the geographical concentration of the region's poor and low-income elderly households within the city…and second, the state of Pennsylvania's decision to make counties the primary providers and administrators of poverty-related services…Philadelphia spends more per taxpayer for poverty services than the suburban counties…because, as the region's oldest and largest city, it has more poor families as residents and because it is a city-county, state law demands it.
>
> In this regard, Philadelphia stands in sharp contrast to Pittsburgh…Pittsburgh's taxpayers share the burden of financing services for their city's poor with the suburban residents of Allegheny County. As a consequence, Pittsburgh city residents face the same tax burden on income as their suburban counterparts…From the perspective of regional economic growth and welfare, the Pittsburgh metropolitan area has the financing right. Large disparities in the fiscal costs of regional poverty between local jurisdictions discourage firms and households from moving to high poverty locations.

These observations are consistent with the results of a study conducted for Greater Philadelphia First, which found that Philadelphia taxpayers must bear a significantly greater burden for county services than Pittsburgh taxpayers while having a correspondingly lesser ability to pay, due to the difference in county government. The study found that this burden tended to crowd out the ability to pay for city services as well as school funding. Approaches for addressing Philadelphia's tax competitiveness should be fully informed by awareness of the causes for Philadelphia's tax situation as well as its unique service needs. Regional or state approaches towards reducing disparities in poverty-related services and increasing revenue sharing should be addressed as seriously and vigorously as the City's nine-year program of tax reductions.

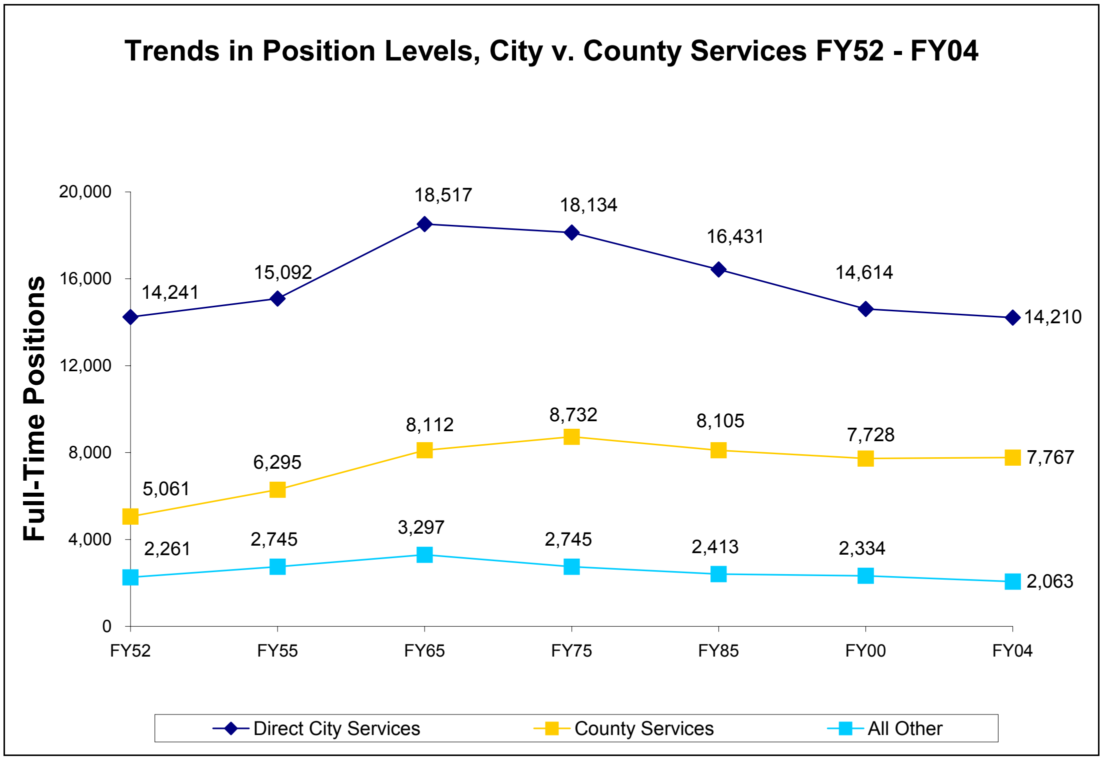
In addition to the advantages provided by sharing county services with affluent residents of surrounding Allegheny County, Pittsburgh also receives favorable treatment under state law for its pension obligations. Due to the vagaries of state Act 205, which provides pension assistance to municipalities in the Commonwealth, in FY02 the City of Pittsburgh received a state pension assistance payment equal to 44 percent of the payment received by the City of Philadelphia, despite the fact that the City of Pittsburgh's workforce in that year was equal to 17 percent of the City of Philadelphia's workforce. Pittsburgh's assistance from the state was two-and-a-half times as large as the contribution it was required to make from its budget, while state aid represented a fraction of the City of Philadelphia's contribution, as shown in the chart below. More equitable municipal pension assistance from the state would alleviate the growing burden that pension obligations are imposing on the City of Philadelphia's budget and ease the displacement of other service expenditures that this burden is causing.



Managing the Size of the City's Workforce

The demands of funding increasing pension, benefit, and criminal justice obligations while cutting taxes and losing middle-income residents must be met with creativity, including efficient management of the City's workforce. Judicious use of automation, privatization, and business process improvements can help the City maintain service levels while managing the size of the City's workforce and payroll. Drastic situations like the City's current fiscal condition may require difficult decisions to reduce services and cut the workforce when further efficiencies are not possible. The City's General Fund workforce as of January 14, 2004 was lower than it had been for much of the past fifty years. This reduction has been achieved through the City's hiring freeze as well as cuts to departmental budgets in FY02, FY03, and FY04. While specific opportunities for management reform, downsizing, and competitive contracting will continue to emerge, it is clear that in many service areas, City government has successfully adjusted to changing service demands and technological advances.

As demonstrated previously, the City's expenditures per capita on predominantly city government functions are relatively low compared to those in other major U.S. cities. Historical analysis of the City's workforce also indicates that the City has largely controlled expenditures and staffing in city functions over time. The number of full-time General Fund employees providing direct city services declined by 5.8 percent from FY55 to FY04, with a decrease of 35.8 percent over this period if Police positions are excluded. Staffing and expenditures for county functions, which are less discretionary than city 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 28.9 percent from FY55 to FY65, but decreased by 4.3 percent from FY65 to FY04.



The only two departments with major increases in staffing from FY85 to FY04, Human Services and Prisons, provide labor-intensive services that have actually experienced increases in demand despite the loss of city population. The largest department in staffing, Police – which comprised 32 percent of General Fund staffing in FY04 – is also a labor-intensive service that has been relatively unaffected by changes in the city's population. Automation of services provided by social workers, correctional officers, or police officers is not a realistic option. When combined, these three departments make up about half – 48 percent – of General Fund staffing. These three departments were responsible for an increase of 1,157 positions from FY85 to FY04, while the number of General Fund positions for all other departments decreased by 4,066, or 24.5 percent. Additional middle income population losses will contract the tax base but may not lessen the need for county and public safety services, expenditures, and staffing.

The hiring freeze adopted by the Administration on November 15, 2001 has helped to further manage the size of the City's workforce, resulting in a reduction of 866 positions from the date the freeze was imposed through February 2004. There is a limit to how many positions can be reduced before services are impacted, unless creative solutions are applied. The deficit reduction initiatives in this Plan will further reduce the size of the City's workforce. The size of the workforce is projected to be 23,886 by FY09.

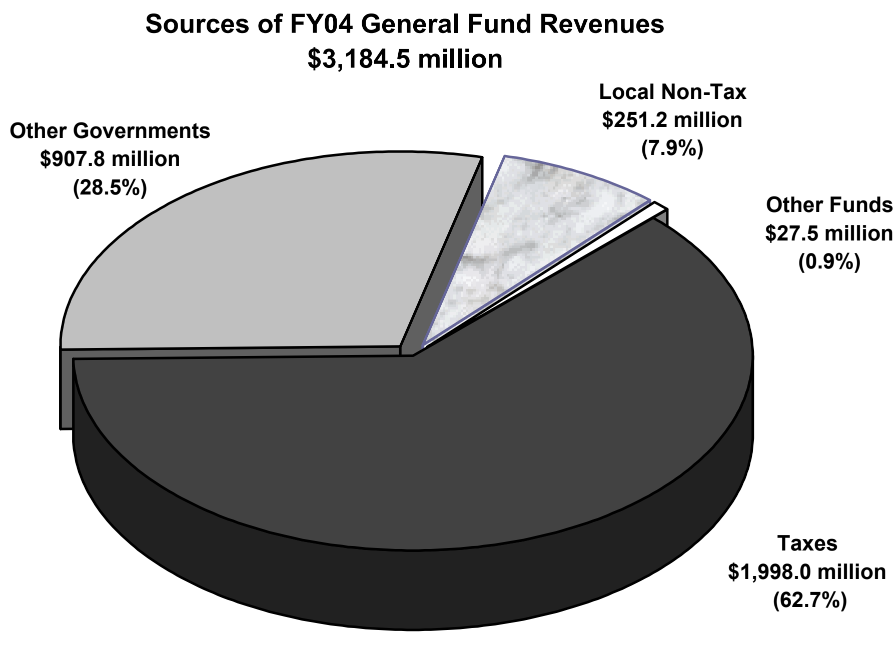
One key to the City's ability to handle the pressures facing its budget is the health of its revenues. The remainder of this chapter will discuss those revenues.

General Fund Revenues

Overview

The City's General Fund projected FY04 revenues of $3,184.5 million are divided into four major categories:

- Taxes (62.7 percent of the estimated FY04 total);
- Revenues from other governments (28.5 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 (7.9 percent), which include various fees, fines, and charges assessed by the City; and
- Revenues from other funds (0.9 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 during eight of the last nine fiscal years 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 3.8 percent from FY93 through FY03, well above inflation. From FY98 through FY03, the five year growth rate dropped to 3.6 percent. This positive trend ended in FY02, with revenue growth of .4 percent compared to fiscal year inflation of 1.99 percent. That below-inflation growth was one of the contributors to the City's declining fund balance. Total revenue growth, excluding one-time occurrences, increased in FY03 to 3.8 percent, once again above inflation. Unfortunately the bulk of this increase was not in tax revenues.

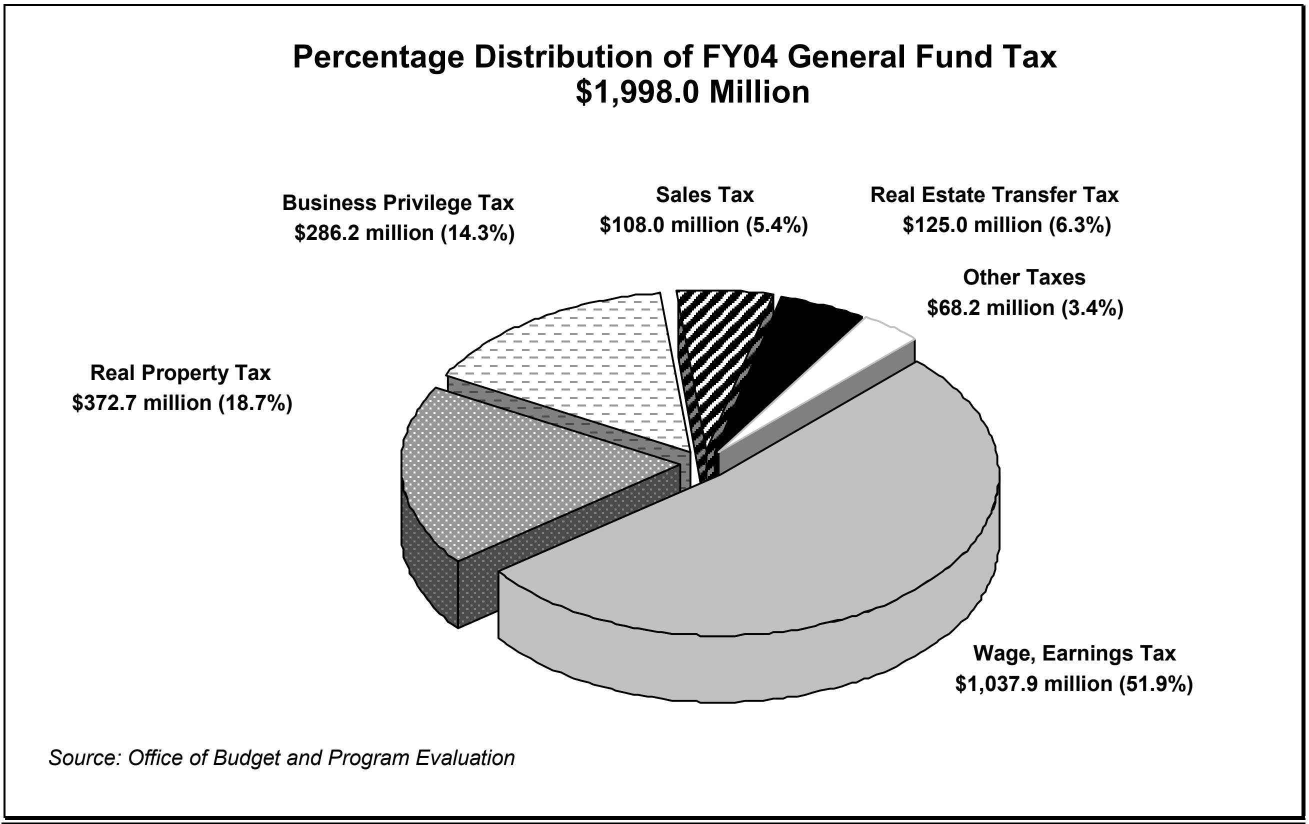
FY03 tax revenues, adjusted for one-time occurrences, grew more slowly than inflation at 1.5 percent. Wage and business privilege taxes remained weak, while smaller taxes, such as amusement and realty transfer, provided some offset.

The Five-Year Plan assumes that tax revenue growth will improve slightly during FY04 and gradually rebound over the life of the Plan. The Plan assumes that growth will stay in the range of 3.0 percent through FY09, while inflation is projected to be 2.5 percent.

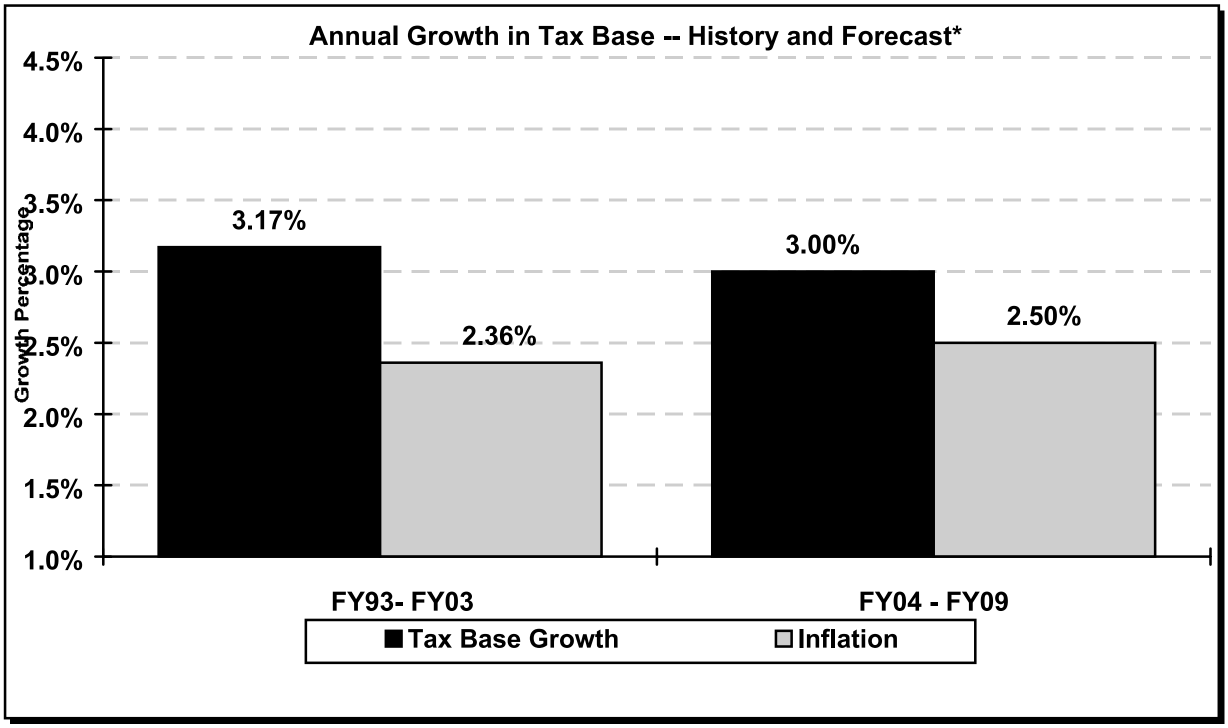
The City has achieved and maintained a balanced budget, with a cumulative positive fund balance of $91.3 million at the end of FY03. This fund balance will be difficult to maintain during periods where revenue growth is below inflation, and even after instituting a series of actions to avert a projected $674 million fund balance deficit, this Plan projects that the fund balance will still be almost completely gone by the end of FY09. Since it is unlikely that the City will experience revenue growth significantly above inflation during the next several years of the Plan period, it is clear that budget balance can only be maintained if creative cost-cutting initiatives are implemented and tight spending controls remain in effect.

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 City wage tax alone, not including the PICA portion of the tax, accounts for 52 percent of the City's tax revenues and, as the following chart indicates, the five principal taxes together generate over 96 percent of the City's total tax revenues. Additionally, the City received over $214 million in FY03 from the Pennsylvania Intergovernmental Cooperation Authority (PICA) tax, which is a portion of the City's 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.



- **Tax base growth.** Philadelphia's tax base – its tax revenues adjusted for rate and tax changes and non-recurring tax revenue – grew from FY93 to FY03 at an average annual rate of 3.17 percent. The growth rate was greater than the 2.4 percent rate of inflation during the same period, likely as a result of the sustained national economic expansion. 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 FY04 to FY09, compared to an average inflation rate of 2.5 percent.



Wage and Earnings Tax

The wage and earnings tax is the City's largest source of tax revenue, projected to account for approximately 52 percent of total tax revenue in FY04. It consists of a 2.96 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 4.46 percent, and a 3.88 percent tax on non-residents working inside Philadelphia. These rates were reduced on January 1, 1996, and on each July 1st from 1996 through 2003 as the first nine 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 4.31 percent for non-residents.

Based on a recommendation by the Tax Reform Commission, the FY05-09 Plan also assumes a shift in the implementation date of the Wage Tax reductions from July 1st to January 1st. The Commission believed the shift would result in greater simplicity, since businesses file State and Federal Taxes on a calendar year basis and would eliminate the need for businesses to file Wage Tax reconciliation forms. Effective January 1, 2005, the resident Wage Tax rate will be reduced to 4.33% and the non-resident rate will be reduced to 3.77%.

On July 4, 2004, after approval of the Five Year Financial Plan, the Governor approved HB2330 and SB100, which will provide funding for the implementation of statewide tax reform. This reform will have a dramatic impact on the City's Wage Tax rate, helping Philadelphia become more competitive. The following table shows what the wage tax rate will be assuming $101.1 in funding to the City for tax reduction effective January 1, 2007. This funding is essential for the City's overall tax reform strategy.

Wage Tax Rate Reductions - State Tax Reform				
	Residents		Non-Residents	
Fiscal Year	Rate (Proposed FY07-FY09)	Change from FY95 Rate	Rate (Proposed FY07-FY09)	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%	-24.091%	3.5714%	-17.18%
TOTAL REDUCTION 1996-2009		**-24.09%**		**-17.18%**

Because the legislation was approved after the approval of the Plan, the Plan assumes the City's tax rates will be as follows:

Wage Tax Rate Reductions - Actual & Proposed Excluding State Tax Reform				
	Residents		Non-Residents	
Fiscal Year	Rate (Proposed FY04-FY09)	Change from FY95 Rate	Rate (Proposed FY04-FY09)	Change from FY95 Rate
1995	4.9600%		4.3125%	
1996 (a)	4.8600%	-2.02%	4.2256%	-2.02%
1997 (b)	4.8400%	-2.42%	4.2082%	-2.42%
1998 (c)	4.7900%	-3.43%	4.1647%	-3.43%
1999 (d)	4.6869%	-5.51%	4.0750%	-5.51%
2000 (e)	4.6135%	-7.00%	4.0112%	-7.00%
2001 (f)	4.5635%	-8.00%	3.9672%	-8.00%
2002 (g)	4.5385%	-8.50%	3.9462%	-8.50%
2003 (h)	4.5000%	-9.27%	3.9127%	-9.27%
2004 (i)	4.4625%	-10.03%	3.8801%	-10.03%
2005 (j)	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%
TOTAL REDUCTION 1996-2009		**-15.95%**		**-14.55%**

(a) With City Council's approval, the FY96 reductions took effect January 1, 1996.
(b) With City Council's approval, the FY97 reductions took effect July 1, 1996.
(c) With City Council's approval, the FY98 reductions took effect July 1, 1997.
(d) With City Council's approval, the FY99 reductions took effect July 1, 1998.
(e) With City Council's approval, the FY2000 reductions took effect July 1, 1999.
(f) With City Council's approval, the FY2001 reductions took effect July 1, 2000.
(g) With City Council's approval, the FY2002 reductions took effect July 1, 2001.
(h) With City Council's approval, the FY2003 reductions took effect July 1, 2002.
(i) With City Council's approval, the FY2004 reductions took effect July 1, 2003.
(j) In FY2005, the tax reductions will take effect January 1, 2005.

- **Forecast.** The Five-Year Plan's wage tax forecast, which is shown in the following table, is based on five-and ten-year historical average annual growth rates, an econometric forecasting model, and discussions with economists.

Wage Tax Collection History and Forecast										
	History				Forecast					
	FY00	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**
PICA Wage Tax	247.6	262.5	268.1	273.4	282.9	292.8	303.1	314.4	327.0	340.1
City Wage Tax	973.0	1,047.2	1,006.0	1,013.4	1,037.9	1,059.0	1,073.1	1,100.6	1,130.4	1,159.2
Total Wage Tax	1,220.6	1,309.7	1,274.1	1,274.1	1,320.8	1,351.8	1,376.2	1,415.0	1,457.4	1,499.3
Tax Rates										
Resident	4.61%	4.56%	4.54%	4.50%	4.46%	4.33%	4.30%	4.26%	4.22%	4.17%
Non-resident	4.01%	3.97%	3.95%	3.91%	3.88%	3.82%	3.77%	3.76%	3.72%	3.69%

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

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 FY03, from FY98 through FY03, and from FY93 through FY03.

Wage Tax Forecast Variables - Historical Average Annual Growth Rates			
	FY02-03	**FY98-03**	**FY93-03**
Wage and Earnings Tax Base [(1)]	**1.6%**	**3.5%**	**3.6%**
Non-agricultural Employment (Phila. City)	-0.7%	0.3%	-0.2%
Average Wage/Employee (Phila. City)	3.7%	2.9%	3.2%
Consumer Price Index (Phila. Metro)	2.4%	2.2%	2.3%

(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*

Employment declined by an average of 0.2 percent per year from FY93 through FY03, with that decline beginning to reverse by 1997 as the city registered job growth of 0.5 percent annually from FY97 through FY01.

Employment growth began to flatten during the middle of FY01 and declined during FY02. However, Philadelphia's employment situation appears to have stabilized in the summer and fall of 2002. Employment variance in November 2002 compared to the previous year is at its smallest negative value in nearly two years, and after seasonal adjustment November 2002 employment was approximately equal to employment in December of 2001.

The average wage per employee increased by about 3.7 percent in the last year, 2.9 percent per year over the past five years, and by 3.2 percent per year over the past ten years. These wage increases have led to a growth in wage tax revenues, thereby helping to offset declines in employment and the revenue impact of the City's tax reduction program. The Five-Year Plan forecast assumes that average wage-per-employee growth will be 3.5 percent in FY05 and FY06 and 3.75 percent annually from FY07 through FY09. REMI, the City's econometric forecasting model, supports the City's job and wage growth projections, predicting a 3.6 percent average annual growth in wages-per-employee through FY09. The REMI model assumes a return to national economic growth for the Plan period rather than continued national economic contraction. As a result, the model predicts employment growth of 0.5 percent annually. The Plan, however, is slightly more conservative than the REMI model, assuming gradual recovery into FY04 and projecting flat employment growth over the course of the Plan.

The following table shows the assumptions underlying the City's wage tax forecast.

		FY05	FY06	FY07	FY08	FY09
	Avg. Wage/Employee Growth	3.5%	3.5%	3.75%	4.00%	4.00%
+	Employment Change	0.00%	0.0%	0.0%	0.0%	0.0%
=	Gross Growth Forecast	3.5%	3.5%	3.75%	4.00%	4.00%
-	Effect of Tax Cut	-.1.26%	-1.73%	-.86%	-.87%	-.1.07%
=	**Net Growth Forecast**	**2.24%**	**1.77%**	**2.89%**	**3.13%**	**2.93%**

Wage tax rate reductions. The Plan calls for the City to continue its incremental wage tax reduction plan through FY09, with slightly more aggressive cuts than originally proposed. City Council adopted more aggressive cuts in response to proposals from the Tax Reform Commission. The Mayor signed these new rates into law on July 1, 2004. The wage tax rate will decline even more quickly as a result of House Bill 2330, which will expand gaming in the Commonwealth by legalizing slot machines and providing for 14 slot machine venues across the State. The new revenue generated from these venues will allow the City to significantly reduce the Wage Tax rate and make substantial strides towards being more competitive.

Real Property Tax

The real property tax is the General Fund's second largest source of tax revenue, accounting for an estimated $372.7 million in FY04, or almost 19 percent of all General Fund 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. This millage shift was made to provide the School District with $25 million of the $45 million in additional 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 and as a result of Court of Common Pleas decisions on appeals of assessments. The Revenue Department's net billings for each year reflect these adjustments.

As the following table shows, real estate billings have steadily increased each year since 1999.

Growth in Real Estate Tax Assessments, 1998-2003						
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
Certified Assessments	9,241	9,452	9,741	10,159	10,621	10,946
Growth Over Prior Year	+0.4%	+2.3%	+3.1%	+4.3%	+4.5%	+3.1%
Adjustments	(61)	(70)	(62)	(160)	(235)	N/A
Net Billings	9,180	9,382	9,679	9,999	10,386	N/A
Growth Over Prior Year	+1.0%	+2.2%	+3.2%	+3.3%	+3.9%	N/A

Assessments in millions of dollars; years are fiscal years.
Source: Board of Revision of Taxes, Department of Revenue, and Office of Budget and Program Evaluation

Since 1999 the value of assessment increases has grown because of a strong residential and commercial real estate market combined with improved assessment techniques employed by the Board of Revision of Taxes. Additionally, low mortgage interest rates have contributed to increased property demand and value. The FY04 residential revaluation will affect 252,000 properties with 243,000 properties receiving an increase in value and 9,000 properties receiving a decrease in value. In response to a large number of appeals relating to large value increases in the 2003 assessment process, the Board of Revision instituted a self imposed cap of ten percent on 2004 assessments. No property owner will receive an increase in excess of this cap despite market conditions. However, the Board does not think that limiting valuations should be part of a long term policy to make property taxes fair and equitable and instead, will institute reforms in the assessment system going forward. During FY05, the Board will undertake a citywide reassessment program in preparation for a move from the current fractional system of valuation to a one hundred percent market to sale price system of valuation in FY06.

The following table shows real property tax collections since FY00 and shows the Plan's forecast through FY09.

Real Property Tax Revenue History and Forecast										
	History				Forecast					
	FY00	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**
Current [1]	315.9	325.8	333.2	329.4	340.7	349.8	359.4	369.4	380.1	391.1
Prior [2]	37.7	37.6	40.4	31.7	32.0	35.0	35.0	34.0	33.0	32.0
Total	**353.6**	**363.4**	**373.6**	**361.1**	**372.7**	**384.8**	**394.4**	**403.4**	**413.1**	**423.1**

[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: FY00 $8.0 million, FY01 $9.0 million and FY02 $7.9 million.
Collection amounts in millions of dollars.
Source: *Office of Budget and Program Evaluation*

- **Forecast.** The commercial real estate sector appears to be relatively stable despite the recession. Vacancy rates remained flat in 2003 thanks to hot markets in South Broad and West Market and are expected to remain between twelve and thirteen percent during 2004. Total certified assessments for 2004 are 3.1 percent higher than in 2003 due in part to escalating residential property values in many sections of the City and a strong industrial market. The real estate market has seen dramatic increases in value over the past five to seven years in locations in the City where demand outpaces supply, and the Board of Revision has been increasing assessments to keep pace with current market conditions and to achieve its mandate to place fair and equitable market values on every property in the City.

The Plan assumes that total assessments will increase by an average of 2.8 percent annually through FY09, after correcting for the change to 100 percent assessments.

Business Privilege Tax

The business privilege tax (BPT) is the General Fund's third largest tax revenue source, contributing an estimated $286.2 million in FY04, or 14.3 percent of the City's 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 0.21 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 0.21 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 lets them subtract certain product and labor costs from their receipts for purposes of their tax calculation. Due each April, the BPT is a tax for doing business in the current year, although it is based on the prior year's financial results.

Business Privilege Tax Collections History and Forecast

	History					Forecast					
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Current	233.9	251.7	275.5	273.8	238.7	239.2	240.2	242.9	247.5	251.9	255.8
Prior	20.7	38.4	38.54	22.0	47.4	47.0	52.0	52.0	50.0	50.0	50.0
Total	254.6	290.1	314.0	295.8	286.1	286.2	292.2	294.9	297.5	301.9	305.8
Tax Rates											
Net Income	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Gross Receipts	0.2775%	0.265%	0.2525%	0.24%	0.23%	0.210%	0.190%	0.175%	0.163%	0.150%	0.137%

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 grew significantly for several years, benefiting from the strength of corporate profits, but that growth ended in FY02. In FY02 as a result of the national recession, the BPT base grew only one percent, reflecting dramatically reduced corporate earnings. In FY03 BPT collections actually declined by 3.2 percent due to continued corporate losses and a filing process change intended to simplify the process for new business filers led to some initial confusion, which resulted in large overpayments by some taxpayers. FY03 actual collection results were adjusted and do not include those overpayments, which are being refunded during FY04.

The Plan assumes the BPT tax base will experience growth of between 3.5 % and 4.5 % from FY04 through FY09 based on improved economic conditions and the results of the City's annual survey. For the third consecutive year, the Revenue Department surveyed taxpayers in order to obtain data for the Plan forecasts for BPT. The survey, which was sent out in late December, asks questions about the taxpayer's sales and profits levels in calendar 2003, as compared to calendar 2002.This information provides some insight as to BPT payments due in April FY04. The survey also asks questions about the expected employment level for the remainder of FY04.

The results of the survey for 2003 are more positive than the results for 2002. For 2003, taxpayers expect higher sales and employment levels for their own firms, a change from one year ago. While profit expectations are still negative, they are much improved from 2002 survey results. Tests on the accuracy of this survey have also shown that there is a tendency for taxpayers to underestimate results. When taxpayers report results on tax returns, the actual results are slightly more positive than the survey prediction. And one interesting result from the 2003 survey is that the large taxpayers responded significantly more positive than small taxpayers. Fifty percent of the large firms expect profit increases in 2003 as compared to only twenty four percent of small firms.

- **Tax cuts.** As part of the first nine phases of the City's multi-year incremental tax reduction program, the rate on the gross receipts portion of the BPT was reduced annually, going from .325 percent before the program started in FY96 to .21 percent in FY04. 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 – and before January 1, 1996, each was equally weighted. The revised calculation was particularly beneficial to firms that have a large amount of property and a large number of employees in the City. In FY05, in response to a recommendation from the Tax Reform Commission, the Administration proposed to move to single sales factor apportionment from the current "double-weight". This change would have replaced the current formula with a simple sales ratio (single factor). A firm would calculate their sales ratio and this ratio would be multiplied by the firm's total net income to calculate Philadelphia net income subject to BPT. This change would have resulted in an estimated $13 million loss in BPT net income receipts. The Administration proposed partially funding this revenue loss by increasing the Parking Tax rate from fifteen to twenty percent. City Council tied the Parking Tax ordinance to an overly aggressive reduction in the BPT, which would have cost the City an additional $110 million over and above the tax reductions already included in the Plan. More importantly, the legislation also mandated cuts through FY17 that would have cost over $1 billion. The Mayor vetoed the bill and City Council was unable to override the veto. Therefore, the Parking Tax increase will not be enacted in FY05 and the change to single sales factor apportionment will be postponed. The change would have eliminated a disincentive for firms to do business in Philadelphia, as they would no longer have been required to pay a higher business tax because they had employees or property in Philadelphia.

As the following table shows, the Administration's tax reduction program proposes to cut the tax rate on gross receipts to 0.19 percent in FY05 and then to lower it to 0.1375 percent by FY09, a reduction of almost 58 percent from the FY96 level. The Plan continues the escalated rate reductions introduced in the FY03-FY07 Five Year Plan. The City's REMI model, a survey done by the Commerce Department and discussions with economists have all shown that the gross receipts portion of the business privilege tax is particularly onerous. The gross receipts tax imposes a harsh 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 their pre-tax profit margin – a higher proportion than that imposed by the net income tax. Empirical research by Robert Inman of the Wharton School of Business and his colleagues indicates that accelerated reductions in the gross receipts tax could act as a job creation program, stimulating the Philadelphia economy and providing tax revenue gains that may help offset the short-term revenue effects of the tax rate reductions. The revenue forecasts in this Plan do not rely on any such offsetting revenues, which are speculative in nature.

Business Privilege Tax (BPT) Rate Reductions* – Actual & Proposed

Fiscal Year	Gross Receipts Rate (FY95-FY09)	Change from FY95 Gross Receipts Rate	Reduction in Total BPT Burden**
1995	.3250%		
1996	.3000%	-7.69%	-5.14%
1997	.2950%	-9.23%	-5.85%
1998	.2875%	-11.54%	-6.90%
1999	.2775%	-14.62%	-8.28%
2000	.2650%	-18.46%	-10.00%
2001	.2525%	-22.31%	-10.70%
2002	.2400%	-26.15%	-12.88%
2003	.2300%	-29.23%	-16.23%
2004	.2100%	-35.38%	-18.11%
2005	.1900%	-41.54%	-21.27%
2006	.1750%	-46.15%	-23.63%
2007	.1625%	-50.00%	-25.60%
2008	.1500%	-53.85%	-27.39%
2009	.1375%	-57.69%	-29.54%
TOTAL REDUCTION 1996-2009		**-57.69%**	**-29.54%**

* 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 through FY04 and single sales factor apportionment in FY05.

Source: Office of Budget and Program Evaluation

- **Forecast.** Of all City taxes, the BPT is probably the most volatile and difficult to predict. An accurate assessment 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.

  The Five-Year Plan forecast assumes that base growth in business privilege taxes will average 4.3 percent annually for the life of the Plan before the effects of the tax cut are included. This forecast assumes that the tax base before the effect of cuts will improve in FY04 and continue a gradual rebound over the life of the Plan.

Sales Tax

The sales tax is the General Fund's fifth largest tax revenue source, accounting for 5.4 percent of all tax revenues. The state legislature authorized imposition of a local one 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.

Sales Tax Collections History and Forecast									
History				Forecast					
FY00	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY098**
103.7	111.3	108.1	108.0	108.0	108.0	110.7	113.5	116.3	119.2
Growth	7.3%	-2.9%	-0.1%	0.0%	0.0%	2.5%	2.5%	2.5%	2.5%

Amounts in millions of dollars.
Source: *Office of Budget and Program Evaluation*

- **Forecast**. Sales tax revenues are projected to increase by 2.5 percent annually between FY06 and FY09, reflecting the assumed inflation rate. Collections are projected to remain flat in FY04 and FY05 as it is expected to take another year before the tax rebounds to pre-recession levels.

Real Property Transfer Tax

The real property transfer tax (RPTT) is a tax on the sale of real property in the city. The RPTT generates over six percent of the City's tax revenues. The current rate is 3.0 percent on the value of property transferred.

- **Forecast.** Revenues from the RPTT have skyrocketed over the past several years. In response to the weak stock market investors and pension funds turned to real estate as a safer investment. But even with recent market improvements, RPTT collections have continued to increase.

  FY01 collections of $77.0 million included several large commercial transactions such as the Aramark Tower and the Fidelity Building. In FY02 collections topped $96 million with large commercial transactions fueling the increase. Two transactions involving Liberty Place accounted for $8 million in RPTT revenue. In FY03 collections continued to increase with receipts over $103 million. While there were several large transactions, the number of sales transactions contributed to record setting collections. Last year's Plan assumed that transactions would slow down in FY04 and the tax base would return to pre-recession levels. But through the first seven months of FY04 collections exceeded $79 million and appear to be on track to set another record for collections. As the following table shows, growth in RPTT collections is projected to slow to under two percent in FY05. Revenue growth could be greater as a result of proposed technical changes recommended by the Tax Reform Commission, that will close several loopholes in the tax base that have allowed parties involved in large commercial real estate transactions to avoid RPT. Currently, a buyer may acquire a property by purchasing the land while entering into a long term lease for the value of the building. The parties pay RPTT on the value of the land but not the value of the building at the termination of the lease.

Real Property Transfer Tax History and Forecast										
	History				Forecast					
	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Collections	77.7	77.0	96.7	103.4	125.0	127.0	130.0	133.2	136.6	140.0
Tax Rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Growth Over Prior Year		-0.9%	25.6%	6.9%	20.9%	1.6%	2.4%	2.5%	2.5%	2.5%
Amounts in millions of dollars. *Source*: *Office of Budget and Program Evaluation*										

Parking Tax

The Parking Tax is a tax on the gross receipts from all parking transactions. It generates approximately $40 million or two percent of total tax revenue. The current rate is fifteen percent of gross parking receipts. The initially submitted Plan proposed to increase the tax in FY05 to twenty percent in order to partially offset the revenue loss associated with the change to single sales factor apportionment. Council tied the Parking Tax ordinance to an overly aggressive reduction in the BPT, which, as mentioned above, would have cost the City more than $1 billion through FY17 in addition to the cuts already assumed in the original FY05-FY09 Plan. The Mayor vetoed the BPT bill and City Council was unable to override the veto. Therefore, the Parking Tax increase will not be enacted in FY05. The Tax Reform Commission recommended this increase as a possible funding source and believes that an increase in this tax would not overburden Philadelphia residents and businesses. This rate change would have yielded an additional $10 million in parking tax revenue.

Non-Tax Revenues

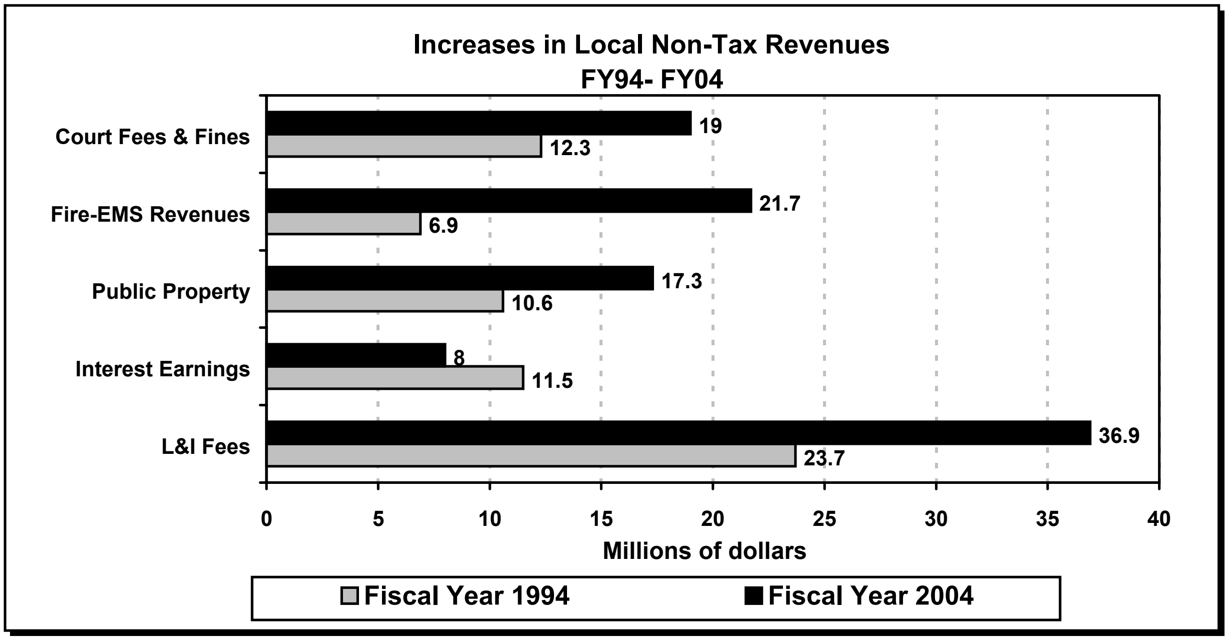
Local non-tax revenue collection initiatives have played an important role in increasing the City's revenues since FY94. These initiatives have included improved license and permit fee enforcement and fee increases by the Department of Licenses and Inspections; the Public Property Department's cable television franchise fee; improved EMS collection efforts, and increased court fees (see the following chart). In part because of these initiatives, local non-tax revenues have increased by 60 percent from $157.3 million in FY94 to an estimated $251.2 million in FY04. FY04 locally generated non-tax collections reflect a one-time increase of $21 million due to changes in accounting rules concerning revenue accruals. Even adjusting for this change, growth exceeded 46 percent over the ten-year period. FY05 revenues are projected to increase to $271.4 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:

- **Implement Strategic Marketing Partnerships**. The City issued an RFP in 2003 for a citywide strategic marketing initiative, seeking business partnerships with private companies as a means of providing new revenue. The City recently selected a vendor to develop a comprehensive yet tasteful approach that capitalizes on the opportunities available for an enterprise of the City's scale and is currently finalizing contract negotiations. These partnerships can take a variety of forms. The recent "Snapple" contract with New York City, which is expected to bring $106 million to the city and school district over five years, led the City to increase its anticipated revenues on the project to $50.8 million through FY09.

- **Updated Fees, Code Violation Fines and Expanded Base.** In FY04 the Administration will increase the minimum code violation fine from $25 to $75. These fines address quality of life issues such as improper disposal of waste, high weeds and unlicensed dumpsters. Based on FY03 activity this fine increase is expected to generate $205,000 on an annual basis. Additionally, the Department of Licenses & Inspections will expand its ticket-writing program to include Building, Electrical and Plumbing Inspectors. Giving these inspectors ticket-writing capabilities will generate an additional $295,000 on an annual basis. The Department will also increase food license fees approximately 25 percent to accurately reflect the cost of inspections. Fees for these establishments have not been increased since 1993. This increase will generate an additional $406,000 on an annual basis.

- **Updated records fees.** In FY05, with City Council and Commonwealth approval, the Department of Records will increase the fee charged for Police accident and incident reports to more accurately reflect the cost of these services. These fee increases will generate $500,000 annually.

- **Updated EMS Fees.** In FY04, the Administration increased EMS fees from $400 to $500. This increase will generate $4 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.



Source: Office of Budget and Program Evaluation

City of Philadelphia
Five-Year Financial Plan

Neighborhood Transformation and Blight Elimination

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. NTI addresses the substantial technological, economic and demographic changes of the past fifty years that have undermined the stability of Philadelphia's neighborhoods. The initiative demonstrates the Mayor's commitment to protect the health, safety and welfare of Philadelphia residents while stabilizing and revitalizing their neighborhoods. NTI takes a multi-faceted, comprehensive approach that stresses interagency cooperation and coordination in addressing every aspect of neighborhood development. The initiative also creates opportunities for government and citizens to work together, restoring civic pride and building community spirit. NTI is helping Philadelphia's neighborhoods meet their potential as clean, safe and thriving places to live, work, shop and play.

NTI Framework Goals

Goal 1: **Neighborhood Planning.**
Facilitate and support community-based planning and the development of area plans that reflect citywide and neighborhood visions.

Goal 2: **Blight Elimination.**
Eradicate blight caused by dangerous buildings, debris-filled lots, abandoned cars, litter, and graffiti to improve the appearance of Philadelphia streetscapes.

Goal 3: **Blight Prevention.**
Advance the quality of life in Philadelphia neighborhoods with a targeted and coordinated blight prevention program.

Goal 4: **Land Assembly.**
Improve the City's ability to assemble land for development.

Goal 5: **Neighborhood Investments.**
Stimulate and attract investment in Philadelphia neighborhoods.

Goal 6: **Leveraging Resources.**
Leverage resources to the fullest extent possible and invest them in neighborhoods strategically.

Neighborhood Planning: Facilitate and Support Community-Based Planning and the Development of Area Plans that Reflect Citywide and Neighborhood Visions

- **Continue NTI Neighborhood Planning in 34 Planning Areas.** The Philadelphia City Planning Commission is developing comprehensive plans in 34 neighborhood areas in partnership with area residents, elected officials and other agency staff. Plan analyses and recommendations will address the topic areas of housing, commercial development, transportation, open space, community heritage, and arts and culture. The information gathered is being used to formulate a vision for the neighborhood with goals, strategies and recommendations. These recommendations will be linked to implementation strategies and viable funding sources to ensure that the neighborhood vision and steps toward implementation are clearly defined. The process concludes with the completion of a draft report and final document.

  The 34 neighborhood planning areas are: Nicetown, Tioga, Mt. Airy, Germantown, Olney, North Central, Strawberry Mansion, Sharswood/ Brewerytown, Francisville, Fairmount, Fairhill/St. Hugh, Hawthorne, South of South, Point Breeze, Grays Ferry, Jefferson Square/ 7th Street, Kingsessing and West Shore, Mantua, West Powelton and 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, Lancaster Avenue from 52nd to 63rd, and the AMTRAK rail corridor from county line to county line.

  Neighborhood planning goals for FY05 include maintaining a visible and active presence in community planning meetings, and completing 16 neighborhood planning reports.

- **Inventory Philadelphia's Commercial Corridors.** The City has more than 260 commercial corridors, strips, and districts that represent a wide range of development opportunities and needs. In FY04, PCPC staff completed its resurvey of an extensive sample of its commercial corridor inventory, called "PhilaSHOPS". Findings from this inventory can be linked to 2000 Census data, to help guide decisions about locations and establishments that can serve the retail and consumer-oriented service needs of Philadelphia's residents, workers, and visitors. The areas surveyed in FY 03-FY04 include the commercial corridors in the 34 NTI planning areas and the priority areas identified by the Philadelphia Commercial Development Corporation (PCDC). In FY05, data from PhilaSHOPS will be integrated into the NTI planning process. City Planning staff will also continue to share this information with the Commerce Department and other interested agencies and organizations.

Blight Elimination: Eradicate Blight Caused by Dangerous Buildings, Debris-Filled Lots, Abandoned Cars, Litter, and Graffiti to Improve the Appearance of Philadelphia Streetscapes

- **Reduce the City's Backlog of Dangerous Residential Buildings Over Five Years.** At any given time there are more than 7,000 dangerous buildings in the city, and as many as 1,000 new buildings become dangerous each year. The goal of the residential demolition program is to protect the health, safety and general welfare of Philadelphia residents by drastically reducing the city's inventory of vacant and dangerous houses over five years. Before the advent of NTI, the City demolished buildings in a reactive manner, waiting for buildings to become so dangerous that they required immediate "curbside" demolition.

Under NTI, the City identifies target areas for demolition based on geographic analysis of the following factors: condition of structures, level of vacancy, proximity to schools and other neighborhood assets, home sales and proximity to industrial land use. Once target areas are identified, demolition packages are developed through a series of field surveys and neighborhood tours. District council staff, community leaders, community based organizations and city agencies participate in the decision making process. Before issuing notice to proceed on any demolition work, the City notifies all surrounding property owners and holds a series of community meetings to alert residents of the upcoming demolition activities. Contractors are responsible for the entire demolition procedure – stuccoing, asbestos checks and stabilization and greening of resultant lots – which increases accountability, efficiency and subcontracting opportunities for smaller firms.

In FY03, the City demolished 573 dangerous residential buildings as part of its NTI targeted demolition and emergency curbside demolition programs, spending approximately $20 million in bond funds. In FY04, the NTI demolition program will exceed production goals. The program completed 689 demolitions through February 2004, and is on pace to complete more than 1,400 for FY04. In FY05, the City anticipates contracting for an additional 1,600 demolitions, while curbsiding another 200 dangerous vacant properties, at a cost of $46 million.

- **Spend $12 million on Demolition of Large Vacant Buildings in Five Years.** While the decaying hulks of former industrial or commercial buildings are a threat to public safety and a blighting influence on many Philadelphia neighborhoods, their removal can represent a redevelopment opportunity. In FY05, the City will spend approximately $4.25 million in NTI bond proceeds demolishing commercial and industrial buildings. The Commerce Department, with City Council input, has researched and developed a list of more than 60 large vacant commercial and industrial properties for demolition over the next five years. These properties are prioritized for demolition based on the danger they pose to the community and their potential for redevelopment. This list will be reviewed and updated on an ongoing basis. The exact number of demolitions cannot be projected due to the highly variable cost of the work and fluctuating market conditions for redevelopment.

- **Integrate Historic Preservation into NTI Demolition Activities.** Historic properties line many streets throughout Philadelphia. Years of neglect and abuse – by Mother Nature, water, fire and theft – have left many of these properties imminently dangerous and diminished their contribution to their neighborhoods. Although most properties have deteriorated to the point where public safety mandates that they be demolished, some may yet be salvaged. The City is committed to allocating resources for the preservation of historic properties that meet a certain set of criteria. These criteria include historic character, relevance to community plans, cost to stabilize and potential for redevelopment. The City is working with the National Trust for Historic Preservation through the Preservation Development Initiative, a technical assistance and loan program, to develop a transparent model for determining what properties should be saved and to develop financing models for the rehabilitation of these properties.

- **Stabilize Between 500 and 700 Properties by the End of FY07.** Stabilization is a preventative measure that involves sealing and protecting vacant buildings to prevent their deterioration. Stabilizing a recently vacant property increases the likelihood that it will be acquired and rehabilitated, rather than demolished, in the future. Stabilization costs between $3,000 and $12,000 per property, depending on the amount of work required. The City prioritizes stabilization properties that are in stronger real estate markets, on blocks with low vacancy rates, and lack significant environmental or soil problems. The City completed 234 stabilizations in FY04. In FY05, the City expects to complete 230 stabilizations, while further refining the program. The methodology for identifying candidate properties will be improved to target buildings most likely to be renovated and occupied in the short term.

- **Maintain on-going streetscape improvement programs.** Since the beginning of the Street Administration, the City has deployed its 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. These efforts continue. By the end of the second quarter of FY04, the Police Department's Neighborhood Services Unit had removed more than 190,000 abandoned cars from the streets, since the program launch in FY01. In FY05, the unit will continue to remove abandoned cars as necessary, responding to all complaints within 48 hours.

  - *Anti-Graffiti Network* – Graffiti defaces neighborhoods, diminishes property values and can create a sense of hopelessness. Since FY00, the Managing Director's Graffiti Abatement Teams have removed graffiti from an average of 63,000 properties per year. In FY04, the teams will remove graffiti from approximately 8,000 properties a month, with the same production levels anticipated for FY05.

  - *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 will complete 140 murals, including work along the Market Frankford El, I-95 and the Schuylkill Expressway. In FY05, the Mural Arts Program will match this production, working with lot clean-up crews, the Pennsylvania Horticultural Society and the School District to transform community spaces.

- **Continue removing debris from vacant lots.** In FY02, City crews coordinated by the Managing Director's Office cleaned all of Philadelphia's more than 31,000 vacant lots at least once. In that year, crews removed more than 25,000 tons of debris. In FY03, work crews cleaned 12,186 vacant lots, removing approximately 8,000 tons of debris. The MDO estimates that crews will clean 18,000 lots by the end of FY04. The lot cleaning goal for FY03 and FY04 was to clean lots based on a citywide maintenance schedule, rather than match the extensive clean up performed in FY02. In FY04, the City contracted with eight neighborhood organizations to maintain approximately 2,000 cleaned lots strategically located throughout the city.

- **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 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 cases where private retaining walls become a public safety hazard, the City will intervene. In FY03, the Streets Department surveyed and estimated repair costs of more than 60 retaining walls in need of repair citywide. The NTI FY03 and FY04 budgets included funding for retaining wall repairs, and $500,000 was spent in FY03 to repair three walls. The City budgeted $1 million in FY04 to repair five to eight walls. The City will budget $1 million for new repairs in FY05 for another five to eight walls. By law, abutting property owners are required to pay back a portion of repair costs, capped at $40,000 paid over four years, with the City paying the balance.

- **Enhance the City's anti-litter efforts.** Clean streets improve perceptions of the city's neighborhoods, attracting businesses and new residents. In FY04, the Streets Department worked with Keep Philadelphia Beautiful to gather data for the City's litter index, an assessment of the amount of litter found in different city neighborhoods. When the first litter index was completed in FY02, the average score was a 3.0 out of a 4.0 scale (1 represents "no litter" and 4 "extremely littered"). When the study was re-done in FY04, the citywide average was 2.5. The goal for FY05 is to further reduce the citywide average by half of a point. In FY04, the Street Department launched the "Can, Can" campaign, a mix of media advertisement and community outreach by the Department's Sweep Officers, designed to reach all Philadelphians with the message that they participate in the beautification of the city simply by putting their trash and recyclables in the appropriate places. As part of this campaign, Sweep Officers visit with children in after school programs to promote the anti-litter message. This campaign will continue into FY05, and is funded by a grant of $250,000 from the Pennsylvania Department of Environmental Protection.

- **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 will remove 4,000 in FY04. The City will remove 4,000 more in FY05 and eliminate the backlog by the end of FY06. Crews have also pruned about 13,000 trees a year since FY02. The City will match this pruning production in FY05. 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 ten years.

Blight Prevention: Advance the Quality of Life in Philadelphia Neighborhoods with a Targeted and Coordinated Blight Prevention Program that Enforces City Codes and Abates Public Nuisances."

- **Address quality of life issues in Philadelphia neighborhoods**. In some neighborhoods, quality of life violations such as broken windows, high weeds, trash set out early and dumping on private property are more pervasive than the vacancy and abandonment issues that affect other neighborhoods. The Community Life Improvement Program (CLIP) is an aggressive new program designed to address and abate public nuisances to improve the overall appearance of Philadelphia's neighborhoods. CLIP inspectors use public education, enforcement and abatement combined with beautification projects to address these quality of life issues. Under the direction of the Managing Director's Office the departments of L & I, Police, Streets, Water, Fire, and the Fairmount Park Commission work collectively to increase citizen compliance with health and safety ordinances through the serving of violation notices and the imposition of fines to ensure compliance. From CLIP's launching in April 2002 until the first half of FY04, more than 16,100 code and 3,819 sanitation violations in the 6th, 10th, and a portion of the 7th Councilmanic Districts have been written. Since the program's launch, compliance within ten days has increased from 34% to 85% or better. By the end of FY04, the City will expand quality of life enforcement programs to other parts of the city; this expansion began with the launch of the West Philadelphia Improvement Program, and will continue in FY05.

- **Provide legal support for aggressive code enforcement.** The Law Department's Code Unit supports code enforcement activity by providing training, exploring methods of expediting equity court hearings and aggressively collecting City liens. In FY05, the Code Unit will continue its "L&I – Law Department Training Program" to train L&I inspectors on evidentiary and due process requirements, inspection procedures, and current code law. The Code Unit will also add "Cease Operations" training, covering the most extreme enforcement option available to L&I inspectors. The program was created in FY03 to facilitate the prosecution of egregious code violations by improving coordination between L&I and the Law Department. In FY05, the Code Unit will continue its attempt to collect hundreds of thousands of dollars in unpaid nuisance liens with the assistance of a collection agency. In 2003, the Code Unit was able to collect $1.26 million in liens and judgments. The goal is to cause property owners to maintain their properties and understand that the City will be aggressive in collecting fines for those who do not comply with the City's code inspectors.

- **Expand the City's efforts to combat predatory lending.** Predatory lending is the practice of charging up-front fees and significantly above-prime interest rates on home loans. These practices target vulnerable, financially unsophisticated homeowners, draining equity from communities and often forcing homeowners into foreclosure, which increases vacancy rates throughout the city. In FY03, the City committed $750,000 in NTI bond funds to support new programs designed to address predatory lending. The Greater Philadelphia Urban Affairs Coalition (GPUAC), in collaboration with eight participating banks and local housing counseling agencies began to administer the PHIL-Plus and Mini-PHIL loan programs. These loan programs will provide approximately $2,600,000 in loans to borrowers with blemishes on their credit reports. GPUAC expects that the program will make 175 loans by the end of December 2004 and match or exceed that production in the next calendar year. The Homeownership Counseling Association of the Delaware Valley and partner agencies began work on the Home Equity Loan Preservation Program, funded with $250,000 in NTI bonds and $250,000 from the Reinvestment Fund, designed to help victims of predatory lending to refinance their bad loans. These programs supplement the City's "Don't Borrow Trouble" hotline, a Freddie Mac program, and its extensive network of housing counseling agencies. The Hotline receives approximately 2,000 calls per year and refers more than 800 callers to housing counseling agencies. In FY03, the City received a grant of $150,000 from Citizens Bank to provide outreach and education around the issue of predatory lending. The City will launch an advertising campaign at the end of FY04, continuing in FY05, to promote the "Don't Borrow Trouble" hotline and increase call volume.

- **Expand the Green City Strategy.** In early 2000, when Mayor Street announced his intention to focus energy and resources on neighborhoods, the city had 31,000 vacant lots. Fewer than 1,000 were receiving regular attention. Since the launch of NTI, the Pennsylvania Horticultural Society's Philadelphia Green Program has worked with the Mayor's NTI staff to implement the Green City Strategy (GCS). 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. As of February 2004, more than 17,000 vacant lots are receiving some form of ongoing maintenance. In addition, 31 neighborhood parks, six commercial corridors and more than 20 community gardens are receiving assistance and improvements through the NTI Green City Strategy. Additionally, three mural projects in vacant land stabilization areas were added to the greening plans. By the end of FY05, the inventory of vacant lots receiving regular maintenance will be greater than at any time in recent years: more than 3,000 lots will be "greened"; another 3,000 will be maintained by employees of 10-12 neighborhood organizations; approximately 500 parcels will be transferred to community organizations for redevelopment—new houses, open space or commercial uses; approximately 500 will be conveyed to private homeowners to become "side yards"; and another 15,000 lots will be cleaned on a regular basis by City crews, thus raising the number of parcels being maintained on a regular basis to approximately 22,000. In FY05, the Mayor's Office of Information Services will work to improve electronic record keeping for all vacant land management activities.

Land Assembly: Improve the City's Ability to Assemble Land for Development

- **Assemble land for future development.** NTI's success will depend on the City's ability to facilitate private investment to redevelop vacant land. This process is twofold: (1) the City must be able to assemble contiguous parcels of land large enough for significant commercial, industrial or residential investment; and (2) the City must streamline land acquisition and disposition processes. The Office of Housing and Neighborhood Preservation (OHNP) – an umbrella agency, which oversees the Office of Housing and Community Development (OHCD), Redevelopment Authority (RDA) and Philadelphia Housing Development Corporation (PHDC) – has worked closely with District Councilmembers to ensure that acquisition resources are used effectively to encourage neighborhood investment. The RDA is using NTI bond funds to acquire land for specific development projects and for undesignated future development. To ensure an effective use of NTI resources an interagency review team, comprised of representatives from City Planning, RDA, 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. During the past four years, the City has increased the amount of land being acquired for redevelopment purposes by 35 percent compared to the four-year period from 1996-1999. In FY03, the Administration received City Council approval for the acquisition of 5,512 parcels of land. The land is being acquired for the following uses: 61 percent for land banking, 27 percent to support affordable housing development, 4 percent to support market rate housing development, 3.5 percent for open space or side yard projects, 3 percent for commercial development, 1 percent for institutional uses and 0.5 percent for other uses. In FY05, the City increased the NTI five-year acquisition budget from $74 million to $89 million to accommodate increased demand for acquisition. In FY04, the City will file "declarations of taking" on 60 percent of the parcels approved for acquisition in FY03. In FY05, the City will continue to acquire this land by expending bond funds earmarked for acquisition.

- **Institute land banking principles to facilitate new development in Philadelphia.** According to BRT data, since 2000, Philadelphia's real estate values have grown more than 30 percent. This has brought a surge in development activities for both market rate and affordable housing. In FY04, the Office of Housing and Neighborhood Preservation (OHNP) received numerous requests from private residential developers and businesses seeking to purchase property, without city subsidy, for the fair market appraised value. This is extremely encouraging; disposing of land at fair market value will increase development activity by generating substantial sale proceeds to fund additional acquisition activities. To facilitate this process and make more land available for disposition to developers, in FY04 OHNP began the process of transferring title of all city-surplus properties for which there are no recorded expressions of interest to the RDA. The amount of land available for redevelopment will increase as the City transfers title of more publicly owned land in FY05 and uses NTI acquisition funds to assemble land through eminent domain condemnation. Another effort to transfer publicly owned property began in FY04. The Philadelphia Housing Development Corporation conducted a thorough review of all surplus property in its ownership. These 2,300 parcels are immediately available for sale to the private market. In the second half of FY04, OHNP will begin an aggressive campaign of marketing these parcels to developers for rehabilitation or new construction. The establishment of a land bank entity with the ultimate responsibility for management, maintenance and marketing of parcels will be evaluated as part of the overall re-engineering of the City's housing delivery systems.

- **Implement the Unified Land Records System across City departments.** Accurate street address information is critical to almost all data tracked by City agencies. In the past, agencies maintained "stand-alone" databases, which were unable to communicate or easily share information with other agencies' systems. Starting in FY03, the City committed $2.9 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 will link 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 that are maintained by the Department of Records and an enterprise (Citywide) address management system. In FY04, MOIS converted 5,000 land registry maps maintained by the Department of Records to a GIS format. In FY05, the City will launch a central data warehouse, which will give ULRS users access to the City's principal land records databases. Future applications that will employ data from ULRS include: web-based services for all users, the City's 311 call center and the University of Pennsylvania's Neighborhood Information System.

- **Develop a Vacant Property Management Information System.** To efficiently track the acquisition, assembly and disposition of property, the City is developing a Vacant Property Information Management System (VPIMS). The City will expend approximately $3.5 million in bond funds on this activity over five years. This VPIMS will streamline land acquisition-disposition processes by (1) eliminating data-entry redundancies and inefficiencies; (2) facilitating the tracking of a property through the City's administrative pipeline; and (3) enabling managers to identify bottlenecks in the system. The VPIMS will be developed as a core application of the Unified Land Records System, drawing on address-based data critical to the land acquisition and disposition processes. In FY03, a detailed data flow analysis for all acquisition and disposition systems and a baseline acquisition tracking system, to manage data generated by all new land acquisition activities, were completed. In FY04, the City issued an RFP to select a database design team. The respondents differed greatly in the proposed process and project cost, causing the City to revamp the plan and hire a certified Project Manager to head the process. The City will fill this position by FY05, revise and re-release the RFP and select a development team to design the system. While the decision delays project implementation, it ensures that the scope of work is clearly defined and the end product meets the long-term needs of the City. Work on the VPMIS will be completed by FY06.

Neighborhood Investments: Stimulate and Attract Investment in Philadelphia Neighborhoods

- **Reorganize housing agencies under the Office of Housing and Neighborhood Preservation (OHNP).** A key objective of NTI is for the City's housing agencies to create a single entry point for a developer wishing to undertake a development project in the city. Beginning in December of 2002, the Cabinet-level Secretary of Housing and Neighborhood Preservation began to coordinate the functions of the various housing agencies. Since that time the Office of Housing and Community Development, Philadelphia Housing Development Corporation and the Redevelopment Authority have worked in a concerted effort to increase housing production and streamline processes. OHNP has become the single point of accountability for designing, articulating and implementing an overall housing and neighborhood preservation strategy for the City. In May of 2003, OHNP created a Deputy Secretary position focused on expediting large-scale market rate housing development and on marketing development opportunities available in the City of Philadelphia. The Deputy Secretary serves as the first point of contact for residential developers interested in building anywhere in the city.

Today, residential developers are receiving development services that include coordinated project review team meetings, support for residential rezoning efforts and assistance in assembling parcels. This coordination is the first step towards an overall reorganization of the City's Housing entities. During FY04, the Secretary will lead the department heads in an assessment of skills and functions necessary to the mission of the new housing organization and work in conjunction with union leadership to define job responsibilities and departmental functions.

- **Ensure that 3,500 new affordable housing units exist by the end of FY07.** OHNP is committed to providing quality, affordable housing for its most vulnerable citizens – low- and moderate-income, elderly, and special needs populations. To that end, OHNP partially funds the acquisition and production of affordable housing developments. From January 1, 2000 through June 30, 2003, 2,258 affordable housing units were completed. As of July 1, 2003, an additional 801 units (589 rental, 86 special needs and 86 homeownership units) were under construction. Further, OHNP has committed $25 million in CDBG and HOME subsidy for these developments. OHNP has committed to financing the development of an additional 1,809 affordable units (835 rental, 319 special needs and 655 homeownership units), which should be under construction by the end of FY05.

- **Strategically deploy City resources for affordable housing development.** The city is experiencing a high demand for affordable housing. In FY03 and FY04, OHNP has experienced demands on NTI acquisition resources and on development subsidies far exceeding the supply. To ensure that the most viable housing projects requiring public subsidy receive the acquisition and development subsidy commitments necessary, OHNP released a Request for Proposals (RFP) for subsidized homeownership projects in the first half of FY04. For-profit and nonprofit developers wishing to secure acquisition support and/or development subsidy for planned homeownership projects were invited to submit proposals. More than 50 responses were received, requesting acquisition or financing support for more than 1,300 housing units. As of the time of publication of this plan, projects had not yet been selected. This process of selecting developers allows housing officials to look comprehensively at all proposed development activities and all available subsidy to ensure that projects with greatest potential and impact receive the highest priority. This RFP process will be repeated in FY05 for affordable rental developments.

- **Promote the construction of 2,000 housing units within large-scale developments by the end of FY07**. Available vacant land and NTI's demolition and land assembly activities present numerous opportunities to construct new, large-scale housing developments throughout Philadelphia. These communities may be mixed income and may offer both rental and homeownership opportunities. As of December 31, 2003, 2,995 units in large-scale developments (1110 market rate and 1885 affordable) had either been completed, were under construction or were carrying out pre-development activities.

- **Finance repair and rehabilitation of 4,500 existing homes.** Capital investments are required to preserve Philadelphia's older housing stock so that it remains occupied or can be sold to new homebuyers. Preservation activities take two forms: subsidies to rehabilitate vacant properties and assistance to current homeowners so they can repair and improve their homes. Under NTI, the City will invest in the preservation of at least 4,500 homes. NTI funds are used to support a number of City programs that achieve this end:

- *Philadelphia Home Improvement Loans (PHIL)* – Four participating lenders, Fleet, Citizens, PNC and Wachovia lend up to $25,000 at 3 percent and 5 percent rates to existing homeowners regardless of income, with no equity requirements. 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. Between FY00 and FY03, the PHIL program averaged 80 loans per year for a total of $1.5 million. In the first half of FY04, banks closed 110 loans for $2.4 million.

- *Targeted Basic Systems Repair Program (TBSRP)* – TBSRP helps homeowners with essential systems (plumbing, heating, electrical, and roofing) repairs and exterior façade improvements, including porch and cornice repairs, painting and sidewalk and step replacement. In early FY04, the City announced the following ten provider agencies for the program: Associacíon de Puertoriqueños en Marcha, Frankford CDC, Korean Community Development Services Corporation, New Kensington CDC, Partnership CDC, People's Emergency Center CDC, Project H.O.M.E., South of South Neighbors Association, Mt. Airy USA and Yorktown CDC. Provider agencies work with homeowners on targeted blocks to determine what repairs are needed, secure contractors, provide grants and obtain matching loans to fund the repairs. Funded with NTI bonds ($2 million in FY03 and $1 million in FY04), this program is expected to serve 230 homeowners annually with repairs up to $25,000, through a combination of loan and grant funds.

- *Basic Systems Repair Program Tier-II (BSRP)* – 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 may also receive up to $2,000 per property in weatherization assistance. Currently, the average cost for Tier II services is $4,435 per unit. In FY05, the City will commit $11,525,000 in NTI bond funds to BSRP.

- *Homeownership Rehabilitation Program (HRP)* The City will continue to allocate funds to the Homeownership Rehabilitation Program (HRP), 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. In FY03, the City added $2 million in NTI bond proceeds to match $2 million in CDBG funding for HRP, and another $1 million in NTI bond proceeds were added in FY04. To encourage maximum production, the expanded program will now be available to non-profit and for-profit developers; it was previously only available to non-profit developers.

- **Offer employer-assisted housing to businesses and organizations throughout the city.** Nationwide, employers are increasingly providing their employees with assistance with buying and improving homes. In FY03, Philadelphia selected the Greater Philadelphia

Urban Affairs Coalition to develop and market "Home Buy Now," the City's employer assisted housing program. The program will include options for settlement assistance, home inspection, housing counseling and credit repair. Local mortgage lenders, home inspectors, housing counselors and training centers have agreed to participate in the program. Marketing for the program will begin in the second half of FY04 and continue into FY05. The City will use NTI bond funds to match up to $3,000 of contributions per participating employer.

Leveraging Resources: Leverage Resources to the Fullest Extent Possible and Invest them in Neighborhoods Strategically

- **Issue bonds for the redevelopment of Philadelphia's neighborhoods.** The cornerstone of the Neighborhood Transformation Initiative is the issuance of tax-exempt "government purpose," tax-exempt "private activity," and taxable bonds. The City anticipates issuing $275 million in bonds over the life of the program. These bonds are issued by the RDA on behalf of the City of Philadelphia, effectively leveraging $20 million in annual debt service payments into an infusion of more than a quarter of a billion dollars into the city's neighborhoods. Over five years, up to $137 million of the total bond proceeds will be available to fund the demolition of abandoned residential, commercial and industrial buildings. Approximately $53million will finance preservation activities including stabilizations and housing rehabilitation and home improvement programs. An estimated $74 million of taxable bonds will be used to assemble land for development[1], and a final $5 million in government purpose bonds will be used to upgrade the City's land management information systems. The City also obtained a $30 million line of credit to enhance the City's ability to meet the demand for acquisitions. As of March 2004, the City has issued $148 million of the $275 million in NTI bonds, and plans another bond issue in FY05, with the amount to be determined based on program and budget needs.

- **Leverage PHA resources.** The Philadelphia Housing Authority (PHA) draws on a variety of resources in its efforts to transform public housing in neighborhoods throughout the city. For example, federal HOPE VI grants and HUD-approved bonds are employed to rebuild and/or revitalize public housing developments and integrate homeownership and senior units into the Tasker, Mill Creek (798 units), Richard Allen (328 units), Cambridge I & II (84 units) and Wilson Park (295 units) sites. PHA is one of only two housing authorities in the nation participating in the federal Moving-to-Work program. Through Moving-to-Work PHA will receive an additional $37 million to improve operational efficiency, family self-sufficiency and property revitalization from FY03-10.

- **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 incentives, such as loans in the EZ and tax deductions in the RC, and resources to businesses wishing to locate or expand within designated areas of the city. In FY03, three EZ Community Lending Institutions made 44 loans $9,153,820 to 32 enterprises to foster economic growth and create job opportunities. Under the leadership of

[1] The $74 million in bond proceeds will be supplemented in FY05 with $10 million in CDBG funds and $5 million in PA State Department of Community and Economic Development funds, for a total Land Assembly budget of $89 million over five years.

the EZ, the Girard Coalition, Inc. completed a comprehensive land use and economic development strategy in FY04 for the Girard Avenue commercial corridor that stretches from I-95 to 33rd Street and crosses through 11 neighborhoods. In FY04, the EZ established funding priorities in support of NTI and related efforts and worked to complete acquisition of approximately 40 parcels for a new housing development within the West Philadelphia Empowerment Zone. In FY05, the EZ will launch a "Neighborhood Funding Stream" in the North Central and American Street Empowerment Zones that will continue its community planning and funding activities beyond the EZ designation period. In 2002 and 2003, the RC awarded \$12 million in Commercial Revitalization Deductions (CRD) to emerging and expanding businesses within the boundaries of the RC. The \$24 million in federal tax deductions allocated to date were shared among 16 businesses. The RC will have \$12 million in CRD deductions to allocate per year through 2009.

- **Build opportunities for disadvantaged firms**. The Administration is using NTI as a tool to create business and employment opportunities, particularly for minority and City residents. 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 the goal that total work hours for each trade be performed by at least 75 percent minority and 10 percent female employees, and that 80 percent of all employees are Philadelphia residences. Of the \$25.2 million in demolition contracts awarded since January 2003, minority firms have provided 40 percent and female firms have provided 18 percent of the work, and Philadelphia residents have performed 83 percent of the total hours worked. The City is further supporting disadvantaged firms through the Emerging Contractors Program, conceived by the Contractors Roundtable of the African-American Chamber of Commerce. The program provides hands-on training for city-based contractors whose businesses have annual revenues of less than \$500,000. The program introduces participants to financing and bond assistance programs and provides technical and management assistance to help them grow their business. Upon completion of the program, the contractors are ready to compete for NTI demolition work. In FY05, NTI expects to have 20 contractors participate in the Emerging Contractors Program.

- **Improving education and school sites as a strategy for neighborhood transformation.** Improving the quality of education, and building and renovating schools are integral to meeting NTI's aim of transforming Philadelphia neighborhoods. The Philadelphia School District has created a new standard curriculum, new student assessments and is working on teacher recruitment and retention. In FY04 and 05, the School District will consider participating in the City's Employer Assisted Housing Program to help with the recruitment and retention of teachers. In addition, the School District is working on a \$1.5 billion capital improvement plan to build several new schools and make significant renovations to other schools buildings. In FY04 the Administration began working with the School District to incorporate NTI land assembly, demolition and data gathering and analysis into the process of selecting sites for new schools. These efforts are expected to continue in FY05.

City of Philadelphia

Five-Year Financial Plan

Economic Development

Economic Development

Mission

The goal of the City's economic development strategy is to create, maintain, and develop jobs within the City of Philadelphia in order to grow the City's tax base.

Philadelphia is a world-class city at the heart of a world-class region. In its second term, under the direction of the Commerce Department, this Administration will focus its efforts on five priorities:

- Reducing the Cost of Doing Business
- Creating a More Vibrant Entrepreneurial Environment
- Addressing Workforce Requirements
- Stimulating Neighborhood Economic Activity
- Fostering the Next Stage of Hospitality & Tourism

The City will focus on a growth agenda through initiatives to make Philadelphia more economically competitive. Economic development efforts will capitalize on private sector initiatives, using a combination of targeted marketing, professional support and effective financing tools to create and retain jobs. In addition, development and promotion of the City's quality of life amenities will play an increasingly important role as Philadelphia competes for new knowledge-based jobs and workers. The priorities of this Administration require fresh, bold approaches and creative financing instruments, as well as the continuation and refinement of previously developed programs that have proven to be effective.

Overview

Major Industry Sectors

Philadelphia's economic outlook has become increasingly parallel to the national economic outlook, and in many cases Philadelphia has performed comparatively better than similar U.S. cities during the recent recession. While 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, over the next five years, the City will support existing sectors while continuing to bolster new job growth among knowledge workers.

Cluster Employment Data: City of Philadelphia 1998-2003 (In Thousands)							
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**% Change from 1998**
Construction & Mining	11.6	12.2	12.5	13.4	12.3	11.7	1.2%
Manufacturing	44.5	43.9	43.2	39.9	37.8	36.3	-18.4%
Trade, Transportation & Utilities	101.6	102.9	102.9	98.8	97.5	96.4	-5.2%
Information	15.7	16.1	16.8	17.0	17.0	16.9	7.7%
Financial Activities	53.9	52.4	53.0	52.2	50.9	49.0	-9.1%
Professional & Business Services	85.6	87.9	89.0	87.5	87.2	87.6	2.4%
Education & Health Services	167.1	169.6	173.7	176.6	178.1	179.7	7.5%
Leisure & Hospitality	49.7	54.1	56.5	56	53.8	53.3	7.3%
Other Services	28.8	28.9	28.9	29	29.7	30.1	4.4%
Government	116.8	117.2	119.6	118	118.6	118.0	1.0%
Total	675.3	685.2	695.9	688.2	682.8	679.0	0.5%

Source: Bureau of Labor Statistics

Despite the continued lack of a national employment recovery following the 2001 recession, Philadelphia's employment for 2003 remained relatively stable, with some bright spots. Employment in Philadelphia's information sector increased by 7.7 percent from 1998 to 2003. In addition, the Education & Health Services and the Leisure & Hospitality sectors experienced growth at 7.5 percent and 7.3 percent, respectively. 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 tourism assets, including recently opened regional amenities such as the Kimmel Center for the Performing Arts, the Independence Visitor Center, the National Constitution Center and the new Eagles stadium Lincoln Financial Field. The new Phillies stadium, Citizens Bank Park, set to open in April 2004; the proposed development of a Calder Museum; and a possible relocation of the Barnes Foundation, would 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 Street Administration 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. Among other things, KIP, which is discussed later in this chapter, will attract, engage and retain students in the Philadelphia region.

Philadelphia's Competitive Advantages

Philadelphia's competitive advantages as a business location are based on its size, 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 biggest downtown population, is at the center of the sixth largest metropolitan region. This size provides high demand from consumers – the fourth-largest retail sales market in the nation – as well as a diverse network of business suppliers and complementary industries.

Furthermore, this major market is at the center of a densely populated, affluent region along the Atlantic Coast, a region that stretches from Boston through New York and Philadelphia to Baltimore and Washington, D.C. Philadelphia is in a key position to access these regional markets due to the transportation infrastructure centered within the city, 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 below the national metropolitan average.

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, the Franklin Institute, and many other museums and historical sites. 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, will add to this concentration.

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 D.C is 15 percent more expensive, and Boston is approximately 13 percent more expensive than Philadelphia. In fact, of over 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 health care 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 for employers. Philadelphia has a strong core of knowledge-based industries, but the City must capitalize on these advantages to ensure future growth and dynamism.

Economic Development Challenges and Targeted Initiatives

The Street Administration has a goal of creating a dynamic economy with more jobs to support a growing population. To achieve this ambitious goal, the City will need to reach out to the larger civic and business communities to collectively create an economic development blueprint for the city's future. The Commerce Department will help to launch this process of establishing an economic development roadmap by convening an Economic Development Summit in mid-September. The summit will allow all of the stakeholders in the city's diverse economy to come together to share individual perspectives on a strategy for future economic growth and prosperity. Once that input is collected, the Street Administration will complete an economic development blueprint that can guide decisions and future strategies on how to invest scarce public resources to achieve maximum economic impact.

The initiatives presented below represent the City's on-going efforts to address the challenges to economic development in Philadelphia. These initiatives will be refined and guided by the results of the Summit.

Challenge: *Reduce the Cost of Doing Business*

Strides have been made to decrease the cost of doing business in Philadelphia through affordable incremental wage and business privilege tax reductions, and this Plan proposes to continue these tax reductions through FY09, and legislation enacted in July extended wage tax reductions through FY15. The Plan also embraces a number of the recommendations of the Tax Reform Commission (see the Fiscal Health chapter for more details). The tax reduction program is critical to the long-term health of the city and the region, as the costs of providing county services to a majority of the region's impoverished residents with minimal state assistance have contributed to a high tax burden on residents and businesses. Studies by the District of Columbia, New York City Independent Budget Office, and others have shown that taxpayers in Philadelphia endure one of the highest tax burdens among major cities. In addition, Philadelphia taxpayers endure a higher tax burden than the surrounding suburban counties, in part because it bears a disproportionate share of the costs of regional poverty. This gap has been shrinking since 1996 as the City continues to reduce taxes while the suburban counties are forced to increase property taxes due to low state support for education and other programs, and increasing costs.

Regulatory complexities also add to the overall cost of doing business in Philadelphia. For example, navigating the City's permit and zoning regulations can add significant construction delays or additional development requirements. The Department of Licenses and Inspections issues over 200 different licenses and permits, from building and sign permits, to zoning permits, certificates of occupancy, business privilege licenses, and roofing permits. The City's zoning laws further inhibit City development because the laws are often complicated and include archaic language.

Strategy: A key objective of the Commerce Department's strategy is lowering the cost of conducting business in the City. In addition to continued tax reductions and tax abatements for new construction, the City will reduce regulatory burdens, streamline internal service delivery mechanisms and begin to incorporate additional City services online.

- **Continue to reduce tax rates and simplify the tax structure**. The City proposes extending the wage and business privilege tax reduction program into a fourteenth year and continuing wage tax reductions until at least FY15. The Administration supports statewide tax reform and relief proposed enacted at the State level that should allow the City to slash the resident wage tax rate to below 3.9 percent. The Administration also supports adoption of numerous Tax Reform Commission recommendations that would simplify the tax structure, eliminate disparities and disincentives, and reduce the cost and complexity of filing. These recommendations are discussed in more detail in the Fiscal Health chapter.

- **Continue real estate tax exemptions on development projects**. In January 2001, Philadelphia began granting 10-year real estate tax abatements for all new construction and permanent structural improvements as part of an effort to stimulate the development of underutilized buildings and parcels. The impact of the tax abatement program can be seen across the City in new residential construction and revitalized commercial and industrial properties.

- **Reduce regulatory burdens**. Philadelphia's 1950s-era development codes are outdated for today's development activities and can impede the redevelopment process. Deficiencies in the development code are most apparent in mixed industrial and commercial use areas adjacent to the city's commercial corridors, centers, and districts. In FY04 the Philadelphia City Planning Commission (PCPC) continued to work with a consultant on updating the City's land development codes. Funded by a $70,000 grant from the DVRPC, this study will focus on best practices from other communities that could be applicable to Philadelphia. The study, which will be completed by the end of FY04, will offer preliminary recommendations, including proposed code language and typical site plans.

- **Streamline internal functions**. The City is committed to increasing the speed of service delivery to residents, visitors and businesses by using technology more effectively. Several City departments are also working to reduce regulatory burdens on businesses and increase electronic access to services. By the end of FY04 visitors to **www.phila.gov** will be able to use their credit card to pay tax and water bills, as well as obtain building and other permits online.

Challenge: *Creating a More Vibrant Entrepreneurial Environment*

The technology sector, which at one time appeared to have the potential for limitless growth, experienced steep declines in 2001 and stabilized over the past two years. Despite this recent setback, our region is uniquely positioned to be a vibrant participant in the 21st Century Innovation Economy. Philadelphia and the surrounding area have a diverse economy not dependent on any one industry. The primary Knowledge Economy industries include Life Sciences, Financial and Business Services, Nanotechnology, Information Technology, Chemicals and Advanced Materials, Education, and the Creative Community. The manufacturing base, while still important, is itself transforming to a Service and Knowledge Economy more dependent on a highly educated workforce.

The Philadelphia region is growing and changing as the result of visionary leadership. Twenty years ago, there were virtually no venture capitalists in Philadelphia; today there are more than 70 with over $13 billion under management. Sixteen years ago, there were no buildings higher than 40 stories tall - now the skyline looks like a 21st Century City. Ten years ago, there was less than $400 million in federal research being done at our academic institutions - now it is over $1 billion. Ten years ago, West Philadelphia was severely blighted but today it is one of the most successful urban redevelopment projects in America. The City is also transforming the Philadelphia Navy Yard into a center of commerce and community as the Philadelphia Naval Business Center.

As Philadelphia works to grow and attract healthy technology companies, it faces severe competition from Boston's Route 128 Corridor, Raleigh-Durham's Research Triangle Park and DC's Dulles Corridor. Philadelphia is competing against cities that already have a well-developed technology/life sciences infrastructure and reputation.

Strategy: The City recognizes the potential future value of the information technology, biotechnology, telecommunication, and life sciences industries within Philadelphia and will continue to guide development of these industries in FY04.

- **Create a more vibrant entrepreneurial environment through Innovation Philadelphia**. In FY01 the Street Administration joined forces with the leadership of its largest private employer and academic research institution (the University of Pennsylvania), its largest technology-oriented company (Comcast Corporation) and its largest life sciences company (GlaxoSmithKline) to create Innovation Philadelphia (IP) (www.ipphila.com). IP, which received $2.5 million in start-up money from the City, is a private/public partnership that provides resources to grow, attract, and retain entrepreneurs and technology-based companies in the region. IP assists entrepreneurs, technology-based companies and university researchers with access to traditional seed capital, alternative funding sources, research, and workforce resources through investment funds, commercialization programs, entrepreneurial research and resource publications. IP directs its resources towards strategic industries that include bioscience/biotechnology, information technology, nanotechnology, healthcare, systems integration, pharmaceutical, financial services and communications as well as the discovery of new emerging technologies. Through partnerships and support from academia, government and private industry, IP strives to grow the region's Global Innovation Economy.

  In FY04 and FY05, IP will direct its efforts toward four major goals designed to address the needs of entrepreneurs and early-stage technology companies in the Greater Philadelphia region. IP will work to increase the number of knowledge-based companies in the area by providing business assistance to technology-based start-up companies and by soliciting and recruiting national and international companies currently located elsewhere. A second goal is to increase the quantity and quality of the high-skilled/high-paying Knowledge Economy work force and stimulate "Brain Gain." To achieve this, IP will continue to lead the

CareerPhilly student retention program that attempts to retain knowledge workers graduating from area colleges through marketing efforts and internship coordination and placement programs. Third, IP will also pilot a program to recruit and develop senior managers to adopt technology being developed at area universities and convert that technology into commercial opportunities. IP will continue its successful efforts to develop and grow entrepreneurial financing resources by raising additional venture capital funds, grants, and awards, and by closing investment transactions. Finally, IP plans to leverage the resources among government, academia, and industry to accelerate technology commercialization and wealth creation by leading or participating in marketing and promotion efforts, publishing materials, and participating in major policy discussions.

- **Support new incubator development.** The best way to ensure that the City becomes home to new technologies is to grow the industry locally. Business incubators, which provide expandable office space, technical and administrative support services, and direction on securing grants and financing, are launching pads for major corporations. In FY00, the Port of Technology opened with the assistance of $1 million of City capital support, the first of five planned buildings that will serve as incubators. The 144,000 square foot Port of Technology, now called the Science Center Port, was 80 percent leased when the project was completed in September 2000. The Port is the region's premier full-service business accelerator, targeting life science and technology companies in their early stages. The Port provides local companies with business strategy assistance and access to capital. Other incubator development around the city includes the Enterprise Center in West Philadelphia, which is fostering minority entrepreneurship in the region, the conversion of an abandoned factory in Northern Liberties, and plans by the University of Pennsylvania for a facility at the former U.S. Post Office building at 31st and Market Street.

Challenge: *Addressing Workforce Requirements*

The quantity and quality of the area's workforce are key factors in companies' business location decisions. With nearly 1.5 million residents, Philadelphia offers a vast but shrinking labor pool. The Philadelphia region as a whole is growing, but at a slower rate compared to other major metropolitan areas. The regional population has gotten older, effectively reducing the number of skilled entry-level workers. In addition, the city's labor force participation rate, or the percent of the population in the workforce, is 56 percent, the fourth-lowest percentage among the 100 largest cities in the United States. Philadelphia's unemployment rate hovered consistently above regional and national rates at two percentage points higher than the national unemployment rate from 1990 to 2000. Further, anecdotal evidence from city businesses identifies a gap between desired employment skills and the workforce readiness of the city's labor pool. Workforce issues continue to be an obstacle that Philadelphia must overcome.

Strategy: The City is proactively addressing workforce issues through the implementation of several workforce development initiatives.

- **Address skill deficiencies in the current labor pool**. The Philadelphia Workforce Investment Board (PWIB) (www.pwib.org) – a private sector-led commission convened in 1999 under the provisions of the *Workforce Investment Act* – leverages City resources with state, federal, and private job training funds to offer job readiness training. Among its various initiatives, the PWIB has worked to increase the number of unemployed and underemployed City residents engaged in accredited technical training and degree-granting programs, with over 1,400 individuals trained in 2003 using core funding available through Title I of the *Workforce Investment Act*. By increasing educational attainment levels, Philadelphia will be better positioned to meet the workforce needs of existing employers and attract new employers.

- **Invest in connecting potential workers to the local labor market**. The local CareerLink system, which is governed by the PWIB, is designed to provide career development services to individuals and connect them to employers in need of workers. Philadelphia CareerLink is a partnership of state and local public and private organizations, including many employers, and appears to have the highest percentage of private investment in the country. As of February 2004, the local CareerLink system has nine CareerLink Centers and nearly 30 additional access points that operate as part of other programs in neighborhoods throughout the city. Over 60,000 customers were served in 2003.

  In FY05 the City continues its broad support for continued evaluation and planning for a new regional transportation amenity, Schuylkill Valley Metro (SVM). SVM has the potential to foster job creation, improve mobility options, and revitalize communities by connecting workers to jobs throughout the region. Support of SVM will help ensure that the city remains a central, accessible and competitive location for attracting residents and businesses. Projections are that this $1.8 billion project will, over 30 years, result in $6.4 billion in business sales, $2.2 billion in job earnings, and 89,000 regional jobs.

- **Focus on growth industries that have a demand for workers**. The City is promoting several industry-specific initiatives where demand for workers outpaces supply. To address this demand, the PWIB has partnered with employers, industry-based associations, and organized labor to identify and characterize skill gaps in the city's workforce. This information is being shared with institutions of higher learning and other training providers so that workforce development services can be better focused on the needs of employers. Current initiatives include supporting the life sciences, manufacturing, hospitality, and financial services industries with industry-specific services for workforce recruitment, training, career marketing and promotion, and workforce supply and demand data collection. These initiatives, which are directed and often funded by relevant industry members, include a pilot to place 150 new hospitality workers in 2004, and an industry-funded community college institute to prepare skilled workers for the financial services industry.

  For 2004, the PWIB has identified several strategic priorities to advance the City's workforce investment system. They include aligning over $250 million in area workforce development resources by developing an asset inventory and annual and quarterly performance reports, enhancing CareerLink through expanded partnerships with employers and organizations that serve individuals, and creating additional career exposure opportunities for the city's youth by filling 450 privately supported summer jobs.

- **Implement student retention initiatives.** Colleges and universities in the Philadelphia area represent this region's best hope to reverse declines in skilled workers between the ages of 18 and 35. The Philadelphia region hosts over 213,000 full-time enrolled college students annually, with 80,000 in the city alone. In 2003, the Knowledge Industry Partnership (KIP), with the City's Department of Commerce as one of four Lead Partners, launched an ambitious array of programs to convince a higher proportion of these students to stay in Philadelphia after graduation. Each year, an estimated 20,000 new students who are not from the area come to enroll in the city's schools, almost 1.5 times the rate of regional foreign immigration.

  The first phase introduced new efforts to attract more and better-qualified students to attend college in the region. The Philadelphia area is one of the only regions in the country promoting itself as a college destination. The "One Big Campus" campaign has been accompanied by targeted marketing initiatives to attract students interested in life sciences, creative arts disciplines, and business, and Philadelphia is the only major American city currently promoting itself to foreign students, with international student brochures in Japanese, Korean, English and Spanish.

  The City has continued its leadership role in area retention initiatives through its support of the Campus Philly website for area college students, the Philadelphia College Festival (attended by 25,000 students in 2003), and through its support for KIP programs. Early research on the City's efforts shows great promise. The April 2003 student survey, conducted annually by Campus Philly and the Pennsylvania Economy League, identified five factors that were statistically associated with the respondent's desire to stay in the Philadelphia region after graduation. The survey found that, in addition to attitudes about Philadelphia's size, quality of job prospects, attractiveness as a place to go to college, and whether the respondent was originally from the area, attendance at a Campus Philly event was correlated with interest in staying in Philadelphia. This indicates that KIP programs are having an impact.

  The third KIP policy initiative encourages students to take internships and search for jobs locally. As mentioned earlier, IP has a number of programs to link students to employers, including internship fairs, an internship matchmaking center/clearinghouse, and resource materials for employers. IP's Career Philly program aims to increase the number of student internships by 5,000 per year.

  Efforts by the City and KIP will generate short-term economic impact while students visit and attend college. The long-term prize will be the City and region's success in generating career paths for these students after graduation.

Challenge: *Stimulating Neighborhood Economic Activity*

Over the past 50 years, Philadelphia has experienced a decline in population, employment and business growth. As the population density dropped and some residential areas began to deteriorate, the abandonment of once thriving commercial strips soon followed. The cycle of economic disinvestment and the failure of small businesses to compete with large retail and commercial chains have caused many commercial corridors to become vacant or dilapidated. While social and economic conditions were partially caused by the loss of employment opportunities, they are now reasons why businesses are discouraged from locating in some commercial corridors.

Strategy: A proposed new $500 million economic development fund, which will include financial incentives, targeted outreach through place-based initiatives and major infrastructure improvements, will be implemented in conjunction with the Neighborhood Transformation Initiative (NTI) to tackle the challenges presented by declining neighborhoods, and to create new neighborhoods. The Street Administration will put as much emphasis on attracting and retaining small and mid-size companies in neighborhoods as it does on attracting and retaining major corporations, and will continue to support the diminished but significant manufacturing and industrial sector. The City will also continue to support the burgeoning distribution/warehouse sector of the economy, which provides living-wage jobs for residents.

- **Invest $125 million as Phase I of the economic development fund to stimulate mixed-use waterfront development and make Philadelphia the "New River City" and continue investment in selected NTI neighborhoods.** The Administration proposes to provide $125 million of the $500 million fund in FY05 to seed an economic development fund to develop the Naval Business Center, Delaware River North, Schuylkill River South areas and selected NTI neighborhoods. This fund is intended to create entirely new communities with mixed residential, commercial, and recreational uses on under-utilized, formerly industrial or military land. The fund will be used, in part, for infrastructure improvements on over 15 miles of waterfront property to prepare sites and open up more of Philadelphia's valuable waterfront for development and public use, placing Philadelphia on the leading edge of waterfront redevelopment. The City is currently pursuing debt restructuring to provide proceeds for the initial phase of the fund.

- **Attract and maintain small businesses in neighborhoods**. The City recognizes the value of small neighborhood businesses, and the fact that convenient amenities serve to make a community more livable. The City will continue to support the efforts of the Philadelphia Commercial Development Corporation (PCDC), the Mayor's Business Action Team (MBAT), neighborhood special service districts, community development corporations and business associations. To ensure strong commercial corridors, these agencies will continue to implement a series of commercial initiatives including façade matching grants, assistance with street paving and sidewalk replacement, neighborhood business education seminars, street lighting improvements, small business loans and technical assistance. Through grant and loan programs, capital projects, and technical assistance, the City is projected to serve over 2,000 individual neighborhood businesses in FY04 alone.

  A number of initiatives have been introduced to meet the City's objectives of expanding income generating opportunities for individuals and growing the number of small businesses in the City of Philadelphia. These include the Mayor's 1,000 New Businesses Initiative, the Philadelphia Development Partnership, the Universal Community Homes Small Business Center, the West Philadelphia Enterprise Center, the Hispanic Chamber of Commerce, the African American Chamber of Commerce, the Women's Business Development Center, the

Small Business Support Center and the Equality Forum. Each of these organizations is currently receiving funding from the City to provide outreach and technical assistance to small entrepreneurs and start-up businesses. The City's multi-cultural outreach efforts to grow entrepreneurs are critical to Philadelphia's future. Each of these funded organizations targets specific populations to expand the diversity of our business community as we position the City to remain competitive in the ever-changing economy.

- **Proactively target firms to attract and retain downtown office workers**. According to a recent study by the Central Philadelphia Development Corporation, 44 percent of downtown office workers live in Philadelphia's neighborhoods. As a result, much like business retention efforts for smaller, community-based businesses, efforts to retain office workers in downtown contribute significantly to supporting and strengthening neighborhoods. Starting in March 2002 the City and PIDC, working with the Center City District, began to visit the 60 largest businesses whose leases expire in the next five years. The purpose of the meetings has been to identify and address any barriers to retaining these tenants in Center City. There have already been several successes, including recent office lease renewals by Aramark and Radian.

  In addition to supporting efforts to retain office workers, in FY05 the Street Administration will partner with the Greater Philadelphia Chamber of Commerce and the region in the Select Greater Philadelphia campaign (www.selectgreaterphiladelphia.com). The City will invest $1 million over four years to partner with the Greater Philadelphia Chamber of Commerce and the region in the Select Greater Philadelphia campaign. This effort will market the region nationally and globally as a location choice, and will help establish the region's reputation as a premiere location to do business. Key activities will include targeted marketing, business development to position Philadelphia for every opportunity to attract businesses during the site selection process, research and community support.

- **Create partnerships between nonprofit community development corporations (CDCs) and private enterprise**. In FY03, the City began a 10-year CDC Tax Credit Program, an initiative championed by Councilman W. Wilson Goode, Jr. Philadelphia's CDC Tax Credit Program provides a business privilege tax (BPT) credit for businesses that contribute $100,000 annually to a qualifying CDC's economic development initiatives over a 10-year period. In the fall of 2003 legislation was passed expanding the program from 15 to 25 companies, which will ensure a 10-year $25 million funding stream to help CDCs provide services to support small business, create jobs and stabilize neighborhoods.

- **Expand and continue place-based incentive programs**. One of the most powerful incentives the City can provide to prospective and existing businesses continues to be exemption from taxes. The Keystone Opportunity Zones, Empowerment Zones and Renewal Community Designation provide place-based exemptions within specific areas targeted for economic development.

  - <u>Keystone Opportunity Zones/Keystone Opportunity Expansion Zones/Keystone Opportunity Improvement Zones</u>. In January of 1999, the Commonwealth of Pennsylvania designated 12 Keystone Opportunity Zones (KOZs) in neighborhoods throughout Philadelphia. Zones that encompass underutilized and often vacant land were formed to encourage existing businesses to expand and new businesses to relocate in the targeted locations within struggling neighborhoods. Businesses that locate within a KOZ are exempt from such taxes as the BPT, use and occupancy tax, real estate tax, state business taxes, and state sales tax on items consumed at the site, through December of 2010. In 2001, the Commonwealth approved designation of eight new zones as part of a second round of KOZs, newly entitled Keystone Opportunity Expansion Zones (KOEZs). Tax exemptions for businesses that locate in KOEZs are effective through September 30, 2013.

On December 31, 2002, in an effort to refine the existing programs, the Governor signed an Executive Order that designated several key sites in Philadelphia as Keystone Opportunity Improvement Zones (KOIZs). This Executive Order was signed pursuant to the Keystone Opportunity Zone Bill, signed December 9, 2002, in which new subzones could be added or existing subzones could be enhanced or enlarged to incorporate new property into the existing KOZs and KOEZs. KOIZs have all the same benefits as KOZs and KOEZs, with the length of benefit, which can be up to 15 years, determined locally. The legislation also provides a rolling mechanism for decertification of property in existing sub-zones, an important tool when market demands dictate investments inappropriate for KOZ benefits, such as residential developments. Since January 1999, the City has participated in deals with 109 new or existing companies, leveraged over $226 million in private investment, and fostered the creation of 2,472 jobs and the retention of 1,915 jobs. Over 2 million square feet of space has been constructed and over 1.2 million square feet of space has been rehabbed.

In furtherance of the benefits the KOZ program brings to Philadelphia, the Street Administration supports the Governor's proposal to designate 17th and JFK Boulevard as a KOIZ, subject to certain key amendments in the current law, which would close loopholes that allow businesses to receive tax breaks without creating new jobs. This designation would enable Comcast to locate their new headquarters building there and bring approximately 900 new jobs to the city, for a total of 2000 Comcast jobs. KOIZ legislation will also enable the city to retain an expanded Produce Terminal in South Philadelphia.

– Renewal Community Designation. In 2002, Philadelphia successfully completed and was designated one of only 28 urban Renewal Communities in the country under the Community Renewal Tax Relief Act of 2000. This federal program offers employment and operating tax incentives to businesses locating within economically distressed areas through December 2009. As a designated Renewal Community, Philadelphia is equipped with an attractive package of federal tax incentives that will attract business investment to some of Philadelphia's underdeveloped neighborhood commercial corridors. In 2003, the City allocated $12 million in Commercial Revitalization Deductions, a tax benefit accelerating depreciation for businesses located in the Renewal Community. All six qualified applicants received allocations this year, which leveraged approximately $107 million in private investment and helped to create and retain 1,950 full- and part-time jobs. Additional Renewal Community benefits will include employment credits, increased tax deductions for environmental clean-up and capital investments, and no tax on capital gains for assets held for over five years.

- **Support efforts to maintain large industry**. A small but strong pocket of manufacturing and warehousing industry still thrives in Philadelphia. The Commerce Department will work with various partners to support the expansion of these industries.

  - Urban Industry Initiative. The grant-funded Urban Industry Initiative (UII) was established in FY97 to retain neighborhood-based manufacturing jobs in Frankford, Port Richmond, Bridesburg, Juniata Park and Harrowgate. Led by the Commerce Department, UII has helped strengthen individual companies and their relationships to one another and to their neighborhoods. In its seventh year, UII has expanded its target area within the lower Northeast and the Hunting Park industrial area. Over the life of the initiative, UII has made 36 loans worth over $1.8 million and assisted with 43 deals that have helped to create 230 new jobs, totaling over $11.5 million in public and private neighborhood investments. In an effort to promote the employment opportunities in manufacturing, UII works with manufacturers and the school district to provide plant tours and internships. This year UII and the Commerce Department are launching a "Philadelphia Made" campaign to build awareness of the quality and value offered by Philadelphia companies and entrepreneurs. The UII also works with businesses to improve their physical environment. The PRIDE (Port Richmond Industrial Development Enterprise) district is the first industrial special services district in the state and will complete over $1 million of construction improvements to upgrade its neighborhood in 2004. The City will continue to join efforts with businesses to rejuvenate the neighborhoods where industry exists.

- **Facilitate private investment to redevelop vacant land**. In addition to efforts to accelerate the assembly and disposal of land as part of NTI, the Department of Commerce works with local economic development organizations and private developers to redevelop land with potential environmental liability, known as "brownfields." The Department helps identify and access City, state and federal funding for environmental assessments and remedial activities. Sustained levels of external funding leveraged by the City of Philadelphia's commitments show the Brownfield Redevelopment Program's success.

Funding for Brownfields, 2000-2003				
	2000	**2001***	**2002**	**2003**
City (Commerce, PIDC, RDA)	$194,159	$1,240,354	$293,827	$231,167
State	$647,093	$2,570,367	$2,184,894	$612,440
Federal	$88,664	$70,313	$138,550	$200,000
Private		$86,214	$413,263	$34,987
TOTAL	$929,916	$3,967,248	$3,030,534	$1,078,594
Leverage (Non-City $/Total)	79%	69%	90%	79%
Number of projects	24	34	45	26
* The spike in per project costs this year is directly attributable to large remediation costs at FedEx Express ($622,517) and the Philadelphia Naval Business Center ($483,750).				

Scarce financial resources in the public sector have resulted in increased planning and coordination to leverage the City's brownfield "assets." A $100,000 Superfund redevelopment grant award by the EPA was divided into three grants in support of the North Delaware Redevelopment Plan. A $75,000 Transportation and Community Development Initiatives (TCDI) program grant will result in a GIS-based vacant and commercial land inventory database available on-line in the spring of 2004. Another TCDI grant for $75,000 was awarded in spring 2003 to the Brownfield Redevelopment program to assist in the identification of necessary transportation enhancements to promote growth of the historically industrial Allegheny West corridor. The Commerce Department has led discussions to acquire for redevelopment 25 acres of abandoned and vacant tank farms in the Southwest area of Philadelphia. The Commerce Department has also been the recipient of technical expertise valued at $100,000 from the EPA to investigate the solidification and stabilization of 40 acres of publicly owned sludge lagoons on the North Delaware. The Commerce Department has also led discussions with Pennsylvania's Infrastructure Investment Authority (PennVEST) to explore providing a revolving loan fund (as part of the $500 million economic development fund discussed earlier) for subsidizing necessary remediation, sewer and water infrastructure improvements in the key industrial areas of the North Delaware, the Navy Yard, and the Schuylkill River.

Challenge: *Fostering the Next Stage of Hospitality and Tourism*

The Pennsylvania Convention Center (PCC) has been a driver of the City's hospitality and tourism sector growth. If the City's Hospitality and Tourism industry is to survive and thrive, the Convention Center's expansion must be funded. Although a major labor agreement in 2003 appears to have eased the Center's well-publicized chronic labor problems, the PCC's ability to attract future conventions has been threatened by several years of labor inefficiencies and the resulting elevated labor costs. This situation has placed the Center at a competitive disadvantage with other major cities and resulted in a rebooking rate reported at 17 percent, while successful convention centers nationwide rebook about 75 percent of annual business.

The Center is also limited by its capacity. Philadelphia ranks 18th in exhibit hall size in the nation and will have trouble competing against the regional convention centers in Atlantic City, Baltimore and Washington D.C, or the soon to be completed center in Boston, several having more useable space than the Pennsylvania Convention Center. The current business generated by the PCC does not satiate the supply of hotel rooms in Center City. The number of hotel rooms in Center City has increased from 6,700 rooms in June 1993, when the PCC opened, to 10,500 rooms. According to the May 2002 Lodging Survey Report conducted by the Greater Philadelphia Hotel Association, hotel occupancy has decreased substantially as a result of this dramatic increase in supply. Occupancy rates averaged just 65.4 percent in 2003 compared with 73 percent in 1997. Establishing Philadelphia as a premier convention and tourist destination is key to capitalizing on the hospitality infrastructure in place. With labor management issues resolved, expanding the Convention Center is essential to the City's efforts to draw an increasing number of guests to Philadelphia's hotels.

Philadelphia International Airport (PHL) (**www.phl.org**) is also a significant economic generator for the City and the region. According to an economic impact study conducted in August 2001, over 147,000 jobs and over $7.38 billion per year in spending can be attributed to PHL. This has enabled PHL to become a world-class airport and as a result, in 2001, the *Wall Street Journal* named PHL one of the "Best Airports" in the United States, receiving a four-star rating, the highest rating possible. However, the Airport's limited airfield space poses a competitive disadvantage. PHL's own surveys indicate that delays often occur at peak periods because jet activity exceeds available runway space. Without additional jet runway space, PHL will have additional delays and increased airline expenses resulting from additional fuel usage, additional crew time costs, and costs associated with accommodating delayed passengers. Most importantly, tourism, convention business, and the attractiveness of Philadelphia to prospective new companies are all hurt by the perception of an inconvenient airport hampered by delays.

Strategy: With a tremendous hospitality infrastructure in place, Philadelphia must continue to support large development projects and initiatives that bring conventioneers and visitors to the region. In addition to pursuing a "big-ticket" strategy, the City must invest to encourage conventioneers and day trippers to stay longer and visit frequently.

- **Implement hospitality and tourism marketing efforts**. In 2001 the Street Administration, the Delaware River Port Authority (DRPA) and the Commonwealth invested $3.6 million to fund a special marketing and advertising campaign aimed at attracting visitors who are within driving distance of Philadelphia in response to the precipitous drop in tourism business after September 11. The primary objective of the program, titled "Philly's More Fun When You Sleep Over" (www.gophila.com), was to stimulate short-term sales of hotel rooms and visitor spending through hotel packages and other incentives. Successful in its initial year of operation and continued through the winter 03-04 season, the campaign has been responsible for over 107,000 room nights sold to date and $32.3 million in direct visitor spending over the three years the packages have been offered. The success of this campaign has had a number of far-reaching implications:

  – *Travel Magazine* named Philadelphia as the top city in the country for post-September 11 tourism recovery.
  – It led to the expansion of the *"Philly's More Fun When You Sleep Over"* campaign to the summer, when a different hotel package campaign, *"You Just Can't Do It In A Day,"* is offered.
  – The starting price of the hotel package has gone up each year – beginning at $89 in 2001, rising to $129 in 2002 and starting at $149 in 2003 – producing improved room and tax revenue with no significant diminution in hotel packages sold.

  In addition, the Mayor's Hospitality Cabinet, consisting of representatives from the Philadelphia Convention and Visitors Bureau, Greater Philadelphia Tourism Marketing Corporation, Delaware River Port Authority and Comcast Corporation, were also awarded Greater Philadelphia Hotel Association's 2002 Grand Award, which honors the organization or individual having the most positive and profound impact on the industry in the past year.

- **Support the planning effort for Convention Center expansion**. The Pennsylvania Convention Center served as the catalyst for the development of the City's hospitality industry in the 1990s. It will continue to serve as the key driver of the industry's future growth if it has the capacity to host major conventions. To have that capacity, the Center will have to be expanded. The Pennsylvania Convention Center Authority has crafted a $460 million proposal that would enlarge the center from 440,000 square feet to 700,000 square feet of exhibit space, making it the 8th largest convention facility in the United States. The additional capacity will allow the Convention Center to compete for larger shows and to host more than one large show at a time. According to a study conducted for the Convention Center Authority, if an expanded center opened in 2007, the expansion could increase room nights by over 330,000 annually and increase spending by conventioneers in the city by $9.1 million per year. Expansion could be completed within four years once funding is secured.

The City continues to support the goal of Convention Center expansion. Under state legislation enacted this summer that expansion would be funded by the Commonwealth, which is appropriate given the City's diminished representation on the Authority's Board.

- **Increase the Airport's competitive position**. The Airport will continue to address industry challenges and further its competitive advantage though a number of initiatives. The Airport is currently in the design phase of Terminal E expansion, which will reconfigure passenger areas and add an additional four gates to accommodate possible airline expansion.

  As a result of the implementation of an aggressive air service and marketing plan to attract new international destinations, PHL announced that direct service to Glasgow, Scotland would be available on US Airways in March 2004, bringing the total number of international destinations served from PHL to 32. In FY04, resulting from a sustained effort to attract more low-fare airlines, PHL announced that both Southwest Airlines and Frontier Airlines would begin service in May 2004. These and other low-fare carriers, including AirTran Airways, America West, ATA Airlines and USA 3000, will serve 13 destinations with approximately 43 daily flights.

  In FY03 PHL's airfield expansion project was the only airport project selected by the U.S. Department of Transportation for a streamlined environmental review process, which shortens implementation by 2-3 years. Coupled with the recently completed Master Plan, PHL has developed these and other initiatives to build a thriving airport that attracts low fare carriers and encourages business and leisure travelers to use PHL over regional competitors.

- **Complete the sports stadium complex in South Philadelphia**. The Eagles' football stadium, Lincoln Financial Field, opened to great fanfare in August 2003, and Citizens Bank Park, the new baseball stadium for the Phillies, will host its inaugural season home opening game on April 12, 2004. This opening will cap the completion of a $1 billion investment by the City, the teams and the state to create a four-facility stadium complex that is unmatched anywhere in the United States. Both the Phillies and the Eagles signed long-term 30-year leases, and the new stadiums are projected to generate $159 million in revenue for the City from wage, business, sales, and amusement taxes.

- **Support waterfront development**. The City's rivers are a tremendous resource that this Administration intends to further develop by supporting public and private initiatives to enhance the waterfront. Penn's Landing continues to be a development priority for Philadelphia. After the receipt of four proposals in response to an RFP issued in 2003, the field has been narrowed to two developers. Each has been invited to submit its best and final offer for development rights by mid-May 2004, after which a decision will be made. Negotiated milestones and performance criteria will be an integral part of the development agreement, to ensure that development is completed in a timely manner. In addition to progress at the Penn's Landing main site and along the Schuylkill River Corridor mentioned earlier, the City Planning Commission continues to concentrate new residential planning efforts on the North Delaware beyond the Betsy Ross Bridge.

- **Complete key projects to attract visitors**. The recent slate of landmark development initiatives opening or set to open in Philadelphia contributes positively to the expansion of the City's tourism and visitor market. The Kimmel Center for the Performing Arts and the new Independence Visitors Center both opened in 2001 and the National Constitution Center, the first-ever national museum honoring and explaining the U.S. Constitution, opened July 4, 2003. Support for new potential development initiatives such as the Calder Museum and the relocation of the Barnes Collection to the City will also contribute to expansion of the City's visitor market.

- **Host major events**. The Pennsylvania Convention Center and the City's large sports facilities enable Philadelphia to attract major events that generate significant spending and help support the hotel room supply. In April of 2003, culminating a 2-year bid effort spearheaded by the City of Philadelphia and the Philadelphia Sports Congress, Philadelphia was awarded five of the next six Army/Navy Games through 2009. This success allows Philadelphia to retain its position as the Home of the Army/Navy Game, and reap the many benefits associated with the event. These include national TV exposure, and over 17,000 room nights and $20 million in economic impact annually. In 2003 Philadelphia successfully hosted the FIFA Women's World Cup and a Manchester United exhibition match, among other events. In addition, Philadelphia hosts or directs several annual sporting events that draw world-class athletes and spectators from a national and international audience, such as the Philadelphia Marathon, the Dad Vail Regatta, the Penn Relays and the U.S. Pro Cycling Championships. In 2004, Philadelphia will host the NCAA Women's Basketball 1st & 2nd Rounds and the ITF Senior Tennis World Championships. In addition, Philadelphia has recently been awarded the 2005 & 2006 NCAA Men's Lacrosse Championship, which will be held at Lincoln Financial Field. The 2005 NCAA Women's Basketball East Regional and 2006 NCAA Men's Basketball 1st & 2nd Rounds will also be held in Philadelphia.

While the challenges facing the City are daunting, the economic development strategy for FY05 will help overcome those challenges and ensure that Philadelphia has a growing, vibrant economy.

Key Performance Measures and Accomplishments

Measurement	FY01	FY02	FY03	FY04 Target Projection	FY04 Current Projection	FY05 Projection
PIDC						
Total Number of Jobs Created	1,033	1,785	2,313	2,000	1,500	3,000
Public Investment (in $000s)	25.574	20,835	41,506	20,000	30,000	40,000
Public Investment per Job Created	$24.80	$11.70	$17.94	$10.00	$20.00	$13.33
PCDC						
Total Number of Jobs Created[1]	145	301	104	150	250	300
Public Investment (in $000s)[1]	1,654	4,144	2,104	2,500	2,500	3,000
Public Investment per Job Created	$11.40	$13.80	$20.23	$16.67	$10.00	$10.0
Grants						
Number of Planning and Development Grants Awarded	13	22	22	21	20	21
Average $ Value of Planning and Development Grants Awarded	$1,143	$1,900	$2,060	1,650	1,650	1,650
# SBCIP Grants Awarded [2]	60	134	104	150	150	200
$ Value of SBCIP Grants	$209,000	$247,000	$296,000	$500,000	$500,000	$550,000

[1] In FY02, PCDC had a higher distribution of loan proceeds due to surplus carry-over from FY01.
[2] SBCIP (Small Business Commercial Improvement Program) grants assist small businesses through rebate programs for security enhancements and façade improvements. Previously, SBCIP existed as separate programs, run independently by Commerce and PCDC. In January 2003, the two programs merged to form SBCIP; prior year counts are a combination of the programs.

City of Philadelphia

Five-Year Financial Plan

• • • • •

High Quality Public Education – School District of Philadelphia

High Quality Public Education
School District of Philadelphia

Overview

Improving public education opportunities for all of Philadelphia's children continues to be one of the Street Administration's key strategies to developing a skilled workforce, promoting economic growth and a high quality of life for our citizens. Two years ago, the Administration took action to accomplish for education what many thought would be impossible: establishing a promising State-City governing partnership, obtaining record new funding and helping to recruit a dynamic chief executive to lead a comprehensive improvement of the School District of Philadelphia. The second year of school reform since the Administration's historic break-through partnership with the Commonwealth has brought change to nearly every aspect of public education in Philadelphia. Looking ahead, the Street Administration will continue to work closely with the District so that recently attained educational progress continues to advance, while District finances remain stable.

Implement Reform

Under the leadership of the School Reform Commission and Chief Executive Officer Paul G. Vallas, the School District is in the midst of what may be the most comprehensive reform effort in recent history. Reform efforts range from measures to increase time on task, while providing more targeted supports for struggling students, to creating better learning environments and enhancing school options. These reform measures are being implemented at a time when school districts across the country, including the School District of Philadelphia, have to comply with the intensive programmatic and performance requirements of the federal No Child Left Behind law ("NCLB"), without always having adequate resources to do so. Some of the major reform measures recently implemented include:

- **New, Standardized Curriculum.** Beginning in the 2003-2004 school year**,** the District implemented a standardized system wide curriculum for math, reading and English, for all students from pre-kindergarten to the ninth grade; spent $22.4 million to purchase more than a quarter million new textbooks and other instructional materials for the new curriculum; and provided intensive training on the new curriculum to classroom teachers. Benchmark tests are administered every six weeks in order to determine which students need further attention on specific topics. The new standardized curriculum is designed to provide quality instruction throughout the District as well as ease the transitions for the nearly 60,000 District students who transfer to different schools during the school year. The standard curriculum will be expanded to all high school grades in the coming academic year, and will be expanded to include additional subjects.

- **Reduced class size.** The District funded an additional 410 teaching positions and 660 literacy intern positions in the 2003-2004 school year to reduce class size in more than 2,000 pre-K—Grade 3 classrooms, while establishing a target student-to-teacher ratio of 22 to 1 in stand-alone classrooms and no more than 15 to 1 in classrooms where there is a literacy intern. The District is also requiring more "time on task" in the form of 120-minute reading classes and 90-minute math classes for all students. Before this change, upper level students may have only spent 45 minutes a day on these subjects.

- **Extended Day and Extended Year.** In the 2003-2004 school year, the District instituted a new Extended Day program, providing after school instruction to approximately 30,000 students who fall behind in reading and math. During the summer of 2003, the District expanded previous summer school programs for high school students by instituting the Extended Year program, which provided summer academic enrichment classes to more than 37,000 students. Plans are underway to make the Extended Day Program mandatory for all at-risk students in the 2004-2005 academic year.

- **$1.5 Billion Capital Improvement Program.** Announced in December 2002, the District's five-year Capital Improvement Plan will repair existing buildings, replace old, deteriorated high schools and elementary schools and build new schools to accommodate increasing enrollment and new, high quality programs. First, the District plans to improve high school options by creating smaller schools that serve 800-1,000 students through new construction and major renovations of existing buildings. Second, the District will phase-out middle schools by converting middle schools to small high schools and expanding elementary schools to K-8. Third, the District will alleviate elementary school overcrowding through a combination of new schools and additions to existing facilities and annexes. Finally, the District plans to maintain all facilities in a state of good repair through phased rehabilitation of older facilities. The City and District are collaborating on implementation of the Plan so that it complements neighborhood development, assures appropriate land use and streamlines and improves the quality of public facilities for recreation and other purposes. During the summer of 2003, the District issued $588 million in tax-exempt thirty-year fixed-rate lease rental bonds and $109 million in variable-rate bonds to cover the initial phase of the Capital Plan.

- **New Charter School Approvals.** Philadelphia now has 48 charter schools operating in the 2003-2004 school year. Over the next few years, many of these operating charter schools' charters will come up for renewal, which will be predicated upon an evaluation by the School Reform Commission of each school's performance.

Continue to Improve Academic Results

Standardized test scores as measured by both the TerraNova/Supera and the Pennsylvania System for School Assessment (PSSA) rose during the 2002 – 2003 academic year. The percentage of District students performing at or above the national average on the TerraNova (administered twice in the 2002-2003 school year), increased in each subject area as indicated in the following chart:

	Fall 2002	Spring 2003
Reading	35.5	38.1
Language Arts	30.7	37.8
Math	25.4	33.6

In addition, the percentage of students performing at the lowest levels on this test, as measured by the bottom quartile, was reduced by 3.8% to 32.4% in reading, by 8.2% to 33.6% in language arts, by 8.5% to 34.1% in math and by 10.5% to 40.8% in science.

PSSA results also showed a continuing trend of slow but steady progress, as indicated on the following chart:

	Math 2002	Math 2003	Reading 2002	Reading 2003
Advanced	5.5	6.4	4.0	6.8
Proficient	14.1	15.2	19.9	20.7
Basic	21.3	22.2	26.7	24.5
Below Basic	59.1	56.3	49.4	48.0

In addition, as measured by PSSA results, the number of Philadelphia public schools making "adequate yearly progress," as required under NCLB, more than doubled last year – from 22 to 55.

Achieve Financial Stability

Sound financial management practices and financial vehicles to reduce expenses have been employed by the District to maintain the financial stability achieved through the partnership agreement, despite a state education budget impasse that severely impacted the District's cash flow.

The District's FY 2003 budget, which encompassed the first full academic year under the partnership agreement, ended with an operating deficit of $27.8 million, down from the $64.5 million operating deficit in FY 2002. FY 2003 ended with a positive fund balance of $175.8 million, representing the balance of the $317 million deficit bond proceeds issued in FY 2002 that will be used over the course of the District's five-year financial plan.

For the first half of FY 2004, a state education budget impasse held up the release of education funding until the end of calendar year 2003. School districts across the state were confronted with cash flow problems unlike any experienced in recent history. The District was especially challenged because its other primary funding source, local real estate taxes, would not be received until March 2004. Without the availability of the state intercept of subsidies as a credit enhancement, the District turned to a consortium of five local banks to provide temporary short-term notes to maintain operations and ensure the continuance of the educational reform efforts. The banks provided a financially attractive revolving line of credit up to $575 million using a variable interest rate. Their commitment as community partners helped the District provide an uninterrupted school year for Philadelphia students. It is likely that without the financial progress made over the past two years, the District would not have been able to secure these short-term funds, and schools would have been closed.

During the state budget impasse, on May 30, 2003, the District adopted its FY 2004 operating budget, with a projected $1.82 billion spending plan. The compromise state education budget eventually approved by the General Assembly on December 22, 2003 provided the District with increased funds through the basic education funding formula of $18.2 million, $5.6 million in special education funding, $10.8 million from a new educational assistance program for tutoring and extended day services and $16 million through the reauthorization of the empowerment grant. These funds enabled the District to expand critical programs, including parent truancy officers, alternative schools, the SMART program (Saturday Morning Alternative Reach and Teach), Extended Day programs, the purchase of new literacy and math curriculum and instructional materials, teacher recruitment and retention initiatives and the establishment of a new middle grades initiative. The FY 2004 operating budget is projected to end with a $58.4 million operating deficit, which would reduce the remaining proceeds from the deficit bonds to $117.4 million. The District currently projects that it will exhaust the deficit bond proceeds by FY07, consistent with its original five-year plan as well as the legal restrictions on the bonds.

The Governor's proposed budget for FY 2005 would provide the District with an additional $17.3 million in basic education funds, $2.5 million in special education funding, and an estimated $35 million to $50 million for the new accountability grants, depending on the final enacted legislation. These accountability grants can be used to fund a wide range of educational improvements, many of which are already being employed by the District, such as full day kindergarten, class size reduction, curriculum enhancements, and summer school.

While the state proceeds with its FY 2005 budget process, the District is employing a variety of innovative financial vehicles. The District expects to issue its second series of Qualified Zone Academy Bonds, or QZABs, by June 30, 2004. The QZAB program was established in 1997 by the federal government to provide qualifying school districts with interest free bonds through annual federal tax credits to an eligible holder of the bond. In 2001, the District issued almost $23 million in qualified zone academy bonds. It has received a $6 million allocation for 2002 and is awaiting approval of an additional 2003 allocation from the state. If the state approves the 2003 application, these bonds will be used to convert two middle schools to high schools.

Another creative financing initiative has been the addition of SWAPs to the District's debt portfolio. In February 2004, the SRC authorized the use of an interest rate management plan to achieve savings to further its reform efforts with a goal to provide state-of-the-art facilities and curriculum to all of its students. The District is currently moving forward to take advantage of this financing tool.

The District's improving financial status was recently acknowledged by one of the top three ratings agencies, Fitch Ratings. Fitch increased the District's underlying rating from Ba2 to a BBB investment rating. Fitch cited "the strong oversight by the SRC and the appointment of a highly experienced leadership team to facilitate financial and academic reforms" among other improvements at the District.

Advocate for School Funding Reform in Pennsylvania

The partnership between the Commonwealth and the City to improve the School District's financial and educational future is a significant achievement, but true financial stability will not be achieved until the Commonwealth changes education funding on a statewide basis. According to data released in May 2003 by the U.S. Department of Education's National Center for Education Statistics, Pennsylvania ranks 44th among the 50 states in the level of K – 12 education costs paid with state funding. When measured by state dollars per student appropriated to K – 12 education, Pennsylvania ranks 36th among the 50 states.

Former Philadelphia Mayor Edward G. Rendell was elected Governor of Pennsylvania in part on the promise to change those rankings. In his first budget introduced in March 2003, Governor Rendell presented his "Plan for a New Pennsylvania." Under that plan, which incorporated many of the tax and school funding reform principles that the City had advocated, the Governor proposed to cut local property taxes statewide, except in Philadelphia, where the wage tax would be reduced. The Governor also proposed to use new state revenues to increase overall spending (by $550 million) for proven education initiatives, including statewide all-day kindergarten; reducing class size to 17 students in kindergarten through third grade; an expansion of preschool programs; and additional training for teachers in the poorest districts. After nine months of wrangling, the General Assembly passed a compromise education budget on December 22, 2003 that did not meet these sweeping goals, and avoided the issue of tax restructuring.

The legislation approved by Governor Rendell restored the $4.1 billion basic education subsidy and added a 2.9 percent increase, totaling $150 million statewide, to the basic education subsidy; $15 million to expand Head Start programs; and $34 million in tutoring grants for FY 2003-04 and FY 2004-05. Leaders agreed to defer the bulk of new school funding to future years. While this compromise offers a budget solution for the remainder of this year, Pennsylvania continues to need effective tax and school funding reform.

The Street Administration will continue to work in concert with the School District, Governor Rendell and his Administration, the General Assembly and community advocates to achieve a school funding result that can lead to a better future for all students in the Commonwealth.

City of Philadelphia

Five-Year Financial Plan

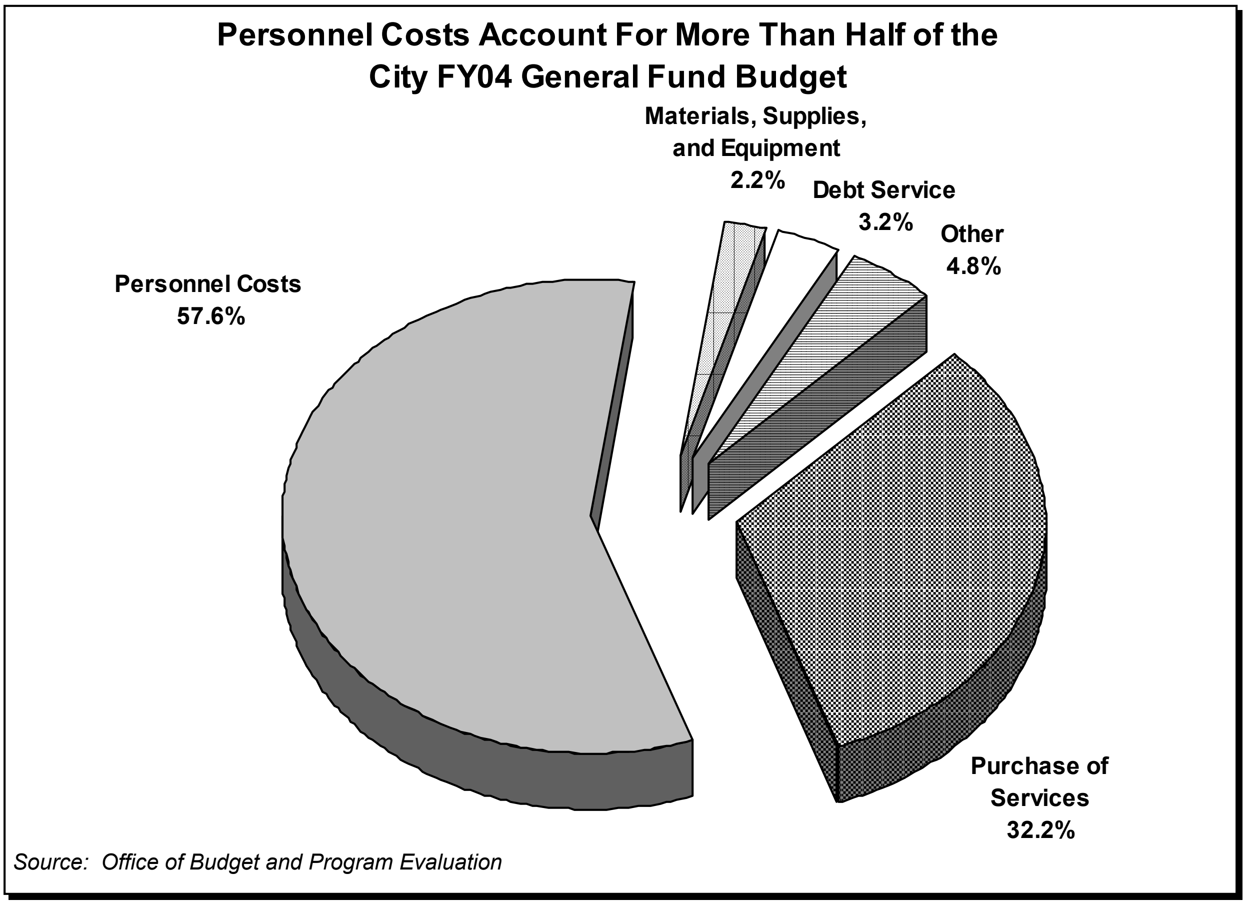
• • • • •

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 57.6 percent of the FY04 General Fund budget at a cost of almost $1.9 billion.



As detailed in the following chart, more than nine out of ten City workers are represented by one of four major bargaining units. As a consequence, the challenge of controlling the cost and managing the effectiveness of the City workforce can only be addressed through contract negotiations and effective labor-management relations.

City Workforce as of October 2003[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	10,774
AFSCME District Council 47 (DC 47)	Professional and technical employees such as engineers, accountants, and social workers, including first-line supervisors	3,472
International Association of Fire Fighters, Local 22 (IAFF)	Uniformed fire fighters and paramedics, all ranks up to Deputy Commissioner	2,426
Fraternal Order of Police, Lodge 5 (FOP)	Sworn police officers including prosecution detectives, all ranks up to Deputy Commissioner	6,967
Fraternal Order of Police, Lodge 5 (Sheriffs)	Uniformed deputy sheriffs and clerical employees of the Register of Wills	217
Not Union Represented	Exempt employees, civil service managers, and higher-level civil service supervisors	2,724

[1] While the Administration is responsible for negotiations with the City's four unions, almost 3,500 of the 24,879 employees included in the FY04 Budget do not report to the Mayor. These nearly 3,500 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.

Because so much of the City's budget is consumed by the cost of wages and benefits, it is essential that any changes in total compensation remain within the City's limited means. Without a financially stable municipal government, there can be no stability in either public services or the compensation structure for City employees. Without a growing City economy and tax base, future labor negotiations will always be about how to divide a shrinking pie.

At the same time, given the need to attract and retain a well-qualified labor force, it is important that the City provide a competitive compensation package in balance with the local labor market. In addition, the City's collective bargaining agreements should strive to treat all employee groups equitably, promoting positive morale and labor relations. Finally, to the maximum extent possible, labor agreements should foster productivity, integrity, and accountability in the delivery of service to the public.

In 2000, the Street Administration concluded its first round of collective bargaining with the four major unions that represent City workers. Four-year contracts were reached with AFSCME District Councils 33 and 47, while the Fraternal Order of Police (FOP) and the International Association of Fire Fighters (IAFF) received two-year contracts through the interest arbitration process. During these negotiations, the City created a framework for settlement that shared the City's fiscal strength at the time, while avoiding long-term commitments to future increases that are not affordable. This has become even more critical in light of the ongoing sluggishness in the economy, the slowing of the City's tax collections, and dramatic increases in pension obligations due to poor investment market performance. Even though the national economy looks ready to improve in the coming months, there continue to be uncertainties about the local economy, future revenue growth, and expenditures.

The 2000 agreements included a significant evolution of the City's contribution for health insurance for City workers, in that they eliminated automatic increases based upon inflation and local market rates in favor of a system of specific negotiated City contributions. Under this system, the City has agreed to pay only what it can reasonably expect to afford. Further, the City's contribution for health insurance is now fully recognized as part of the compensation package for employees so that money may be placed into wages or benefits with the total cost still within the range of manageable increases.

In 2002 and 2003, interest arbitration awards were issued for the FOP and IAFF. This bargaining was conducted in the context of the national recession and the war on terrorism, which gave the City a renewed appreciation of the dedication and the sacrifice offered by our police officers, fire fighters, and emergency medical personnel, and a heightened awareness of the vulnerability of the City's economic position to events beyond our control. Nationally, the recovery from the recession of 2001 has yet to produce substantial employment growth – the slowest labor recovery in modern times. Although local employment has stabilized over the past six months, Philadelphia lost 13,600 jobs from December 2000 to December 2003. Additionally the Fiscal Health chapter of this Plan details a number of other threats to the City's finances that are, unfortunately, being realized. All of these factors serve to place severe constraints on the ability of the City to absorb further cost increases.

In light of these events and conditions, it is critical that the 2004 collective bargaining agreements do not mortgage the City's future or limit its flexibility to reshape the workforce to meet changing conditions and demands.

Labor Relations

Contract Negotiations 2000

In the 2000 round of bargaining, the City sought to reasonably share the results of the City's improved financial condition at the time, while maintaining the capacity to address the other pressing needs facing the government without resorting to counterproductive tax increases. To maintain flexibility in future years, the City needed to avoid contract items that would commit the City to future levels of expenditure that were beyond the City's ability to control. Two major items that have tied the City to uncontrolled or unanticipated levels of spending are health insurance and pension improvements. Although pension benefits were not changed in the 2000 negotiations, health insurance did undergo significant change with all four unions.

The two civilian unions agreed to a package that eliminated the automatic increase formula for health insurance contributions in favor of fixed percent increases annually over the term of the contract. With this predictability in health and welfare costs for more than 19,000 employees, the City was able to apply additional money for wage increases effective close to the start of each fiscal year. Both AFSCME unions received lump sum bonuses of $1,500, in addition to general wage increases of 3 percent in each of the three out-years of the agreement.

The FOP had accumulated millions of dollars in reserves and did not require an increase in City health and welfare contributions over the next two years. In 2000, the FOP arbitration panel froze the City contribution for health insurance at current levels over the life of the contract, but directed that members receive a one time $1,000 bonus, in addition to 3 and 4 percent general wage increases, effective July 1, 2000 and July 1, 2001, respectively.

The 2000 Fire arbitration panel also eliminated the formula guaranteeing future increases in the City contribution for health insurance. However, the panel's initial award provided for increases in the City's contribution by more than had been budgeted. The panel also provided for lump sum payments to the fund totaling $4.8 million, and the same general wage increases as ordered for police officers. The achievement of the City's goal of a flat rate for future increases in health insurance contributions was blunted by the Fire panel's award of wage and benefit increases in excess of the pattern established by the other unions.

The initial 2000 Fire award deviated significantly from the contracts negotiated with AFSCME and from the Police Award, exceeding projected costs over FY01 and FY02 by $25 million. The total deviation to the FY01-FY05 Plan caused by the Fire award totaled $62.7 million over five years. The initial Fire award also contained items not placed before the panel as issues in dispute, which the panel had no authority to address. Moreover, some items in the award improperly delegated the authority of the panel to other arbitration panels, asking that they review some of the basic management policies of the Fire Department. The initial award created expensive and unworkable situations that left the City with no choice but to file an appeal.

In December 2000, a Common Pleas Court judge ruled in the City's favor by reversing the arbitration award's provisions regarding management policies of staffing and Hepatitis C liability, but denying the City's request to overturn any of the other terms of the award. Both the City and the union appealed the Common Pleas decision to the Commonwealth Court. In January 2001, the City and the union hammered out a settlement agreement that significantly modified many of the terms of the initial arbitration award and the Common Pleas Court decision, including health and welfare payments, bringing the 2000 Fire contract more into line with the FOP award. The City contribution toward health and welfare was increased by 9.5 percent in the first year and then frozen in the second year, while the lump sum was increased to a one-time contribution of $5.2 million to the fund. The settlement agreement also modified provisions concerning paramedic rotation, task forces, Hepatitis C and infectious disease, and wellness.

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

	AFSCME	IAFF	FOP
Term	4 Years	3 Years	2 Years
Wages	FY01: 4.7% bonus ($1,500) FY02: 3% FY03: 3% FY04: 3%	FY01: 3% FY02: 4% FY03: 3% FY04: 3.5% FY05: 3% In 2000 – 2002 Award: The differential between Fire Battalion Chief and Fire Captain was increased from 14% to 16%. Salary progression for new hires restructured to match FOP. Longevity increments increased by $500.	FY01: 5.1% (3% general wage increase and $1,000 bonus) FY02: 4% FY03: 3% FY04: 3.5% In 2000 – 2002 Award: Differential between Police Captain and Police Lieutenant increased from 14% to 16%.
Health Benefits	1992 structure continued; City funding rates increased by 7% per year over the four-year term. FY01 - $506.52 FY02 - $541.98 FY03 - $579.92 FY04 - $620.51 Increase post-retirement City contribution from 4 to 5 years.	1992 structure continued; FY01 contribution set at $600.93 per month (a 9.5% increase), but frozen in FY02. FY03 - $823.37 (37% increase) FY04 - $905.90 (10% increase) FY05 - $996.27 (10% increase) $5.2 million lump sum payment in FY01, with $800,000 held in reserve for add'l premium costs. $1.7 million lump sum payments in FY03, 04 and 05 Increase post-retirement City contribution from 4 to 5 years.	1992 structure continued; City contribution frozen in FY01 and FY02, then increased to $770 per month in FY03 (a 36% increase) and $847 in FY04 (10% increase). Employees also received $1,000 bonus described in **Wages** above. FY03 $5 million lump sum FY04 $5 million lump sum Increase post-retirement City contribution from 4 to 5 years.
Leave	Minor changes to funeral leave.	Permit employees to trade sick leave at retirement for additional post-retirement health insurance coverage. Establishment of a Hepatitis C Sick Bank with City match of days contributed.	Permit employees to trade sick leave at retirement for additional post-retirement health insurance coverage.
Legal Services and other payments	Unchanged.	Increased by $3 per month to $19 in 2000. Uniform allowance increased by $100 in 2000.	Unchanged
Pensions	Unchanged.	Payments to Union Health Fund to supplement retiree health insurance of $1,007,000 in FY01, FY02, FY03, and FY 04. In FY05, payment is $1.5 million.	Payments to Union Health Fund to supplement retiree health insurance of $2.5 million in FY01, FY02, FY03 and FY04.

The 2000 labor agreements and the 2002 Police and Fire awards reaffirmed the significant productivity reforms negotiated by the City in 1992. The AFSCME agreements also extended the Redesigning Government Initiative first negotiated in 1996. This program provides a framework for labor and management to cooperate in redesigning work processes to improve the economy and efficiency of governmental operations. The 2000 FOP and IAFF awards provided for an expansion of the probationary period for new hires, and improved drug-testing procedures. The 2000 FOP award also provided additional flexibility to deploy tactical squads in each district to enhance the Department's response to crime without automatically incurring additional overtime.

2002 Contracts for Police and Fire

In December 2001, the Street Administration entered its second round of contract negotiations with the FOP and the IAFF for successor agreements commencing July 1, 2002 (the AFSCME contracts do not expire until 2004). The Police Interest Arbitration panel issued an award on July 25, 2002. The terms of the award has had a significant financial impact on the City. In rough parity with the AFSCME unions, the panel granted the FOP 3% and 3.5% wage increases in each of the two years of the contract, costing the City $28 million in FY 03 alone. In addition, the panel increased City contributions to health care benefits for employees of the Police Department, which had been frozen by the previous arbitration panel at 1999 levels, to $770 per member per month, up from $562.61, an increase of 36.8%. The panel awarded a further 10% increase, to $847 per member per month, in FY04, the second year of the contract. The additional cost to the City, above and beyond what was projected in the FY03-FY07 Five-Year Plan, has been projected to exceed $85 million over the life of the contract.

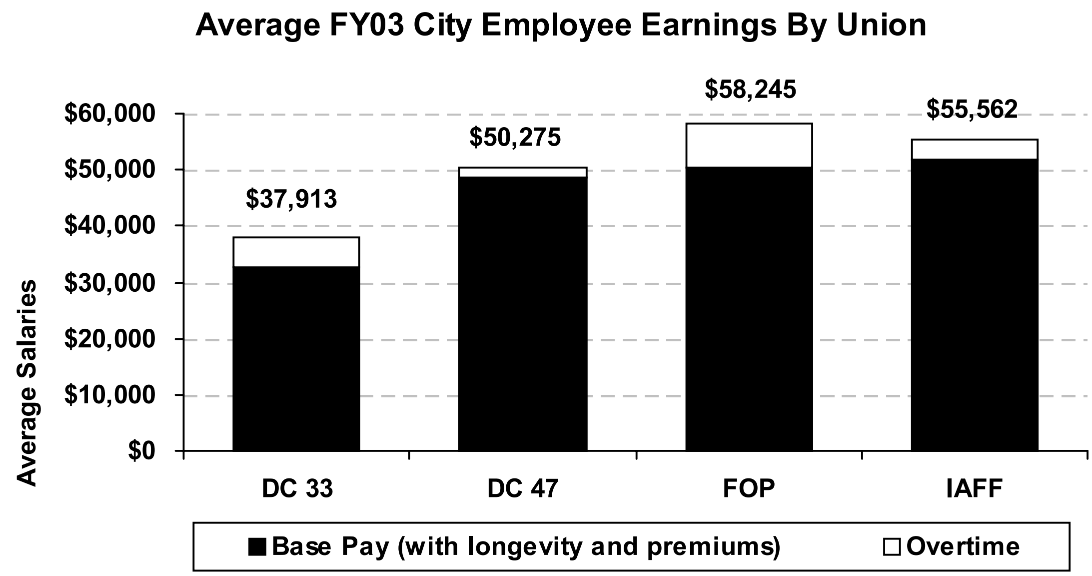
Hearings in the Fire Interest Arbitration proceedings did not commence until September 2002 and continued into January 2003. In March 2003, the panel issued a three-year award that granted the IAFF wage increases of 3% the first year, 3.5% in the second year, and 3% in the third year, which will cost the City more than $26 million over the life of the contract. The panel also increased the City contributions to health care benefits for IAFF-represented employees to $823.37 per member per month from $600.93, an increase of 37% in the first year of the contract. Each subsequent year, the City is required to increase its contribution by 10%, so that, in the third year, the City’s contribution will be almost $1,000 per member per month.

A Review of the Current City Compensation Package

In general, Philadelphia City workers receive a highly competitive wage and benefit package. As noted above, total compensation for union represented City workers increased by 5.3 percent from FY02 to FY03, due, in large part, to the dramatic increase in benefits awarded to uniformed employees by the arbitration panels. The following are among the highlights of the City’s current compensation package.

Wages

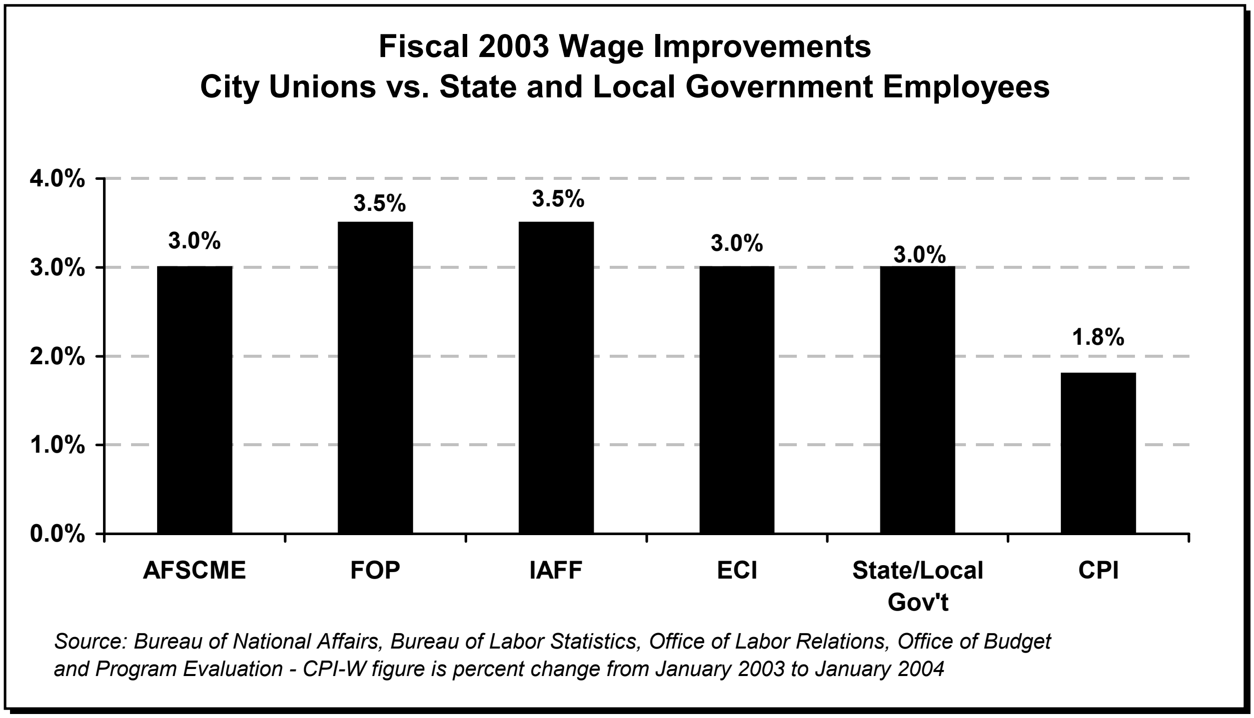
In addition to providing benefits and job security superior to those generally found in the private sector, City jobs provide good wages. Both base pay and overtime earning opportunities for City employees are highly competitive. For FY03, the average District Council 33 member earned almost $38,000, the average District Council 47 member earned over $50,000, the average firefighter earned over $55,000, and the average police officer earned over $58,000.



Source: Office of Labor Relations

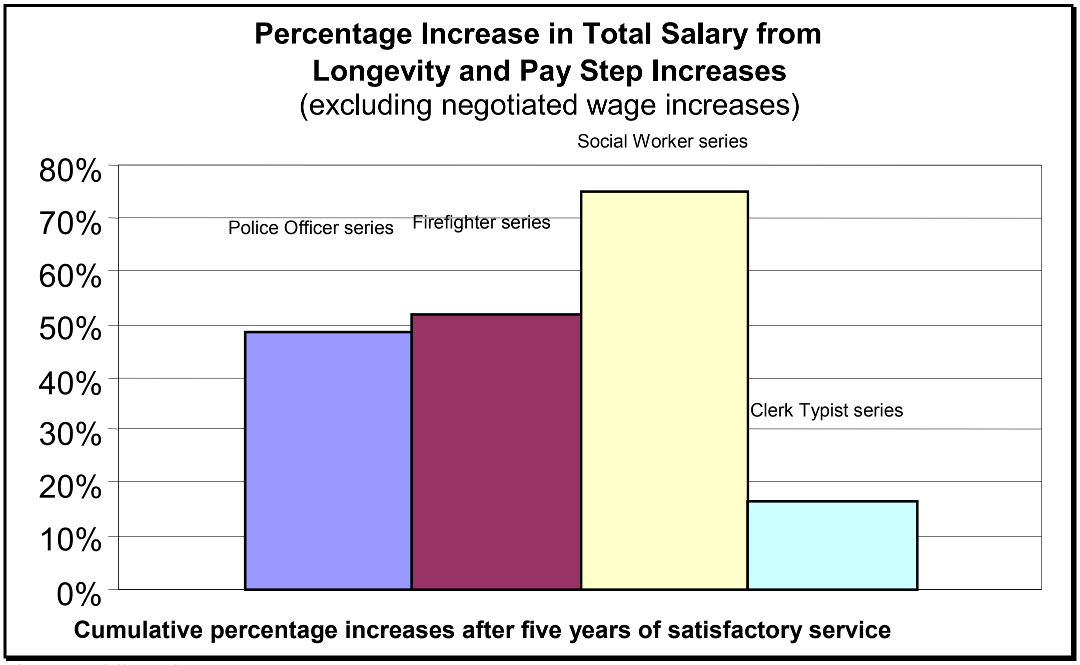
Between July 1, 1992 and June 30, 1996, the rate of increase in wages for City workers slowed and private industry outpaced City workers. However, under the contracts covering the period FY97 to FY00, City workers were at or above both private industry gains as measured by the Employment Cost Index (ECI) and inflation as measured by the Consumer Price Index (CPI-W).

As detailed in the chart below, the 2000 agreements and 2002 awards provided for wage improvements including salary increases that were significantly higher than the projected rise in inflation. The average FY03 increase over FY02 for the City's unionized workforce, totaling 3.2 percent, easily matched the 3.0 percent median first-year wage increase for state and local government workers as reported through the fourth quarter of calendar 2003 by the Bureau of National Affairs, and the Employment Cost Index as reported by the Bureau of Labor Statistics.



Such comparisons among negotiated salary increases over specific periods of time, however, only tell part of the wage story. In the City system, most civil service positions also feature pay steps through which an employee moves up automatically so long as overall performance remains rated above "unsatisfactory." In addition, City employees earn automatic longevity increases to their base salaries after three to five years of City service and at regular increments thereafter. As a result of such increases and promotions, City employees can earn substantial pay raises even without a union-negotiated percentage increase. For example, between January 1, 1993 and December 31, 1994, more than half of the City's unionized employees received an increase in pay, even though there were no across-the-board raises during this period. For these employees, the average increase of $2,255 was equivalent to a raise of 7.8 percent over the same two years.

As a further illustration, a City of Philadelphia police recruit starts off at an annual rate of $33,861 during six months of paid training at the Police Academy and receives his or her first increase, to $36,211. Five months later, the officer begins on-street duty, at which point a four-percent stress differential is added to the annual salary for a total of $37,659. By the end of four years, at July 1, 2003 salary levels, automatic increases will bring the officer's salary to $50,258, a cumulative raise of 48.4 percent *without* any across-the-board pay increases pursuant to a collective bargaining agreement. Similarly, a social worker hired by the City at $28,682 a year will earn automatic raises totaling 75 percent over just six years to end up with a $50,248 annual salary. Moreover, even employees in a job classification such as Clerk Typist – for which the private sector would typically pay all employees one set rate – would receive guaranteed increases totaling 16.6 percent on top of the two annual three percent negotiated general increases that were included in the existing collective bargaining agreements with AFSCME. These increases exclude any raises that might be earned as a result of merit promotion.



Source: Office of Labor Relations

Further, while the increases depicted in the chart above are essentially automatic for adequate performance, even larger raises are possible for higher-performing employees promoted on the basis of merit. A police officer promoted to sergeant after five years, for example, receives an eight percent increase from $50,604 to $54,763, while a firefighter promoted to lieutenant after five years receives a nine percent raise from $51,173 to $55,790. After two more years of additional automatic step increases totaling 4.2 percent, the police sergeant will receive $57,080 and the fire lieutenant will be paid $58,153.

Perhaps even more important than the specific increments that City employees can earn over time, however, is the current competitiveness of the City's wage and benefit package overall.

City Job Classification	Average City Annual Pay	Average Private Sector Pay	City Wage Premium/(Gap)
Heavy Equipment Operator	$34,087	$30,900	$3,187
Maintenance Mechanic	$30,547	$28,900	$1,347
Laborer	$26,238	$24,900	$1,338
Account Clerk	$29,142	$28,900	$242
Clerk Typist	$25,388	$23,300	$2,088
Auditor	$45,819	$44,800	$1,019
Network Support Specialist	$41,167	$40,000	$1,167

All survey data are the weighted average for positions for private sector and non-profit employers, 2003
Source: Personnel Department, Watson Wyatt Data Services Geographic Reports on Compensation 2003 - 2004

Moreover, this favorable position of City salaries is particularly striking in light of the widespread perception that government employees are paid somewhat lower wages than private sector workers, in return for more generous benefits and greater job security. As further detailed in the remainder of this chapter, the City of Philadelphia does indeed provide an extraordinarily rich benefits package and its workers have enjoyed a high degree of job security. At the same time, however, its wages alone are also quite strong.

Health Benefits

Nonunion City employees receive a first-rate health and welfare plan administered by the City. The plan includes a choice between 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. The plan also provides dental, vision, and prescription plans with no employee contributions for premiums; 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 a steady and affordable level.

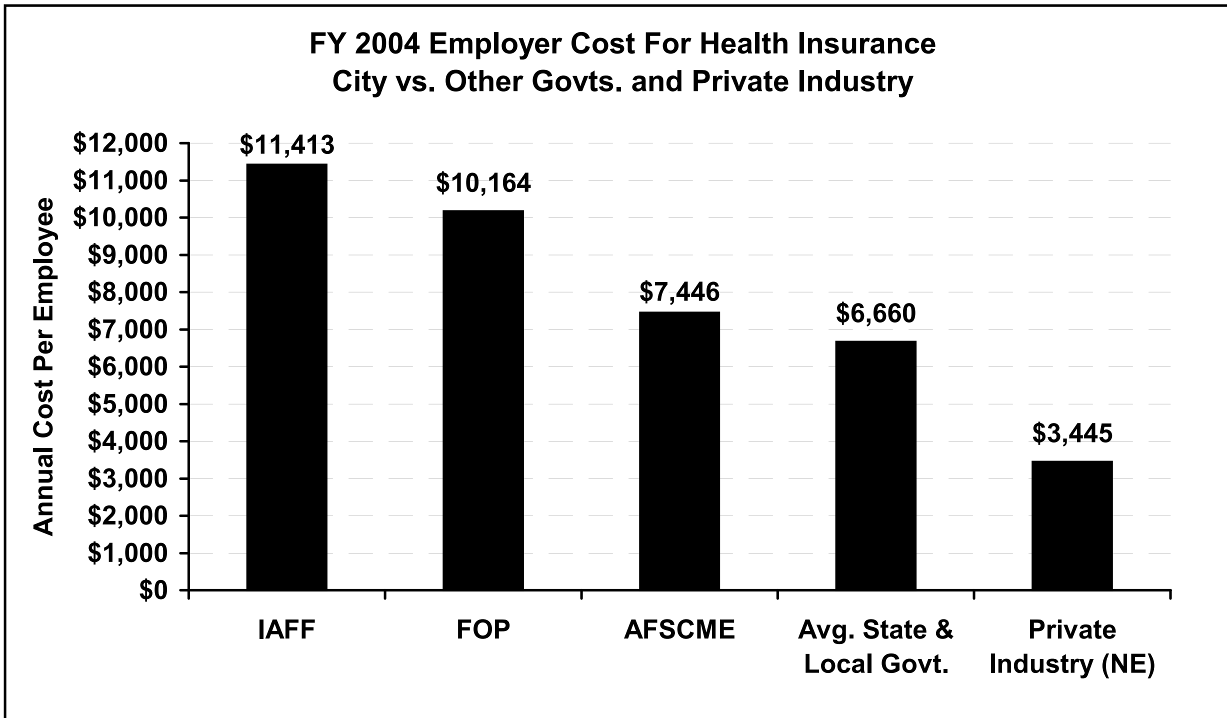
Benefits Under the City-Administered 2003 Flex Plan
• An HMO managed care health plan (Keystone HPE) and a Point-of-Service Plan (Keystone POS) requiring a small employee contribution, or a more expensive plan requiring a larger employee contribution (Blue Cross/Blue Shield Personal Choice Option 210)
• 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 their health benefits through plans designed and administered by their union, but 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 money is 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 2003, the City's monthly contribution was set at $620.51 per employee for AFSCME, $847.00 for the FOP, and $905.90 for the IAFF. In fact, the arbitration panel that issued the 2002 FOP Award acknowledged the pressing need for cost-containment, stating in the Health and Welfare provisions that "the escalating costs of health care are of significant concern to both parties" and directing "that the Board of Trustees shall undertake serious analysis and consideration of cost-containment strategies … that will reduce the cost to the City of providing health care benefits." The subsequent IAFF Award, issued in 2003, contains similar language stressing cost-containment.

Because union members participate in union-administered plans with the City providing a set contribution per employee per month to purchase coverage, the actual benefits provided may cost more or less than the City's contribution. If benefit costs are less than the City's contribution, the unions retain the additional funds. If benefit costs are more than the City's contribution, the unions may redesign their plans or institute an employee contribution. For example, District Council 47, which currently offers the same preferred provider plans that the City-administered health program does, has realized that funding those types of health plans requires some level of employee contributions. If a DC 47-represented employee chooses the Personal Choice plan the union offers, 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 contribution even for the Personal Choice plan it offers.

The small number of City employees making a contribution toward their own health coverage premiums contrasts sharply with national trends. According to the 2003 *Hay Benefits Report*, more than 80 percent of all plans nationally now require an employee contribution for single coverage and more than 90 percent require a contribution for family coverage. *The Kaiser/HRET Survey of Employer Sponsored Health Benefits: 2003* reported that the average annual employee contribution for family coverage was $2,412 in 2003. According to Kaiser/HRET, overall health care premium costs for 2003 increased 13.9 percent over 2002, and, as outlined earlier, are projected to rise another 15 percent in 2004. As the cost of health insurance goes up, employers across the country are increasing the employees' share. The Kaiser/HRET survey reports that the average employee pays 16 percent of the cost for single coverage, and 27 percent of the cost for family coverage. The Kaiser/HRET study found that 79 percent of large employers were very or somewhat likely to increase the contribution required of employees for health care in 2004.

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 Fiscal year 2003 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.



Source: Bureau of Labor Statistics, 3rd Quarter 2003 ECEC, Office of Labor Relations

In fact, not only does the City contribute a relatively high amount towards health benefits, but its 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 2003 employer's benefit cost per-employee averaged $5,197 for employers in the Mid-Atlantic region and $5,061 nationally. In that same year, the City contribution to its four unions averaged $7,970, not including lump sum payments. Under the current arrangement of four separate plans, with each union negotiating separately with the local insurance providers, the gap of more than $2,700 will continue to grow.

The health and welfare benefit package is a key element in overall employee compensation, which is critical to the City's ability to attract and retain qualified workers. The fact that the unions control the health and welfare benefits offered to most employees hired by the City creates additional difficulty in ensuring that the overall compensation package remains competitive enough to aid in the recruitment and retention of workers. As illustrated by their delayed redesign of their 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, and few markets have been more volatile in recent years than the health care and insurance markets. With health care increases outstripping inflation, it is imperative that the City be able to respond quickly to contain costs while continuing to offer competitive benefits at the lowest possible cost to the employee. The City should follow the pattern prevalent in private industry, that of true joint administration of health and welfare to better answer the needs of the employees while responsibly managing costs.

Legal Services

In FY03, the City spent over $4.2 million to fund free legal benefits provided through all four of the City's unions.

Legal Plan Costs By Bargaining Unit	
	Cost Per Member
District Council 33	$12/month
District Council 47	$12/month
IAFF	$19/month
FOP — Deputy Sheriffs	$16/month
FOP	$24/month

This free legal benefits package is not only costly, but also extremely uncommon. According to the 2003 *Hay Benefits Report*, the few employers that do provide legal services plans (seven percent of Mid-Atlantic employers in 2003) typically offer the most basic legal services such as consultation, drafting of documents, letter writing or estate planning. Few include litigation services, and most require employee contributions.

Even if the legal services benefit were not entirely eliminated or redesigned as an employee-funded benefit, it could still be productively restructured. For example, if the City's subsidy to the FOP were reduced to the AFSCME level, it would save the City more than $1 million each year. Reducing the IAFF and Deputy Sheriffs subsidies to the same level would save an additional $300,000 a year. If necessary, co-pays could then be instituted for employees using the service, thereby allocating a fairer share of the cost to heavier users and discouraging excessive use.

Disability Benefits

The City provides its employees with an alternative disability program superior to the Workers' Compensation benefits available to most Pennsylvanians injured on the job. For example, while Workers' Compensation pays injured employees two-thirds of their regular pay tax-free, the City's program pays 75 percent tax-free to non- uniform employees. For employees in the uniform classes, the City's program pays 100 percent of regular pay to Police Officers or Firefighters who are injured on the job, in compliance with Pennsylvania's Heart and Lung Act. In addition, the City's program provides full family medical benefits, sick leave accrual, and pension credits to employees on injury leave. Under Workers' Compensation, no such additional benefits are provided.

The City has also sought to reinvest much of the savings generated by its 1992 disability reforms in improved workplace safety. The Safety and Loss Control Unit of the Division of Risk Management, created in 1993, initiates and develops safety programs that affect hundreds of employees Citywide. Risk Management plans to institute several programs to improve safety for employees and reduce financial costs associated with worker disabilities and third party claims. Audits will be conducted of the major City departments to concentrate on improving injury and illness prevention programs. Also, citywide and departmental driver safety programs will lower the number of vehicular crashes, thereby reducing injuries and cost associated with those incidents. Additionally, the injury and illness reporting system will be restructured, thereby presenting the Pennsylvania Bureau of Worker's Compensation with timelier and precise information and providing the City with enhanced data for tracking trends in employee injuries that will better focus efforts on reducing those occurrences.

Pension Benefits

City employees also receive a blue-chip retirement plan. Non-uniformed City employees covered by the current 1987 City plan can retire at age 60, earning benefits accrued at 2.2 percent per year for ten years and 2.0 percent per year thereafter (for example, 72 percent of average final compensation after 35 years of service, with no offset for Social Security). Uniformed employees 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, such as retirement eligibility at age 45 for uniformed employees, or a maximum of 80 percent of average final compensation after 35 years of service for civilian workers.

Pension contributions continue to represent a major drain on the overall resources available for employee compensation. Under current assumptions, the City's pension contributions are projected to cost $225.9 million in FY04, about 6.9 percent of the City's General Fund budget, and by FY09, pension contributions are projected to increase to almost 12.7 percent of the budget, a major cause of the City's difficulties in balancing this Plan. The prolonged bear stock market has prevented the pension fund from meeting its 9 percent annual earnings assumptions in recent years. As a result of low earnings, the City will have to contribute $713 million over the FY05-FY09 Plan period than was budgeted in the FY02-FY06 Plan to make up for the shortfalls in FY01, FY02 and FY03.

In Philadelphia, City workers enjoy a defined benefit plan, while most private sector workers receive a defined contribution plan. Essentially, City workers contribute a percentage of salary each year and, upon retirement, receive a percentage of their average salary for life. In contrast, most private sector workers participate in a defined contribution plan where money is set aside in a 401(k) or other investment vehicle, and a lump sum is made available at retirement. Retirement income under such private sector plans depends on the continued earnings from investing that lump sum and is not subject to any cost of living adjustments. Further, even among defined benefit plans, the City's are unusually generous. For example, one significant measure of the differences among pension plans is their "replacement rate"— that is, the percentage of pre-retirement salary replaced by the pension payment. According to the Bureau of Labor Statistics, a typical public employee eligible for Social Security who retired at age 65 with 30 years of service can expect his or her public pension to replace 51 percent of salary. In comparison, a non-uniformed City worker would receive substantially more – between 62 percent and 70 percent of salary.

In addition, Philadelphia employees are able to take advantage of the relatively low retirement ages found in the City pension plans. Uniformed employees hired before 1988 can retire with full benefits at age 45, age 55 for non-uniformed employees hired before 1992. In 1997, the average police officer retired at age 48. While there are no available data on individuals once they leave City employment, it is reasonable to assume that many young retirees will choose to work in other positions while they collect their municipal pensions. By age 65, such employees may well have received years of salary from non-City employers, while also accumulating credits for Social Security eligibility (and even participating in the pension plans of their new employer). Yet, City pension plans do not include offsets for other pensions or Social Security.

In 1999, when the City sought to reform its pension plan to conform to federal guidelines and to refinance the City's pension debt, the labor unions successfully lobbied for enhancements to this already generous pension benefit. Under approved amendments to the Pension Ordinance, some employees may now choose to continue working for the City, while having their pension paid into a deferred account under the Deferred Retirement Option Plan (DROP). At present, over 4,845 employees have elected to participate in this program, including 1,104 uniformed police employees and 695 members of the Fire Service. The typical police officer or firefighter who, after 25 years of service, enrolls in the DROP and stays for the maximum four-year period will, upon separation from City service, receive a monthly pension benefit of $2,430 and a lump sum of $127,000 in deferred compensation. Additionally, retirees receive payment for accumulated vacation and a substantial portion of accumulated sick leave, as well as continuation of their medical coverage for five years, which they can opt to defer until later.

While current employees have the opportunity to participate in DROP and can substantially improve their financial position at retirement, the pension reforms of 1999 also established a Pension Adjustment Fund, which dedicates a percentage of investment earnings to be paid as additional benefits for current retirees. The Board of Pensions, which includes four employee-elected representatives who are typically officials in the City's four major bargaining units, determines the nature of these payments. While the fund was accumulating over the first two years of its existence, the Pension Board made other bonus payments ranging from $1,000 to $1,500 to those retirees who had been separated from the City for ten years or more. It is critical to note that the Pension Adjustment Fund may only make these extra payments if the overall fund is no more than 23 percent unfunded (the level as of July 1, 1999). Hence, any excessive changes in the pension benefit for existing workers in one union may create a situation that denies other pensioners an adjustment payment in future years.

In sum, Philadelphia's retirement plans already feature a high level of benefits, the ability to supplement City pension payments with Social Security, and the opportunity to accrue savings (and potentially even second pensions) from subsequent employers given the relatively early retirement ages permitted.

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 relative generosity of the City's leave benefits is consistently among the key factors that make 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.

In addition, City employees receive 15 or 20 sick days per year, an extraordinary benefit that drives high leave usage and overtime replacement costs. In comparison, the 2003 Hay Group survey found that only six percent of employers provided as many as 15 days per year, and only four 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.

In addition to restructuring 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. 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.

Other Benefits

City employees also receive a variety of other benefits—ranging from City-funded insurance, to clothing, tool, and meal allowances:

- City-funded insurance benefits include $25,000 double-indemnity life insurance policies for police, firefighters, and AFSCME-represented corrections workers; $20,000 double-indemnity life insurance policies for other AFSCME members; optional, additional life insurance up to the amount of a DC 47 employee's annual salary (if the employee pays 30 percent of the cost); additional $25,000 accidental death and dismemberment policies for police and firefighters; $7,500 group life insurance for retired firefighters with ten or more years of service; $6,000 group life insurance for other City retirees with ten or more years of service; and an extra $5 per member per month contribution to an IAFF trust fund for purchasing extra insurance coverage for firefighters.
- In addition to supplying free uniforms to those newly hired employees who are required to wear them, the City's labor agreements also provide for a range of uniform maintenance and replacement allowances. For example, firefighters receive a total of $775 each year for uniforms and police officers receive $800.

Overall Competitiveness—Recruitment and Retention Experience

Perhaps the best gauges of the continued competitiveness of the City's compensation package—as the following examples illustrate—are the overwhelming number of people who apply for the relatively few open positions within City government and the extraordinarily low number who choose to leave City service before retirement age.

- When the City's civil service examination to become an entry-level clerk or library assistant was announced in 2001, 2,825 people applied, 1,453 applicants took the test, and 827 passed, but only 28 were hired from the eligible list that expired November 29, 2003.
- Similarly, 9,078 people applied for the 2001 firefighter examination, 3,374 applicants took the test, and 2,537 passed and were placed on the eligible list dated January 3, 2002. As of January 2004, only 193 employees have been hired from this list.
- For the most recent police officer recruit examination, 14,611 people filed applications, 4,723 took the examination, and 2,665 were placed on the eligible list dated May 9, 2002. As of January 2004, only 624 have been hired.
- For the laborer list established in January 2002, 16,403 people applied. As of January 2004, only 127 were hired.

Notwithstanding the restructuring negotiated in 1992 and maintained in subsequent agreements and awards, Philadelphia's total compensation package remains highly competitive in the context of the regional marketplace. This package is summarized in a table later in this chapter.

Planning for Future Workforce Needs

Looking forward over the next five years, the number of employees enrolled in the Deferred Retirement Option Program will have a substantial impact on the size of the workforce. Since its inception as a pilot program in October 1999, more than 4,800 employees have enrolled in the program, which requires enrollees to irrevocably commit to retire from the City no later than four years after entering the program. As of January 2004, over 1,600 of the enrollees have retired, on average these employees left after two and one half years in the program. In the first six months of the program, almost 1,600 employees enrolled, since that time, an average of 217 employees have enrolled each quarter. While the DROP was originally slated to end in 2003, the Pension Board recently voted to make the pilot DROP a long-term benefit. It is not clear how this change will affect the number of employees who enroll in the program in the coming year, since there is no longer a deadline for participation.

The number and organizational breadth of employees enrolled in DROP have necessitated a different, more widespread and formal approach to succession planning. To manage the impact of the loss of these employees, the City undertook a process to ensure that all affected departments and agencies have made appropriate succession plans so that the City does not experience interruption in service due to loss of knowledge and skills. As part of this process, the City has identified and implemented alternative solutions such as organizational restructuring, automation, job simplification or elimination, and reassignment of work.

While the City's staffing had been stable overall until the hiring freeze was implemented, the number of general fund workers has declined by 866 since the freeze began. The DROP represents an opportunity to further adjust the size of the workforce to correctly reflect service needs while minimizing the displacement of workers. For example, the City has added personnel in criminal justice services to enhance the quality of life in Philadelphia, with dramatic results in service and citizen satisfaction. The growth in social workers has been necessary to meet state guidelines and provide better service. However, the City has reduced staffing over time in other services to reflect efficiency and productivity enhancements as well as the gradual decline in the City's population. The DROP is one tool that the City can use to manage the size of its workforce while minimizing the disruption to services or workers. These types of disruptions can only be avoided by strengthening the City's fiscal health and keeping per-employee costs at reasonable rates. However, if per-employee costs were allowed to grow at excessive rates, mass layoffs or other reductions in the workforce, along with their unfortunate consequences for employees and the public, would likely be unavoidable.

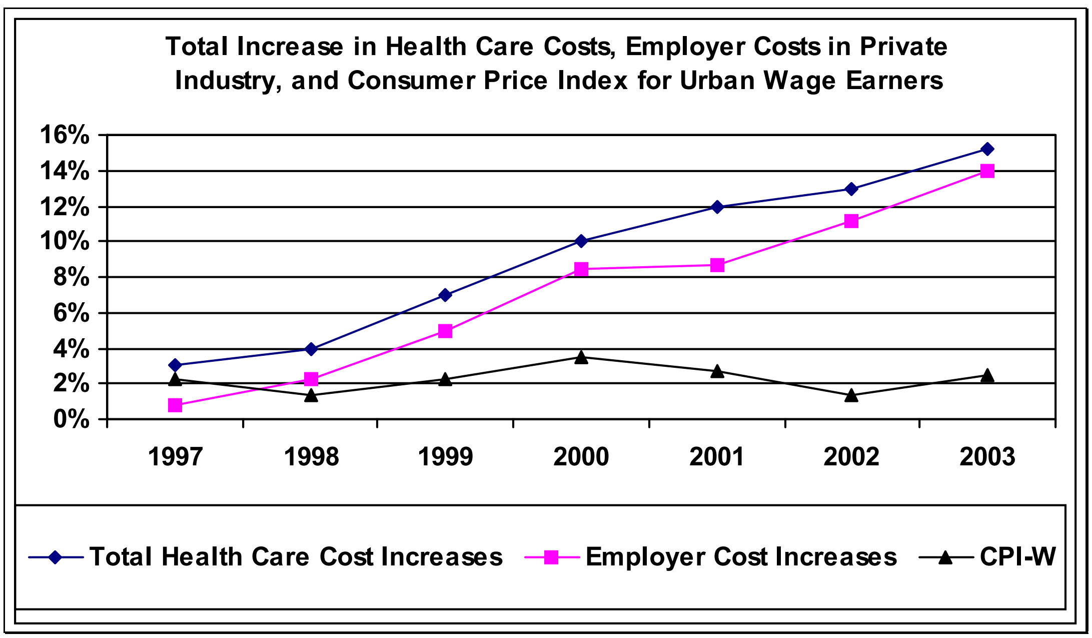
City of Philadelphia Compensation Package By Bargaining Units				
	AFSCME	**FOP**	**IAFF**	**Comparisons**
Wages	Average FY03 earnings of $37,913 for DC 33 and $50,275 for DC 47. FY03 earnings do not reflect 3 percent increase received after July 1, 2003.	Average FY03 earnings of $58,245. FY03 earnings do not reflect 3.5 percent general increase received after July 1, 2003.	Average FY2003 earnings of $55,562. FY03 earnings do not reflect 3.5 percent general increase received after July 1, 2003.	Average earnings for full time City unionized employees in FY 2003 were $45,325 compared to calendar 2001 per capita wage earnings for workers in Philadelphia region of $35,192 according to Bureau of Economic Analysis. Average wage increases nationally for State and Local Government through first three quarters of 2003 are 3.7 percent (based on the Employment Cost Index published October 2003).
Health	City funds union plan at cost of $7,446 per employee in Fiscal 2004.	City funds union plan at cost of $10,164 per employee in Fiscal 2004.	City funds union plan at cost of $10,871 per employee in Fiscal 2004.	All union plans funded by the City at levels more than double the average northeast employer contribution level for 2003 of $3,445 (based on Employment Cost Index 2003).
Retiree health	City provides five years of free post-retirement coverage to all pension-eligible employees.	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 and FY 03, and will pay \$3 million in FY 04 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 FY05 will be \$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 exceed 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.
Job Security	Layoffs prohibited except to reduce or eliminate deficits. No layoffs or demotions as a result of contracting out during labor-management cooperation program (which was extended by a mutual agreement through FY04).	While permitted under collective bargaining agreements, no layoffs have occurred since 1980.	While permitted under collective bargaining agreements, no layoffs have occurred since 1980.	Through the first three quarters of 2002, the Bureau of Labor Statistics reported 7,245 layoffs of 50 or more employees lasting for more than 30 days nationwide, resulting in separation of 1,452,427 workers.
Miscellaneous	Uniform and tool allowances provided where job-related. Life insurance benefits provided.	Free uniforms 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 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.

Contract Negotiations 2004

The City is now facing its next round of labor negotiations, with three of the four major collective bargaining agreements set to expire on June 30, 2004. The City is once again facing significant fiscal challenges, and the projected FY05 year-end fund balance of $109,000, achieved only after significant expenditure reductions, revenue enhancements and changes in operations, does not include funding for wage increases.

One area of major concern in the upcoming negotiations is the exploding cost of health care, which increased 14.7 percent in 2002 according to the Mercer Human Resources Consulting recent "National Survey of Employer-Sponsored Health Plans". The *2003 Hay Benefits Report* states that costs increased 15.2 percent in 2003 and that the cost of these benefits is projected to rise a further 15 percent in 2004, constituting the fourth successive year of double-digit growth. As the *2003 Segal Health Plan Cost Trend Survey* predicted, "At the current rate of increase, it is projected that the cost of health care coverage will average nearly 25% of wages in less than five years for many plan sponsors." In 2003, the cost of all benefits for companies with Defined Benefit Pension Plans actually passed that mark, according to the Hay report. For those companies, the cost of all benefits rose to 25.4% of the total remuneration costs, up from 22.83% as recently as 1999.



Source: BLS Employment Cost Trends, 2003 Hay Benefits Report

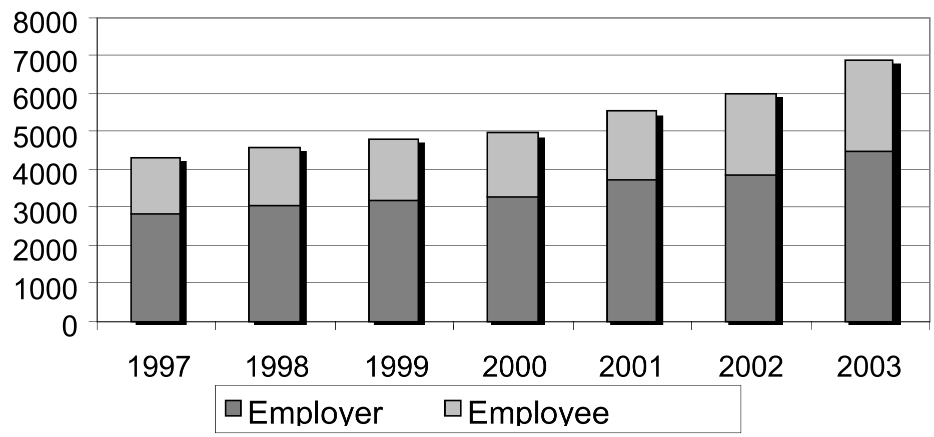
Among the strategies the Segal Survey recommends is cost-sharing with employees. The Survey reports "plan design is one of the most controllable factors that influences health plan costs. Plan sponsors that want to preserve cost-effective and competitive benefit levels could:

- Establish cost-sharing provisions (i.e., deductibles, co-payments, coinsurance and monthly contributions) that moderate overuse of discretionary health services,

- Establish appropriate cost-sharing differentials among treatment options and settings so that employees are encouraged to seek the most cost-effective courses of treatment with certain providers," and other strategies.

In response to these increases, most other employers have adopted higher levels of employee contribution, plan redesigns, higher deductibles, higher medical co-payments and tiered prescription co-payments. According to the *Mercer National Survey of Employer-Sponsored Health Plans 2002*, 81% of employers require an average employee contribution of $57 per month for Preferred Provider Organization (PPO) individual health coverage, while 94% require an average contribution of $202 per month for PPO family coverage. The average contribution paid by employees for family coverage has remained around 33 percent of the total cost over the last several years. In contrast, DC 47 offers employees a PPO plan requiring an employee contribution of only $31 per month for single coverage and $93 for family coverage, significantly less than the national average.

Employee vs. Employer Share of Health Care Costs for Family Coverage
(Annual Amounts)



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003; Mercer/Foster Higgins National Survey of Employer Sponsored Health Plans 2002

Like large employers across the country, the City must develop appropriate cost-containment strategies. However, because the labor unions administer the health care benefits and have the final decision-making power over benefit design and cost, the City's ability to influence the health plans of the municipal unions is limited to negotiating contribution levels. With the uniform unions, that ability is further constrained because the City's health care contribution levels are set by a panel of arbitrators. In 2002, the contribution level awarded to the FOP far exceeded the City's expectations, forcing the City to scramble to find cuts elsewhere in order to comply with the award. In addition, the FOP-administered health plan currently does not require any employee contribution to the cost of their health care coverage, and provides members with extremely low co-pays. The subsequent award to the IAFF exacerbated the City's situation, because its health care provisions were as generous (if not more) than those given to the FOP.

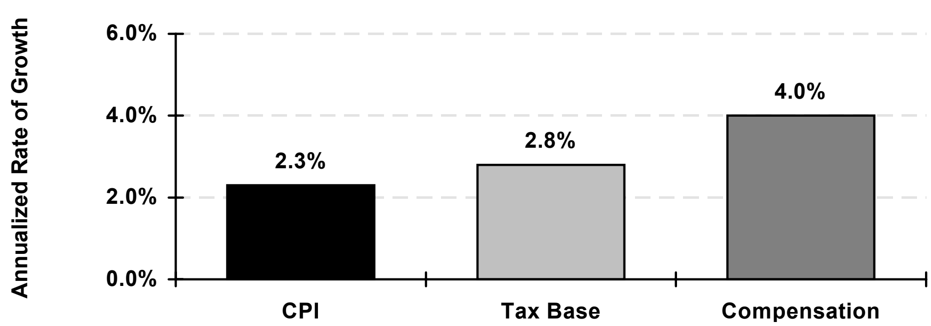
In the recent past, rising costs from increased wages and benefits could be offset by growth in the local tax base. Now, however, the ongoing labor market weakness in the national and local economy offers little hope for the kind of tax growth sufficient to fund such increases in the near future. Moreover, even if the economy does recover, legislation enacted by City Council in FY02 would require that wage tax collections in excess of 3.5 percent trigger tax cuts that would more than offset any revenues the City would generate as a result of the larger than anticipated growth in the City's revenues. As illustrated by the table below, the City continues to fall behind its surrounding counties in terms of unemployment and per capita income:

Unemployment and Personal Income		
	Unemployment Rate October 2003	**Per Capita Personal Income 2001**
Philadelphia	7.8 percent	$25,954
Chester County	3.4 percent	$49,233
Montgomery County	4.1 percent	$47,522
Bucks County	4.4 percent	$38,594
Delaware County	4.9 percent	$36,587
Nationally	5.9 percent	$30,413

Source: Bureau of Labor Statistics, Pennsylvania Bureau of Labor and Industry, Bureau of Economic Analysis

In order to strengthen the City's financial position in the face of these factors, the City must successfully compete in the regional economy, which requires City government to carefully manage the costs of operations, especially per-employee labor costs, while continually improving the quality of City services. The challenge for the City is to balance the growth in the cost of employee compensation against the growth in the City's tax base. For the period from FY99 through FY04, employee compensation costs are projected to grow at a faster rate than either the City tax base or inflation.

Annual Growth In Per-Employee Personnel Costs Outpaces Growth In Inflation and the City Tax Base* FY1999-2004 (projected) **



* Tax base growth calculated to exclude the effect of tax rate changes.
**Future annual inflation projected at 2.5 percent. Tax base assumptions are detailed in the General Fund Revenues section of this Five-Year Plan.

Source: Bureau of Labor Statistics, Office of Budget and Program Evaluation

Given the fiscal crisis faced by the City, the challenge of negotiating fair but affordable contracts will require careful adherence to the following principles:

- Overall, increases in wages and benefits must not exceed the growth of the local tax base that funds employee compensation, impede the incremental tax reduction effort so essential to Philadelphia's effort to retain and strengthen this base, or grow out of balance with the wages and benefits earned in the local labor market by the general public that ultimately funds most costs of municipal government;
- The cost of any salary increases should be funded through productivity improvements and other savings in its personnel structure;
- The City must retain the tools it needs to deliver public services effectively and efficiently – including the ability to set schedules, redesign jobs, introduce new technology, contract for services, and determine the size of the workforce – and ensure that the City has the flexibility to respond to any type of emergency that might arise.

Even if these principles are followed, the City's current financial circumstances require further change in labor costs in order to balance this proposed Plan. As the City began to prepare the FY05-FY09 Plan, it faced a \$150.2 million deficit in FY05 that was soon compounded by, among other things, a \$28 million increase in pension costs from the amount the City's actuary had estimated in November. The fiscal crisis the City is facing has already necessitated a hiring freeze, which was instituted in November 2001 and has resulted in a reduction of 866 positions. This administration is taking proactive steps to improve government efficiency and substantially reduce the overall size of the workforce using the vacancies that will be created through the Deferred Retirement Option Program (DROP). However, in order to balance this Plan, the Administration proposes the following changes in health and medical, pension, and leave benefits:

- **Move to self-insurance on health/medical benefits.** The City will spend approximately \$252 million on employee health/medical benefits in FY04 and based on projections provided by a health care consultant, the Plan projects the cost to grow 45.3 percent over the life of the Plan unless the Administration takes action to attempt to slow that growth. With 45.3 percent growth, health medical costs would be \$366.8 million in FY09 and the projected growth from FY04 to FY09 would be larger than the size of the Health Department's budget. Clearly, this type of growth will consume City dollars that could have been directed to either improve services or reduce taxes. Under the current system, the City makes payments either to health insurers or to union health and welfare plans for health/medical benefits. The level of the City's contribution is determined through negotiations with providers or, in the case of firefighters and police officers, by a neutral arbitrator. The staggering costs make up 10.3 percent of the City's projected FY09 budget and the City has had little ability to contain them. The City is proposing to become self-insured and assume liability for claims or to do so in partnership with major institutions in the area.

- **Switch from a defined pension benefit to a defined pension contribution.** The weakness in the stock market and corresponding losses for the pension fund have been devastating for the City's finances. The total amount of contributions included from FY05 through FY09 in this Plan is $713 million higher than the amount that was included in the City's FY02-FY06 Plan. To put that increase in perspective, the City could reduce the wage tax by over ten percent and double the size of the Fairmount Park Commission's budget and it still would not cost $713 million over five years. As discussed earlier in this chapter, under the current defined benefit system, the City guarantees a certain benefit to employees, but the trend in both the private and public sector is towards defined contribution plans. Under a defined contribution plan, the City would set the amount of contribution it would make for each retiree and allow the employee to choose how to invest that contribution, similar to a 401(K) plan. Through negotiations, the City intends to set a defined contribution level that is fair for employees yet finally resolves one of the City's long-standing structural problems.

- **Provide disability insurance and reduce sick days accrued.** The City is proposing to introduce a disability insurance program and, in return, recommend that the number of sick days allocated per employee be reduced from 15-20 days a year to six days and the maximum sick day accumulation be reduced from 200+ days to 18 days. The excessive number of sick days currently allowed has resulted in a mean departmental 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 high overtime costs and service disruptions to cover the unplanned absenteeism. A disability insurance plan will provide employees with 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 can continue to earn 2/3rds of their salary until their medical problem is resolved.

Labor-Management Cooperation

The City's recovery depends not only on controlling the cost of wages and benefits provided to its workforce, but also on tapping the creativity and energy of the workforce to find new ways to deliver the highest quality of service to the public. In 1996, the City and AFSCME agreed to a program to promote such cooperation. The Redesigning Government Initiative (RGI) selects projects proposed by both management and labor and seeks to redesign work processes to improve the economy and efficiency of operations. Because of the success to date of this program, the parties agreed to carry it forward into the 2000 labor agreements. Below are highlights of some of the active RGI Committees:

- Through the federally funded Summer Lunch Program, the Recreation Department's RGI Food Committee has continued to facilitate the service of over 450,000 meals to children in need at neighborhood recreation centers.

- To make the City's licensing process less onerous to businesses and residents alike, the Department of Licenses and Inspections and the AFSCME unions engaged in an RGI project to streamline the ten most complex license issuance processes. Once that was completed, the Committee was able to reduce the total process time from application to license issuance by up to 73 percent, while reducing the labor involved by 30 percent. The next committee tackled the permitting process. By mapping and redesigning the work processes, the RGI Committee assisted L&I in the automation of many processes through a new computer system. The Committee continues to look for ways to better coordinate issuance and renewal activities in order to simplify the transaction for business customers and to encourage compliance with licensing and permitting requirements.

- The Police Department Forensic Sciences Division moved to a new laboratory facility in calendar 2003 that allows all of the laboratories to be co-located. This move allows intake of evidence to be analyzed by Chemistry, Crime Scene, Criminalistics, DNA, and the Firearms Identification Units on a twenty-four hour basis. In 2003, a second RGI project was completed that streamlined the intake, transfer and storage procedures of the various separate laboratories and determined how the facility can be used most effectively and efficiently to aid in the investigation and resolution of crime. By automating the logging, tracking and retrieving of evidence and analytical results and by creating better interfaces with the rest of the Criminal Justice system, the Forensic Sciences Division can help the system as a whole provide better service to the community.

Office of Labor Relations (OLR)

The mission of the OLR is to coordinate the various elements of the City's labor relations program—including contract negotiation, contract administration, dispute resolution, and the Redesigning Government Initiative. To help prepare managers and supervisors to function effectively in the City's highly unionized environment, the OLR conducts a series of training programs on topics that include effective supervision, discipline and grievance handling. During FY03, the OLR trained over 200 supervisors and managers. At present, the OLR is working with the two AFSCME District Councils to consolidate over twenty years of labor agreements into master documents that will then become the basis for an intensive training effort for all City managers that will be conducted in FY05. In addition, the OLR has worked closely with representatives of AFSCME to reduce a longstanding backlog of employee grievances. In 2003 the two AFSCME District Councils filed 111 grievances regarding issues ranging from one-day suspensions to the interpretation of contract language governing the payments for health insurance. As a result of the OLR's efforts, 175 labor grievances were resolved in 2003, reducing the number of open grievances to 60 in 2004.

City of Philadelphia

Five-Year Financial Plan

• • • • •

Citizen Services:

Public Safety and Quality of Life Standards

Citizen Services
Improving Neighborhood Quality of Life, Public Safety, and Citizen Services

Overview

The City of Philadelphia recognizes that it is essential that City services are delivered effectively and equitably in order to ensure that the City is a place where people want to live, work, play, study and visit.

The Managing Director's Office (MDO) coordinates initiatives such as quality of life improvement programs, emergency response, environmental policy, and special events. The MDO prioritizes and communicates key administration initiatives; monitors and analyzes the performance and progress of those initiatives; serves as a catalyst to encourage cooperation and collaboration among City departments recognizing that the whole is greater than the sum of the parts; and creates a culture that recognizes that the role of government is to serve the needs of all our citizens.

Organizational Objectives and Targeted Initiatives

Support Neighborhood Transformation Initiative (NTI) through Coordinated Implementation of Quality of Life Programs

- **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, broken windows and noncompliance with the trash collection schedule. Since CLIP's inception in FY02, compliance rates for nuisance violations have increased from 34 percent to 85 percent. In FY03 and FY04, the MDO expanded the reach of CLIP and launched the West Philadelphia Improvement Program (WPIP). In FY05, the MDO will begin expansion of quality of life programs throughout the city's neighborhoods by zip code. The first phase of each program will consist of extensive education and outreach. Members of the community will be saturated with information on the types of nuisance violations and what role the City will play in the enforcement and abatement of these problems. In order for CLIP to maximize its success, community partnership is a necessity. The second phase of the program will deploy CLIP teams to the zip code for enforcement and abatement of quality of life nuisances.

- **Vacant Lot Cleaning.** The MDO's vacant lot program continues to support NTI's greening efforts by preparing lots for greening activities. All of the city's 32,000 vacant lots received a cleaning in FY02 and over 25,000 tons of debris was removed. In each of FY03 and FY04, crews cleaned approximately half that number. In FY05, the vacant lot crews will continue to prepare lots for greening and will clean lots based on a citywide maintenance schedule.

Plan and Implement Citywide Response to Emergencies and Promote Public Safety

- **Emergency Management.** The MDO directs the operations of the Office of Emergency Management (OEM), which operates the Emergency Operations Center (EOC), coordinates all interdepartmental contingency planning and activities during an emergency, publishes the City of Philadelphia Emergency Operations Plan, and administers the Hazardous Materials Response Program under PA Act 165. The Office is represented on the Executive Committee of the Southeastern Pennsylvania Counter Terrorism Task Force through which all Homeland Security Grant Programs are funded. During the last 3 years, OEM has actively sought federal Homeland Security funds to support the City's increased terrorism preparedness and homeland security costs. In FY04, the region, consisting of Bucks County, Chester County, Delaware County, Montgomery County and Philadelphia County, was awarded a $14 million Urban Area Security Initiative Grant. Grant dollars are funneled from the Pennsylvania Emergency Management Agency (PEMA) and representatives from each of the five counties, who all have equal voting power, determine spending priorities. Approximately $5 million of the $14 million grant is being used to fund a Regional Communications Interoperability Project, which will provide hardware and software to enable the five-county region to communicate in disaster situations, and to continue equipping and training Police and Fire to meet the terrorism threat. In FY05, Urban Area Security Initiative Funds, which are expected to total $24 million for the region, will be used to address various command and control, security and government continuity issues.

- **Operation Town Watch.** The City's Operation Town Watch program promotes public safety by supporting citizen participation in crime prevention watches and patrols. It provides training, equipment, annual grants, organizational support and communication to approximately 18,000 citizen volunteers in over 710 Town Watch groups in every City police district to promote and maximize the effects of community policing in our neighborhoods.

  Operation Town Watch supports the Mayor's Operation Safe Streets program by advocating neighborhood–Police communication, facilitating community-policing activities and encouraging citizen involvement in reporting criminal activity. Operation Town Watch also recruits citizens for *Citizens Emergency Response Team (CERT)* training through the Philadelphia Local Emergency Planning Committee sponsored by the Pennsylvania Emergency Management Association. The CERT training program prepares communities for terrorist attacks and natural disasters.

  In FY04, Operation Town Watch established a School District Safe Corridor Program, the purpose of which is to provide a safety zone in the areas surrounding schools. In FY05, Operation Town Watch will expand the Safe Corridor Program and use statistical data from the Police to initiate a strategic volunteer recruitment plan throughout the city.

Coordinate and Support Citizen Services

- **Global Philadelphia.** In the summer of 2003, the MDO launched Global Philadelphia to improve language accessibility between diverse linguistic communities and the City. Both Title VI of the Civil Rights Act of 1964 and an executive order signed by Mayor Street in the fall of 2001 require the City to provide “meaningful access” to Limited English Proficient (LEP) individuals. Census data indicates that approximately eight percent of all city residents have a limited proficiency in English and surveys estimate approximately ten percent of citizens utilizing City services are LEP. Through the Human Services Development Fund (H.S.D.F.), the City expects to receive approximately $200,000 in FY04 and $500,000 in FY05 to coordinate strategic investments to increase language access. Eight departments will be the focus of Global Philadelphia: Fire, Police, Health, Human Services, Prisons, Recreation, Emergency Shelter and Services, and L&I. Those investments will include translations of vital documents into languages other than English, deployment of interpreters, and staff training. Through Global Philadelphia and a partnership with community and advocacy groups, the Personnel Director is also involved in an effort to enhance recruitment of multilingual staff into the City workforce.

- **Comprehensive and Coordinated Social Services.** In FY03, the City began development of an integrated database system that would allow case managers and social workers, with client consent, access to data from the social service departments involved in a client’s life. The intent is to enable workers to serve the client in a more appropriate and comprehensive way. Each social service department has its own data system making it difficult to obtain all the information needed to effectively service an individual or family. Data from three departments – Emergency Services, Behavioral Health/ Mental Retardation and Human Services- is currently in the integrated database and data from the remaining social service agencies will be incorporated this fiscal year. Besides making more comprehensive data available, the new system can also notify the other systems when a client begins services to allow for more comprehensive and effective services. The aggregate data available in the integrated data system will be used for strategic planning, program development and service assessment. This $8 million system is funded through the capital budget and will be completed in FY07.

- **Special Events.** The MDO provides oversight of and coordination for more than 300 special events held annually in the city. These events often require the direct involvement of many City departments such as Public Property, Streets, Recreation, and Police. The MDO is developing a methodology, that will be in place in FY05, for capturing the costs of both City and community-sponsored special events, enabling the City to improve reimbursement levels and better structure support.

- **Grants Management Center.** The Grants Management Center (GMC) was established in 2003 to maximize the City’s utilization of available grant funding opportunities through a collaborative approach with City departments, agencies, community groups and the private sector. The GMC supports City departments by researching and disseminating information on available private, federal and state funding opportunities. GMC staff assist by researching funding for specific projects or programs and maintaining a database of potential funding sources. Additionally GMC coordinates grant activities with the Mayor’s Office to provide advocacy for grants on the federal and state level. For FY05, the goal of the GMC is to increase the level of grant funding for the City to better serve the needs of our citizens.

Invest in the Well-Being of Children and Families

- **Children's Investment Strategy (CIS).** Philadelphia is home to approximately 360,000 children in grades one through twelve, 70 percent of whom are in public school. The Children's Investment Strategy (CIS) is a broad initiative of Mayor John Street to improve the outcomes for children and youth, as indicated in the ***Children's Report Card 2003.*** 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 after-school and youth development opportunities during non-school hours; and redirecting more resources to the Department of Human Services' (DHS) prevention services to strengthen the relationship between parents and children.

  In FY04 a total of $72.1 million in new or redirected dollars has been targeted for youth development and prevention programs under CIS. Of this amount, $54.6 million has been used for the expansion of youth development programs, including after-school programs; Beacon Schools, which focus on creating a school-based community center with programs available for children, youth and their families in urban neighborhoods; various DHS programs (family centers, truancy–related programs, delinquency programs and youth development programs specifically targeted towards 12-18 year olds) which are discussed in greater detail in the DHS section; various Recreation Department programs (Teen Centers and Recreation, Education and Computer Sites) which are discussed in greater detail in the Recreation section; and Workforce Development programs. The balance of this funding, $17.5 million, has been used to expand family support programs, which include: intensive home visiting, parenting programs and school-based case management programs (all of the family support programs are discussed in greater detail in the DHS section). 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) and other sources. The City's FY05 budget includes an additional $20 million of primarily federal and state funds for the expansion of youth development and family support services, contingent upon the Commonwealth's approval of DHS' needs based budget and the receipt of an appropriate level of funding from the state. It is the goal of CIS to provide non-school hour programs to 100,000 youth. Since the inception of CIS in 2000, after-school, youth development, and family support programs have expanded to serve an additional 37,018 children, youth, and their families.

  Address Policy and Regulatory Issues

- **Environmental Initiatives.** The MDO coordinates department activities and directs initiatives related to the health and safety of City residents, and the environmental quality of neighborhoods. The following are planned initiatives for FY05.

  The <u>Scrap Yard Program,</u> which started in FY04, has resulted in special inspections, arrests, and the clean up of 12,000 waste tire piles. The City has received significant in-kind staff support from the Pennsylvania Department of Environmental Protection and the Environmental Protection Agency for this initiative. Targeted inspections and compliance monitoring will be intensified this year, with concentration on scrap yards operating without proper zoning. A citizens' 24-hour hotline to report short dumping and nuisances, a website for resources about the Scrap Yard program, and several public events are planned to increase awareness and continue remediation in FY05.

The Diesel Difference Program is a coordinated effort with the Department of Public Health to retrofit diesel vehicles to make them less polluting, and to encourage the use of ultra-low diesel fuel. Diesel pollution has been proven to be a major source of childhood asthma and other respiratory illnesses, and contributes to the city's air pollution from participate matter. Use of ultra-low diesel fuel will be required for all new City vehicles beginning in 2007. This effort, which seeks to retrofit older vehicles, the largest source of pollution, is supported in part by a $100,000 grant from the Environmental Protection Agency awarded to the Office of Fleet Management by to convert approximately 30 vehicles.

- **Municipal Energy Office.** The objectives of the MDO's Municipal Energy Office (MEO) are to promote the efficient use of energy at City-owned facilities, to reduce energy costs, and to develop and promote sustainable energy strategies. In FY05, the MEO will initiate a De-Lamping Program. Under this program, lamps will be selectively removed from lighting fixtures where this can be done while meeting lighting needs and without compromising public safety. Work will begin at the Municipal Services Building, Criminal Justice Center and One Parkway Building. The MEO will initially spend $30,000 to commission a study to determine the candidates for de-lamping. The Department of Public Property will assist with the de-lamping program. The MEO expects to recover at least $30,000 in energy savings within one year of the start of the program.

City of Philadelphia
Five-Year Financial Plan

• • • • •

Fairmount Park

Fairmount Park

Mission

The mission of the Fairmount Park Commission is to preserve, protect and maintain the woodlands, watersheds, landscapes and physical infrastructure of 469 buildings and over 200 sculptures throughout its 9,100 acres while providing Philadelphia citizens and visitors with opportunities for quiescent and active recreation.

In addition to managing open spaces, the Park Commission operates numerous and diverse recreational facilities and activities within Fairmount Park. These include two recreation centers; 8 day camps; 40 playgrounds; 113 tennis courts at 15 locations; 22 baseball, 20 football, 48 soccer and 87 softball fields; 40 basketball courts; 3 cricket fields, 2 rugby fields, 1 polo field, 2 bocce courts, 1 field hockey field, 155 picnic sites, 6 golf courses, 5 driving ranges, 2 miniature golf courses, 74 miles of paved trails and 141 miles of soft surface trails.

Organizational Objectives and Targeted Initiatives

Preserve and Maintain Park and City Landscapes

- **Implement a strategic plan to guide Fairmount Park for the next five years.** In early FY03, the Fairmount Park Commission began developing a strategic plan to serve as a guide for the next five years. To be completed in spring FY04, the vision for the Park has been framed by input from park users, community members, staff, advocates and business and civic leaders. The plan will provide direction in areas including governance, operations, budgetary tools, revenue opportunities, partnerships, maintenance, and management practices. Existing facilities and service areas are being mapped and recommended modifications will be based on demographics and national standards. A high level review of the Department of Recreation is also being conducted to determine if and where any overlaps or redundancies exist in the delivery of services.

  This $600,000 project was funded by generous donations from a coalition of funders including $300,000 from the William Penn Foundation, and a combined $65,000 from the Campbell-Oxholm Foundation, the Claneil Foundation, the Dolfinger-McMahon Foundation, the HBE Foundation, the Samuel S. Fels Fund, the Independence Foundation, the McLean Contributionship and the Philadelphia Foundation. The City funded the remaining $235,000.

  Some key issues reviewed within the Strategic Plan include:

  - *Governance*-- The existing system of governance, which created a separate Commission to regulate matters of open space, was established in 1867 by an act of the Commonwealth of Pennsylvania with further refinement by the Home Rule Charter in 1951. The Strategic Plan recommends clearly defined roles and responsibilities for the Fairmount Park Commission and the Department of Recreation and the elimination of redundant activities between departments.

- *Revenue Generation*-- The Plan identifies methods for improving pricing policies and concession contracts and highlights potential investment opportunities as a source of increased revenues.

- *Partnerships and Volunteers*-- Fairmount Park has over 250 recognized volunteer, adopter, support and partner organizations. These organizations assist with volunteer work projects, fund raising and park advocacy. The plan will provides direction for focusing resources on defining and building stronger relationships with existing groups as well as developing new partnerships.

- **Consolidate or transfer Park and Recreation functions.** Based on preliminary recommendations from the Strategic Plan, the Park and Department of Recreation have already begun work with the Managing Director's Office to improve coordination and eliminate redundant efforts. At the end of FY03, the process began when the recreation facilities and staff managed by the Park were transferred to the Department of Recreation. Plans for consolidating administrative functions (payroll processing, personnel transactions, budget preparation, purchasing, etc.) are underway and the Park-Recreation Administrative Service Center should be operational by early FY05. In FY05 the Park will begin to assume the responsibility for maintaining the grounds of 47 recreation centers, 112 playgrounds, 54 parks, and 113 breezeways and cul-de-sacs currently managed by the Department of Recreation. In addition, Fairmount Park will take on the maintenance of trees at all Department of Recreation locations. It is anticipated that the current Department of Recreation tree crew will be managed by Fairmount Park to handle the additional workload of trees.

- **Create watershed-related exhibits for the Fairmount Park environmental centers.** The Commission received a $190,000 grant from the U.S. Environmental Protection Agency (EPA) to develop and implement "What's in Our Watershed" educational displays at Fairmount Park's three environmental centers: Pennypack, Cobbs Creek, and Wissahickon. The displays will educate community members, volunteers, students and visitors about watersheds and water quality and will promote stewardship of the park and natural lands. Since a large percentage of parkland is located within stream corridor parks, the promotion of water quality is an important educational concept. The Fairmount Park Environmental Education Division intends to complete the project by early FY05.

- **Initiate a new street tree information management system.** In order to provide proper management for approximately 250,000 street trees and 2.5 million park trees, Fairmount Park will be converting its obsolete DOS-based Tree Information Management System into a new Geographic Information System (GIS) asset management system. The new technology will allow the Park to build a tree inventory – Philadelphia's first ever – which would create a data record for each existing street or park tree and potential planting location. This new system will provide for greater efficiencies in collection and management of tree data, and will also improve service delivery and capture activity costs to better track resource allocations. The system implementation, which will cost approximately $350,000, should take one year to complete. The cost of the project will be partially offset by a $50,000 grant from the U.S. Department of Agriculture Forest Service.

- **Reduce waste wood throughout the Park.** The success of the NTI Street Tree Removal Program has resulted in the build-up of large amounts of waste wood. Currently there are 15,000 cubic yards of waste wood, primarily generated from Park tree crews, stored in five of the Park's community recycling centers located throughout the city. Aside from causing congestion in the Parks recycling yards, there are public safety concerns from possible lightning strikes and fires. Fairmount Park has initiated a waste wood reduction program which will reduce the wood to mulch and offer it to citizens free of charge. The NTI Program uses it for community gardens and other greening projects. The program is projected to cost $100,000 per year over the next three years and will be funded from the Park's operating budget.

- **Improve playground safety.** The Fairmount Park Commission manages 40 playgrounds throughout the park system. Beginning in FY03 and continuing into FY04 and FY05, Fairmount Park has established a comprehensive playground safety maintenance program through a reallocation of existing staff to ensure that these playgrounds meet established standards for safety maintenance. The goals of the program are as follows:
  - Train and certify ten staff members as certified Playground Safety Inspectors.
  - Develop a policy for managing playgrounds using playground standards established by the Consumer Products Safety Commission.
  - Conduct an initial safety audit for all 40 playgrounds.
  - Repair defective equipment.
  - Develop a capital playground replacement schedule.
  - Develop a bi-weekly (high frequency) and monthly (low frequency) inspection schedule.
  - Track injuries and identify the specific piece of equipment causing the injury.
  - Replace and repair the used zone surface (the area around the equipment) as needed.

Restore Park Facilities and Promote their Historical Significance

- **Link cultural facilities in West Fairmount Park.** In FY04, work began on the design of the Parkside Promenade in West Fairmount Park. This 1.8 miles of new multi-use trail (including walking running, biking and horseback riding) will connect together significant features of the Park, including the Zoo, Memorial Hall and the Mann Center for the Performing Arts, as well as provide an enhanced "seam" between the Park and the adjacent Parkside community. The project is funded by $370,000 in City capital funds and a $400,000 Growing Greener grant from the Pennsylvania Department of Conservation and Natural Resources. Construction is anticipated to begin in FY05 with completion of the project projected in FY06.

- **Link East Fairmount Park amenities to Strawberry Mansion community.** In June 2003, the Commission and the Fairmount Park Conservancy completed construction of the 1.3 mile Phase I of the Boxer's Trail in East Fairmount Park. This trail connects the historic mansion and recreation facilities of East Park with the adjacent Strawberry Mansion community and regional trail network. In FY04, planning and design work began on the second phase of the trail, 2.5 miles that will link Phase I to several East Park mansions, Smith Memorial Playground, Sedgeley Woods Disc Golf Course, East Park Driving Range and the site of the future Fairmount Park Audubon Center. Linking these sites by trail provides enhanced options for runners, cyclists and walkers, while also enhancing the experience of the Park as a nature refuge by allowing seamless pedestrian access to more of the Park's many attractions. Planning and design services are being provided pro bono by the Philadelphia based landscape architecture firm of Synterra, Ltd. Design, drawings, and a full cost estimate for Phase II are scheduled to be completed early in FY05. To date, the Conservancy has raised $219,000 toward the cost of implementing Phase II of the project.

- **Grant funded ecological restoration projects underway.** Beginning in FY04 and continuing in FY05, the Commission will implement several grant funded ecological restoration projects. Included among these projects is the planting of a 6.3 acre site within and adjacent to a West Park wetland and a project to correct multiple storm water conditions at the Courtesy Stable of Wissahickon Valley Park. The Pennsylvania Department of Environmental Protection provided a $56,000 Growing Greener grant and the Partnership for the Delaware Estuary gave a $23,000 grant for these projects, respectively.

Encourage Community Participation in Park Volunteer and Recreation Activities

- **New program brings improvements to neighborhood parks.** In October 2003, the Commission and the 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 Fairmount 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. In the first year of the program, Commission staff is working with Friends groups and interested citizens in Palmer, Kemble, and Fernhill parks to plan over $75,000 in improvements. It is envisioned that the program will involve new parks each year through a competitive selection process and will utilize additional funds raised by the Conservancy from the Philadelphia business community.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Total Acres of Grass Cut [1]	24,294	22,578	17,980	22,800	27,000	32,000
Weeks between Cuts-Frequency	2.38	2.60	3.26	2.57	2.17	2.00
Street Trees Removed - Contractual Services and Park Crews [2]	1,390	4,255	5,548	4,500	4,500	4,300
Street Trees Pruned - Contractual Services and Park Crews	7,072	13,886	14,311	14,000	13,000	14,500
Street Trees Planted	83	196	999			
Park Trees Removed	1,699	2,512	2,858	1,731	1,700	1,600
Park Trees Pruned	2,250	2,908	2,523	2,374	2,400	2,350
Volunteer Park Clean Ups	552	569	414	300	350	350
Number of Ballfields Maintained	652	802	599	608	600	600
Number of Ballfields Renovated	80	143	109	132	120	120
Citizen Survey: Percent Satisfied with Fairmount Park	78.8	81.2	78.1	79	79	80
Citizen Survey: Percent Satisfied with Neighborhood Park	68.2	71.6	71.6	73	73	75

[1] Grass Cut: Fairmount Park mows approximately 2,000 acres, generally 15 times each season. During FY05, Fairmount Park will begin accepting responsibility for mowing land previously cared for by the Department of Recreation, approximately 900 acres of turf. The complete transfer of Recreation land will occur by FY07.

[2] Street Tree Removals: Street Tree removals include Operating and Capital dollars

Five-Year Obligations Summary

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	9,780,471	9,547,446	9,547,446	9,283,198	9,235,471	9,139,571	8,937,201	8,904,188
Class 200 - Contracts / Leases	2,896,811	2,742,509	3,042,509	2,742,509	2,742,509	2,742,509	2,742,509	2,742,509
Class 300/400 - Supplies, Equipment	611,057	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	14,138,339	13,758,576	14,058,576	13,494,328	13,446,601	13,350,701	13,148,331	13,115,318

Fairmount Park

City of Philadelphia
Five-Year Financial Plan

• • • • •

Fire Department

Fire Department

Mission

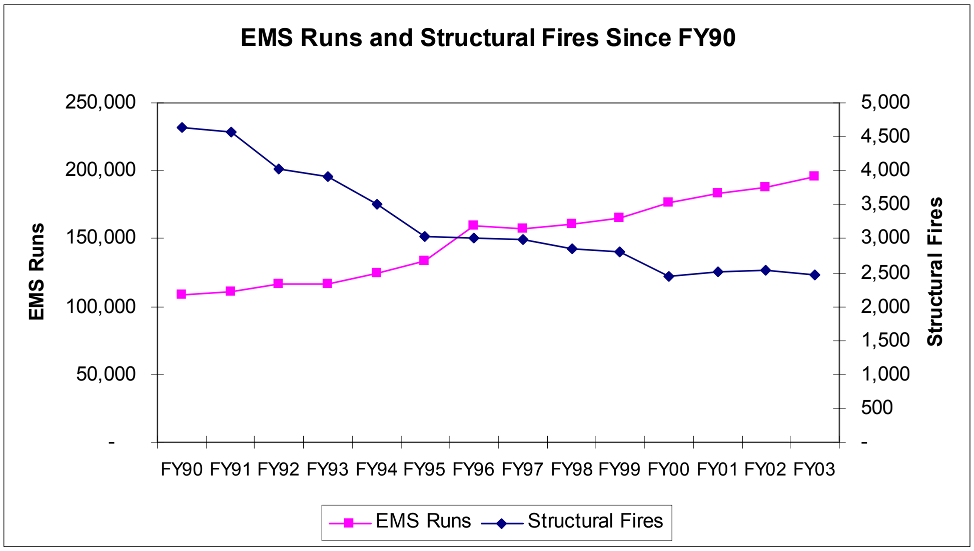
The Philadelphia Fire Department's mission is to ensure public safety through quick and professional responses to fire and medical emergencies. The Department is dedicated to minimizing the loss of life and property through fire prevention, fire suppression, rescue, fire investigation efforts, and the provision of emergency medical services.

Organizational Objectives & Targeted Initiatives

Deliver Effective Emergency Response

- **Better Address Demands on the Department**. The nature of the Fire Department has changed dramatically over the past decade, with an increasing portion of its work shifting from fire response to medical emergency response and transport. Since FY95, when a new policy phased the Police Department out of most medical transportation, the number of EMS runs has grown 46 percent (from 133,701 to 195,504). During that same period, the number of structural fires has fallen by 19 percent (from 3,033 to 2,510). The Department has added eight medic units since that time and its fleet of 38 units struggles to meet the growing demands of an aging population and citizens who increasingly use EMS as a portal into health care. There has been no commensurate reduction in the number of engine or ladder companies, despite a solid trend of fewer fires. The Administration planned to adjust resources within the Department to better reflect the needs of citizens by adding up to eight additional EMS units. For the FY05 budget, the City proposed closing four ladder and four engine companies within the city, while adding eight additional medic units.

  Since the issuance of the Five Year Plan, there have been challenges to the City's plan to realign the Fire Department's resources. Local 22 of the International Association of Firefighters, the union that represents the firefighters, filed a lawsuit in an attempt to halt the realignment plan. In addition, both houses of the State legislature passed legislation that would, at a minimum, impose substantial delays before the City could implement reorganization of its fire service. The Governor vetoed that legislation and it is unclear whether the legislature will attempt to override that veto. Even if the legislature does not override that veto, however, implementation of the realignment will be delayed because in July 2004, a Common Pleas Court Judge enjoined the City from implementing the plan until after it had gone through an arbitration process. It is unlikely that the arbitration process will be completed before October, which will mean that the Fire Department will not achieve the originally budgeted savings from the realignment. In the interim, the Fire Department is considering alternate cost cutting strategies.



Source: Fire Department

- **Improve Deployment of Emergency Medical Service (EMS).** In early FY04, the Philadelphia Fire Department began the installation of an automatic vehicle locator (AVL)/GIS mapping system. This new system will provide better medical reporting, greater efficiency in dispatching and improved mapping for dispatched vehicles. In April 2004, the Fire Department will begin the next phase of the project, providing 17-inch display monitors at the workstations of all Fire Communications Center (FCC) personnel. In addition to pinpointing the location of a medic unit, the system will allow for incident-specific mapping and show locations of hospitals, firehouses, fire hydrants and streets. The installation of the system cost $750,000 and was fully funded by a vendor. Also in FY04, the Department will link the AVL system to the Computer Aided Dispatch system (CAD). This link will allow the Department to use global positioning system (GPS) technology to track medic units in real time as they respond to assignments. The system will provide FCC personnel with recommendations on how to best deploy the medic units based on their actual proximity to the incident, provide instructions on the most efficient route to reach the scene, and quickly send help to the exact location of the medic unit, if necessary.

  In addition, the Fire Department plans to upgrade the CAD and Mobile Data Terminal (MDT) systems. The CAD system currently provides comprehensive dispatch details via remote MDTs in medic unit vans. The software upgrade to the CAD will include prompts to guide paramedics through specific medical procedures, a detailed drug reference guide, and a language translator for English to Spanish. A medic can select one of 42 commonly used medical terms or phrases on the MDT and an automated voice will speak the phrase in Spanish. In addition, the MDT software upgrade will allow paramedics to input standard patient information directly on the MDT and then print it upon arrival to the hospital, eliminating the need for hospital staff to transcribe the same information onto their forms. Upgrades to the CAD and MDT system are expected to cost $4.4 million and $2.5 million, respectively, and will be funded from the capital budget. Both upgrades are expected to be completed by the end of FY05.

- **Reduce Unnecessary, Non-Emergency Calls to 911.** The FCC estimates that 25 percent of calls requesting medic unit response are non-emergency situations. This large number of runs takes a significant toll on the medic units and increases risk when, because they have been dispatched to non-emergency calls, there are no medic units available in the vicinity of true emergencies. In response to this trend, in FY04 the Fire Department launched a campaign to try to minimize unnecessary calls to 911 and encourage callers in non-emergency situations to call their primary care physicians instead. The Department spent $11,000 for an advertising campaign that consisted of advertisements on SEPTA buses and bus shelters. In addition, several local media outlets have donated television and radio public service announcements and $18,000 of private donations will cover promotions on billboards, in brochures and on signs placed in stores. While the Department does not foresee drastically reducing response times in FY05 as a result of the campaign, the Department hopes that discouraging non-emergency calls to 911 will control the growth in demand and improve response times in years thereafter.

Improve Effort to Minimize Loss of Life and Property Due to Fire and Other Emergencies

- **Automate Reporting Systems for Employee Attendance and Fire Incidents.** The Fire Department is testing two software applications: the Employee Attendance Reporting System (EARS), an employee payroll and timekeeping application; and the National Fire Incident Reporting System (NFIRS), an emergency incident reporting system. The Department expects to spend $85,000 in FY05 for software and hardware to implement these two systems and $10,000 annually in maintenance. The Fire Department currently maintains paper employee attendance information and manually collects data from 500 reporting locations for transmission and processing for the City's payroll unit. The current process is labor-intensive, has the potential for data errors and takes two weeks between attendance form completion and receipt by senior management. With the EARS system, Department employees will be able to input attendance information on computers in fire stations and transmit it electronically for review, approval and check generation by the Payroll Department. Reports detailing overtime usage by type and any suspicious sick leave usage will provide Department leadership with better management controls. The Department plans to roll out this application by July 2004 and expects to be entirely paperless for this function by September 2004. This automation effort will allow the Department to reduce three to five clerical positions from FY06 through FY09.

  The National Fire Incident Reporting System (NFIRS) automates the collection of all fire and emergency incident data. The current process used to capture emergency incident data requires field unit employees to manually complete incident analysis sheets and forward them through interoffice mail, where the data is centrally entered into a database. This labor-intensive process creates a significant lag between the fire occurrence and the final incident report. NFIRS will allow the Fire Department to immediately download fire incident data and also share the data with state and federal agencies. In addition, NFIRS will allow the City to access comparable data from other major cities and municipalities throughout the country. Easily available comparative data will greatly enhance the Fire Department's ability to benchmark the success of its fire prevention programs.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Number of Fires						
Structural	2,510	2,526	2,465	2,600	2,600	2,500
Non-Structural[1]	N/A	N/A	7,416	10,500	8,500	8,500
Vacant Buildings	210	258	196	240	220	210
Average Response Time (min: sec)	4:20	4:19	4:28	4:30	4:30	4:30
Fire Deaths (Civilian)	55	38	33	48	48	45
Fire Prevention Activities	16,853	11,177	17,007	11,200	11,200	12,000
EMS Runs	183,687	188,200	195,504	196,862	196,862	210,642
EMS Average Response Time [2] (minutes: seconds)	5:51	5:54	6:35	6:30	6:30	6:30
First Responder Runs	29,494	34,661	52,802	42,000	53,000	60,000
Citizen Survey: Percent Satisfied with Fire Protection	84.1%	88.8%	87.9%	89%	89%	90%
Citizen Survey: Percent Satisfied with EMS Response	85.7%	90.7%	88.5%	89%	89%	90%

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

[2] EMS Average Response Time. The additional medic units to be added in FY05, the "911 for Emergencies" campaign and the implementation of the AVL/GIS system should help the Fire Department decrease response times. EMS response times are difficult to predict, however, due to factors that cause delays such as weather conditions, traffic congestion, and length of travel. Recent hospital closures in the Philadelphia area have created an additional hurdle for EMS, as remaining hospitals become overcrowded with patients and do not allow EMS to deliver new patients. This projection assumes that MCP Hospital will close, which will add an additional burden on the medic units. If the hospital remains open, response times are likely to be faster.

Five-Year Obligations Summary

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	143,977,524	157,072,244	157,672,244	142,070,409	142,020,333	142,117,315	142,216,261	142,216,261
Class 200 - Contracts / Leases	4,780,702	4,934,583	5,089,583	5,229,583	5,274,583	5,199,583	5,199,583	5,199,583
Class 300/400 - Supplies, Equipment	5,634,353	5,647,415	5,547,415	7,723,819	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	6,924,476	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	161,317,055	175,233,242	175,888,242	162,602,811	160,302,735	160,324,717	160,423,663	160,423,663

Fire

City of Philadelphia
Five-Year Financial Plan

Free Library
of
Philadelphia

Free Library of Philadelphia

Mission

The mission of the Free Library of Philadelphia is to provide to city residents a comprehensive collection of recorded knowledge, ideas, artistic expression, and information; to assure ease of access to these materials; and to provide programs to stimulate the awareness and use of these resources.

Organizational Objectives and Targeted Initiatives

Build and Maintain a Welcoming Technical and Physical Environment

- **Planned Improvements to Central Library.** The Central Library building, which opened to the public in 1927, is no longer able to fulfill its mission of meeting the information and enrichment needs of the greater Philadelphia region. The building is critically short of space and bursting at the seams, in large part because the Central Library today serves many purposes and provides access to collections and types of information that were never imagined when the building was designed in 1918. The mechanical and cooling systems waste energy, and most of the building lacks a humidity control system, with severe implications for the long-term life of the library's collections, which include many valuable and irreplaceable items. In a city where 50 percent of households still do not have Internet access, the Central Library fields more than 1,000 requests daily to use its 80 computers. Most importantly, the addition of growing amounts and types of materials means that there is no longer enough space for people to read and research, especially children, teens and adult learners.

  This building project is the last component of the Free Library's system-wide renovation process, through which all 53 branch and regional libraries were renovated, thanks to a successful public/private partnership which raised $60 million and made renovation and installation of new technology possible. To rectify the Central Library's limitations, the Free Library has embarked on a multi-year process to renovate the existing building and to build a 180,000 square feet addition behind the building. Mayor Street, who committed City support of $30 million for this project earlier in 2003 – contingent on raising the balance of necessary funds from other sources – announced in December the selection of Moshe Safdie as the architect to design the expansion and renovation. This followed a several month architect selection process, in which 40 architectural firms, many of which are world-renowned, submitted proposals.

  The renovation and expansion project will transform the Central Library into a model urban library – a signature public building with a heightened visibility on the Parkway and space for twice the number of current customers. The expanded Central will enable enhanced services to children and teens, the business community, job seekers, and those seeking independent learning and cultural opportunities. Crowded research departments will be expanded to properly house collections and provide adequate reading and study space, with some collections accessible to the public for the first time in years. Information technology will play an important role: there will be more computers, including space for laptops, and specially designed space to introduce new information and knowledge technologies to all age groups. A new auditorium, meeting rooms and training facilities, all with state-of-the art multimedia systems, will be available for use by the public and staff. The current timetable calls for the design to be completed by July 2005, with construction beginning April 2006, pending commitment of all necessary funds. A combination of state, federal, and private funding will cover the expenses of the renovation and expansion. Project costs will be determined when a final design is complete and approved. The Free Library Foundation is in the early stages of planning a private fundraising campaign that will build on the City's funding commitment.

- **Re-examine Facility Security.** The Free Library is re-examining security procedures at all departments and locations to ensure a safe environment for the public and staff. A Security Task Force, comprised of library staff, security guards and union representatives is reviewing current safety policies and procedures, considering new technologies to improve security, and researching practices in other library systems. The Police Commissioner's office will also provide input and information on procedures that have been successful in other cities. Budgetary implications will be determined as part of this study.

Explore Ways to Expand Services to School-Age Population

- **Early Childhood Initiatives.** The Free Library's *Books Aloud!* program, which provides training each year for 3,000 child care staff and parents to learn about using books in a variety of ways through different themes with young children, was included in the School District's Office of Early Childhood Education Early Reading First grant. This three-year, $4.5 million grant was awarded to the School District in FY04 to create five exemplary centers of early literacy to enhance the early language and pre-reading skills of preschool children through strategies and professional development based on scientifically based reading research Project EXCEL. Teachers will create print-rich environments and build school readiness in the centers' children, while the Library's *Books Aloud!* program, which models reading aloud and literacy activities for children and their care-givers, will provide literacy training to the parents at the five Project Excel centers. *Books Aloud!,* considered the premier program for early literacy training in the city, is also participating in the United Way's Early to Learn: Partners for School Readiness grant program for preschool-age programs, now in the second of a three-year grant, during which children learn through play. The Free Library will be reimbursed $2,000 to conduct a total of 24 story hour/literacy sessions. The *Books Aloud!* program is offered in ten library branches per month on a rotating basis, allowing each branch to offer this program one-two times per year.

  The Free Library is also working closely with the School District's Kindergarten Transition Collaborative, whose mission is to help transition children into kindergarten so that they are prepared and ready to learn. As part of this partnership effort, the Library began hosting information sessions for parents in FY04, and plans to continue these sessions as part of its core efforts to support reading readiness and literacy. The School District reimburses the Library for any program-related expenses. Library staff are now working on a "Kindergarten

Mixer" at the Please Touch Museum in April 2004 and a publication or website to serve as an additional resource for parents whose children will be entering kindergarten.

- **Summer "Read Off."** Currently, children's library cards are "blocked" from checking out library materials when fines and fees exceed $5.00. As part of the 2004 Summer Reading Games' "*Discover New Trails @ your Library,"* each branch library plans to hold a series of "Read-Offs" to allow children and teens to literally read-off any overdue fines. Corporate support will be sought to cover any loss in fines and to replace lost books. This new initiative will give an estimated 50,000 children and teens with overdue fines and blocked library cards a chance to "discover" their way back to the library through reading.

- **After-School Program Evaluation.** The Library's LEAP after-school program began in 1989 in 15 branches and has since expanded to every branch library, five days a week. In FY01-FY03, as part of its plans to evaluate this program, the Library began sampling attendance at this after-school drop-in program to develop more accurate attendance statistics and to compile other information for planning purposes. The attendance surveys indicated that approximately 85,000 individual children and teens participated in LEAP at least once during the school year, with one third of these participants attending LEAP more than once a week. The city contributes $1.3 million annually, or approximately $24,000 per branch, for the LEAP staffing, supplies, and give-away books; the Library raises an additional $100,000-150,000 in private funds for programs, including the Associate Leader component.

  The total cost of evaluating LEAP is estimated at $30,000, with one-third of that amount already raised. Future LEAP program evaluation components include:
  - Spring FY04: Outside evaluators will develop specific program outcomes related to the LEAP goals of increasing literacy and library use, and will begin collecting data on the impact of LEAP and teen components.
  - FY05: The effectiveness of Associate Leaders and the Teen Leadership Assistants program will be assessed, and the design of this program will be changed or revised as a result of this evaluation. Associate Leaders are former Teen Library Assistant (TLAs) graduates who are attending college in this area and who are mentoring current TLAs focusing on their program development and training. The evaluation will track the number of TLAs still in school, and other success outcomes, still to be determined.

Expand "Library Without Walls"

- **Redesign the Library's Web Services and Web Site.** The Free Library began an extensive redesign and overhaul of its web site in FY04, and plans to complete this process by FY06. Private fundraising will cover the expected $250,000 redesign cost. Because the library's Web site continues to attract many users, with over 5.4 million hits and 141,000 users in December 2003 alone, this service needs to be as flexible and responsive as possible, to conform to customer expectations which have been changed by Internet use concerning how to perform research and receive content. The Free Library plans to update and refresh the design of the graphics, navigation, the "look and feel," architecture, functionality and technology of the public and intranet website. The redesigned web site will:
  1. Use internal and external customer input as a guide for changes

2. Provide a single interface search of internal and external content and resources
3. Design a single calendar module for all Library related events.
4. Feature unique Library assets and resources that users will find compelling and useful
5. Simplify the catalog interface as internal and external users have requested.

Strengthen the Quality of Customer Service

- **Recruiting and educating new librarians.** In summer 2003, the Free Library of Philadelphia received a $500,000 grant from the Institute for Museum and Library Services under the auspices of its *Educating and Recruiting Librarians for the 21st Century* program. The Free Library was one of 27 institutions, and the only urban public library system, to receive this prestigious grant. Recruiting new librarians has become a major issue locally and nationally as a result of the large number of people retiring from the library profession coupled with increased competition from the technology sector for the smaller number of people entering the library field. Through this grant, the Library expects to double its existing number of library trainees from fifteen to a minimum of 30 trainees over the next three years by implementing new recruitment strategies. City funds pay for the trainee salaries, with grant funds paying for tuition support and special recruitment materials. Of the $500,000 grant, $300,000 will be used to pay for tuition previously paid for by the city.

  Recruiting efforts, which will begin spring 2004, will focus particularly on three groups of potential librarians: minority candidates, candidates who have expressed an interest in children's services, and persons who speak foreign languages. Because a number of librarians have entered the city's Deferred Retirement Option Program (DROP), the Library plans to replace a portion of them through this in-house program which provides replacement staff at a cost savings of $7,000 for each trainee, compared to the salary a newly hired librarian would receive. As part of this program, in addition to attending library school classes, trainees will rotate through all the major library divisions. This "value-added" component will result in flexible, well rounded staff who can be assigned easily to projected vacancies.

- **Upgrade the Library's Integrated Library System.** The Library received approval from the Mayor's Office of Information Services (MOIS) in FY03 to upgrade its current outdated Integrated Library System, which includes the online catalog, circulation, and materials inventory, among other functions, and expects to complete the upgrade in FY05. When the changeover has been completed, expected new customer services include the automated ability to renew books by telephone, easier search capabilities, and expanded opportunities for digital collection development. The Library will also have replaced a system that was increasingly difficult and costly to maintain. The $645,000 cost will be funded by the MOIS capital projects budget.

- **Improved Access to Special Collection Materials.** As highlighted in an FY98 conservation and preservation needs study, many of the Free Library's extensive special collections are in fragile condition and not easily available for use. To address one of its greatest preservation needs, the Library applied for and received a National Endowment for the Humanities/Save America's Treasures grant in November 2003 for $275,000 to preserve and catalog part of its

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Total program attendance: Athletic	588,111	554,653	578,957	560,000	560,000	575,000
Total program attendance: Cultural	115,910	70,148	79,246	70,000	80,000	80,000
After-school program attendance[1] (average monthly)	3,515	2,567	2,457	2,627	2,627	2,627
Pools attendance	2,050,000	1,615,421	2,048,009	1,900,000	1,900,000	1,800,000
Ice Rink attendance	70,000	51,006	52,787	65,000	65,000	59,000
Special Events participants	45,011	63,006	89,977	60,000	80,000	80,000
% of centers in compliance with recreation standards	N/A	61%	66%	65%	65%	69%
% of centers providing programmed usage in at least 60% of operating hours	N/A	73%	73%	65%	65%	65%
% of programs that maintain monthly participation rates of at least 70% of registered participants	N/A	86%	84%	83%	83%	86%
Citizen Survey: Percent satisfied with neighborhood recreation services	49.6%	46%	47.4%	48%	48%	49%
Citizen Survey: Percent satisfied with neighborhood recreation center (of those who visited)	75.2%	77%	78.9%	79%	79%	80%
Citizen Survey: Percent satisfied with after-school program (of those who participated)	86.1%	90%	94.9%	95%	95%	96%
Citizen Survey: Percent satisfied with physical condition[2]	59.6%	58.5%	66.4%	70%	70%	74%

[1] After-school program attendance. The lower attendance numbers reflected in FY02 for the after-school program are a result of improved staff/child ratios. In order to improve staff/child ratios at after-school programs, the Department closed a number of the less popular sites.
[2] Citizen Survey: Percent satisfied with physical condition. Increase in satisfaction with physical condition from beginning in FY03 was due primarily to the development and implementation of the custodial procedures manual that year.

Five-Year Obligations Summary

Recreation

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	30,271,522	33,224,288	33,262,088	27,692,921	27,030,100	26,287,099	25,293,507	25,061,627
Class 200 - Contracts / Leases	2,170,145	2,196,891	2,196,891	1,231,870	1,231,870	1,231,870	1,231,870	1,231,870
Class 300/400 - Supplies, Equipment	1,319,158	1,363,584	1,450,784	1,269,069	1,269,069	1,269,069	1,269,069	1,269,069
Class 500 - Indemnities / Contributions	1,500,000	1,800,000	1,800,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	35,260,825	38,584,763	38,709,763	31,193,860	30,531,039	29,788,038	28,794,446	28,562,566

Recreation – Stadium

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	1,218,716	1,238,035	973,967					
Class 200 - Contracts / Leases	3,027,877	3,050,196	1,389,915					
Class 300/400 - Supplies, Equipment	274,860	290,533	97,417					
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	4,521,453	4,578,764	2,461,299	0	0	0	0	0

exceptional early American sheet music collection. By re-housing and conserving selected items over the next year, the Library will dramatically improve the long-term preservation of this 200,000-piece collection. Because the grant will also pay for cataloging and indexing the conserved items, they will be more accessible to the general public. The Library plans to submit applications for other preservation and digitization grants during FY05 related to its medieval manuscript and humanities collections.

Maximize Financial Resources

- **Managing with Fewer Resources.** In FY04, the state significantly reduced its funding to public libraries, and Philadelphia's State Aid to Public Libraries share fell from $9.4 million in FY03 to $5.9 million in FY04. The FY05 state budget includes a ten percent increase for libraries, far short of a full restoration of the funding cut in FY04. To address the funding shortfall created by the state cut in FY04, the Library implemented a number of cost cutting measures. These included ceasing to purchase most new materials in December 2003 (saving approximately $1.3 million) and deferring the filling of most vacancies.

  The Library is also looking at other ways to reduce expenditures, and/or to use existing staff as effectively as possible for FY05. Several potential efficiencies include:

  - PC Upgrades. Planned for FY05, this is expected to cost 25 percent less (down from $50/month to $30/month for each of 800 PCs for an estimated savings of up to $192,000 in rental costs).

  - Central Library. The Theatre Collection has been merged into the Rare Book Department in anticipation of the Central Library Renovation and Expansion project, with a savings of two staff members, or approximately $70,000.

  - Homebound Services. This department will cease to exist in spring 2004, with services provided by other units and three staff reassigned to other public service units, with an expected savings of $100,000. Many of the current Homebound Services clients are qualified for and will be transferred to the State funded Library for the Blind and Physically Handicapped (LBPH) for library services.

  - Staffing has been reduced by 20 percent in the Processing and Office of Public Service Support divisions.

  - Processing and Collection Development. These two units, currently located in different buildings, are continuing to develop more efficient ways to process orders. They are currently piloting ways to reduce the number of times that order information must be entered into different databases that up until now have been incompatible.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Visits to Library	5,934,080	6,226,316	6,440,990	6,655,650	6,360,000	6,400,000
Items borrowed	6,668,923	7,024,391	7,056,608	7,044,000	6,900,000	6,950,000
Library Hours	111,158	110,772	110,852	114,006	108,665	110,600
Number of Volunteer Hours	85,050	94,493	102,192	102,582	102,500	102,000
World Wide Web Hits	27,404,756	41,960,124	59,996,052	66,388,321	70,000,000	72,000,000
Citizen Survey: Percent Satisfied with Library Services[1]	81.1%	79.1%	76.9%	80%	75%	75%
Citizen Survey: Percent Satisfied with Hours of Operation[1]	77.5%	79.7%	80.6%	80.1%	65%	70%
Citizen Survey: Availability of Recently Released/New Materials[1]	74.6%	75.9%	76.4%	77%	70%	70%
Citizen Survey: Percent Satisfied with Availability of Computers[1]	70.7%	69.7%	74.6%	70.1%	70%	70%

[1] FY04 citizen survey results will likely be lower in several areas because of the impact of reduced State Aid to Public Libraries program (estimated $4 million in FY04), which will result in

- Reduced spending on new library materials.
- Reduced hours of service as the result of emergency closings.

Five-Year Obligations Summary

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	29,833,469	32,796,809	32,796,809	30,293,065	29,764,185	29,372,844	28,566,421	28,326,487
Class 200 - Contracts / Leases	1,612,913	1,585,406	1,585,406	1,352,202	1,352,202	1,352,202	1,352,202	1,352,202
Class 300/400 - Supplies, Equipment	4,419,866	3,899,678	3,899,678	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	35,866,248	38,281,893	38,281,893	35,526,075	34,997,195	34,605,854	33,799,431	33,559,497

Free Library

City of Philadelphia

Five-Year Financial Plan

Department of Licenses and Inspections

Department of Licenses and Inspections

Mission

The mission of the Department of Licenses and Inspections is threefold: to ensure public safety by enforcing the City's code requirements; to regulate businesses through licensures and inspections; and to correct unlawful conditions that pose an imminent threat to the public.

Organizational Objectives & Targeted Initiatives

Stimulate Economic Development through Improved Efficiency and Customer Service

- **Improve Efficiency and Customer Service Through Implementation of Software Solution.** In FY04, the Department began implementation of a new software application that will make possible online application for permits and licenses, automation of the inspection process and related code enforcement activity, and improved customer relationship management. The Department will spend approximately $1 million in FY04 and $2.3 million in FY05 on the new system, which will be fully funded through the Department's fee increases in business privilege licenses, housing licenses, and construction permits. The automated system should allow the Department to eliminate 20 clerical positions through attrition by FY09 and partially replace these positions with five new inspectors, producing a $2 million net benefit to the General Fund over the life of the Plan. As an initial phase, to be completed in May 2004, the Department is reviewing process workflows in every unit of the Department and eliminating redundant or unnecessary steps.

  - *Online Application and Payment for Most Licenses and Permits:* Prior to FY04, the license and permit application process required customers to walk in or mail in payments in the form of a check or money order. In FY03, the Department began migrating some license and permit applications online and as of FY04, all of the Department's Fast Form Permits are available for download at http://www.phila.gov/li/faq/forms.html. By the end of FY05, users will be able to complete applications directly online and pay application fees using either a credit card or through a draw-down escrow account, completely eliminating the need to wait in line and significantly reducing permit and license processing time from weeks to as little as several hours. In addition, because payments are received and processed immediately via the web, the customer will be able to schedule required inspections electronically at the time of the application, rather than waiting for the paper process to be completed. Migrating applications online will increase departmental efficiency by decreasing the time that L&I employees spend performing data entry and increasing their focus on the actual processing of the application.

  - *Implement Online Service Request Tool.* In FY04, the Department implemented an online service request tool for citizens (available on L&I's link at www.phila.gov). Citizens can log onto the website and submit any type of complaint directly to the Department. By entering a service request number, citizens will be able to check whether the complaint has been inspected and its resolution, or if an inspection is pending. By the end of FY05, the Department will enable even greater efficiency by grouping service requests by geographic location and by property. This feature should improve the deployment of inspectors because it will reduce travel time and eliminate situations where more than one inspector visits a property that received multiple complaints.

- *Enable Wireless Communication for Code Enforcement Inspection*. In FY04, the Department piloted a program to allow building inspectors to use portable wireless devices to capture data during their inspections and then download the inspection findings directly to the department database rather than require clerks to key the information in from paper reports. In FY06, the Department plans to give inspectors access to Departmental systems when they are in the field. The Department plans to provide inspectors with a handheld device, which will give the inspectors their daily work assignments and easy access to departmental records, case histories, and violation notice information.

- *Consolidate Bills for Holders of Multiple Licenses.* By FY06, the Department plans to send one license renewal bill for customers who hold multiple licenses. Currently, most licenses are billed on an annual basis and each activity conducted in a business is licensed and billed separately. As a result, some businesses constantly receive license renewal bills, which is an added burden of doing business in Philadelphia for the businesses and increases the workload for L&I. Billing businesses only once a year for all the licenses held will make payment simpler for business and reduce the chance that bills are not paid or are not received.

• **Expand 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 FY04 the Department expects to perform a total of 2,875 accelerated reviews for building permits, electrical permits and zoning reviews. In FY05, the Department will increase the fees charged for the current activity to cover actual costs, and will expand the accelerated service to include sprinkler, ductwork, single-family dwelling, foundation, preliminary, and use permits. The Department anticipates an additional 700 accelerated permit review applications resulting from the program expansion and the FY05 budget includes an additional $542,166 in funding for added overtime that is expected to be used for the program. The inclusion of new permit types and the increase in fees should increase revenues by approximately $1.8 million in FY05, which will cover all costs associated with the program.

• **Expand ticket-writing responsibilities to include permit inspectors**. Currently, only inspectors within the Business and Regulatory Unit of the Department write code violation notices, or tickets. They do so to encourage compliance with one of the various codes that regulate existing structures and business activity, or in response to public nuisance complaints. The Department plans to expand ticket-writing activity to include building, electrical and plumbing permit inspectors, to ensure that permits are correctly posted and that work is not being performed without proper permits in place. If approved, this expansion of responsibilities is expected to increase code violation notice activity by 20 percent and should produce an increase in revenue of $300,000.

Enhance Code Enforcement Efforts

- **Implement fine increases to encourage code compliance and fee increases to cover costs.** As part of the FY05 budget, the Department will propose to City Council three ordinances that will increase fines and fees to provide a stronger incentive for property owners to comply with City codes and to offset the Department's inspection costs.

  - The Department proposes to increase the minimum fine for code violation notices from $25 to $75. Many violators find it easier to simply pay a $25 fine rather than remediate the problem, which is the real goal of the ticket. The Department projects that in FY04, the Housing and Business Compliance Units will write a total of 4,000 tickets and that in FY05, the increased fine will improve compliance and reduce total tickets by 20 percent, while generating $140,000 in additional revenue.

  - Housing inspectors, business compliance inspectors, and commercial and industrial fire unit inspectors spend over half of their time in the field completing reinspections of properties, and often multiple reinspections in instances where the property owner continually fails to remedy a code violation. The ordinance proposes an incremental fine increase for property owners' second and all subsequent reinspections; the second reinspection would cost $75, the third $150 and the fourth and each subsequent reinspection would cost $300. The Department believes that by charging increasing fines for reinspections, property owners will have a greater incentive to pass the inspection the first time, which would free up inspectors to perform other inspections. No new revenues are included in the Plan for this activity.

  - The Administration plans to submit legislation to City Council by the end of FY04 that would update the food license fee charged to food establishments. The inspections conducted for these licenses are extensive and the fee amounts have not been updated since June 1993. At the same time, the Department will propose to consolidate many of the existing nine food licenses, in order to simplify the process for the commercial business operation and department administration. If the fee increase is approved, revenues will increase by $400,000 annually.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Original Projection	FY04 Current Projection	FY05 Projection
Permits Issued	32,965	32,172	31,108	31,480	31,800	32,150
Housing and Fire Inspections[1]	N/A	N/A	N/A	120,000	135,000	100,000
Licenses Issued	116,332	119,787	116,473	126,000	126,000	126,500
Business Compliance Inspections	40,366	49,101	41,690	45,000	45,000	45,700
Code Violation Notices/Tickets Issued [2]	1,996	2,091	2,507	2,100	2,600	2,080
Clean and Seals – Buildings Treated	1,693	1,769	1,475	1,800	1,800	1,800
Clean and Seals – Lots Treated by L&I [3]	2,256	1,080	792	750	520	251
Percentage of survey respondents satisfied with L&I services	50.0%	41.3%	42%	46%	46%	50%

[1] Housing and Fire Inspections: In the second half of FY04, the Department modified its methods for counting housing and fire inspections, making the counts more precise and making comparisons to earlier years misleading. FY05 will be the first full year with the modified counts.
[2] Code Violation Notices/Tickets Issued: CVN fine increases are expected to increase compliance rates and reduce the number of tickets written.
[3] Clean and Seals – Lots Cleaned: The Department cleans lots when they are adjacent to properties recently demolished or "cleaned and sealed". These activities are counted separately from the Managing Director's Office/NTI lot cleaning program (see chapter on NTI and Blight Elimination for more information). Until the middle of FY04, work performed as part of a first offender program supplemented the Department's lot cleaning work. This program recently folded and the projected number of vacant lots cleaned is expected to decrease.

Five-Year Obligations Summaries

Licenses and Inspections

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	17,319,634	17,440,379	17,980,379	17,425,427	17,145,293	16,380,168	15,795,225	15,492,278
Class 200 - Contracts / Leases	933,429	5,985,785	5,985,785	3,256,034	3,256,034	3,256,034	3,256,034	3,256,034
Class 300/400 - Supplies, Equipment	584,357	768,698	598,198	768,698	598,198	598,198	598,198	598,198
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	3,000,000	0	0					
Class 900 - Advances / Misc. Payments								
Total	21,837,420	24,194,862	24,564,362	21,450,159	20,999,525	20,234,400	19,649,457	19,346,510

Licenses and Inspections – Demolitions

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	1,969,116	0	0	0	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	1,969,116	0	0	0	8,000,000	8,000,000	8,000,000	8,000,000

City of Philadelphia

Five-Year Financial Plan

• • • • •

Mayor's Office
of
Information Services

Mayor's Office of Information Services

Mission

The mission of the Mayor’s Office of Information Services is to optimize, coordinate and deploy City information technology resources to support effective delivery of public services.

Organizational Objectives and Targeted Initiatives

Provide Innovative Technology Solutions to Enhance the City’s Provision of Services

- **Implement e-government transactional applications.** The City’s portal will increasingly provide residents and businesses with the ability to conduct transactions on-line through a number of initiatives. The automation projects of the Department of Licenses and Inspections will build on the successful introduction in FY03 of on-line business privilege license applications by creating the ability to apply for building permits and licenses on-line (these projects are discussed in further detail in the Licenses and Inspections chapter). The Mayor’s Office of Information Services (MOIS) will implement electronic bill payment and presentment (eBPP) software and services by the end of FY04, enabling payment of taxes, permit and license fees, and records fees over the internet. Once the eBPP system is installed, the Department of Licenses and Inspections and the Revenue Department are expected to provide on-line payment capability by the end of FY04, with the Police and Records departments to follow in FY05. This project is partially funded by a Productivity Bank loan of $205,550.

Establish a Reliable and Efficient Technical Infrastructure to Support City Operations

- **Complete the Unified Land Records System and Update GIS data.** The City of Philadelphia has a very robust Geographic Information Systems (GIS) program. However, City departments continue to have multiple independent databases with data records that are based on street addresses. Due to inconsistent approaches to addresses and account numbers – approaches that evolved to meet each department’s individual needs – these address-based databases often conflict with one another. In addition, the existing GIS system is based on data captured for the City in 1996. MOIS is managing two projects that will solve these drawbacks. The Unified Land Records System project will resolve the multiple databases into one citywide database by linking the City’s geographic information system (GIS) to an accurate and up-to-date parcel map developed from the property registry maps maintained by the Department of Records. This project is currently in the third of four phases. Phase III of the project, which will be completed by the end of FY04, includes development of a standardized address management system and a unification model for land record databases. The final phase of this project includes development of the core ULRS search and display applications to provide access to all City departments via the City’s LAN or Intranet/Internet. This phase will be completed by FY05. The total project cost of ULRS is estimated to be $1.7 million, which is being paid out of Neighborhood Transformation Initiative funds.

  The second project managed by MOIS is updating the data on which the City’s GIS is based. GIS is built from digitized aerial photography, spatial data on both natural and man-made physical features, and topographic data on land elevation. New photography will be taken in the spring of 2004 and all the spatial data will be updated by mid-FY05, using an FY04 capital budget allocation of $800,000. The photography will be updated every other year at a cost of $540,000 in capital funding. In a related project, the city will be acquiring detailed oblique aerial photography for the entire city from a leading vendor in the field. Numerous departments are interested in the additional photographic detail that this photography can provide to assist in field inspections, public safety, and property assessments. The initial cost for this photography was $100,000 and it will be updated annually for an additional cost of $100,000 per year to be shared by Streets, Police, Licenses & Inspections, Board of Revision of Taxes, the Water Department, Commerce, and the airport.

- **Develop enterprise architecture standards and data framework.** The City has numerous information technology systems and applications that were developed in an ad hoc and uncoordinated manner. Many of the applications and systems that support the City's core business processes are aging and approaching obsolescence. A clearly articulated enterprise architecture provides the framework to develop and implement new and replacement applications in a more coordinated manner, enabling the city to concentrate its efforts on fewer distinct hardware and software solutions. In addition, a well-designed architecture will establish a common data framework that will optimize data sharing and minimize data redundancy.

  The City has taken an important first step in this regard in deciding to use the Oracle 11i Enterprise Business Suite to replace the Water Revenue Bureau's billing application (Project Ocean). In the future this application suite will be used to replace other business applications including those supporting Personnel, Procurement and Finance.

  In the next year, MOIS will continue its effort to complete a comprehensive assessment of all of the City's business applications in order to further develop the appropriate architecture standards necessary to guide investment in enterprise application replacement and development.

- **Prepare a new Business Information Continuity and Recovery Plan for City 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 to 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. In FY05, MOIS will conduct a risk analysis to identify current gaps in providing a secure and safe operating environment in the event of a disaster. MOIS will then create recovery and emergency response strategies for key functions in 10 to 15 departments. In FY06, MOIS will prepare a Master IT Continuity Plan and develop the infrastructure and system capacity to provide on-going computer operations to these key City departments following a disaster. These activities will cost $1.5 million in capital funding, $500,000 of which is for hardware and software.

- **Pursue a pilot project for wireless network development.** MOIS is proposing a demonstration project to create a free wireless hotspot in JFK Plaza - also better known as

Love Park. This would complement the more than 42 existing commercial wireless hotspots in the city located at hotels, coffee shops, bookstores and public places like the airport and the Convention Center. Fostering the development of a broader wireless environment for Philadelphia will enhance the city's appeal to workers, businesses and visitors and complement the city's other economic development efforts. Through this demonstration project, MOIS will be looking for private sector partners to further develop wireless accessibility for Center City and in other locations throughout the City.

The cost to implement the hotspot within 60 days will be approximately $75,000 for a turnkey solution that includes all technology components and installation, one year of maintenance, support, and T1 Internet connection, and small marketing program. Ongoing costs after the first year would be approximately $30K - $35K annually.

Improve Coordination and Efficiency of Information Technology through Centralization

- **Centralize enterprise services.** Over the years the City's IT infrastructure has evolved in a way that reflects the City's historically department-based approach to City operations. That approach has proven to be expensive and inefficient. MOIS is planning to consolidate network and server administration, desktop support, and helpdesk service, and estimates that the City can save from $2 million to $4 million annually after all consolidation efforts are complete.

  Server and Network Consolidation

  The first initiative will be the centralization of the City's servers and the network management that supports them. Departments procure, maintain and operate servers to support individual departmental applications. As a result, the City's server environment has many different configurations using various hardware and software. Overall a centralized managed approach could reduce the complexity of the city's IT environment, improve departmental inter-operability, reduce software licensing costs, provide more reliable service and increase staff skill to maintain these critical IT assets. Phase one of server consolidation is to centralize the management of email at MOIS. The City's email system is supported by 34 servers located at MOIS and elsewhere throughout the city. The goal is to replace these 34 servers with 4 servers in two separate locations – 1234 Market Street and Municipal Services Building. An email centralization plan is being developed with consultant assistance. This planning phase began in March 2004 and will be completed by June 2004 at an estimated cost of $50,000. The plan will outline a detailed implementation schedule to accomplish the email server consolidation over a 12-month period beginning in July 2004.

  The second phase of server consolidation is to centralize the management of the remaining servers that are located throughout city government to support applications and that are managed by the departments where they are located. Currently, the city's server environment has many different configurations of hardware and software. Best practices suggest that the city can achieve savings through economies of scale by consolidating the deployment and management of servers, and can better manage and respond to network security risks.
  A detailed and comprehensive consolidation plan will be prepared starting in July 2004. It will take three months to complete and will need consultant support at an estimated cost of

$300,000. Departmental participation will be essential to the development of this implementation plan. This phase would take 18-24 months to complete.

Server consolidation will require some initial investment, but will reduce costs and generate savings in the long run. MOIS is proposing to fund server consolidation through an approach where the city partners with a vendor who will fund the initial costs of consolidation and will be compensated for those costs out of actual savings achieved after consolidation. MOIS will seek expressions of interest from competent vendors interested in this approach. A decision on whether to pursue this avenue will be made in July 2004.

HelpDesk Consolidation

The City in FY05 will consolidate HelpDesk support at MOIS. Although the City already has a central helpdesk in place at MOIS, multiple duplicate helpdesk environments exist in departments. Helpdesk support is currently provided through a number of channels, at a number of different levels, varying from simple recording and tracking of problems to analyzing and resolving issues. Basic helpdesk support should be consolidated at MOIS, providing economies of scale, longer hours of helpdesk support and better user support. Support for departmental applications, however, will continue to be provided by individual departments. To achieve cost savings through consolidation it will be necessary to ensure that all departments participate.

MOIS will prepare a HelpDesk consolidation strategy and implementation plan. This planning will begin in April 2004 and will be completed by July 2004. A consultant will assist in its preparation at an estimated cost of from $100,000 – 150,000. The plan will examine how HelpDesk support is provided throughout the City, focusing on those departments that have internal HelpDesks and also reviewing the HelpDesk needs of all city departments and agencies. The plan will design a new HelpDesk environment and recommend a phasing and implementation plan. Service Level Agreements (SLA) will be established, and will include a staffing plan. HelpDesk consolidation will begin in July 2004 and take 12 months to complete.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projected	FY05 Projected
Number of Help Desk/Operational Support Center phone calls	34,468	34,091	27,859	29,000	25,000	26,000
Number of Calls Resolved Immediately	N/A	833	3,560	3,000	4,000	3,000
Number of Trouble Tickets Created	10,334	7,684	12,029	11,750	11,750	15,500
Percent of Trouble Tickets Closed Within 5 Days [1]	N/A	67%	99%	94%	60%	65%
Number of Service Project Requests	1,862	2,845	2,040	3,500	2,500	2,500
Percent of Service Project Request Closed within 10 days	N/A	48%	55%	86%	80%	84%
Number of PC Users	17,000	17,125	17,300	17,500	17,500	18,000
Number of e-Mail Users	13,500	13,715	11,622	11,054	13,684	12,525
Number of Outage Hours Across Departments	3,297	5,339	1,937	2,000	2,100	2,300
Number of System Outages	495	582	578	750	400	450

[1] Percent of Trouble Tickets Closed within 5 Days. The high number of destructive viruses circulated during FY04 has disrupted operations and required MOIS to divert staff from closing trouble tickets towards virus-related recovery and prevention efforts.

Five-Year Obligations Summary

Mayor's Office of Information Services

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	7,418,050	7,585,144	7,042,965	6,265,767	6,048,155	5,967,501	5,701,352	5,527,312
Class 200 - Contracts / Leases	5,079,357	5,081,562	5,361,026	4,750,853	4,750,853	4,750,853	4,750,853	4,750,853
Class 300/400 - Supplies, Equipment	249,531	199,875	174,875	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	93,614	93,614	0	0	0	0	0
Class 900 - Advances / Misc. Payments								
Total	12,840,552	12,960,195	12,672,480	11,179,254	10,961,642	10,880,988	10,614,839	10,440,799

City of Philadelphia

Five-Year Financial Plan

• • • • •

Police Department

Police Department

Mission

The mission of the Police Department is to enhance the quality of life for all Philadelphians by reducing the fear and incidence of crime, enforcing the law, and maintaining public order.

Organizational Objectives and Targeted Initiatives

Reduce the Incidence and Fear of Crime

- **Improve the quality of life in Philadelphia's communities - Operation Safe Streets.** Now in its second year, Operation Safe Streets has continued to impact crime through aggressive patrolling of drug plagued areas and deploying techniques including stationary posts, foot patrols, high profile bike and auto patrols, surveillance/arrests, buy/bust and reverse sting operations. The Department has also implemented new initiatives targeted at indoor drug sales, such as mass execution of search warrants and the implementation of the Gun Recovery Reward Information Program (GRRIP) (discussed later). Results from this campaign have produced considerable tangible results. Comparing the period prior to Safe Street's implementation, July 1, 2001 through December 31, 2001, to the same period in FY03 illustrates the following successes: an increase of 119 percent in the total street value of drugs confiscated; an increase of 26 percent in the number of search warrants served; a 28 percent increase in gun confiscations, and a 110 percent increase in the amount of money confiscated. A comparison of the pre-Safe Street period to the same period in FY04 illustrates similar results: an increase of 106 percent in the total street value of drugs confiscated; an increase of 51 percent in the number of search warrants served; a 78 percent increase in gun confiscations, and a 61 percent increase in the amount of money confiscated. (These percentages are based on statistics provided by the Police Narcotics Bureau and do not include activity produced by outside narcotics task forces.)

  In order to provide additional resources to further support Safe Streets activity, particularly around schools, the Department will shift $10 million in FY05 from off-street administrative expenses to on-street activities. Currently, about 87 percent of the police force serves in on-street bureaus. The Department of Justice reports that for the ten largest cities, the average percent of uniformed officers in on-street bureaus is 92 percent. In FY05, the Police Department will begin redeploying officers performing administrative functions to ensure at least 90 percent of all uniformed officers are in on-street bureaus. This $10 million shift of resources into the field will occur each year during the life of the Plan, for a total of $50 million. Also, the Department will decrease expenditures without affecting public safety by reducing overtime expenditures related to special events and court cases by $2 million and transferring officers assigned to the mounted unit to bicycle patrol duties, saving over $400,000 annually.

- **Reduce the Number of Illegal Handguns on Philadelphia Streets.** In the City of Philadelphia, 31 percent of all violent crimes are committed with guns. As a response to the large number of firearms, the City implemented the GRIPP Program in July 2003. The

GRRIP program 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. Philadelphia is the only city with a similar program that provides cash rewards. 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 July 2003 through February 2004, $14,500 in awards has been authorized, and the Department has received 318 phone calls resulting in the confiscation of 66 firearms, an increase of 51 percent when compared to the same time period in 2002, 10 vehicles, $29,062 in cash, and the confiscation of over $126,000 in drugs. The Gun Recovery Reward Information Program is expected to continue to reduce the number of illegal guns present in the city.

- **Anti-terrorism response preparation.** The Counter Terrorism Bureau was established in the spring of 2002 in response to the 9/11 tragedy in New York City and Washington D.C. The mission of the bureau is to prevent possible terrorist incidents through increased vigilance and pro-active investigations and to establish the readiness to respond to terrorist incidents with specialized equipment and specially trained police officers, in coordination with other agencies/municipalities. To accomplish these goals, the Counter Terrorism Bureau is comprised of two sections, the Counter Terrorism Division and the Domestic Preparedness Division. The Counter Terrorism Division, comprised of 80 officers, is responsible for acquiring specialized equipment, training police and civilian personnel and maintaining liaisons with other agencies/municipalities.

  During 2003, the Domestic Preparedness Division made tremendous progress in accomplishing its mission by completing the training and equipping of 200 Major Incident Responders. These Police volunteers are capable of responding to and working in the "Warm Zone" of a HAZMAT or Weapons of Mass Destruction incident. An additional 500 officers will be trained and equipped in FY05.

  In addition, members of the Counter Terrorism Division provide training to the City's four surrounding counties (Bucks, Montgomery, Delaware, and Chester) to train and equip teams for their communities. A community outreach program sends representatives to business and civilian communities to provide instruction in domestic preparedness issues. Since the inception of this program, over 6,500 corporate and community leaders have received training.

  The Bureau has directed federal and state Homeland Security funds to special units such as the Bomb Squad and SWAT for the purchase of special equipment that will increase their response capabilities to Terrorist Incidents. Examples of the equipment include $40,000 worth of gas masks, over $100,000 worth of voice amplifiers and hoods, $31,000 in coveralls and protective boots, and $27,000 in undercover vehicles.

Enhance the Quality of Life for Philadelphians Through Greater Emphasis on Non-Violent Offenses

- **Enforce Noise Ordinance with Hand Held Sound Meters**. Previously, the Health Department was responsible for enforcing Philadelphia's Noise Ordinance. A recent ordinance passed in City Council authorized the Police Department to co-enforce this ordinance with the Health Department. The Police Department plans to use hand-held sound meters to aggressively monitor residential noise levels and assist the Health Department with commercial establishments. In FY04, police officers in each of the 23 patrol districts will be trained in the use of hand-held sound meters. Police officers will be instructed to first attempt to abate the noise through mediation. Should that approach not work, a supervisor would be called to determine whether or not to assign the Squad Noise Officer. If this individual is called, he or she would take readings from the sound meter at the location of the complaint and issue any necessary citations. A Local Law Enforcement Block Grant has been obtained to fund this program. The Department anticipates implementing the program citywide by the spring of 2004. The Department believes that better enforcement of residential noise pollution will increase the quality of life for city residents.

Respond Effectively to Incidence of Crime and Identify, Apprehend, and Assist in the Prosecution of Criminal Offenders

- **Develop Police Integrated Information Network (PIIN).** To comply with a 1996 consent decree, the Police Department has been developing a Police Integrated Information Network (PIIN), more commonly known as a Records Management System (RMS). The consent decree directed the Police Department to acquire an RMS that would enable easier access to Departmental records on investigations and officer conduct, while also tracking statistical data and generating reports. The completed system, which was funded by an $8.5 million Productivity Bank loan in FY00, will consist 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 Internal Affairs Bureau. This system will support the Department's efforts to reduce crime through a more efficient deployment of officers and to maintain a principled police force that upholds the highest standard of conduct. The $1.2 million IAB system is currently being tested by the Department and should be fully implemented by April 2004.

  Following adoption of the IAB system, the Department will pilot the Incident Reporting System in the South Police Division. The pilot will run through the summer 2004, with the remainder of the Department being added incrementally beginning in the fall of 2004 and extending over the next 18 months.

- **Complete CODIS Certification.** The primary goal of the new Philadelphia Police Forensic Science Laboratory is to meet accreditation guidelines established by the American Society of Crime Laboratory Directors (ASCLD) in order to participate in the Combined DNA Indexing System (CODIS). Utilization of the CODIS system, which stores DNA data on a national level, will enable the Police Department to extend its investigative capabilities from the metropolitan area to the state and national levels.

In order to enter DNA profiles into CODIS, the Department's laboratory division must be certified by both the state and an independent group of auditors. The external audit will ensure that the laboratory is operating within the DNA Advisory Board Quality Assurance Standards for Forensic DNA Testing Laboratories. The state performed a lab inspection in December 2003 and an independent audit is pending. The Department expects to complete the independent audit by the end of this fiscal year.

- **Computer Aided Dispatching.** The Police Department together with the Departments of Public Property and Fire have completed the design of a new Computer Aided Dispatch system (CAD). 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 can not 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 will also enable the Police and Fire Departments to share and have access much more information. Implementation of the project is anticipated to begin in May 2004. The $4.4 million capital project will be completed by the end of 2005.

Reduce Crime in Schools by Contributing to a Safe School Environment

- **Reorganize the Department's School Liaison Structure.** The Department's school liaison structure was reorganized in September 2002, placing the responsibility of the Philadelphia Public Schools under the command of the District Captains. Administrative Task Forces, consisting of administrative, tactical and line squad personnel within each district, were established to be physically present at cover public school dismissals where required, particularly schools with a history of disturbances and fights. Officers are deployed during early morning hours to patrol key locations around the schools, with considerable emphasis placed on apprehending truants. Funding for this detail is provided through the Local Law Enforcement Block Grant, a quality of life grant dedicated for truancy enforcement. Block Grant VII, in the amount of $70,000 extends until 10/31/04, when it will be continued by Block Grant VIII for $110,000, expiring on 12/2/2005. Block Grant IX is anticipated to commence by the fall of 2005.

- **Increased Anti-Drug Education.** Of the 19,500 people arrested in 2003 for narcotics violations, 13 percent were juveniles. The Department has recognized the need for more community outreach drug education and in the coming year plans to continue to address juveniles and their families in drug abuse education. In FY04, the Department enhanced its anti-drug and anti-gang education programs with an expanded and restructured version. The Drug Awareness and Resistance Education (DARE) program, which informs parents attending parent/teacher meetings on how to identify drug abuse, was expanded from an elementary school education program to include both high school age students and parents.

The DARE program was also streamlined from 13 weeks to 10 in 2003, enabling officers to reach 17,000 children in 170 elementary and high schools (2000 in high schools alone) as compared to 12,000 in 110 schools last year.

The Gang Resistance Education and Training (GREAT) program, founded in 1994, was adjusted from a 10-week program to a 13-week family-focused program based on studies by the University of Nebraska. The GREAT Family Program, launched in March 2004, stresses parental involvement in keeping children off drugs. The family program is based in neighborhoods targeted by the federally funded Weed and Seed program – a program whose purpose is to weed out problems in a neighborhood and seed the area with positive after-school programs. Comprised of six sessions attended by both parents and children, this educational program provides parents with information and tools to help prevent their children from engaging in delinquent behavior.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Number of Homicides[1]	299	318	308	316	338	321
Avg. No. of Police in On-Street Bureaus	6070	5986	5898	5650	5811	5968
Percent of Police in On-Street Bureaus	87.7%	87.4%	87.0%	87.0%	86.6%	87.0%
Priority Response Time (in min: sec)	06:11	06:07	06:15	06:13	06:21	06:20
Number of Abandoned Vehicles Towed	53,033	53,813	38,810	37,500	30,974	31,000
Number of Recovered Stolen Vehicles	14,175	13,306	11,797	12,500	12,390	12,500
Number of Arrests	77,515	77,701	66,083	67,000	66,991	67,000
Major Crime Statistics	95,170	90,149	80,998	80,591	82,390	81,870
% Satisfied with police protection	58.7%	64.7%	61.1%	65%	65%	67%
% Reporting police visibly patrol my neighborhood	60.2%	69.0%	65.2%	67%	67%	69%

[1] Number of Homicides: National trends illustrate homicides are rising in the nation's larger cities.

Five-Year Obligations Summary

Police

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	474,030,176	468,105,412	478,536,236	463,966,292	464,258,000	466,323,041	465,197,128	465,031,880
Class 200 - Contracts / Leases	7,824,948	7,259,012	7,489,046	7,425,445	7,425,445	7,425,445	7,425,445	7,425,445
Class 300/400 - Supplies, Equipment	7,270,209	7,634,765	7,634,765	7,584,765	7,584,765	7,584,765	7,584,765	7,584,765
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	2,196,056	2,196,056	2,196,056	2,196,056	275,653	123,841	0	0
Class 900 - Advances / Misc. Payments								
Total	491,321,389	485,195,245	495,856,103	481,172,558	479,543,863	481,457,092	480,207,338	480,042,090

City of Philadelphia
Five-Year Financial Plan

• • • • •

Department of Streets

Department of Streets

Mission

The mission of the Department of Streets is to provide clean and safe streets.

Organizational Objectives and Targeted Initiatives

Continue to Improve the Condition of Roadways, Bridges and Highways in a Cost Effective Manner

- **Right-of-Way 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. Some of the major problems caused by this lack of an updated policy have been excessive utility excavations, inefficient utility coordination, diminishing underground capacity, street life degradation, lengthy work processes and lost revenue. 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 Right-of-Way 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. It will be introduced to City Council in the fall 2004.

- **Update fees to better recover cost of services.** The Department is continuing to take steps to ensure that charges for its services better reflect its costs. The City began revamping its cost reimbursement structure in July 2003 by increasing property survey charges. During the first half of FY04, the price increases, coupled with new technology that improved productivity, increased outside revenue by $232,070. In addition to the property survey increases, the Department implemented increased ditch fee charges. The Department issues permits for excavation of City streets for repair of sewer, water and other underground services, commonly referred to as Plumbers' Ditches. In FY04, the Department increased the ditch permit fee from $140 for a two-square-yard opening to $400 for a two-square-yard opening. The revised rates cover the increased cost of materials and labor associated with the inspection and restoration of the excavations and would mark the first increase since 1977. The increase is projected to provide approximately $305,000 additional revenue per year.

- **Expand use of Guaranteed Pavement Information System (GPIS).** In March of 2003, the Streets Department implemented an electronic street opening permit system called Guaranteed Pavement Information System (GPIS). GPIS is a web-based permitting system that incorporates both database and geographic information system technology in order to identify potential scheduling conflicts well in advance of construction, thereby improving the coordination of street openings for utility work with street maintenance, parades, and special events. The mapping tool, which cost $750,000 to develop, has accelerated the street opening permitting process from 12 weeks to 2 weeks. Through February 2004 the electronic permitting system identified 400 conflicts between utility/telecom conduit installations and planned street maintenance, preventing the unnecessary excavations of newly resurfaced streets and thereby extending the service life of newly rehabilitated roadways. If the Right-of-Way Ordinance is passed, GPIS will also be used to calculate street opening permit fees and street life recovery fees.

Improve Traffic Control

- **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 Philadelphia to pilot a program utilizing red light traffic signal camera enforcement. The law specifically assigned the program to the Philadelphia Parking Authority and required the passage of a City ordinance and an agreement between the City and the Parking Authority. The Streets Department is partnering with the Parking Authority 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. Cameras at these intersections will photograph the license plate of vehicles that enter the intersection during a red light. The photos will include the elapsed time of the red signal indication. The violation will be confirmed first by technicians and then by a Police Officer, who will issue the ticket. The Parking Authority will acquire the cameras and coordinate with the Department to establish connections between the cameras and the traffic signal controllers. The Department plans to have ten cameras in place by the close of FY04. The costs of the program are minimal to the City and will be reimbursed by the Parking Authority. Any revenue earned over cost will be directed to the Commonwealth. 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, which have contributed to the reduced number of accidents in other cities.

Divert the Maximum Amount of Materials from Disposal by Providing Environmental Leadership and Education

- **Test "Single Stream Recycling."** The Streets Department's Recycling Office is preparing to pilot the "single stream" approach to collecting and processing residential recyclables. The six-month pilot is slated to begin in the early summer of 2004. If the pilot is successful, the department will determine the feasibility of formally introducing the system on a wider scale for FY06 and beyond. The City's recycling trucks currently have two separate compartments, one for paper and one for cans and bottles. In a single stream system, "packer" trucks would replace the compartmentalized trucks now in use. Packer trucks have the ability to compress up to 14 tons of mixed recyclables while even the largest non-compacting recycling vehicle has only a 4.5-ton capacity. The City currently has enough packer trucks, which cost 30 percent more than recycling trucks currently in use, to conduct the pilot, but would need to obtain more for full expansion of the program. The pilot is expected to produce operating savings of $9,000, which will offset the $7,000 cost of an outreach and awareness campaign. A consulting firm has been engaged to design the pilot study, analyze data and evaluate the potential costs and savings of expanding the program citywide. The intent of the pilot study is to determine whether using packer trucks will increase recycling route efficiency and waste diversion by servicing more homes per route with fewer vehicles and crews, and to test the market value of the collected material after compaction. The City currently enjoys a favorable rate of return of roughly $20 per ton on the sale of recyclable materials, without including the costs of collection. The pilot should identify whether operational savings from single stream collection are great enough to offset some revenue losses from recyclable material sales due to reduced material quality. Based on single stream recycling collection results achieved in the Midwest and West Coast, the Department could generate net savings of 15 to 35 percent, or $1.2 million to $2.5 million, in collection costs compared to current "dual stream" operations, while forgoing some of the current $900,000 in revenue due to reduced material quality.

- **Encourage recycling and anti-litter awareness through education.** The Streets Department began the first of a series of multi-media recycling advertising campaigns in FY02, creating a consistent recycling brand image through the use of television, print, and radio ads. The combination of these efforts resulted in a reversal of a four-year decline in recycling participation and tons collected for a total of 45,600 tons. In addition, the diversion rate, which is the percent of material that is diverted from entering the waste stream, reached 6.4 percent, the highest number since 1998.

  During the next four years, the Department intends to continue aggressively educating residents about recycling and litter, tailoring messages to specific demographic groups and neighborhoods. In FY04, for example, the recycling office teamed up with Keep Philadelphia Beautiful and the Mayor's Neighborhood Transformation Initiative team to launch the recycling/anti-litter radio and print campaign. The campaign, which is airing on most major radio stations from November 2003 through April 2004, features an original jingle, "Can, Can" based on the Pointer Sisters song "Yes we Can, Can." The team also placed ads in all the major community newspapers in the city and selected strategically placed billboards and bus routes to post the message. While it is difficult to accurately measure the impact of the ads at this time, informal survey results suggest that seven out of ten people who live in the city have heard or seen the message. In FY04, the Streets Department worked with Keep Philadelphia Beautiful to gather data for the City's litter index, an assessment of the amount of litter found in different city neighborhoods. When the first litter index was completed in FY02, the average score was a 3.0 out of 4.0 (1.0 represents "no litter" and 4.0 "extremely littered"). When the study was re-done in FY04 following marketing and education efforts, the citywide average was 2.5. The goal of the anti-litter team is to use state grant funding of $250,000 in FY05 to continue the awareness campaign and further improve the litter index rating to 2.0. The Department also has a goal of reaching double-digit diversion in recycling over the next five years.

Improve Productivity and Responsiveness

- **Expand Community Project Notification System.** In FY04, the Department tested a community notification system called SwiftReach, also known as "reverse 911." The

SwiftReach system is used to make phone calls alerting community members of events and service changes in their area. The system uses predefined phone lists and mapping technology to identify community members who will be impacted by the events or services changes. Prior to the implementation of this system, direct communication with the community required direct mailings or the hand-delivery of information by Streets Department employees. In most cases, the cost and time constraints were prohibitive, and the Department had to rely on broadcast communications, such as news releases via the mass or community media, which are less expensive, but very imprecise. While the Department continues to utilize such traditional low-cost means of communications in addition to the SwiftReach system, this system is targeted, accurate, and extremely timely.

The Department used the SwiftReach system 18 times in 2003, reaching over 145,000 households. Messages included notifying residents of changes in rubbish and recycling collection for Hurricane Isabel and advising residents of the emergency closure of the Bells Mill Road Bridge. The system could be utilized by a number of City departments to communicate information from street closings and cleaning schedules to missing child notifications. Due to tremendous positive feedback from both citizens and the media, the Department plans to use the tool on a regular basis, at a projected combined cost of $49,375 for FY04 and FY05. The number of calls actually made will determine the final cost to the Department.

- **Pilot Automatic Vehicle Locator (AVL) System.** In January of 2004, the Streets Department implemented a pilot to test Automatic Vehicle Locator and equipment sensing technology for use with Highways and Sanitation operations. The total cost of the program is $87,000 to pilot 50 trucks. The City currently tracks salt usage for snow and ice operations manually. Drivers track and report their location, which is especially difficult during snow emergencies. During these emergencies there are frequent citizen complaints that their areas were not plowed. Continuous knowledge of vehicle location and status will provide a higher degree of certainty and accountability, especially during snow events and other critical operations. Automated, real time reporting will enable the Department to respond quickly to changing conditions, and to provide a higher level of service to City residents. Electronically monitoring salt usage will also serve to help the Department track the impact of salt on the environment, by monitoring and adjusting the salt spread in real time as conditions warrant.

  Under this program, Highway Division trucks will have modern features such as Global Positioning Software tracking equipment, and ground level air temperature, salt spread-rate, and plow position sensors. The data provided by the trucks will help with the Department's development of strategies for fighting winter storms. For example, ground level air temperature is a key factor in knowing how much salt is needed. The system vendor will provide all communications, sensors, and GPS devices, and will host the application on its website. Department supervisory personnel will be able to view the location of vehicles, monitor the progress of operations, and respond more quickly to changing conditions. The vendor will also provide the data in a format that can be displayed on the City's existing GIS spatial data system. If the system is fully implemented throughout the snow-fighting fleet, the Department projects that it could reduce salt usage by 10 percent, or 5,000 tons, which could generate savings of $150,000 annually.

- **Departmental review of refuse set-out limits.** The current legal set-out limit for refuse, as defined in the 1999 Regulations Governing Municipal Collections, is 240 pounds. The Department is currently studying the feasibility, costs, and benefits of reducing the legal limit per collection week per eligible premises. The average household setout is approximately 45 pounds per week, well under the current 240-pound limit. Therefore, the impact from reducing this standard would be minimal in residential neighborhoods. The effects of a reduced setout limit would fall largely on the business community and on some multi-family dwellings. With disposal costs rising, the City stands to realize substantial savings with little or no effect on single-family dwellings, typical neighborhood duplex and triplex buildings, and small neighborhood stores. The Department is currently exploring the possibility of reducing the set-out limit and enforcing the limits more strictly.

- **Standardize trash collection schedules.** The Department has developed a plan to revamp the collection system in order to offer fair and uniform services throughout the city. In March 2004, the City eliminated nighttime rubbish collection. The Streets Department initially provided this service in Center City to approximately 11,000 residents in an effort to avoid disturbing traffic on the busy streets. However, with the growth of hotels, restaurants and renewed commercial and leisure attractions, the City experiences vehicular and pedestrian traffic throughout the evening hours, to the extent that the Department determined that vehicular traffic is currently lighter in the morning – when private waste haulers typically collect Center City trash – than during the evening. In addition, City studies show that over 50 percent of households previously set out their curbside trash for collection well before the 4:00 PM legal setout time. This early set out causes considerable volumes of refuse to pile on Center City sidewalks throughout the day, creating litter, odors, and easy targets to stray animals. In order to address these issues the Streets Department has switched to morning collections in these areas. The altered schedule will help the City realize in excess of $300,000 in savings by eliminating the need for a separate night shift, while also modernizing the refuse collection system to function within a renewed and vibrant Center City Philadelphia. The Department will revamp scheduling and routing throughout the city in FY05, saving the City another $300,000 annually when fully implemented.

- **Proposed increase for disposal costs.** The Streets Department is tackling several significant issues in the future of the City's sanitation costs, including the expiration of the current disposal contracts and a proposed increase in the Growing Greener tipping fee on the disposal of trash in state landfills. The City is currently in the second of three one-year options in its two disposal contracts, with the last option expiring on June 30, 2005. The City is developing a strategy to ensure that it continues to get the best tipping fee rates possible. Both of the City's existing disposal contracts include language protecting the City from tipping fee increases by imposing a cap that limits the City's exposure to cost increases from changes in law to five percent per year. This language served to protect the City from the tipping fee increase introduced in 2002, however, the City is still involved in an ongoing dispute with its vendors over the application of the cap for that increase. If the vendors are successful in this dispute the City will be liable for approximately $900,000 in back charges to both vendors, as well as any future costs incurred.

The budget proposed by Governor Rendell on February 3rd called for an additional tipping fee of $5 per ton on trash disposed of in state landfills, which would have more than doubled the current fee of $4. This fee would have cost the City from $2.5 million to $3.5 million per year in General Fund costs, beginning in FY05. The original $4 per ton fee would also have been broadened to cover refuse material not previously subject to the fee, including construction and demolition materials and residual waste. The fee would have partially covered the costs of a bond to support the Governor's "Growing Greener" initiative.

The State legislature adjourned for the summer (2004) without taking action on the proposed Growing Greener II fee and bond issue. The State does, however, plan to form a "Green Ribbon Commission" during the fall of 2004 to make recommendations about how to establish a growing greener II program. Based on the results of that commissions' work, a question would placed on the ballot in the 2005 primary election. Based on the results of that ballot question, any new fees could be imposed as early as the beginning of FY06.

In anticipation of the Green Ribbon Commission's work, the City intends to advocate for several changes related to the Growing Greener II proposal, including the elimination of the tipping fee increase. If the fee increase must be passed, the City believes that the guidelines for the original $2 per ton recycling fee imposed under Act 101 of 1988 should be revised. The proceeds from that fee should be dedicated completely to recycling programs, and municipalities should be given more flexibility to use Act 101 funds for a wider range of program costs, including direct operations. Further, Act 101 funds should also be distributed more fairly, so that Philadelphia's allocation is more consistent with its recycling tonnage, rather than being subject to an arbitrary cap. As a final compromise, the Commonwealth could grandfather all existing waste disposal contracts with change-in-law cap provisions, even if the cap is set below the level of the proposed tipping fee increase.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Original Projection	FY04 Current Projection	FY05 Projected
Street Resurfacing by City Crews (Sq. yards)	2,329,978	1,780,912	1,616,842	1,800,000	1,800,000	1,800,000
Potholes -						
Number Repaired	24,314	11,593	24,182	25,000	25,000	25,000
Response Time-Peak (days) Feb, March, Apr	3.2	3.7	4.0	4.0	4.0	4.0
Response Time-Off Peak (days)	3.2	3.9	3.9	4.0	4.0	4.0
Ditch Restorations - Number Closed	6,248	7,294	4,830	7,500	7,500	7,000
Ditch Restoration Backlog	352	252	2,165	2,165	2,165	752
Percent Closed On-Time	94%	94%	85%	90%	90%	90%
Tons of Refuse Disposed	763,852	761,664	755,293	765,800	780,964	756,159
Percent of Refuse Collected by End of Shift	95%	96%	93.8%	97.8	96.4	97%
Household Recycling Collected (tons)	41,244	38,724	45,697	50,149	44,500	49,962
Percent of Recycling Collected on Time	97%	99%	93.2%	97%	96%	97%
Street Cleaning-Mechanical (miles) [1] *includes hand cleaning	N/A	82,601	77,491	83,000	84,359	83,000
Street Cleaning-Manual (miles)	7,983	7,080	2,199	5,500	4,716	4,750
Tons of Refuse per Sanitation Crew	13.94	13.88	14.30	15.35	15.19	15.35
Linestriping (sq. ft.)	1,044,550	824,991	634,103	750,000	750,000	750,000
Street Crack Sealing (sq. ft.) [2]	804,053	966,855	130,778	1,008,000	1,008,000	1,008,000
Citizen Survey: Percent Satisfied with Street Repair on City Roads	27.5%	32.6%	29.2%	34%	34%	35%
Citizen Survey: Percent Satisfied with Trash Collection	63.1%	66.9%	67.9%	68%	68%	70%
Citizen Survey: Percent Satisfied With Recycling Collection	77.4%	77.4%	81.2%	80%	80%	82%
Citizen Survey: Percent Satisfied with Street Cleaning	36.5%	37.1%	33.4%	38%	38%	40%

[1] Street Cleaning – Mechanical (miles). In FY01 some streets were mistakenly double-counted when the trucks made multiple trips on the same stretch.

[2] Street Crack Sealing (sq. ft.) Crack sealing measures decreased in FY03 because of a combination of severe winter weather, the Department's focus on pothole repairs, and faulty, outdated equipment. In the latter part of FY03, the Department purchased three new crack sealers to replace the problematic equipment.

Five-Year Obligations Summary

Streets

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	16,351,579	16,200,584	15,175,670	13,215,863	13,215,863	12,993,863	12,966,863	12,939,863
Class 200 - Contracts / Leases	15,778,801	12,563,485	12,563,485	12,158,606	12,158,606	12,158,606	12,158,606	12,158,606
Class 300/400 - Supplies, Equipment	3,677,332	2,681,763	4,681,763	2,392,721	2,392,721	2,392,721	2,392,721	2,392,721
Class 500 - Indemnities / Contributions	14,288	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	35,822,000	31,475,832	32,450,918	27,797,190	27,797,190	27,575,190	27,548,190	27,521,190

Streets Sanitation

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	47,659,007	45,938,050	47,686,193	45,921,685	45,326,187	44,455,244	43,311,040	42,863,085
Class 200 - Contracts / Leases	38,658,180	41,475,445	41,475,445	41,461,628	43,083,920	44,240,322	45,431,678	46,659,050
Class 300/400 - Supplies, Equipment	1,422,697	1,511,620	1,511,620	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	87,788,055	88,973,286	90,721,429	88,765,413	89,792,207	90,077,666	90,124,818	90,904,234

City of Philadelphia

Five-Year Financial Plan

• • • • •

Water Department

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 Water Revenue Bureau (WRB) of the Department of Revenue manages water and sewer billings and collections for the Water Department.

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.

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 EPA's Partnership for Safe Water in 1998, the Department has committed itself to the optimization of its water treatment practices. Going forward, during FY05 to FY09, PWD will continue to comply with ever more stringent federal water quality requirements through its commitment to the goals of the Partnership for Safe Water program at all three of its drinking water plants. Having already achieved the "Director's" award level, demonstrating a commitment to obtaining an extremely high level of plant performance, the PWD has set its sights on the "Excellence in Water Treatment" level 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 goals. To meet this goal, the Department will focus on reducing slight increases in the filtered water turbidity that occurs exclusively following the back washing of the water filters at the water treatment plants. In order to meet this goal, the Department must control filter effluent turbidity levels, to return to 0.1 ntu (nephelometric turbidity unit) within a fifteen-minute period of time, following the back wash sequence. The Queen Lane Plant is expected to apply for the Phase IV award during FY05. Before the Belmont and Baxter Plants can consistently comply with the goals of the award, the facilities will require the completion of capital modifications to their respective filtration systems. The design phases of these projects are expected to begin in FY06, with construction in FY07.

- **Conduct pilot plant research**. The Water Department has been able to stay one step ahead of drinking water regulations through the operation of a pilot plant research program since FY98. The pilot plants allow the Department to study and understand the impact of modifications to water treatment procedures prior to moving forward with actual changes. In FY04 the PWD completed its review of new EPA regulations that were issued for public comment. While these regulations, entitled the Stage II Disinfectant/Disinfection By-Product Rule, and the Long Term 2 Enhanced Surface Water Treatment Rule, are currently under debate with implementation not anticipated until 2008, the pilot plants will again assist the PWD in determining the appropriate modifications to its water treatment protocols. In FY05 and FY06, pilot plant studies will focus on the optimization of chlorine application points and the impact on disinfection by-products. Additional studies that are being undertaken during FY05 include an international multi-utility study to further the understanding of the occurrence of manganese (Mn) in drinking water. Although manganese is currently undetectable in Philadelphia's drinking water, other proposed changes in the treatment process may produce a level of manganese 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.

- **Implement on-line drinking water quality monitoring.** From FY05 through FY09, the Department will continue with further expansion of its "Water Quality Monitoring Network". 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. The real-time availability of data provides numerous advantages over the manual sampling program that was relied on previously. Data is transmitted from each site to PWD's central laboratory where it is authenticated and archived; technicians check for early warning signs of water quality deterioration, document any unforeseen changes, and gain a better understanding of water quality fluctuations. Each monitoring site costs approximately $38,000 to bring on-line and contains one complete instrumentation package to monitor chlorine residual, conductivity, turbidity, pH, temperature, service main pressure, service main flow (where applicable), instrument flow and a communications hardware and software system. Through FY04 the Department will have monitoring equipment installed at all three of PWD's water treatment plants and 12 additional locations including reservoirs, wholesale customer interconnects, standpipes, and pumping stations. During FY05 the Department plans to install monitoring equipment at two additional locations, the Oak Lane Reservoir and the Roxborough Reservoir. The Oak Lane location will require one monitoring station and the Roxborough complex will require installation of three monitoring stations. During FY06 to FY09 the Department intends to install four to six monitoring stations per year, and will continue at this level until a total of 69 monitoring stations are installed.

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 regional source water protection plans.** Having completed source water assessments for the Schuylkill and Delaware River watersheds in FY03, the PWD will use this information to develop and implement a Source Water Protection (SWP) Plan during FY04 to FY08. PWD will use a $200,000 grant from the Pennsylvania Department of Environmental Protection (PADEP) to develop the SWP Plan. PWD's SWP Plan information is being integrated with the Schuylkill Action Network (SAN), a larger group of EPA, PADEP, and water suppliers working to integrate and coordinate regulatory and restoration efforts to protect the Schuylkill River as a premiere drinking water resource for the region. Delaware River information is being shared with the Delaware River Basin Commission (DRBC) whose member utilities are working towards similar goals. The SAN and DRBC will be able to use PWD's information to help prioritize watershed protection projects. In addition to the SAN benefits, the SWP Plan information will also be an important component of PWD's upcoming compliance with the EPA's Watershed Control Program and requirements of the EPA's proposed Long Term 2 Enhanced Surface Water Treatment Rule. These regulations will require PWD to develop and enact a Watershed Control Plan (analogous to a SWP Plan) to reduce pathogens in our source water supply prior to treatment. 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.

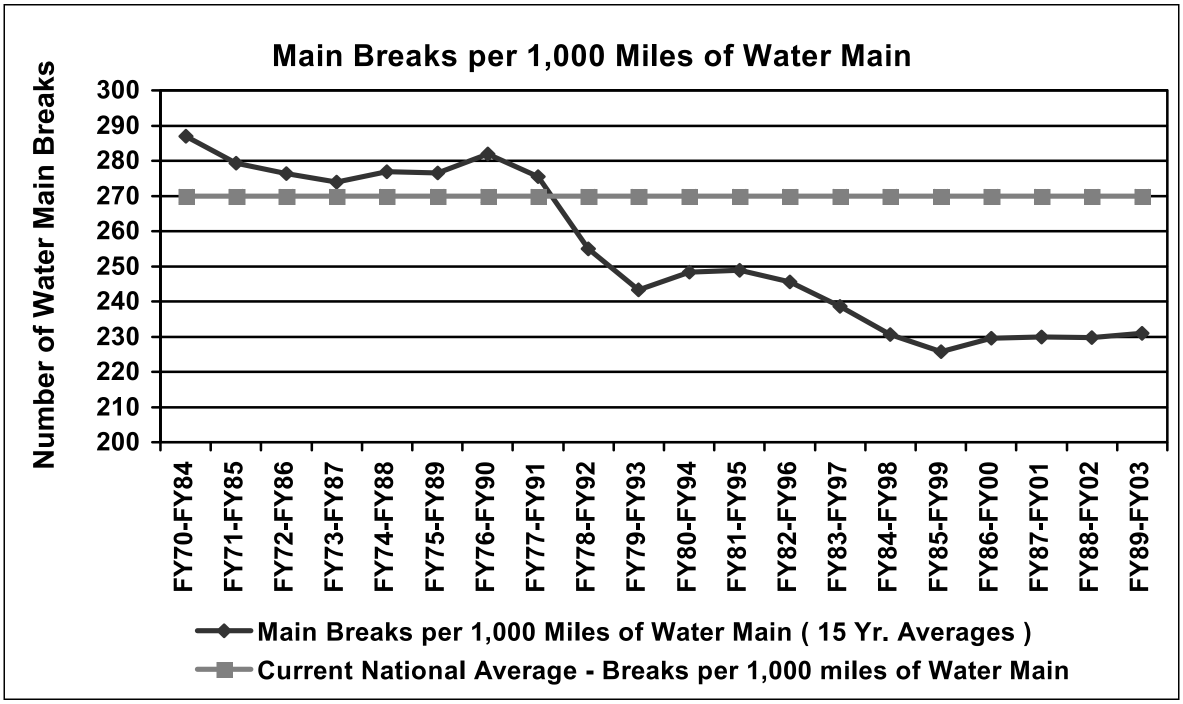
- **Early Warning System (EWS).** In FY03 the PWD received a $750,000 contract from the PADEP to build an early warning system for regional water supplies on the Schuylkill and Delaware Rivers (the Delaware Valley EWS). The purpose of the system is to improve communication and notification between water suppliers and emergency agencies as well as to provide tools and information to aid and enhance decision making during source water contamination events. The Delaware Valley EWS is a state of the art system that has already increased communication among water suppliers. Enhancements to this system will make it more powerful and effective and will ultimately provide greater consumer protection. In FY04, PADEP provided an additional $50,000 to operate, maintain and expand that system. During FY04 PWD will focus on trouble shooting the system, training users and promoting the system. In the following two to three years, PWD will continue to monitor system performance and pursue enhancements or modifications as necessary. In FY05 and FY06 the system will be expanded to include additional on-line monitoring capabilities to provide greater spatial coverage and to pilot the use of developing technologies for on-line contaminant monitoring, and the web-site and telephone system will be optimized for speed and user friendliness. PWD will work with the project steering committee to secure funding for enhancements and expansions from state and federal sources and, if necessary, develop a user rate structure to insure funding for ongoing operations and maintenance. The annual cost for operations and maintenance is estimated to be $50,000. The Early Warning System is part of an overall statewide initiative to enhance the protection of the region's water supplies and rivers.

- **Implement a Local Waterways Restoration Program.** In FY04 the PWD created its Waterways Restoration Team. When a storm water system or combined sewer overflows during extreme wet weather conditions, this overflow travels through streams and into our rivers. One of the most visibly distressing effects of overflows is the debris and floatables that remain in the stream bank. The Waterways Restoration Team consists of a crew devoted to removing trash and large debris – cars, shopping carts, appliances - from the streams and tributaries that define our neighborhoods. The team will also be performing restoration work around PWD's storm and combined sewer outfalls, eliminating sewage-filled plunge pools and streambanks eroded around outfall headwalls. Since its inception in July 2003, through January 2004, the team has removed over 70 tons of debris from Philadelphia's streams. PWD's team is working in partnership with the Fairmount Park Commission and a host of neighborhood based Park friends' groups to bolster a public/private partnership that is essential to sustain the effectiveness of this project. The cost for this program in FY04 will be $515,000. It is anticipated that the budget for this program during FY05 to FY09 will remain consistent except for inflationary increases. Future budget levels will depend on the experience gained during the program's first two years of operation. A number of performance measures including the number of sites visited per month, and the volume of debris removed per site per month, have been proposed to monitor the program's effectiveness.

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.

- **Optimize water and sewer main replacement**. From FY05 through FY09 the Department intends to replace 22 miles of water main per year rather than the accelerated rate of 27 miles per year that was established during the FY97 to FY02 period. From FY97 through FY02 the Department stepped up the pace of its water and sewer main replacement programs to reduce future costly and disruptive main breaks. The effectiveness of this effort is illustrated when looking at the 15-year average for main breaks, which tends to smooth out the effect of weather variations. The current level of 230 breaks per 1,000 miles is better than the national average of 240 to 270 breaks per 1000 miles. Based upon the consistent low number of main breaks as compared to internal goals and national averages, the Department's reduction in miles of main replacement should not have an adverse effect. The Department will closely monitor water main conditions to assure that trends do not reverse. Capital funds that would have been allocated for this purpose will be used for other priorities such as sewer repairs and corrosion control.



- **Improve capital and preventive maintenance program**. In FY02 the Water Department completed the first phase in the implementation of the Capital Facilities Assessment Program (CFAP), a comprehensive assessment program for its water, wastewater, and pumping facilities to proactively address future capital funding requirements. The three initial facilities to undergo CFAP assessments (Queen Lane Water Treatment Plant, Southeast Water Pollution Control Plant, and Lardners Point Water Pumping Station) were completed using consulting engineers. In FY03 the Department decided to continue CFAP using in-house expertise. Experts from the American Society of Civil Engineering were hired to train PWD personnel in condition assessment techniques. Assessments by Department personnel are being conducted at the Baxter water treatment plant and the Southwest Water Pollution Control Plant in FY04. In FY05, inspections will be initiated at the Belmont water treatment plant and the Northeast Water Pollution Control Plant. Information generated from CFAP concerning the frequency and scheduling of inspections for various assets will be integrated with the Department's new computerized maintenance management and inventory control system (Maximo). This planned assessment and capital investment program will reduce the number of expensive and disruptive emergency repairs.

- **Develop the Geographic Information System (GIS).** In FY03 the Department successfully completed its pilot phase of the GIS implementation. Having verified the Department's plans for quality control with a pilot program, the full-scale conversion of citywide water and sewer assets into the GIS database (the production phase) began in FY04. Completion of the production phase is expected in FY05 at a cost of $9 million. In FY06 the project will progress into the maintenance phase where the PWD's consultant will maintain and manage any data changes that occur from FY05 to FY06. During this period, PWD will receive training from the consultant on the maintenance of the GIS database. In FY07 the Department intends to take over maintenance of the database without consultant assistance.

The GIS system will spatially display PWD infrastructure, and link this information with operations, maintenance, engineering, and construction data in order to provide 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.

- **Develop Sewer Infrastructure Assessment Program.** In FY05 the Water Department will complete a $6 million pilot sewer assessment program to evaluate the condition of the Department's sewer systems infrastructure. In FY03 and FY04, nearly 230 miles of sewers will be examined, a database and ranking system to prioritize needed improvements will be developed and training of PWD personnel will be underway. Fortunately, the completed examinations have shown few sewers that need immediate rehabilitation. From FY06 through FY09, trained PWD personnel will continue the sewer assessment surveys without the need of consultant assistance.

- **Implement a Water Service Line and Sewer Lateral Maintenance Program.** In Philadelphia, property owners are financially responsible for the maintenance of the water and sewer pipelines that connect to the water and sewer mains in the street. The Water Department has proposed to take over the maintenance of these lines from the curb to the street in FY05. The benefits of this program are to relieve the individual property owner of the burdensome costs of pipeline repair (roughly $1,800 to $2,800 per repair), and also to encourage more property owners to undertake timely repair of these problems thereby reducing the leakage that occurs. Leaking pipelines can cause serious damage to the public infrastructure and to adjacent private properties. The annual cost for this program is estimated at $20 million, and an additional $40.00 to $45.00 per year will be charged to each property owner to cover this cost. This charge will depend on approval of the Department's rate proceedings during FY05 and the passage of an ordinance by City Council. The Department proposes to phase in this program beginning in FY05 at a budget level of $10 million, reaching full implementation in FY06 at a cost of $20 million per year.

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 early 2004 the Water Department proposed a rate increase to cover its cost of operation from FY05 through FY08. The Department has determined that the revenue requirements for the FY05 through FY08 period may exceed collections by an estimated $307 million. This shortfall is due to a variety of factors including the following: increased debt service ($89.4 million); the lateral service program ($70.0 million); additional regulatory requirements and inflation ($53.3 million); wage increases and fringes ($34.0 million); loss of state subsidy for wastewater operations ($32.0 million); decrease in interest income ($19.5 million); and additional security and related costs ($8.9 million). To raise this additional revenue, the Department has proposed a rate increase to be phased in over a four-year period, FY05 through FY08. Rate increases averaging 9.3 percent per year would add an additional $17.85 to the average monthly residential charges for water, sewer, and storm water service. Accordingly, average residential charges would increase from the current $41.76 per month to $59.61 in 2008. 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 after full implementation of the Department's proposed rates in 2008, the Department expects to have water rates that are lower than comparable surrounding utilities. In fact, PWD's proposed water rates for 2008 are 30 percent less than the 2003 water rates for the Philadelphia Suburban Water Company.

2003 Regional Residential* Water and Sewer Charges		
	Monthly Water Bill	**Monthly Sewer Bill**
Pennsylvania American Water+	$43.38	N/A
Philadelphia Suburban Water+	$41.58	N/A
New Jersey American Water+	$31.99	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 December 31, 2002. Storm water charges are excluded from sewer calculations, because many jurisdictions fund such services from the general tax base or a separate utility assessment.
*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 FY04 the Department received Statements of Qualifications (SOQ's) from firms interested in submitting proposals for the contract operations of the BRC. Based upon a review of the SOQ's by the project's selection committee and its consultant, two firms were determined to be qualified to submit proposals in response to the Water Department's upcoming Request for Proposals (RFP). Both of the qualified firms have very significant experience in the operation and construction of facilities for the beneficial reuse and handling of biosolids, and met all of the Department's minimum criteria for experience, technology selection, financial strength, and minority business participation. The Department intends to issue an RFP in FY04 and to evaluate proposals in the last quarter of FY04. Contract negotiations are planned for the early part of FY05 and final consideration by City Council is expected during the same year. A long-term contract with the selected vendor beginning in FY05 is expected to have a term of 25 years. The contract will include requirements for the operation of the existing BRC facility as well as construction and operation of a new biosolids facility that will result in a major improvement to the current operations. The new facilities will be housed largely in a new indoor facility, greatly improving the overall aesthetics of the plant and also reducing odors. Savings of up to $5 million per year are also anticipated due to efficiencies achieved by the contract operator.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Millions of Gallons of Treated Water	93,930	98,818	100,505	99,280	99,280	99,280
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	1,832	1,313	1,420	1,517	1,398	1,420
Water Main Breaks Repaired[1]	682	497	988	586	724	736
Avg. Time to Repair a Water Main Break upon crew arrival at site (hrs.)	8.0	7.9	7.5	8.0	7.9	8.0
Percent of Hydrants Available	97.6%	98.5%	98.9%	99.0%	98.9%	99.0%
Number of Storm Drains Cleaned	95,796	91,853	92,457	93.711	93,711	93,382
Citizen Satisfaction Survey Results						
Percent Satisfied with Overall PWD Services	71.3%	74.3%	74.8%	78.0%	78%	79%
Percent Satisfied with Water Overall Quality	72.2%	70.2%	72.8%	74.0%	74%	75%

[1] Yearly variations in main breaks are due primarily to the severity of winter weather conditions.

PROJECTED REVENUE AND REVENUE REQUIREMENTS
(in thousands of dollars)

Line No.	Description	Percent Increase	Months Effective	2004	2005	2006	2007	2008	2009
				Fiscal Year Ending June 30,					
	OPERATING REVENUE								
1	Water Service - Existing Rates			140,472	141,067	140,491	139,620	138,746	137,876
2	Wastewater Service - Existing Rates			252,383	253,957	252,965	251,648	250,242	248,991
3	Total Service Revenue - Existing Rates			392,855	395,024	393,456	391,268	388,988	386,867
	Additional Service Revenue Required								
	Year	Percent Increase	Months Effective						
4	FY 2004	0.0%	12	0	0	0	0	0	0
5	FY 2005	7.4%	12		29,232	29,116	28,954	28,785	28,628
6	FY 2006	7.4%	12			31,270	31,096	30,915	30,747
7	FY 2007	7.4%	12				33,398	33,203	33,022
8	FY 2008	7.4%	12					35,660	35,466
9	FY 2009	5.0%	12						25,737
10	Total Additional Service Revenue Required			0	29,232	60,386	93,448	128,563	153,600
11	Total Water & Wastewater Service Revenue			392,855	424,256	453,842	484,716	517,551	540,467
12	Transfer From/(To) Rate Stabilization Fund			48,170	44,410	35,810	15,280	11,975	(3)
	Other Income (a)								
13	Other Operating Revenue			13,044	13,593	13,543	13,492	13,442	13,391
14	Construction Fund Interest Income			2,994	5,353	3,705	1,995	5,802	4,024
15	Debt Reserve Fund Interest Income			225	661	661	663	1,291	1,291
16	Operating Fund Interest Income			1,360	1,365	1,393	1,417	1,411	1,430
17	Rate Stabilization Interest Income			2,665	1,730	920	404	128	8
18	Total Revenues			461,313	491,368	509,874	517,967	551,600	560,608
	OPERATING EXPENSES								
19	Water & Wastewater Operations			213,716	229,105	245,925	252,950	260,185	267,635
20	Direct Interdepartmental Charges			54,369	52,997	54,012	55,059	56,651	58,288
21	Total Operating Expenses			268,085	282,102	299,937	308,009	316,836	325,923
22	**NET REVENUES AFTER OPERATIONS**			193,228	209,266	209,937	209,958	234,764	234,685
	DEBT SERVICE								
	Senior Debt Service								
	Revenue Bonds								
23	Outstanding Bonds (b)			157,743	156,776	157,337	157,340	157,350	157,343
24	Pennvest Parity Bonds			384	384	384	384	384	384
25	Projected Future Bonds (c)			2,867	17,201	17,201	17,201	37,843	37,843
26	Total Senior Debt Service			160,994	174,361	174,922	174,925	195,577	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			162,221	175,588	176,149	176,152	196,804	196,797
32	**CAPITAL ACCOUNT DEPOSIT**			16,348	16,708	17,068	17,428	17,788	18,148
33	**TOTAL COVERAGE (L22/(L31+L32))**			1.08 x	1.08 x	1.08 x	1.08 x	1.09 x	1.09 x
	RESIDUAL FUND								
34	Beginning of Year Balance			16,088	4,825	4,796	4,516	3,894	4,067
35	Interest Income			78	0	0	0	0	0
	Plus:								
36	End of Year Revenue Fund Balance			14,659	16,970	16,720	16,378	20,172	19,740
37	Deposit for Transfer to City General Fund (d)			4,994	4,994	4,994	4,994	4,994	4,994
	Less:								
38	Transfer to Construction Fund			26,000	17,000	17,000	17,000	20,000	20,000
39	Transfer to City General Fund			4,994	4,994	4,994	4,994	4,994	4,994
40	End of Year Balance			4,825	4,796	4,516	3,894	4,067	3,807
	RATE STABILIZATION FUND								
41	Beginning of Year Balance			156,016	107,846	63,436	27,626	12,346	371
42	Deposit From/(To) Revenue Fund			(48,170)	(44,410)	(35,810)	(15,280)	(11,975)	3
43	End of Year Balance			107,846	63,436	27,626	12,346	371	374

(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

City of Philadelphia
Five-Year Financial Plan

Social Services

City of Philadelphia

Five-Year Financial Plan

• • • • •

Adult Services

Adult Services

Mission

The mission of the City of Philadelphia's adult services system is to assist individuals and families to move toward independent living and self-sufficiency. The primary agents for delivering these services are the Office of Emergency Shelter and Services (OESS), Housing Support Services, the Office of HIV Planning, and Riverview Home, a personal care boarding home that provides high-quality residential personal care services to single adults, primarily those over 60 years of age, who are disabled and in need of assistance with tasks of daily living. This effort also involves a number of other public partners, including the Office of Housing and Community Development, the Department of Human Services, the Office of Behavioral Health and Mental Retardation Services, and the Department of Public Health.

Organizational Objectives and Targeted Initiatives

End Chronic Homelessness in Ten Years

- **Implement the Home First program to support individuals who are chronic shelter users.** In the fall of FY04, Philadelphia was one of eleven cities (out of over 100 applicants) awarded $3.2 million in federal grant funds for a housing-first program to end chronic homelessness for 70 individuals with disabilities who have been chronic shelter users. Home First, like Philadelphia's New Keys program begun in October 2002, differs from traditional supportive housing programs because it targets the most difficult to serve homeless individuals (e.g., those who have co-occurring mental illness and substance addiction and in many cases, have been homeless for years) and uses a housing first model by moving them directly from the streets or emergency shelter into permanent housing attached to support services. Both programs also use an Assertive Community Treatment (ACT) model in which a team of psychiatrists, nurses and social workers begins to work with individuals while on the street or in shelter and persuade them to consider participation. Once the individuals find an apartment they like in a neighborhood they choose, the ACT teams continue to provide long-term support in terms of mental health and/or substance abuse treatment to ensure the transition into housing is permanent. In New York City, Los Angeles, San Francisco, Washington D.C., and now Philadelphia, this approach has shown that immediate access to permanent housing in the community, paired with on-going support from a team of treatment staff, is successful in keeping this population in permanent housing. Home First was Philadelphia's response to a landmark federal initiative whereby three major departments – Health and Human Services, Housing and Urban Development, and Veterans Affairs – combined resources in one Notice of Funding Availability to address chronic homelessness. This program is in addition to and complements the existing New Keys program, which has a similar service philosophy but works with single adults living on the street rather than those with chronic shelter stays. Home First officially began in January 2004 and is adding five people per month to the teams' caseload until the full capacity of 70 is reached. The Home First program won early recognition when one of its participants signed the first rental lease in the country to be executed under this new funding source.

- **Implement an alternative to emergency shelter that employs innovative approaches to ending chronic homelessness for single individuals.** Philadelphia's chronic shelter users often cycle through emergency shelter repeatedly without ever staying long enough to become involved with supportive services. Many of these individuals, who are mostly single men, have drug or alcohol abuse problems that impair their ability to regain stability and permanent housing. This segment of the homeless population is not well served by traditional emergency shelter, which requires abstinence from drugs or alcohol and offers traditional case management supports for those who choose treatment. Instead, this group – representing 10 percent of the overall single adult shelter population – consumes nearly 50 percent of the shelter resources by cycling in and out of the system. Furthermore, it is difficult to support shelter residents who are in active recovery when this group of chronic shelter users often continues to use drugs or alcohol despite shelter rules. In November 2003 Adult Services converted an existing shelter facility into "Our Brother's Place," a new residential program that targets single men with histories of long-term homelessness and substance addictions and addresses these harmful tendencies with a "low demand" approach. By building trust and rewarding clients for the small gains they achieve, Our Brother's Place brings clients closer to the goals of sobriety, maintaining permanent housing, and self-sufficiency. The program aims to curb the cycle of shelter usage among this population, helping them to stabilize and move out of the shelter system completely. Ending this cycle would subsequently free up money to shelter and serve other people in need. Our Brother's Place provides shelter for up to 150 men and daytime engagement services to approximately 180 adult men and women each day.

Shorten the Average Length of Time Receiving Assistance While Providing Quality Shelter and/ or Services

- **Institute a new management information system for emergency shelter that will expand to cover transitional and permanent supportive housing and a variety of related social services**. Congress has recently begun to require that jurisdictions receiving Continuum of Care McKinney Homeless Assistance funding collect and report to the Department of Housing and Urban Development (HUD) on an array of data on homelessness, including unduplicated counts, use of services and the effectiveness of the local homeless assistance system. In response to these requirements, Adult Services is in the process of designing and implementing a new Homeless Management Information System (HMIS), using a three-year $500,000 federal grant matched with a commitment of $318,300 in City funds. Currently, providers use a range of data tracking systems of variable quality, reporting information in a disorganized and inconsistent manner. Additionally, providers throughout the system start working with new clients with little knowledge or input from previous program involvement.

  The new system is designed to strengthen Philadelphia's continuum of homeless assistance programs by: (1) requiring every provider who receives HUD McKinney funding to participate in the system so that comprehensive information can be collected and reported; and (2) creating a file for every client entering shelter that "follows" clients as they move through the continuum of programs so that services can be more continuous over time and through providers. More specifically, the HMIS will enable all programs to provide case management services faster, enhance the ability of case managers to develop housing plans for their clients so that they can move into permanent housing faster, and provide more accurate data for program planning by, for example, tracking client recidivism. In February 2004 the HMIS project team released a completely customized prototype of the information system that covers all aspects of Adult Services, including emergency shelter placement, case management, referrals for supportive services and housing programs, and agency-wide accounting, quality management, and managerial reports. Once historical data are migrated into a fully interactive system, the HMIS project team will train a representative group of end-users on how to use the system so that the system can be tested and refined from an operational stance. After testing, the system implementation will progress to all family and single female shelter providers, then to single male shelter providers, and finally to transitional and permanent housing providers by the end of 2006.

- **Become first city in the nation to open "Bright Spaces" for infants and toddlers in all family shelters.** The City of Philadelphia ensures that there are age-appropriate and interactive play spaces for young children in our family shelters to encourage the development of their motor, cognitive, and sensory skills. Through a partnership with the Bright Horizons Foundation for Children, the Horizons Initiative, and many other private-sector partners, Adult Services secured a commitment of over $100,000 in cash and in-kind services from McNeil Pharmaceuticals. These funds and services are being used for the capital costs associated with opening a "Bright Space" – a fully-equipped children's play room – in all 14 OESS family shelters and in six transitional housing programs. Six Bright Spaces have been opened as of March 2004 and Adult Services will open the remainder by the end of FY05. In addition to providing a place for the nearly 800 young children in shelter every day to develop, play, and interact with their peers, Bright Spaces provide a rich environment for parents to interact with their young children. The resources provided by Adult Services for the Bright Spaces initiative are largely in-kind staff support to ensure that the collaboration is effective, the Bright Spaces are being used to their potential, and that they are coordinated with other children's services provided at the sites.

Assist Households in Accessing Resources Outside of Adult Services to Support Their Achieving or Maintaining Self-Sufficiency

- **Reduce substance abuse among shelter residents by improving access to drug screening and treatment.** Recent estimates of substance abuse rates among the adult shelter population have been as high as 40 percent. To address this major barrier to self-sufficiency, Adult Services is significantly modifying the process by which clients access substance abuse services. For a number of years, only five of the City's 29 shelters offered site-based Clean and Sober programs, providing less than half of the adults in shelter with direct access to treatment. The C-STAR (Clean and Sober Testing and Referral) program, initiated at the beginning of FY04, represents a major cultural and operational change for the shelter system by providing staff with immediate and consistent drug screening services for all shelter residents. C-STAR allows OESS social workers and shelter provider staff to randomly test any client who (1) self-identifies as a substance abuser; (2) has a history of substance abuse or treatment; or (3) exhibits behavior that suggests substance abuse. If the screening turns up positive, clients are mandated to meet with a certified addictions counselor to develop a plan to work towards sobriety, including referrals to treatment programs. Success with, or the demonstration of commitment to, their individual plan qualifies clients for further placement in the shelter system as needed. Single men who do not comply will be determined to be ineligible for traditional shelter services until they demonstrate a willingness to address their substance abuse. Instead, they will be offered shelter at Our Brother's Place, the low-demand but service-rich facility described above. For adults who test positive and who have children, Adult Services will work with family preservation workers to keep the family together in shelter while parents pursue their sobriety plans. If this intervention does not succeed, the parent will be referred to formalized child welfare involvement due to the possible harm that parental substance abuse poses to the children. Adult Services is pursuing an option similar to Our Brother's Place for single women, but in the interim, women will have the option to choose treatment and have access to shelter staff who will help connect them to available resources. Initially funded by state dollars, C-STAR will continue to be funded with approximately $300,000 in state funds in FY05.

- **Connect clients with mainstream employment and training opportunities.** In the past, Adult Services maintained its own employment and training programs funded through money earmarked for homeless assistance. In order to dedicate these dollars to housing, which is what truly ends homelessness, Adult Services is moving away from managing separate employment and training programs for shelter residents by partnering with various City agencies and non-profit organizations to link residents with innovative programs funded by mainstream resources. In one program that began in FY04, Adult Services is collaborating with the Health Department to provide a Lead Paint Abatement Training and Certification Program, which trains clients living in emergency shelter to identify and abate lead paint in residential homes. At the completion of the training program, participants are provided assistance preparing for the state certification exam and arranging interviews with contractors for the living-wage jobs that this field offers.

  Another collaboration involves the Philabundance Community Kitchen, which moved from its original location in January 2004 to the Woodstock Family Shelter in order to support the kitchen operations. In addition to providing three meals a day to approximately 200 women and children, the Community Kitchen will provide four 14-week sessions each year focusing on culinary arts and safe food handling, life skills and job-readiness training, and employment and retention services. Since its inception, the Kitchen has graduated 113 students (63 percent of enrollees), assisted 82 percent of graduates with obtaining food-handling certifications, and helped to place 85 percent of graduates in employment (53 percent within one month of graduating). Because the Community Kitchen's $500,000 cost is funded through a combination of state food grants and foundation money with no commitment from the City, Adult Services was able to transfer $400,000 formerly allocated to the old kitchen operations to augment services the shelter offers to resident women and children.

  A third collaboration began in mid-FY04 between the new single men's shelter (Our Brother's Place) and The Choice is Yours, Inc. – a minority-owned non-profit organization dedicated to teaching homeless men how to rehabilitate homes. Each year, The Choice is Yours, Inc. will offer six sessions of the six training classes needed to complete the curriculum, which includes two classes in carpentry, two classes in plumbing, and two classes in electrical work. At the end of the training, the men will have the knowledge and skills to be able to rehabilitate an entire home and will have marketable skills to help them find steady jobs. Over the next five years, Adult Services will increase efforts on easing access to mainstream employment and training programs, especially those that lead to jobs that pay family-sustaining wages and provide benefits.

Make Available All Permanent and Transitional Housing Opportunities so Households can Return to Supportive Communities

- **Open Housing Support Center to improve access to existing supportive transitional housing programs and ensure appropriate use of placements in those programs.** In FY05 the Philadelphia Housing Support Center, a one-stop-location for efficient and coordinated access to supportive housing resources, will become operational. The Center, whose permanent location is to be determined but will be accessible to clients from all city neighborhoods, will manage entry to supportive transitional and permanent housing programs and the distribution of other resources that currently are spread between Adult Services and the Department of Human Services. While these two sources alone account for 1,000 slots in various types of housing programs, a future goal for the Center is to expand this number by including programs that are independently managed by Philadelphia nonprofits. By combining the housing resources of two City agencies, the Center will be able to permit residential placements to occur more quickly, reducing the need for emergency shelter and the stress experienced by adults and children with prolonged waits for housing. There are no initial costs associated with the Center because it involves merely combining units and functions that already exist and encouraging them to work collaboratively in a formal manner. The cost-effectiveness of this model derives from (1) being able to move people out of emergency shelter quickly; (2) efficiently identifying the level and type of services households need in order to maintain permanent housing; and (3) offering social service workers and families a known entity to request housing assistance outside of the emergency shelter system.

- **Provide Permanent Housing to Families with Disabilities Assisted through the FaSST Behavioral Health Program.** Starting in FY04, BHS deployed a semi-mobile team of behavioral health workers to focus on addressing the needs of families (not just adults) who have multiple service needs and reside in the shelter system. After starting at only one shelter, as of March FY04 the Family Shelter Support Team (FaSST) has expanded to three of the largest family shelters in the OESS system. The everyday work of FaSST involves connecting adults and children to various social services and ensuring that the family's service needs are addressed in a coordinated fashion using an integrated case management model. Since obtaining permanent housing was identified early on as a barrier to self-sufficiency for FaSST families who have an adult or a child with a disability, Adult Services crafted a housing-first program to provide housing and targeted services to those families. This program will ultimately save the City money because it targets long-term shelter users and pulls them permanently out of the cycle of homelessness. Nearly $2 million from the Department of Housing and Urban Development (HUD) will support the housing costs associated with the program while non-housing specific state and federal resources are being sought to fund the supportive services. Blending the funding in this manner would allow the program, expected to begin in early FY05, to house and serve a greater number of families.

- **Provide High-Quality Care at Riverview while Exploring Community-Based Long-Term Care for Riverview Residents**. Riverview is a temporary residential care facility for the elderly and people with disabilities located on the Delaware River in Northeast Philadelphia. Riverview's goal is to stabilize residents in a protective environment and enable them to return to a lower level of care, such as independent or assisted living in the community. However, due to the dearth of adequate community-based options, for many residents, Riverview functions as a permanent home. In an effort to move residents to the least restrictive settings while ensuring that their service needs are met, Adult Services will work with other City Departments and community partners to identify and develop appropriate, long-term, high-quality placements in the community. In FY05, by assisting residents in obtaining benefits and suitable housing, Adult Services will be able to eliminate services at the Fernwood Cottage. This will, in turn, reduce Riverview's census by just over 10 percent, from 240 to 210. The cottage will be available for emergency use by the City only.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Homeless Services / OESS						
Average Daily Number of Emergency Shelter Beds[1]	2,105	2,011	2,109	2,197	2,197	2,200
% of beds occupied	86%	105%	123%	100%	104%	100%
# of households receiving Prevention Services[2]	N/A	N/A	2,526	2,389	800	1000
Number of Placements into Transitional Housing[3]	637	615	458	425	500	600
Number of Placements into Permanent Housing[4] (Subsidized or Unsubsidized)	1	268	67	396	480	528
Number of Enrollees in Employment and Training Programs[5]	391	502	302	430	300	50
Number of Employment and Training Participants Placed in Jobs[5]	167	157	118	200	136	150
Point in Time Count of Homeless Living on Street (Summer)[6]	335	370	421	463	460	451
Riverview						
Average Daily Census[7]	208	226	225	252	240	210
Admissions	128	191	254	254	110	128
Readmissions w/in one year of discharge	15	22	17	17	10	15
% of Total Admissions	7%	12%	7%	7%	5%	7%
Discharges	142	155	187	187	150	142

[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 and harsh winter has resulted in a growing demand for beds.
[2]Prevention Services. Prevention activities have been impacted by the unavailability of state HSDF funding, causing Adult Services/OESS to direct its two providers not to offer grants such as mortgage assistance and back rent. Available funding is currently being used primarily for staff providing activities that include phone contacts, counseling and referrals to other resources/agencies for clients who walk into offices seeking prevention services. OESS is in the process of determining if the FY04 activity reduction has impacted the number of clients entering the shelter system. The FY05 projections are based on FY04 reduced funding levels and may change once program effectiveness has been determined.
[3]Placements into Transitional Housing. Increases in transitional housing placement in FY04 over the target projection reflect the transfer of management of 235 units from OHCD to OESS in FY04.
[4]Permanent Housing. Last year, only vouchers received under the partnership with PHA in the "Good Neighbors Make Good Neighborhoods" Program were reported. The FY04 data and FY05 projection reflect all placements into subsidized and unsubsidized permanent housing. The Good Neighbors Program was not operational in FY04.
[5]Enrollees in Employment and Training Programs/Employment and Training Participants Placed in Jobs. In FY03, OESS eliminated under-performing contracted providers in an effort to improve outcomes. The FY05 reduction reflects the phasing out of the HUD-funded employment training programs due to grant expiration at the end of FY05. The number of participants placed in jobs in FY05 primarily reflects participants in FY04 programs who will complete the program in FY05. Alternate sources for funding and training programs, as noted above, are being sought. The Ready, Willing and Able Program, which trains participants for 18 months, will continue to operate.
[6]Point-in-time Count of Unsheltered Homeless. The City has implemented two new permanent supportive housing programs serving chronically homeless individuals (New Keys and Home First) and re-opened a low-demand shelter with innovative

employment programming under a new provider in FY04 in an effort to reduce the number of homeless individuals on the streets. While these programs are expected to help reduce shelter utilization and the number of homeless on the streets, the impact may not be visible until FY06.
[7]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 cottage (60 beds) for frail and/or elderly single homeless men through the Office of Emergency Shelter and Services.

Five-Year Obligations Summary

Office of Emergency Shelter and Services

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	3,138,509	3,173,471	3,428,224	2,901,789	2,832,622	2,790,801	2,683,664	2,683,664
Class 200 - Contracts / Leases	13,858,489	12,219,923	13,265,170	12,503,653	11,713,653	11,713,653	11,713,653	11,713,653
Class 300/400 - Supplies, Equipment	144,414	150,978	150,978	135,880	135,880	135,880	135,880	135,880
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	17,141,412	15,544,372	16,844,372	15,541,322	14,682,155	14,640,334	14,533,197	14,533,197

The five-year obligations projections for Riverview are included in the five-year obligations summary for the Department of Human Services.

City of Philadelphia
Five-Year Financial Plan

Office of Behavior Health and Mental Retardation Services

Office of Behavioral Health and Mental Retardation Services

Mission

The mission of the Office of Behavioral Health and Mental Retardation Services (OBH/MRS) is to help consumers receive coordinated and effective mental health and drug and alcohol treatment services and to create, promote, and enhance the supports and services available to children and adults with mental retardation through planning, developing, coordinating, and monitoring services at both a systems level and an individual level.

On October 23, 2003, Mayor John Street signed an executive order establishing the Office of Behavioral Health and Mental Retardation Services within the Office of the Managing Director (OBH/MRS). It has previously been a division of the Department of Public Health.

Under the Executive Order, the three major components of Philadelphia's Behavioral Health System – the Philadelphia Office of Mental Health, the Coordinating Office for Drug and Alcohol Abuse Programs (CODAAP), and Community Behavioral Health (CBH) – have been integrated, along with the Office of Mental Retardation Services, into a single office headed by a department-level official whose sole responsibility is to direct these programs. This is a step that the advocates, stakeholders, and consumers of behavioral health and mental retardation services have sought for many years. This Executive Order lays the groundwork for continued reform, for further integration of services into an even more effective continuum of care, and for further cost-saving efficiencies.

Organizational Objectives and Targeted Initiatives

Improve Access to Health Care

- **Provide treatment alternatives via Domestic Violence Court**. Domestic Violence Court began handling cases on March 31, 2003, through an agreement reached among the President Judge of Philadelphia Municipal Court, the District Attorney's Office, the Public Defender's Association, OBH/MRS, the Women's Law Project, and Women Against Abuse. Domestic Violence Court is available only to first or second time misdemeanor offenders and only when the victim does not wish to press charges against the perpetrator. The Court provides early intervention and placement of offenders into clinically appropriate treatment to prevent further abuse (e.g., physical, sexual, psychological) and possible death of the victim. OBH/MRS' Clinical Evaluation Unit assesses clients' needs and arranges for placement, treatment authorization, drug and alcohol and/or mental health treatment, case management, domestic violence intervention, anger management, and family therapy. The Clinical Evaluation Unit monitors client compliance with treatment for six months. If the client has been compliant, the charges are then dropped; otherwise, the original judge decides the case.

  Women Against Abuse has followed up with the victims of domestic violence who reported that there has been significant improvement in the offenders' behavior during and following treatment. While it is early to judge the long-term success of Domestic Violence Court, 378 of the 379 (as of 2/11/04) perpetrators served since the program's inception have not reoffended. The one perpetrator who reoffended with another misdemeanor expressed his regrets and is now in more intensive treatment.

Through a competitive grant process, OBH/MRS received $100,000 in funding from the Pennsylvania Commission on Crime and Delinquency (PCCD) to cover the cost of its Clinical Evaluation Unit staff at the Criminal Justice Center. Other federal and state sources provide funding for substance abuse treatment, domestic violence intervention, anger management, and family therapy. OBH/MRS plans to serve 436 clients in FY04 and 820 in FY05. OBH/MRS will explore the possibility of expanding this criminal justice treatment initiative to reduce recidivism for domestic violence including offenders with more serious charges (such as misdemeanors where the victims press charges, or felonies).

- **Promote family preservation by providing increased access to behavioral health care services.** The Juvenile Justice Division of Family Court started a pilot program in January 2004 in an effort to create a standardized method of assessment to determine the most appropriate disposition for youth. An important goal of this project is to focus on the rehabilitation of youth instead of punishment. Standardizing the way youth are assessed will ensure objective measures are established to determine the most appropriate treatment available and will decrease the number of unnecessary behavioral health evaluations (BHEs). In 2002, approximately 3,700 BHEs were completed, and 2003, approximately 4,500 BHEs were completed. The project is a collaboration between OBH/MRS, DHS, the Family Court of Philadelphia, and a private behavioral health provider agency and will be funded through a $500,000 federal grant. The pilot program will run from January through June 2004 in one courtroom and is expected to serve 400 youth during that period. Outcome reviews of the pilot will be completed at three and six months to determine the project's effectiveness. Outcomes being measured include successful completion of outpatient or residential programs, rate of arrest recidivism, and decrease in the number of BHEs.

- **Assist persons diagnosed with mental illness in the Philadelphia Prison System in making a successful transition back to the community after they are released.** OBH/MRS, a provider of behavioral health services, and the Philadelphia Prison System (PPS) will offer services to PPS inmates with mental illness who are scheduled for release. There will be group mental health classes on various topics including: mental illness, behavioral health services, building self-esteem, and stress management techniques for 2,500 clients per year. For 160 persons in PPS with severe mental illness, the program will provide intensive case management starting three months before release through the first two to three months after release. In FY05, the program will receive federal and state funding totaling $750,000.

- **Implement statewide initiatives designed to reorganize the mental retardation** service **system to be more responsive to its constituents, consistent in its application of processes and procedures, cost effective, and to promote greater accountability regarding the provision of quality services.** The Center for Medicaid and Medicare Services, a federal regulatory agency formerly known as the Health Care Financing Administration, directed the state Department of Public Welfare (DPW) in FY00 to standardize business processes to ensure the consistent application of Medicaid Waiver requirements across the state, provide assurance of the health and safety of recipients and improve the quality of services. These steps are required in order to have the waiver re-authorized in future years. The Waiver enables states and counties to use funds previously allocated to support people in institutions for services in the community. In Philadelphia, the Home and Community Based Waiver provides the state and federal share of funding, approximately $237 million, or 95 percent of the total county budget for community mental retardation services, including residential, day and employment, and habilitation services.

Philadelphia is in its third year of implementing requirements that standardize client and financial management processes that measure effectiveness, with full implementation scheduled to be complete in FY08. Philadelphia "went live" with its use of the Home and Community Services Information System (HCSIS) in FY03. This system is an internet-based application that requires direct data entry into the state system. Philadelphia currently uses this system for incident reporting, monitoring service quality, monitoring county performance, and service planning.

In FY03, Philadelphia began a multi-year process of completing individual service plans and related support stet coordination functions, also known as case management, for different consumer groups in the HCSIS system. All components of the process will be incorporated into HCSIS by FY06; these include recording Individual Support Plans (ISPs), monitoring reports, and case comments. Philadelphia has transferred demographic information for approximately 8,000 consumers into this system. User access is determined on a need to know basis.

Beginning in FY04, Philadelphia, in concert with DPW, is examining its financial management processes and moving to a fee-for-service system instead of a program-funded system for mental retardation services. The intent is that Philadelphia's provider network will invoice through the new PROMISe system that replaced the earlier Medical Assistance Billing system, thus invoicing most services through a statewide system. Payments will continue to be made through the local county office.

As part of the initiative to redesign and standardize supports coordination functions, the ISP will serve as the authorization document for services, and will be compared with reported service data and invoices for services. Only those services authorized in the ISP will be eligible for reimbursement. The billing system is expected to be fully functional in FY07.

- **Create a new Supports Coordination System in Philadelphia.** In FY03, MRS began to significantly restructure the supports coordination system in Philadelphia to meet the mandates of the state mental retardation services system and the federal government. Supports coordination services are provided to more than 12,000 individuals and families, and include registering, planning, locating, coordinating, and monitoring services in a "person centered" approach. The current system is inconsistent in its practice, inefficient and does not meet the "conflict-free" requirement that supports coordination services are provided by an agency that does not provide other services. A request for proposals (RFP) was issued in FY04, and responses were received from agencies interested in providing supports coordination services.

When the newly reorganized supports coordination is fully operational in FY05, individuals and families will choose one of three supports coordination agencies that will plan, locate and monitor their services. Through FY05 and beyond, MRS will conduct outreach activities to ensure that other individuals with mental retardation and their families are aware of this service and register in the system. Philadelphia MRS will collaborate with other City agencies including DHS, the School District of Philadelphia and Philadelphia Corporation for Aging to conduct outreach activities and ongoing service delivery.

At the conclusion of the RFP process, MRS selected the three agencies that, in FY05, will replace the current 11 agencies providing supports coordination services.

Restructuring the service system has occurred on a cost neutral basis, with funds redeployed to reduce caseload size and lower ratios of supervisors to staff, and add other supports to ensure the provision of responsive, timely, and quality services. In addition to increasing administrative efficiency, the key benefits to consumers will be the opportunity to make an informed choice on a supports coordination agency; smaller caseloads affording greater individual attention to the consumer; and an extensive focus on training and technical assistance for all supports coordination staff to assure a higher level of quality and accountability.

Beginning in FY04 and through FY05, MRS will manage a multi-phase implementation process, encompassing informing consumers about the new system, ensuring that the new agencies will be operational within designated timeframes, and assuring that consumers transition successfully to these new agencies. The long-term goal is that individuals with mental retardation and their families have access to services in their communities and to the specialized resources of the mental retardation system. In addition to consolidating administrative services and improving service to the citizens of Philadelphia, these initiatives are funded by state and federal Medical Assistance revenue, with no cost to the City.

In FY04, MRS opened a citywide centralized registration and eligibility determination unit, located in the MRS office, as an important part of restructuring the supports coordination system. In its first few months of operation, the number of people registering for service increased dramatically, indicating an unmet need that is now easier to address through this cost-effective, one-stop process. The benefit to consumers is that centralized registration will provide easier access to all services.

- **Increase services to people living at home with their own families and through life-sharing with another family.** FY05 is the fifth year of the five-year initiative to reduce statewide waiting lists for community mental retardation services by providing funds for expanded services. Due to budget constraints, no new state money was available in FY04. However, Philadelphia expects to receive a small amount of funding for expanding services in FY05.
  While the financial resources available in future years is not known, there is a strong commitment from the Commonwealth to assure that persons with mental retardation will be

able to remain in community services, rather than return to large institutions. Institutionalization is itself costly and is not supported in current philosophy or practice.

Philadelphia, without any new money in FY04, was able to avoid institutionalization through the collaborative efforts of individuals, families, and its provider network. Over the next five years, OBH/MRS will develop, through its providers, alternative services that are less reliant on costly long-term care options outside the individual's natural home. These alternatives include providing more extensive supports and services to enable individuals to remain in their own family home, and developing options for individuals to live in the home of another family, similar to a foster home, also referred to as life-sharing. These options are less expensive because they depend less on paid staff, and they promote inclusion in the community in a way that cannot be accomplished in a community living arrangement, with paid staff, operated by a provider agency.

MRS projects that over the next five years, a minimum of 25 people each year, out of the 1,300 receiving residential services, could choose life-sharing and another 25 could receive less intensive support options. In turn, MRS will use any "savings" to allocate funding for those on the waiting list that have no services or require expanded services.

- **Absorbing FY04 and FY05 State Budget Reductions.** In FY04, the state enacted significant funding reductions that severely impacted Mental Health and Substance Abuse services. To minimize the impact of the reductions in mental health, cuts were made to a number of non-direct service areas. Examples of these areas include community services and administrative management, which basically provided staff whose functions included information sharing, community outreach and education. In addition, the balance of the reductions were accompanied by transferring financial responsibility for the Department's crisis and emergency services to the Health Choices program operated by Community Behavioral Health. The combination of these strategies and the partial mid-year restorations to the FY04 state budget should allow for most programs to maintain services at their current level through FY05.

  Subsequent to the enactment of the state budget, some of the reductions were restored. The net effect of the cuts and restoration, on services in Philadelphia is indicated below:

	FY04 Reduction	FY04 Restoration
Mental Health	$ 5,026,000	$ 3,600,000
Drug & Alcohol	$ 14,390,649	$ 14,390,649

  Funds that have been restored in FY04 are expected to carry over to FY05. The proposed FY05 state budget does not include funding for cost of living adjustments or increases to worker salaries. It has been indicated that funding for Mental Retardation services might be increased in FY05, but this has not yet been confirmed and the potential amount of the increase has not been specified.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Current Projection	FY05 Projected
Behavioral Health Rehabilitation Services					
Residential Rehabilitation					
% of consumers who keep appointments for continuing care within 7 days of discharge from Residential Rehabilitation	25.1%	26.2%	26.7%	27%	28%
Detoxification					
% of consumers who keep appointments for continuing care within 7 days of discharge from Detoxification	33.9%	36.5%	35.6%	36%	37%
Psychiatric Inpatient					
% of consumers who keep appointments for continuing care within 7 days of discharge from psychiatric inpatient	40.4%	43.1%	44%	44%	45%
Crisis Evaluation and Triage					
% of consumers who keep appointments for continuing care within 7 days of discharge from crisis evaluation and triage	N/A	36.3%	39.1%	39%	40%
Forensic Intensive Recovery (FIR)					
# of treatment admissions	1,561	1,926	2,474	,2,507	2,518
# of prison days saved by having clients in treatment	287,849	411,059	480,189	482,144	83,126
CODAAP Housing Initiative (CHI)					
% of available housing slots filled	89%	87%	86%	86%	86%
Mental Retardation Services					
Early Intervention - # served in year	3,396	3,808	3,351	3,810	3,810
# Receiving Community Integrated Employment services	1,057	1,020	1,016	1,077	1,077

Five-Year Obligations Summary

Office of Behavioral Health and Mental Retardation Services

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	3,646,847	3,668,134	3,595,376	2,563,804	2,563,804	2,563,804	2,563,804	2,563,804
Class 200 - Contracts / Leases	12,567,777	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	16,214,624	15,796,968	15,724,210	14,692,638	14,692,638	14,692,638	14,692,638	14,692,638

City of Philadelphia
Five-Year Financial Plan

• • • • •

Department
of
Human Services

Department of Human Services

Mission

The mission of the Department of Human Services (DHS) is to protect children from abuse, neglect, and delinquency; ensure their safety and permanency in nurturing home environments; and strengthen and preserve families by enhancing community-based prevention services.

Organizational Objectives and Targeted Initiatives

Decrease the Percentage of Children Who Have Another Substantiated Report of Child Abuse or Neglect within a Six-Month Period of Having Had a Previous Substantiated Report

- **Automate the entry of child abuse and/or neglect reports.** Investigating reports of child maltreatment in a timely manner is essential to the Department's ability to document that an injury occurred. The current manual system of assigning reports for investigation, while ensuring that all abuse and physical neglect cases are assigned immediately or within 24 hours, has meant that some types of neglect cases may not be assigned for several days.

  DHS is in the process of automating child abuse reports, which will ensure all reports are assigned to an Intake supervisor within one hour. The workflow will be simplified and each step in the process, including creation of the report/investigation, review and evaluation of the report, and assignment of the investigation, will be completed on-line. The appropriate forms will not be printed until the Intake or Family Service Region social work supervisor inputs the worker assignment. This system will reduce paperwork and improve service delivery by making all new reports available to social workers within hours of receipt. This automation is part of the larger implementation of the Oracle-based Family and Child Tracking System (FACTS), which will cost approximately $4.6 million and is scheduled to be completed in June 2006.

Of All Children Who Were Reunified with Their Parents or Caretakers at the Time of Discharge from Placement, Increase the Percentage Who Were Reunified in Less Than 12 Months from Their Most Recent Removal from Home

- **Establish Parent Support Center focused on family reunification.** As of March 31, 2003, there were 2,049 families with at least one child in DHS-supported care for whom the Department was seeking reunification. While 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. The federal guidelines of the Adoption and Safe Families Act (ASFA) also place an incentive on rapid family reunification.

  In FY05, the Department, in collaboration with the Philadelphia Workforce Development Corporation (PWDC), the Pennsylvania Department of Public Welfare (DPW), and a wide network of community service agencies, will create a community-based support center for parents who are actively seeking family reunification. The Center will be open to all parents who need support to achieve reunification with their children, and services are expected to include: support in obtaining needed mental health, physical health and substance abuse treatment services; parenting education, mentoring and support programs specifically designed to help parents who have subjected their children to abuse or neglect; linkage to legal and other advocacy services to assure that their interests are represented in the custody determination process; life skills and adult basic education training; transportation assistance; and other practical supports.

The objective of the support center is to improve the Department's ability to assist families to be reunified with their children in foster care. The goal for FY05, the center's first year, is to serve 500 biological parents in the new project; measurable goals for the following years will be identified after baseline data are collected in the first year. The FY05 project cost is approximately $2 million and is expected to be fully funded by TANF through either DPW or PWDC.

Of all Children Who Entered a Placement, Decrease the Percentage who Reenter Care within 12 Months of a Prior Placement Episode

- **Develop juvenile justice aftercare network of services.** Each month, about 96 adjudicated delinquent youth are returned from residential care to the Philadelphia community. Despite the best efforts of the Philadelphia juvenile justice community, about 30 percent of these youth re-offend within six months to a year. Due to the challenges inherent to reintegrating into family, school, and community, countless others struggle to maintain the positive momentum gained while in placement.

  Based on an FY03 assessment of the needs of returning youth, the Department has developed and will contract for a new model of reintegration services. These services could include electronic monitoring and voice tracking, and operations are expected to begin in early FY05. The goal of this new initiative is to reduce the recidivism rate for youth returning from residential care from 30 percent to 20 percent after the first year of operation. Project costs are expected to be equivalent to the current annual funding for aftercare services (approximately $4 million).

Prevent Truancy

- **Develop a respite center for chronically truant youth and first-time offenders**. Despite recent progress reducing the numbers of truant youth through a collaborative effort of the School District of Philadelphia, the Department of Human Services and Philadelphia Family Court, chronic truancy continues to be a problem of considerable concern to the Philadelphia community. Over the past three years, DHS has also implemented a number of intensive support and intervention programs for youth whose chronic truancy has put them at high risk of delinquency; however, these services have not been effective for all youth. In those cases where truancy has continued despite intensive DHS intervention, Family Court has had to send some youth to residential placement facilities. From January 2003 through December 2003, 151 youth were placed in a residential facility for a minimum of 30 days as a result of chronic, unabated truancy. There is growing evidence that current out-of-home placement programs for chronically truant youth have done little to solve the problems faced by the placed youth.

In collaboration with Family Court and a local provider agency, in February 2004, the Department began to pilot a 7-10 day respite program for chronically truant youth who have not been responsive to less restrictive community-based services but who are not yet appropriate for longer-term placement. The program offers academic, physical health, and behavioral health assessments, crisis and family counseling, linkage to other health and social services, and aftercare supports for the child and family after discharge. Program staff work with parents and children to negotiate the terms that should enable children to return home at least three weeks sooner than previously was the case. For the time period February 2004 through June 2005, the Department expects to serve upwards of 600 youth with these alternative placement services, and reduce placements of truant youth in dependent facilities from the projected FY04 total of 150 youth to no more than 30 in FY05. The goal of the program is to improve school attendance sufficiently to allow the Family Court to discharge the truancy petition.

Promote Child Safety, Timely Permanency and Well-Being Through a Collaborative Relationship Among all Parties

- **Reformulate the process by which families' cases are presented by DHS social workers and Law Department attorneys and considered by Family Court**. Conflicts in social workers' and attorneys' schedules have contributed to cases not being presented on time and continuances until all parties could appear. Children's length of time in care has been increased because of the transfer of cases within the Department of Human Services, and contentiousness about child welfare issues in general. Starting in FY05, DHS and the Law Department plan to reformulate the Family Court process by assigning the same attorney and social worker to a specific family or child's case that will continue to be brought before the same judge. This continuity will ensure that all parties are familiar with the particulars of a given case. Transfers from one attorney to another will not be necessary, except in rare situations.

  Reformulation of the court process will be achieved by changing the scheduling pattern to increase continuity of representation throughout the life of each case; providing time at each permanency hearing for solicitors to recount the placement history of the child being considered; and holding Preliminary Hearings to reach agreements in as many contested matters as possible.

- **Seek appropriate reimbursements for Department's 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 second bill increases reimbursements for adoption subsidies and legal custodian services from 80 percent to 100 percent. The Plan assumes that the City will be successful in gaining the appropriate reimbursements for these costs, but only includes 75 percent of the revenue that would be received from the increased reimbursements. In addition, DHS has developed a contingency expenditure plan that would help fill the gap created if the City did not receive the $15.8 million that the Plan includes for these initiatives.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projection
Children and Youth Division						
Child Protective Services (abuse) reports[1]	4,557	4,635	4,643	4,792	4,400	4,453
General Protective Services (neglect) reports	9,829	10,160	11,354	12,401	12,700	13,554
Total Children Receiving Services	23,293	22,900	23,543	24,000	24,112	24,500
Total Children Receiving Non-Placement Services	12,276	11,498	11,544	11,672	11,546	11,100[2]
Total Children in Placement	7,765	7,786	7,895	7,658	7,896	8,000
Children in Institutional Placements	1,466	1,415	1,422	1,400	1,400	1,400
Children in Care More Than Two Years	4,149	4,024	3,922	3,821	3,821	3,721
Adoptions Finalized	469	472[3]	654	750	750	750
Adoption Subsidies	3,252	3,616[4]	4,104	4,670	4,670	5,400
Juvenile Justice Services						
Youth Study Center Admissions	6,206	6,007	5,850	5,900	5,850	5,700
Youth Study Center (YSC) Average Daily Population	119	112	95	90	95	90
Average Number of Delinquent Youth in Placement	1,233	1,326	1,311	1,290	1,385	1,400
Average Number of Delinquent Youth Served In-Home	1,539	1,327	1,550	1,520	1,650	1,721
Average Number of Delinquent Youth Placed Out-of-State	143	124	133	120	110	100
% of youth who remain arrest free six months after discharge from a delinquency program	67%	68%	65%	70%	70%	75%
Community-Based Prevention Services						
% of families diverted from DHS Intake on whom there is a subsequent GPS/CPS report	N/A	N/A	N/A	3%	3%	3%
% of families served in Compromised Caregiver programs with a new report during program participation	N/A	N/A	N/A	1%	1%	1%
% of families served in Compromised Caregiver programs with a new report at 6 months after completion of program	N/A	N/A	N/A	7%	7%	5%
% of youth served in delinquency prevention programs with no involvement in the juvenile justice system within 6 months at the end of service	N/A	N/A	N/A	81%	85%	85%
Children enrolled in after-school and positive youth development programs[5]	3,610	11,989	21,913	23,257	21,250	35,000
Parents/caregivers participating in parenting education/support groups	N/A	978	5,808	6,000	6,000	6,000
Families diverted by DHS from SCOH or placement to community-based case management services	N/A	267	1,587	2,900	2,900	4,000
Youth diverted from adjudication to delinquency prevention programs[6]	N/A	1,386	435	700	777	840
Youth receiving social services related to Truancy Court petitions	N/A	3,405	3,365	3,000	3,500	3,500

[1] The number of Child Protective Services (abuse) and General Protective Services (neglect) reports has been increasing because of the marketing/outreach effort that DHS has been making which has resulted in an increased number of professionals being aware of child maltreatment and their obligation to report if they suspect that a child is being abused or neglected.

[2] The number of children receiving non-placement is expected to decrease because of an increasing number of children being adopted or entering Permanent Legal Custodianship.

[3 and 4] Compliance with ASFA and the new DHHS regulations are contributing to the increases in the numbers of Adoptions Finalized and Adoption Subsidies.

[5] Includes all children enrolled in after-school programs supported by the Children's Investment Strategy.

[6] Program model changed to more intensive services for higher-risk youth in FY 03.

Five-Year Obligations Summary

Department of Human Services

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	79,884,568	85,139,969	86,873,136	91,700,402	91,424,912	91,399,347	91,399,347	91,399,347
Class 200 - Contracts / Leases	452,328,762	508,261,561	493,287,205	543,565,744	543,565,744	543,565,744	543,565,744	543,565,744
Class 300/400 - Supplies, Equipment	6,378,052	5,882,504	5,596,444	5,470,615	5,470,615	5,470,615	5,470,615	5,470,615
Class 500 - Indemnities / Contributions	40,768	64,376	63,801	64,376	64,376	64,376	64,376	64,376
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	538,632,150	599,348,410	585,820,586	640,801,137	640,525,647	640,500,082	640,500,082	640,500,082

City of Philadelphia

Five-Year Financial Plan

• • • • •

Philadelphia Prison System

Philadelphia Prison System

Mission

The mission of the Philadelphia Prison System (PPS) is to provide a secure correctional environment that adequately detains persons accused or convicted of illegal acts; to provide programs, services, and supervision in a safe, lawful, clean, humane environment; and to prepare incarcerated persons for reentry into society in a frame of mind that will facilitate their becoming law-abiding citizens.

Organizational Objectives and Targeted Initiatives

Manage the Prison Population by Reducing Recidivism Through In-House and Community Diversion Programs

- **Control inmate population growth.** From 1986 through November 1995, the PPS operated under an admissions moratorium that stemmed from the Harris v. City of Philadelphia case. Once the moratorium was lifted, the PPS population increased by an average of 6.2 percent each year from FY96 to FY02, despite a number of innovative, ongoing population management strategies. These strategies include placing carefully selected pretrial defendants charged with certain offenses on electronic monitoring and using the earned-time/good-time program to reduce length of stay. Other strategies include the creation of Philadelphia Treatment Court in April 1997 and Philadelphia Community Court in March 2002 to divert offenders from incarceration into alternative programs. Philadelphia Treatment Court diverts first- and second-time felony drug offenders into treatment, while Philadelphia Community Court sentences persons charged with low-level quality-of-life offenses to community service or behavioral health treatment in lieu of incarceration. Additionally, the Forensic Intensive Recovery Program, discussed in further detail later in this chapter, has been used since 1993 to divert offenders from prison to treatment and to lower inmate recidivism.

  To improve the quality of life in Philadelphia and to augment these population management strategies, in May 2002, Mayor John Street implemented Operation Safe Streets, which involves a partnership among law enforcement, social and health services, the clergy, prisons, probation, faith-based organizations, and communities. This initiative uses an integrated approach not only to drive drug dealers off the city streets and to reduce violence but also to provide treatment to substance abusers. Each year from FY98 to FY02, the number of prison admissions increased by an average of 8.3 percent. Following the implementation of Operation Safe Streets, the number of prison admissions began to decline by 8.1 percent from 35,599 in FY02 to 32,710 in FY03. Through the first half of FY04, prison admissions totaled 15,940, with 641 fewer inmates admitted than during the first half of FY03. As a result of declining admissions, for the first time since the admissions moratorium was lifted, the growth in the inmate population has stopped with an inmate census of 7,637 in FY02 and 7,631 in FY03. Through February 2004, the average monthly inmate census was 7,738, compared to 7,766 for the same period of FY03. The average census is projected to be 7,770 for FY04, an annual increase from FY02 of 0.85 percent. The City is projecting that the growth in the inmate census will be one percent in each of the next five years. The lower rate of growth in the inmate population allows the City to avoid a continuation of the rapid growth of the PPS budget that has occurred in the past.

  To accommodate the prison population through February 2004, the City housed 401 inmates at the George W. Hill Correctional Facility in Delaware County, PA, in addition to leasing three other facilities within Philadelphia, which housed a combined total of 439 additional inmates. With the opening of the Women's Detention Facility in late FY04, the City will be able to close temporary housing areas within the PPS and/or reduce the number of inmates housed in leased facilities.

Recognizing that reducing the inmate population and the prison budget will require a multi-faceted approach, PPS is initiating 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 Police, the Courts and the District Attorney, by reducing the number of times the same offenders are recycled through the system. The initiatives discussed below detail the strategies the PPS is implementing to reduce inmate population.

- **Reexamine current programs.** On January 7, 2004, PPS implemented CORESTAR (Correctional Outcomes Reentry Ethics Security Treatment and Accountability Review). Patterned after the Police Department's COMSTAT process and the successful TEAMS management system implemented by the New York City Department of Corrections, CORESTAR will examine systematically every aspect of prison operations. As part of this process, new outcome and performance measures will be developed for inmate programs, and a plan will be developed by April 2004 to redirect treatment resources to the sentenced population. In addition, modifications will be made to the Inmate Work Desktop of Lock&Track, the Philadelphia Prison System's integrated jail management system, in order to measure recidivism by program so that the Philadelphia Prison System can direct resources toward those programs that are most successful in reducing recidivism.

- **Enhance inmate discharge programs to reduce inmate recidivism.** In mid-FY03, the PPS developed a baseline recidivism rate, which showed that 58 percent of sentenced inmates return to the PPS within two years with a new sentence or a probation/parole violation. Successful prisoner reentry into the community is critical to reducing this recidivism rate and ultimately reducing the population. In addition to the programs discussed below, the City is investing $250,000 toward prisoner reentry efforts and $750,000 for enhanced programming for inmates with mental illness through the Office of Behavioral Health/Mental Retardation Services in FY05.

    - 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 Prison System with reentry services. The group's membership includes representatives of the PPS, the Mayor's Office, the Managing Director's Office, the Department of Probation and Parole, the District Attorney's Office, the Police Department, the Public Defender's Office, and the Department of Public Health. The Board will recruit representatives of business organizations, community groups, faith-based organizations, and City departments. By April 2004, the PPS will develop a list of resources needed to facilitate the successful reentry of inmates into the community following incarceration. In late April or early May 2004, the PPS will host a reentry summit, which will bring together for the first time in the city's history all those groups, organizations, and individuals who are interested in helping the PPS improve reentry services. In addition, on April 1, 2004, the PPS will open an Office of Community Responsibility, Justice and Outreach, charged with developing a comprehensive strategy to involve and inform those members of the community who are essential to the PPS' success. As part of this effort, the PPS also will work with the Pennsylvania Department of Corrections to formalize its relationship with regard to discharge planning and programming continuation for Philadelphia inmates transferred from the PPS to the Pennsylvania Department of Corrections.

- In order to deal with most of the barriers that stand in the way of successful reentry into the community, in early FY04 the PPS implemented the JOBS Project, using funds from the $2 million *Jackson v. Hendrick* (1971) Settlement Fund. 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 PPS custody. The JOBS project, which provides vocational training in environmental maintenance, building maintenance, word processing, job-skills training, and customer service, is expected to serve 244 inmates in FY04 and 400 inmates in FY05. The JOBS Project is different from other vocational training programs in that it brings job training together with addictions treatment, GED preparation, as well as employment and life skills training and a full workshop curriculum to provide integrated and holistic training and treatment to participants. The JOBS Project also involves community-based reentry partnerships, including ones with the Pennsylvania Prison Society and Impact Services. These agencies connect with inmates prior to release and provide post-release job training, placement, and counseling, housing assistance, childcare services, and case management services to released participants of the JOBS Project. The first two years of the project, including an FY04 expenditure of approximately $509,000 and contracts with the PA Prison Society and Impact Services, a trailer that will provide space for training and workshops, as well as computers and other equipment and supplies, will be paid from the *Jackson v. Hendrick* Settlement fund. An FY05 expenditure of $264,478 for contracts with the Pennsylvania Prison Society and Impact Services also will be paid from the Settlement Fund.

- Using $75,000 of the *Jackson v. Hendrick* Settlement Fund in FY03, the City hired a consultant with expertise in inmate programming to assist the PPS staff in evaluating inmate vocational, educational, and work-release programs to determine their efficiency and effectiveness in reducing inmate recidivism. In conjunction with that evaluation, the PPS is developing outcome goals and indicators, which will be used on an ongoing basis to evaluate the impact of inmate programs on recidivism. During FY04, the PPS has worked with community reentry partners participating in the JOBS project to develop prisoner reentry program outcome indicators. The PPS will use this information to strengthen its programs.

- The PPS will promote employment opportunities for work-release participants and former offenders by developing marketing materials that will describe the benefits of employing work-release inmates and ex-offenders. The marketing materials, which will be completed in early FY05, will help the PPS recruit potential local employers.

- Another $175,000 of the *Jackson v. Hendrick* Settlement Funds are being used to finance a Portrait of Prisoner Reentry in Philadelphia by the Urban Institute. This project will assess the barriers and challenges faced by ex-offenders in order to improve the likelihood of successful reentry by evaluating and improving the effectiveness of incarceration and reentry programs and devising a prisoner reentry performance measurement system. In addition, this project will create a community coalition, or "roundtable," in a targeted Philadelphia neighborhood to strengthen existing community resources and to develop new resources to provide post-release job training, placement, and counseling, addictions treatment, housing assistance, childcare services, and case-management services. The report will be released in May 2004, and the roundtable will commence in August 2004.

- **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 lower 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, at no additional cost to the General Fund, by 28.5 percent from 1,926 in FY02 to 2,474 in FY03 with the number of clients projected at 2,507 in FY04 and 2,518 in FY05. By diverting clients from prison during FY03, the FIR program saved 480,189 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 482,144 in FY04 and 483,126 in FY05. 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 OPTIONS substance-abuse treatment program.** Through the Opportunities for Prevention and Treatment Interventions for Offenders Needing Support (OPTIONS) program, the PPS provides addiction treatment services to inmates in intensive residential units, called therapeutic communities, and in moderate "outpatient" units. The OPTIONS program, which is the first step in the Forensic Intensive Recovery program, served an average monthly total of 850 participants in FY03, with that average increasing to a projected 950 in FY04 as staff vacancies are filled and the program is expanded to serve 28 additional women upon the transfer of the women's therapeutic community from the Philadelphia Industrial Correctional Center to the new Women's Detention Facility. In addition, the PPS has identified space to expand the OPTIONS program at the Detention Center to serve 50 additional inmates beginning in late FY04, which will bring the average number of inmates in the program in FY05 to 1,000. The program will be expanded at no additional cost.

Provide a Safe and Orderly Environment for Inmates and Staff

- **Obtain National Commission on Correctional Health Care accreditation of inmate medical and behavioral health services.** The City's cost for inmate medical and behavioral health services has skyrocketed from $25.3 million in FY01 to a projected $43.5 million in FY04 due to rising insurance premiums, the health condition of the inmate population, increased hospital costs, and an inability to hire key medical staff, particularly nurses. The PPS is in the process of attaining accreditation by the National Commission on Correctional Health Care. If approved, this will be the first time that PPS has been accredited by this agency. Accreditation will help to stem the rising costs of inmate medical and behavioral health services by increasing the efficiency of service delivery and strengthening organizational effectiveness while also improving the health care of incarcerated individuals and reducing the risk of adverse judgments in legal proceedings. The actual accreditation survey is expected to take place in late FY04 or early FY05, with costs of $48,758 for the survey and accreditation being paid at no additional cost through the inmate medical contract.

Provide Secure Correctional Facilities that Promote Community Safety

- **Complete construction of the Women's Detention Facility and PPS Multipurpose Building.** From FY96 through February 2004, the female census has grown by approximately 70 percent. The growth in the female population has been problematic for the PPS, which has been struggling to accommodate females in segregated areas of a predominantly male prison system. To help accommodate the increasing population, the City is constructing a $51 million 768-bed Women's Detention Facility (WDF) on the PPS campus. Scheduled to open in the second half of FY04, WDF will house minimum-, medium-, and close-custody women. This three-story facility will include a 143,000-square-foot housing building and a 75,000-square-foot support building. In addition to staff office space, the facility will include an intake and discharge area and space for provision of all inmate services and programs. A separate initiative targeted for completion in FY05 is construction of a $4.1 million 30,000-square-foot multipurpose building, which will house central administrative and support functions of the PPS.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Average daily inmate census	7,121	7,637	7,631	7,539	7,770	7,832
Escapes/walk-aways						
From confinement (including erroneous discharges)[1]	2	3	2	0	1	0
From trustee status [2]	0	2	1	0	0	0
From work release program [3]	32	55	63	55	55	55
Inmates participating in work-release program (Average monthly total)	257	378	336	350	350	360
Inmates participating in vocational training [4]						
Jewish Employment & Vocational Service	1,914	1,619	1,833	1,500	1,500	932
- JOBS Project	N/A	N/A	N/A	N/A	244	400
Cambria Employment Project	N/A	91	356	675	675	675
Inmates receiving diplomas						
GED [5]	254	237	249	265	265	280
High school	11	5	12	15	15	15
Inmates participating in substance abuse treatment						
In-house OPTIONS program (Average monthly total) [6]	829	818	855	950	950	1,000
Community-based Forensic Intensive Recovery program	1,561	1,926	2,474	2,552	2,400	2,408
Inmate days saved						
Forensic Intensive Recovery (FIR)	287,849	411,059	480,189	488,370	482,144	483,126
Earned-time/Good-time	40,404	51,783	42,339	43,000	43,000	43,000

[1]Escapes/Walk-aways from Confinement. All of the inmates who escaped from custody during FY03 were captured. The inmate who escaped from custody during FY04 is still at large.
[2]Escapes/Walk-aways from Trustee Status. The inmates who walked away during FY02 and FY03 were captured.
[3]Escapes/Walk-aways from Work-release. Of the 63 participants who walked away from the work-release program during FY03, so far, 46 have been captured and have been returned to PPS custody.
[4]Inmates Participating in Vocational Training. In FY03, the JEVS desktop publishing and the horticulture programs were discontinued, and the environmental maintenance program was not in operation due to a staff vacancy. Duration of JEVS training programs was lengthened effective July 1, 2003, in an effort to foster post-release job placement and recidivism reduction. Most JEVS programs will be expanded from 2 – 2.5 hours per day for 4 or 5 weeks to 5 – 6 hours per day for 6 or 12 weeks. In FY04 and FY05, resources will be dedicated to providing better vocational training and support services to fewer inmates in an effort to reduce inmate recidivism. Of the 1,500 inmates projected to participate in JEVS in FY04, 244 are projected to participate in the JOBS Project. Of the 932 inmates projected to participate in JEVS in FY05, 400 are projected to participate in the JOBS Project. Upon the opening of the Women's Detention Facility in late FY04 or early FY05, the Cambria Employment Project will begin to serve male rather than female inmates.
[5]Inmates Receiving Diplomas. Effective January 2003, the Commonwealth's standards for GED testing were changed. These changes were expected to have an adverse impact on the number of GEDs awarded. However, the number of GEDs awarded increased by 5.1 percent from FY02 to FY03.
[6]Inmates Participating in OPTIONS Substance-abuse Treatment Program. During FY03, OPTIONS was operating with two staff vacancies. Plans are under way to expand OPTIONS programming at both the Detention Center and the Women's Detention Facility in FY04.

Five-Year Obligations Summary

Prisons

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	94,877,167	93,103,315	97,732,701	99,839,739	99,375,423	98,802,046	97,738,020	97,292,472
Class 200 - Contracts / Leases	71,615,825	77,690,424	77,767,889	75,429,094	75,429,094	75,429,094	75,429,094	75,429,094
Class 300/400 - Supplies, Equipment	4,582,697	4,054,100	4,054,100	3,630,209	3,630,209	3,630,209	3,630,209	3,630,209
Class 500 - Indemnities / Contributions	1,013,284	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	172,088,973	175,874,596	180,581,447	179,925,799	179,461,483	178,888,106	177,824,080	177,378,532

City of Philadelphia

Five-Year Financial Plan

• • • • •

Department of Public Health

Department of Public Health

Mission

The mission of the Philadelphia Department of Public Health (PDPH) is to protect and promote the health and well-being of Philadelphia residents and ensure the availability, accessibility, and quality of preventive and personal health services necessary to improve the health and well being of the Philadelphia community. PDPH is dedicated to promoting our nation's health priorities described in *Healthy People 2010,* and has adopted two major goals: increase the quality and years of healthy life, and eliminate health disparities.

Organizational Objectives and Targeted Initiatives

Prevent Disease and Promote Health

- **Expand the public high school Chlamydia and Gonorrhea Initiative.** The incidence of Chlamydia and Gonorrhea among adolescents continues at epidemic proportions in Philadelphia. The Department responded to this epidemic two years ago by launching an initiative to increase public awareness at locations that afford easy access to adolescents and young adults. In FY03 the Department aggressively expanded this initiative, by launching a program to screen, identify and treat those infected students in all of the City's public high schools. That year, through a program of voluntary, confidential on-site screening for students, the Department reached approximately 30,000 students in 54 high schools across the city. These activities resulted in a total of 19,713 tests performed, with 1,052 found positive for Gonorrhea, Chlamydia or both, and 1,050 of these cases treated.

  In FY04, the Department has enhanced the program for students in the city's public high schools by adding a contact notification system whereby sexual contacts of students testing positive will be notified and offered testing and treatment. Also added to the FY04 program is a subsequent test, offered three to four months after treatment, for all individuals who had tested positive on the first test. The additional costs for these enhancements will be approximately $20,000. To help offset the program expenses, beginning this year, students who are insured by a Medicaid Managed Care Organization are being asked to consent to insurance billing, and procedures are being established to assure reimbursement. In FY04 the Department expects to screen approximately 20,000 students.

- **Improve public health emergency response capacity**. To ensure that the public health infrastructure is equipped to respond to bioterrorism events and other public health emergencies, federal homeland security legislation awarded the City of Philadelphia $1.4 million in additional resources in FY03. In order to expand its emergency response capacity and capability, the Department used these funds to hire four public health nurses and four sanitarians, who function in traditional public health technical areas, working as clinic nurses in City health centers and as inspectors of food establishments. They are also receiving specialized training in bioterrorism issues such as mass prophylaxis/vaccination planning that will enhance the Department's ability to function effectively in a bioterrorism response activity.

  In FY04, additional federal funding will be used to further enhance the public health infrastructure, improve surveillance and provide expanded bioterrorism-related staff training. The public health and public safety departments of the City will continue to work closely with the federal and state governments, the hospital community and voluntary agencies to prepare to respond to emergency situations, including bioterrorism and other public health emergencies.

- **Increase the Childhood Immunization Rate.** The Department of Public Health is working to increase childhood immunization rates to 90 percent across the city by FY08. As of 2003 the childhood immunization rate for Philadelphia was at 80 percent. To reach the year FY08 goal, the Immunization Program has set short-term objectives of at least a 2.5 percentage point annual increase in vaccination coverage for 2004 through 2010. As a part of the strategy to reach this goal, by the end of FY03 the Department had raised to 329 the number of pediatric care providers reporting childhood immunization data to KIDS, the immunization registry, out of a total of approximately 350 providers. The KIDS data is an excellent tool that is used to identify specific areas of the city where the childhood immunization rate is low. The Department then targets those areas for outreach by community-based organizations specifically engaged for this purpose. Using this strategy in such underserved areas in the city as Fairhill, Passyunk, and West Oak Lane, the department has increased rates in these communities by 21, 19, and 18 percentage points, respectively, since 2002. These community coverage increases have been the main contributor to the increase in citywide coverage rates from 75 percent in 2002 to 80 percent in 2003.

  In FY04, the Department began providing a more focused community outreach effort to immunization-delayed households by working more closely with pediatricians in the targeted neighborhoods to emphasize the importance of receiving appropriate and timely immunizations. In order to better reach the highest risk communities, the Department is offering to the zip codes with the lowest immunization rates (at 70 percent or below) home visiting by public health nurses, who will provide appropriate vaccinations for the children at their homes. The heightened home visiting efforts will be the principal strategy of the Department in FY05 to achieve the goal of increasing the total number of children who are age-appropriately immunized. In FY04, five zip codes (19114, 19125, 19133, 19139 and 19137) out of 41 zip codes assessed have immunization rates at 90 percent or greater, an increase from four zip codes in FY03. The goal is to grow the number of zip codes with immunization rates of at least 90 percent to 10 in FY05.

Assure Safe and Healthy Working and Living Conditions

- **Provide animal control.** Effective September 1, 2002, the Pennsylvania SPCA terminated its more than 30-year relationship with the City to provide animal control services. This decision was consistent with the position of humane societies nationwide to cease participation in animal control activities where euthanasia is a principal component. In response, the Department of Public Health created a not-for-profit entity, the Philadelphia Animal Care and Control Association (PACCA) to provide citywide animal control services at an annual cost of $2.2 million. Operating from a newly renovated facility at 111 West Hunting Park Avenue, the new agency opened its doors on August 28, 2002.

  In addition to providing the public health and public safety components of animal control, the new agency has focused on increasing adoptions of animals, conducting responsible pet ownership campaigns and increasing animal license sales. In FY03 PACCA handled a total of 24,576 animals and found homes for 5,856 of them. PACCA projects the number of animal intakes for FY04 to be between 35,000 and 40,000, with at least 8,000 adoptions. In FY03, PACCA exceeded the adoption rate achieved by the SPCA, and it is projected to futher improve in FY04. Special campaigns and information about PACCA can be accessed through a link on the City website at www.phila.gov\health\. In addition to community outreach by PACCA, institutional pet therapy programs, the People-Pet Partnership Program, and the Petfinders.org web site are providing assistance to PACCA in the promotion of public knowledge and education on pet ownership, licensing, vaccinations, and safety. In FY04 PACCA enhanced its partnership with a national pet chain by promoting "Super Adoption Days" to display pets received through the PACCA system. These "Super Adoption Days" will also be taking place at additional pet stores and in locations throughout Fairmount Park. In FY05 PACCA will continue to provide the Pet Therapy program to the Philadelphia Nursing Home that was initiated in FY04.

- **Childhood lead poisoning intervention initiative continues.** An aggressive shift was made in childhood lead poisoning services in April 2002. At that time the Department was performing lead hazard reduction services for about 150 properties per year with an additional 500 units in need of abatement being reported each year. This gap had created a backlog of housing units awaiting lead hazard reduction services of 1,400 units. Through the actions of the newly formed, multi-agency Lead Hazard Strike Team (LAST) and the Lead Court, together with the Department's increased capacity to perform more timely lead hazard reduction work through the expansion of hazard reduction staff, the Department was increasingly able to reduce the backlog of housing units having unresolved lead hazards during FY03. The Department conducted 1,372 residential investigations for lead paint, performed or monitored lead hazard reduction work in 1,281 units and anticipates conducting 1,375 investigations and performing or monitoring 1,350 units in FY04.

  All newly identified housing units in need of lead hazard remediation since inception of the LAST initiative are currently receiving lead hazard control work, basic systems repairs before lead hazard control takes place, or are scheduled for administrative or legal action. The combined impact of the expanded lead hazard control capacity in the Department, LAST and Lead Court is that not a single housing unit has been added to the backlog. The backlog that stood at 1,400 units in April 2002 has declined to 790 as of the end of FY03, is anticipated to decrease to less than 500 units by the end of FY04, and to an estimated 300 units by the end of FY05.

  In FY04 and FY05 the Department plans to continue the expansion of its lead reduction efforts to include an increased partnership with the Medical Assistance HMOs to provide increases in lead education to new mothers, lead screening of their infants, and inspection of their housing units for lead hazards. The Department also is working with the Pennsylvania Department of Health to develop a statewide lead poisoning elimination plan to begin in July 2004. Through this partnership, and through active application for lead hazard control funds, the Department will increase its ability to provide assistance to families to remediate lead hazards. To fund these efforts the Department intends to use the funds it will receive from the state's share of the HUD Safe Home grant, which is $550,000 disbursed over the next three years.

Provide Quality Treatment for Health Problems

- **Help obtain insurance coverage for a larger percent of Health Center patients.** Many of the uninsured patients the City serves at its Health Centers are eligible for coverage but are uninformed about the benefits available to them. Therefore, in an effort to increase the number of patients who receive some sort of health coverage, in FY02 the Department of Public Health increased the number of benefits counselors available in the health centers to assist patients with Medical Assistance, Adult Basic, Private HMO and Children's Health Insurance Program enrollment.

In FY03, the Department expanded the initiative by including an additional 48 full- and part-time and volunteer staff to support the enrollment and education effort. A video and promotional materials had been created, the patient sign-in process had been redesigned and a database to track patient insurance information was developed. The number of uninsured patients who received benefits counseling in FY02 was 7,754. In FY03, this number increased to a total of 30,284 and resulted in a reduction in the number of uninsured visits from 64 percent in FY02 to 60 percent. In FY04, the Department increased the use of eligibility verification software and hardware to determine more up-to-date patient Medical Assistance status, and increased the emphasis on pediatric patient coverage, given that a higher percentage of children than adults are eligible for coverage. These efforts will continue into FY05, as more extensive multicultural resources are also put into place to discern insurance coverage possibilities for patients with limited English proficiency. The Department projects the number of uninsured visits to decrease to approximately 55 percent by the end of FY04, 50 percent by the end of FY05, and 30 percent by FY09.

- **Service delivery options for pharmacy services being studied**. The cost of providing free prescriptions to health center patients has spiraled upward during recent years, as the number of prescriptions filled in the Health Centers has increased from 517,662 in FY01 to 572,965 in FY03. In addition, the delivery of quality in-house pharmacy services to Health Center patients has suffered in recent years because of the department's inability to attract and maintain pharmacist staff. This industry-wide shortage of pharmacists has led to the Department's evaluation of the feasibility of repairing the existing in-house system, contracting completely for pharmacy services, or some hybrid of these two options, to improve this service.

  Any plan to improve service will likely result in increased costs to the Department, and the Department is evaluating the feasibility of charging co-pays or processing fees, to help offset these costs. A consultant was hired in FY04 to investigate the options in charging these costs.

- **Consolidation of Department laboratories.** The Department operates laboratories at three locations. In an effort to streamline the delivery of laboratory services, the Department plans to consolidate the management of the three facilities. Consolidation of the physical plants of two, and possibly all three of the laboratories is also being studied. The first phase of the consolidation process started in FY03, which included the planning phase for the relocation of the Public Health Laboratory to an updated facility in the Medical Examiner's Office Toxicology Laboratory. The physical plant of the newly renovated facility will be superior to the outdated physical layout and deteriorated physical plant of the existing Public Health Laboratory. The search for a permanent laboratory services director for the combined laboratory operation is currently underway.

Key Performance Measures

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Infant Mortality Rate: Deaths/1,000 [1]	11.9	10.3	10.4	9.6	9.6	9.4
% of Women Who Receive Inadequate Prenatal Care [2]	6.6%	6.7%	6.6%	6.6%	7.8%	15%
# of Children with Confirmed Elevated Blood Levels	801	690	578	650	500	450
Incidence of Vaccine-Preventable Disease Among Children < 15 [3]	15	18	61	40	67	75
New Cases of Infectious Gonorrhea	8,358	7,989	6,923	8,000	8,000	7,400
Surveillance, Evaluation, Follow-Up-New TB Cases/Suspects	285	236	208	220	220	220
New Reported AIDS Cases [4]	1,137	1,160	1,126	1,123	1,123	989
Food Complaints Investigated	3,221	3,068	3,298	3,000	3,000	3,200
Average Interval Between Food Establishment Inspections (Months) [5]	17.2	18.5	18.2	16.7	16.7	14.6
% of All Homicides Having Final Examiner's Report Completed Within 8 Weeks	75%	75%	74%	85%	81%	85%
Nursing Home Census (Average)	434	431	433	439	428	430
Air Quality [6]						
Percent of Days with Good Air Quality	83%	75%	78%	51%	51%	51%
Percent of Days with Moderate Air Quality	14%	23%	17%	44%	44%	44%
Percent of Days with Unhealthful Air Quality	3%	2%	5%	5%	5%	5%
District Health Centers						
Total Patient Visits	340,747	342,742	320,833	326,000	326,000	326,000
Uninsured Visits	219,100	218,327	193,783	175,342	175,342	163,000
Percent of Visits Uninsured	64%	64%	60%	54%	55%	50%
Pharmacy Prescriptions	517,662	553,075	572,965	545,723	545,723	560,000
Percent of Appointments Made for Within 3 Weeks of Request	70%	70%	76%	73%	78%	80%
Percent of Evening Sessions Available	80%	89%	81%	100%	97%	100%
Citizen Satisfaction Survey						
% Satisfied with Services Received at Health Center	74.7%	73.6%	69.4%	72%	72%	75%
% of Health Center clients reporting a wait of three weeks or more between request for appointment and date of appointment [7]	28.5%	33.4%	53.0%	45%	40%	30%

[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 Pre natal Care. In FY05 the Maternal, Child, and Family Health (MCFH) division of DPH will be using 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] Incidence of Vaccine Preventable Diseases. The City continues to have cyclical "peak" periods of high incidence of Pertussis (whooping cough), a vaccine preventable disease. This is currently a peak period.
[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 Appointments. 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 will also be transferred, allowing patients to schedule appointments at any center and reduce wait times.

Five-Year Obligations Summary

Public Health

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	37,732,391	39,999,309	40,072,067	39,141,994	38,281,999	38,105,759	37,938,850	37,466,292
Class 200 - Contracts / Leases	55,833,177	59,065,479	59,065,479	60,445,579	59,439,579	59,189,579	59,189,579	59,189,579
Class 300/400 - Supplies, Equipment	4,026,123	4,421,839	4,421,839	4,097,244	4,072,244	4,043,150	4,003,150	3,973,150
Class 500 - Indemnities / Contributions	40,000	40,000	40,000	0	0	0	0	0
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	1,500,518	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Class 900 - Advances / Misc. Payments								
Total	99,132,209	105,626,627	105,699,385	105,784,817	103,893,822	103,438,488	103,231,579	102,729,021

City of Philadelphia
Five-Year Financial Plan

• • • • •

Department of Recreation

Department of Recreation

Mission

The mission of the Recreation Department is to develop the physical, cultural, artistic, and life skills of Philadelphia residents by providing programs at safe, attractive, well-maintained facilities. The Department also manages various public parks and squares, and coordinates the efforts of neighborhood park volunteers.

Organizational Objectives and Targeted Initiatives

Ensure that Recreation Facilities are Fully Operational and Well-Maintained

- **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 and junior high schools. Resources are not available to maintain the aging facilities and programs at their current levels. The Administration will work closely with City Councilmembers to determine where facilities can be transferred to an interested outside party; where underutilized or obsolete facilities should be closed or demolished and sold or turned into passive green space; and where facilities should be consolidated or modified to better meet the needs of the community. There are already a number of community organizations that have indicated an interest in leasing a recreation facility; the City will make lease agreements conditional on these third parties continuing to provide programming to current after-school and camp participants, without the involvement of the City. The City will also pursue opening spray parks at playgrounds in close proximity to any pools that may close. Spray pools are safe and popular and cost only $125,000 to build, with minimal maintenance costs. Through these and other changes to the Recreation Department, the City is projecting a savings of $4 million annually.

- **Add citywide sports and cultural programs to former Fairmount Park sites assumed by Recreation.** In FY04 Recreation assumed operations of six recreation centers (Hunting Park, Gustine Lake, Cobbs Creek, Papa, Parkside Evans, and Fisher) and three pools (Hunting Park, Kelly, and Cobbs Creek) formerly under the control of the Fairmount Park Commission. The facilities were transferred to properly align service responsibilities and facilities with core missions and departmental expertise. Operations of these facilities will be consistent with the standards for programming, maintenance and overall quality that the Department has steadily implemented throughout its facilities. In FY05 and FY06, Recreation will add program offerings such as the after-school program, summer food program, sports programs, and citywide cultural programs to the recreation centers. "Swim for Life Camp" will be implemented at Hunting Park pool in FY05 and at Kelly and Cobbs Creek pools in FY06. Enhanced pool security, begun in FY04, will continue in FY05. Any additional costs will be absorbed by the Department's budget.

- **Provide for the safety of the public and recreation employees.** The Department's Playground Safety Program was developed in FY02 to ensure that all of its playgrounds meet the national safety standards and guidelines as defined by the American Society for Testing and Materials and the National Park and Recreation Association. As a result of the Playground Safety Program, in FY04 the Department replaced 200 infant and children's swings at a cost of $15,000 paid from the General Fund, and installed new playground equipment at four playgrounds at a cost of $416,000 paid from capital funds. In FY05, the Department plans to perform repairs and renovations for at least six more existing playgrounds estimated at a cost of $750,000 in capital funds. The Department will train five employees to be playground equipment inspectors certified by the National Playground Safety Institute at a cost of $2,000 each, bringing the total number of certified inspectors in the Department to 14. The Department plans to implement a citywide playground inspection schedule for its 275 playgrounds. As part of this initiative, in FY04 the Department developed and utilized requirements contracts totaling $60,000 with companies certified by the International Play Equipment Manufacturers Association to replace damaged slides, swings, and hand railings at 15 playgrounds.

Provide Programs to Develop the Physical, Cultural, Artistic and Life Skills of Community Participants

- **Develop and implement a Language Access Policy.** The Department, as part of the *Global Philadelphia* initiative headed by the Managing Director's Office, is developing and implementing a language access plan to ensure that persons with limited English proficiency (LEP) have meaningful access to federally funded services and programs. By the end of FY04, the Department will: (1) issue a language access policy and procedures to be followed by all departmental staff; (2) translate many vital documents in the after-school and older adult programs into several other languages; (3) install speaker phones (used to access telephonic interpreter services) in facilities with the largest proportions of LEP participants; and (4) train all staff in the new policy and procedures. The objective of the language access plan is to effectively meet the needs of the City's LEP population and to ensure that no participant suffers a loss of service due to language differences.

- **Expand the number and type of visual and performing arts courses provided to children and adults.** The Department plans to continue to offer new and improved visual and performing arts courses to keep participants interested and challenged, and maximize the use of recreation facilities. In FY04 the Department will offer a total of 110 performing arts and 70 visual arts programs, serving 10,600 participants. In FY05, the Department plans to expand its offerings to 125 performing arts and 70 visual arts programs, and will serve 11,000 participants. Program enhancements include:

  - The "train the trainer" sessions that the Department began in FY03 to increase training in visual and performing arts were expanded in FY04 and allowed a Senior Art Camp to be introduced. An additional 60 after-school staff will be trained in FY05 so that they can incorporate new and exciting art programs into all after-school classes.

  - Dance programs were offered at 65 playgrounds in FY04 and are projected to reach 75-80 playgrounds in FY05. In FY05, drama and music programs are projected to increase

Provide Safe, Stimulating and Supportive After-School and Summer Environments

- **Provide instructional programming at Recreational and Educational Computer Sites (RECS) Program.** The Department's RECS labs offer Internet access and a variety of computer instruction courses at 11 recreation and cultural facilities throughout the city. Programming varies by site but can include computer literacy, programs for the visually impaired, senior computer classes, robotics, and after-school programs. The Department is collaborating with other City departments to provide staff for computer instruction classes and the International Computer Drivers License (ICDL) program at the RECS computer labs in FY05.

- **Increase awareness and usage of Camp William Penn.** Camp William Penn, located in the Pocono Mountains, offers an overnight camping experience for boys and girls ages eight to twelve from all neighborhoods of Philadelphia. The Camp is an accredited member of the American Camping Association (ACA) and is operated in full compliance with the ACA's high standards. In FY04, many improvements were made to the Camp: new roofing was installed on the main dining hall; a water purification system serving two wells on the Camp's property was installed; and a walk-in freezer, five new clothes dryers, and an institutional dishwasher were purchased to better serve the campers. The Department plans to focus on the following in FY05:

  – Improving recruitment practices to increase the number of campers from FY04's 565 to 720 in FY05. In FY04 the Department developed a "customer friendly" application that will go out to parents in the early spring and formed collaborations with the Philadelphia School District, Department of Human Services Parenting Programs, and Philadelphia Health Management Corporation Shelters and Transitional Living programs to increase camp enrollment. The application has also been translated into Spanish as part of the language access plan (discussed earlier in this chapter).

  – The formation of an advisory board to facilitate the growth of the Camp.

  – Integration of a nature-based curriculum into daily camp activities.

  – Addition of a low ropes course and climbing wall at a cost of $32,000.

Improve the Quality of Customer Service to the Citizens of Philadelphia

- **Increase staff development and training opportunities.** In FY05, the Department plans to increase training opportunities for its employees in the areas of staff development, analytical and critical thinking, and diversity sensitivity. The Department has developed various training manuals that include custodial practices, facility program operations, and aquatic operations to assist with the training programs. In-house staff provides much of the training to new and current employees with a minimal cost for training supplies and materials. Diversity sensitivity training will be provided to all management and programming staff at a cost of $13,000.

by 25 percent, and a film appreciation workshop and a playwriting class will be added to the Department's Young Performers Theater Camp.

- **Maintain operations for teen centers.** In an effort to address the problem of youth violence, the Department secured grants in FY02 and FY03 for the opening of "teen centers" at Rivera, McVeigh, Kingsessing, and Francis J. Myers recreation centers. The teen centers were created to provide non-school hour recreational and social programming opportunities for high-risk and previously adjudicated youth. Teen center programs include dances, movie nights, social trips to sporting and cultural events, photography and ceramics classes, video games, and a supervised meeting place for unstructured socializing. Participation is voluntary and participants are recruited through youth forums and agencies such as DHS's Division of Juvenile Justice Services, the Juvenile Probation Office, the Police Department, and the Philadelphia Anti-Drug Anti-Violence Network. In FY04**,** a project evaluation of the first 18 months of teen center operations revealed that of the 1,146 youth who were registered at the teen centers at the end of FY03, 328 are or have been on juvenile or adult probation. This number exceeded the projected number of 235 adjudicated youth registrations included in the grant application, and demonstrates teen centers' ability to engage teens from the targeted areas in healthy recreation programs. The evaluation concluded that it is too soon to determine if the teen centers have reduced youth involvement in the criminal justice system. A teen center coordinator was hired in FY04 to oversee the centers' operations and to improve data collection to ensure results can be measured.

  In FY04, participation at the four teen centers is projected to reach 1,367 and an additional teen center opened at Shepard Recreation Center at a cost of $125,000. The number of youth registered at the five teen centers is projected to reach 1,500 in FY05 and to grow by 150 new registrants each year. In FY05, the Department will continue to apply for government and local grants to maintain operations for the existing teen centers and, when possible, increase the number of centers.

- **Increase participation in exercise programs provided at Recreation's Older Adult Centers**. According to the Center for Disease Control, Older Adults (age 65-74) who lead an active lifestyle spend significantly less for medical costs than those who lead an inactive lifestyle. In order to promote physical activity among older adults, Recreation's five older adult centers will increase opportunities for older adults to exercise in FY05 through: (1) space expansion at the South Philadelphia and King Older Adult Centers; (2) construction of the new Northeast Older Adult Center; and (3) continuing use of the gym at Rivera Recreation Center for the Mann Older Adult Center. The cost of offering the full array of programming at all five older adult centers at the current rate for instructors is $104,000 annually, which is covered through participant fees and financial assistance from the older adult center advisory councils. The exercise programs for all five older adult centers currently serve 940 older adults weekly. In FY04 the Mann and South Philadelphia Older Adult Centers began tracking client attendance, meals and exercise routines; this will be expanded to all centers in FY05. The Department is also exploring possible partnerships with outside agencies to secure sponsorship funding and increase program participation by 10 percent per year over the next five years.

City of Philadelphia

Five-Year Financial Plan

• • • • •

Internal Support Departments

Internal Support Departments

Overview

Internal support departments ensure an effective delivery of City services by providing the appropriate tools to City agencies and ensuring compliance with laws, rules and policies. These departments work closely with every service department in the City, focusing on meeting the needs of their "client" departments while closely managing their costs. Although these departments may be less visible to the public, the resources they provide are no less critical to the day-to-day operations and emergency preparedness of the City.

The mission, objectives, and targeted initiatives for each of the internal support departments are outlined below.

Fleet Management

The Office of Fleet Management (OFM) is responsible for acquiring, maintaining, assigning and disposing of vehicles and other motorized equipment needed by the City. The organizational objectives of OFM are to: ***provide the City's operating departments with the necessary supply of vehicles through planned acquisition; improve effectiveness in maintaining safe and reliable vehicles***; and ***enhance workplace safety and productivity***. Targeted initiatives include:

- **Elimination of Take-Home and Administrative Vehicles**. The City currently has 423 non-police take-home SUVs and sedans and pays an average of $6,200 annually for each vehicle in maintenance (fuel and parts), parking, labor and amortized acquisition costs. In April 2004, Fleet Management will remove and sell 55 cars as it begins the incremental elimination of all take-home and administrative vehicles from the City's fleet. In early 2004 OFM completed a new Vehicle Assignment and Usage Policy, which outlined the transportation alternatives available to employees to replace the longstanding dedicated vehicle assignment policy. Employees who meet eligibility requirements, including after-hours emergency response duties, will be entitled to a monthly stipend to cover the costs of using a personal vehicle for work-related transportation. Employees will continue to have the Personal Auto Mileage Reimbursement Program or SEPTA reimbursement available for work-related travel. Starting in April 2004, the City will also begin offering an Automated Vehicle Sharing Program to City employees – the second of its kind in the country. Full implementation of the new policy should occur by the end of FY05 and save the City nearly $600,000 a year in parking, maintenance and fuel costs. In addition, mechanics would be able to redirect the time they had spent on these vehicles to other vehicles more directly tied to service. During the last quarter of FY04 and early FY05, OFM will also remove operational equipment and vehicles that do not meet utilization thresholds.

- **Vehicle Leasing.** In FY04 OFM conducted a review of the City's fleet and found that it significantly lagged industry standards on the useful life of vehicles. In order to maximize vehicle acquisition dollars, the Office will enter a multi-year lease-purchase agreement in FY05, which will approximately double the acquisition resources available (from $4 million to $8 million) and allow the Office to purge a large number of obsolete and costly vehicles and equipment. Equipment to be included in the lease purchase plan will primarily be the costlier equipment with long life cycles, such as trash compactors, medic units, fire trucks and street sweepers. This will help the Office's efforts to reduce the average age of the fleet to more desired levels in the short term while lowering per-vehicle repair and parts costs to more efficient levels.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Total Number Of Vehicles In The Fleet[1]	5,931	5,970	6,440	6,400	6,200	5,900
Percent Of Radio 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%	10%	10%	10%
Fleet Downtime – District Radio Patrol Cars	10%	11%	11%	11%	10%	10%
Fleet Downtime – Curbside Compactors	19%	21%	21%	21%	22%	20%
Fleet Downtime – Medic Units	12%	13%	13%	12%	13%	9%
Fuel Cost Per Gallon – Unleaded	$1.03	$0.78	$0.86	$0.90	$1.01	$1.01
Fuel Cost Per Gallon – Diesel	$0.95	$0.72	$0.80	$0.86	$0.93	$0.93

[1] During FY02 and FY03 the number of vehicles in the fleet increased primarily because of the purchase of 70 Police sedans that had previously been leased, the acquisition of over 300 vehicles and pieces of special equipment for the City's lot cleaning program and 130 vehicles for new programs in the Water department and the Division of Aviation.

Law Department

The Law Department furnishes legal advice to City officials, agencies and departments; takes enforcement actions regarding delinquent taxes, fines and other monies owed to the City; processes and approves all City contracts; represents the City in litigation to which the City is a party; and prepares or assists in the preparation of ordinances for introduction in City Council. The organizational objectives of the Law Department are to: ***maximize revenues through the recovery of funds due to the City and through affirmative litigation***; ***protect the interests of the City through the provision of effective representation and the reduction of potential liability***; and ***provide quality legal advice and services to support City officials and departments***. Targeted initiatives include:

- **Keep It Code Klean (KICK)**. In what has been dubbed "Operation KICK" (for Keep It Code Klean), in February 2004 the NTI/Code unit engaged a collection agency to attempt to collect over $100 million in nuisance liens on over 33,000 delinquent accounts or, if necessary, obtain personal judgments against the debtors. Operation KICK covers liens from 1990 through 2002 that arose from unpaid work performed or contracted by L&I on behalf of the 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 that process by obtaining personal judgments if debtors do not pay. Similar to the CLIP program's efforts on nuisance violations, Operation KICK will provide a strong incentive for property owners with significant delinquencies to maintain their properties or suffer financial consequences.

- **Expand Collection Efforts**. The Law Department has several initiatives in progress to improve collection effectiveness through investments in technology and staff resources. The Department will be provided with an additional $655,000 in personnel appropriations to reinstitute an execution unit, which should help generate between $6.5 and $7.2 million in additional revenue annually. By performing the work in-house, the Department will save the 25 percent contingency fee paid to external collection agencies, more readily file execution writ packages and impose more stringent collection efforts to recover a greater percentage of interest and penalties assessed along with collection of the fines imposed by the Court on business tax non-filer judgments. In terms of technology, the Department will invest approximately $645,000 towards developing interfaces with databases of the Revenue Department, L&I, and Municipal Court to share data concerning taxpayers, particularly non-filers, and eventually business tax delinquents. These investments will enable the Department to find, effect service on, and collect from more delinquent taxpayers. The technology investments should net at least $250,000 in the first year and an additional $2 million or more annually.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Collection of Delinquent Taxes, Fines, and Fees ($)	102,855,931	123,910,382	120,633,323	106,000,000	106,000,000	114,000,000
# of New Suits Filed Against City	1,659	1,577	1,545	1,500	1,440	1,500
# of Cases Closed	2,015	1,818	1,624	1,500	1,500	1,500
# of Cases Closed Without Payment by City	1,302	1,020	981	900	750	750
% Closed Without Payment [1]	64.6%	56.1%	60.4%	60.0%	50.0%	50.0%
Total Cost for Closed Cases ($)	30,217,884	30,045,987	24,146,479	29,921,804	22,049,192	27,000,000
Average Cost per Case Closed (with and without payment) ($)	14,996	16,527	14,869	19,948	14,699	15,758

[1] The percent closed without payment is declining because the courts have eroded the immunity protections under the Tort Claims Act, resulting in more cases (particularly police vehicular pursuits and injuries on sidewalks) where the City may be found liable.

Personnel Department

The Personnel Department works with all agencies of the City government to recruit, develop and retain a qualified and diverse workforce. The Department's organizational objectives include ***planning for future workforce needs***, ***providing effective employee recruitment and selection, developing employee skills, ensuring compliance with employment law*** and ***providing access to human resource information.***

- **Implement Application Fees for Examinations**. It costs the Personnel Department an average of $39 to process each job applicant. Currently, these costs are absorbed fully by City taxpayers although most never compete for jobs with the City. Beginning in FY05, the Department plans to join its counterparts in the region and in other northeastern states by charging a processing fee for all applications for examinations, excluding candidates who can demonstrate an inability to pay or for hard-to-fill classes. In addition to raising an estimated $600,000 annually to cover Personnel Department costs, the fee will serve as a mechanism to eliminate applicants who are not seriously interested in a position. On average, excluding laborer exams, fewer than half of those who apply for City work even show up for the test.

- **Expand the Automation of Personnel Processes.** Many personnel transactions are paper intensive, requiring significant clerical support and layers of approval that serve to elongate cycle times. In FY04 the Department worked with MOIS and the Office of Budget and Program Evaluation to identify and purchase for $250,000 a web-based Business Process Automation tool to eliminate the need for paper and clerical support. After mapping a streamlined workflow for the employee separation process, the Department worked with consultants to automate the notification and approval flow from the requesting department, through payroll and benefits, into the pension system. The process has been tested in the Administrative Service Center and will be rolled out to other departments by early FY05. Other processes that will be automated by early FY05 include leave of absence and new hire. As more processes become automated, the City will be able to reduce the number of clerks Citywide who support paper processes.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Percent of Workforce Requests that are Unplanned [1]	39.9%	38%	37.86%	35%	45.45%	45.45%
Number of Hiring Lists Due	616	560	520	500	500	490
Percent of Hiring Lists Produced on-Time or Early	96%	93%	96%	95%	95%	95%
Number of Job Design Recommendations Due	418	387	384	385	385	385
Job Design Recommendations Produced on Time or Early	100%	100%	98%	98%	98%	98%
Percent of Critical Job Classes with Active Hiring Lists	92%	95%	93%	100%	96%	96%
Average Number of Days Between Exam Announcement and Hiring List Establishment	76	85	81	75	75	75

[1] The workforce planning process was modified for FY04 because of the hiring freeze and because very few requests were eligible for inclusion in departments' annual workforce plans. As a result, the percent of unplanned workforce requests as a percentage of total requests increased significantly in FY04 even though the actual number of unplanned requests (1,400) remained relatively unchanged from prior years.

Department of Public Property

The mission of the Department of Public Property is to efficiently manage and maintain the physical infrastructure that supports City government operations, including City-owned buildings, leased space, and telecommunications systems. The Department's organizational objectives are to: ***assist in the production of special events; manage the City's real estate activities by negotiating cost-effective leases and conducting the sale and acquisition of City-owned properties;*** and ***manage the City's communication system and cable television franchise.*** Targeted initiatives include:

- **Consolidate Facility Maintenance**. There are over 350 City employees who perform facility maintenance. Only one-third of the City's maintenance workers are in the Department of Public Property; most are scattered throughout various departments and maintain recreation centers, health centers, libraries, fire stations, and so on. Many of these positions require a skilled trade, such as electrical and HVAC repair, and are often hard to fill. There is minimal "sharing" of workers, so one department often ends up in need of one trade while another has excess capacity in that area. Yet, the preventative maintenance and repairs required for the different facilities are fairly universal. The planned consolidation of facility maintenance employees will allow for a more efficient and rapid deployment of workers who can concentrate on all facilities within a certain area, and will eliminate traveling from one part of the city to another, resulting in more thorough maintenance.

In FY04, the Department began planning for the consolidation of facility maintenance by conducting an inventory of City facilities and mapping them into five geographic maintenance zones. To understand the optimal number and mix of trades workers to staff each zone, the Department is currently canvassing City departments to identify numbers and types of employees that will be part of the centralization, while also gathering workload data to understand the frequency and type of work currently performed. The Department will take a phased approach to facility maintenance consolidation and integrate departments gradually over FY05 and FY06. Before the consolidation occurs, the Department is refining its automated work order tracking system (MP2) so that work can be better tracked by the time it is all housed in Public Property. Consolidation will also allow for at least a 10 percent reduction in the number of maintenance workers required by the end of FY05, saving an estimated $1.18 million annually. The consolidation will also produce economies of scale in the purchase of materials and supplies as the Department will be making larger purchases and the City will need fewer storage facilities.

- **Municipal Fiber Optic Network.** The Department spends approximately $3 million annually for CityNet, a privately leased fiber optic network from Verizon. CityNet connects all City departments, agencies, and quasi-agencies throughout the municipal government. The network is made up of three distinct fiber optic rings, with the Center City ring having the highest utilization and reaching its full capacity. The Department plans to design and construct a $2.2 million Center City ring with City-owned fiber to replace the ring that it currently leases. Starting in FY06, the City will be able to reduce the annual cost of CityNet by 35 percent ($1.05 million), as well as enjoy greater network bandwidth in all downtown municipal locations.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Building Services Division:						
Work Order Requests Generated[1]	12,054	9,638	9,733	12,000	11,000	11,000
Work Order Requests Completed	11,592	8,051	7,636	8,400	8,000	8,000
Contracted Services:						
Work Order Requests Generated	21,800	25,702	22,757	28,800	28,800	28,000
Work Order Requests Completed	N/A	24,654	19,849	26,496	26,496	27,000
Communications Division:						
Constituent Call Center: Calls Received	1,505,826	1,495,000	1,444,549	1,440,000	1,584,000	1,770,000
Percent of Calls Answered	86%	85%	89%	92%	92%	93%
# of Communication Work Order Requests	11,727	10,127	13,057	12,000	11,250	12,175
# of Communication Work Orders Completed	11,308	8,764	9,936	11,400	10,125	11,000

[1] The number of work order requests generated in the building service division is expected to increase in FY04 because the division assumed responsibility for additional facilities.

Department of Records

The mission of the Department of Records is to ensure that municipal records are appropriately created, controlled, and managed for City agency use and public access. The Department is responsible for recording all documents related to the title of ownership of real property in the city. As an agent for the Commonwealth and the City Revenue Department, the Department of Records also collects realty transfer taxes and document recording fees and maintains the City's real property database and tax maps. The Department's organizational objectives include: ***facilitating access to public records; preserving existing public records;*** and ***improving records and forms management.*** Targeted initiatives include:

- **Implement E-Recording**. Beginning in the spring of 2004, the Department will accept mortgage satisfaction documents that are submitted in digital form. The acceptance of digital documents reduces the cycle time of the recording process and eliminates the re-keying of data, improving the quality of the data captured in the system. In phase two of the initiative, scheduled for FY05, the Department will accept other digital documents, including mortgages and assignments. In phase three, also scheduled for FY05, deeds and mortgage-related documents that are scanned will also be accepted for recording. The cost to implement e-recording over FY04 and FY05 is $200,650.

- **Continue Converting Land Record Information into Electronic Format**. The Department is continuing to convert land records from microfilm to electronic data and plans to complete the conversion of land record data back to 1976 by the first quarter of FY05. Land records are needed to complete home purchases or home equity loans. Electronic images are more accessible, convenient and, unlike microfilm images, will not deteriorate over time. Over the next few years, the Department plans to convert all data back to the 1600s into electronic format, at a total cost of $8.2 million. During FY05 the Department will also implement other technologies to improve the quality of information and the efficiency of the recording operation, such as a modern version of optical character recognition. By early FY05, citizens and businesses will be able to retrieve and pay for electronic land record data using credit cards via the Internet. The credit card acceptance capacity will cost the department approximately $25,000, which is being funded by the Productivity Bank. The cost of all of the technological enhancements will be offset through fee increases, most of which have been previously approved by City Council.

- **Increase Availability of Police Accident and Incident Reports**. Once credit card acceptance capacity over www.phila.gov is established (as discussed above), the Department will be able to make police traffic accident and incidence reports available to the general public. Currently, police traffic accident reports via the Internet are only available to those with a subscription escrow account. Certain types of incident reports, such as burglaries and thefts, as well as traffic accident photographs, will be available via the web in FY05 for the first time.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Number of Documents Recorded	179,665	198,352	217,591	189,374	267,400	267,400
Number of Scanned Images of Recorded Documents[1]	1,099,702	1,439,086	1,689,347	1,350,469	1,939,608	2,184,826
Turnaround Time on Recorded Documents (days)	2	2	2	2	2	2
Document Recording Fees/Taxes collected ($000's) [2]	$111,833	$136,146	$150,076	$137,386	$193,631	$193,631
# of Archives/Records Center Reference Services	17,138	16,739	18,432	20,450	17,617	17,617
Records Center Materials Handled (cubic feet) [3]	10,571	9,726	13,055	16,384	6,696	6,696
Police Accident Reports Copied	48,776	54,890	59,553	60,200	60,200	60,200
# Central Duplicating Services Provided	32,985,156	32,561,569	30,483,114	31,542,232	32,261,569	31,901,898

[1]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] Fees collected are increasing in FY04 and FY05 because of an increasing number of documents recorded as well as higher fees.
[3] The Department is in the process of converting its Records Management System database and requested that departments delay transfers into storage until the database modifications are completed (by the end of FY05).

Five-Year Obligations Summaries

Fleet Management

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	17,475,483	17,167,789	17,167,789	16,818,434	15,832,746	15,630,061	15,490,642	15,264,374
Class 200 - Contracts / Leases	4,302,997	4,192,500	4,300,000	4,819,000	4,819,000	4,819,000	4,819,000	4,819,000
Class 300/400 - Supplies, Equipment	16,725,257	15,292,501	17,906,476	17,255,400	16,308,272	16,308,272	16,308,272	16,308,272
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	38,503,737	36,652,790	39,374,265	38,892,834	36,960,018	36,757,333	36,617,914	36,391,646

Fleet Management – Vehicle Purchases

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases								
Class 300/400 - Supplies, Equipment	9,799,293	10,700,000	6,700,000	3,180,000	5,180,000	5,680,000	6,180,000	6,180,000
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	9,799,293	10,700,000	6,700,000	3,180,000	5,180,000	5,680,000	6,180,000	6,180,000

Law

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	9,689,915	10,396,156	10,346,156	9,581,235	9,460,360	9,408,985	9,225,800	9,207,484
Class 200 - Contracts / Leases	5,005,848	5,184,940	6,724,940	5,302,947	4,802,947	4,802,947	4,802,947	4,802,947
Class 300/400 - Supplies, Equipment	284,655	284,118	284,118	250,024	250,024	250,024	250,024	250,024
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	360,562	0	0	0	0	0	0	0
Class 900 - Advances / Misc. Payments								
Total	15,340,980	15,865,214	17,355,214	15,134,206	14,513,331	14,461,956	14,278,771	14,260,455

Personnel

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	4,177,826	4,405,592	4,238,479	4,124,932	4,102,730	3,938,301	3,767,107	3,767,107
Class 200 - Contracts / Leases	528,129	550,132	626,295	362,530	362,530	362,530	362,530	362,530
Class 300/400 - Supplies, Equipment	79,834	68,406	105,013	80,609	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	4,785,789	5,024,130	4,969,787	4,568,071	4,520,869	4,356,440	4,185,246	4,185,246

Public Property

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	8,990,930	10,146,919	9,316,154	8,604,742	8,763,564	9,251,473	9,027,332	9,170,076
Class 200 - Contracts / Leases	22,962,340	23,009,306	22,013,746	21,757,592	22,420,088	23,099,146	23,795,181	24,508,617
Class 300/400 - Supplies, Equipment	1,022,281	1,009,177	1,009,177	909,177	909,177	909,177	909,177	909,177
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	14,151,639	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Class 900 - Advances / Misc. Payments								
Total	47,127,190	48,165,402	46,339,077	45,271,511	46,092,829	47,259,796	47,731,690	48,587,870

Public Property – SEPTA Subsidy

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	57,247,312	0	0	57,034,000	57,883,000	60,181,000	61,346,000	62,470,000
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	57,247,312	0	0	57,034,000	57,883,000	60,181,000	61,346,000	62,470,000

Public Property – Space Rentals

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	13,928,772	14,515,541	14,515,541	13,677,177	13,833,196	14,225,758	14,628,134	15,110,650
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	13,928,772	14,515,541	14,515,541	13,677,177	13,833,196	14,225,758	14,628,134	15,110,650

Public Property – Utilities

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	28,112,884	27,475,500	27,475,500	26,389,036	28,532,386	28,883,386	29,752,036	30,314,636
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	28,112,884	27,475,500	27,475,500	26,389,036	28,532,386	28,883,386	29,752,036	30,314,636

Public Property – Telecommunications

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits								
Class 200 - Contracts / Leases	12,844,462	12,748,125	11,598,185	10,631,500	12,982,098	13,584,094	13,813,414	13,868,350
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	12,844,462	12,748,125	11,598,185	10,631,500	12,982,098	13,584,094	13,813,414	13,868,350

Records

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	3,356,606	3,383,643	3,383,643	3,681,812	3,651,255	3,613,901	3,456,198	3,440,473
Class 200 - Contracts / Leases	1,734,284	3,156,084	3,156,084	3,141,084	2,829,714	2,808,115	3,144,609	3,144,609
Class 300/400 - Supplies, Equipment	643,544	635,843	635,843	452,607	742,607	788,607	452,607	452,607
Class 500 - Indemnities / Contributions	121	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	1,129,515	1,129,515	1,129,515	0	0	0	0
Class 900 - Advances / Misc. Payments								
Total	6,864,070	8,306,541	8,306,541	8,406,474	7,225,032	7,212,079	7,054,870	7,039,145

City of Philadelphia
Five-Year Financial Plan

• • • • •

Financial Administration

Financial Administration

Overview

Mayor Street's Secretary of Financial Oversight is the City's director of finance and chief financial officer with responsibility for the administration of the City's financial operations that are conducted by eleven agencies. Those agencies oversee the operating and capital budgets; collect taxes and other revenues; manage investments, bonded debt, and pension fund assets; publish information about financial and service-delivery performance; oversee management initiatives to improve productivity, lower costs and generate revenue; and reduce financial liabilities resulting from claims, lawsuits, and employee injuries.

In recognition of the precarious nature of the City's long-term financial stability, the Office of the Director of Finance and its agencies are continuing their efforts to contain City costs and maximize City income. This section of the Plan describes in greater detail the Accounting Bureau, the Office of Administrative Review, the City Treasurer's Office, the Minority Business Enterprise Council, the Office of Budget and Program Evaluation, the Philadelphia Board of Pensions and Retirement, the Procurement Department, the Department of Revenue along with its subdivision, the Water Revenue Bureau, and the Division of Risk Management. In addition, the Office of Budget and Program Evaluation and the Sinking Fund Commission play critical roles in strengthening the City's fiscal posture.

Highlights of these efforts include:

- Preparing budget recommendations for consideration by the Mayor and City Council that reflect appropriate expenditure levels and reasonable revenue projections.
- Monitoring regularly the achievement of financial and programmatic goals by City departments.
- Establishing target spending levels below annual appropriation levels in order to accommodate unforeseen demands on the budget.
- Ensuring that the Pension Board maintains a diverse portfolio of investments that provides a balance between risk and return.
- Offering owner-controlled insurance programs ("wrap-ups") for major City construction projects in order to enhance coverage but decrease rates for contractors, reduce insurance cost-shifting to the City, streamline the handling of claims, and increase opportunities for small and disadvantaged contractors that cannot afford the insurance on their own.
- Recommending and monitoring initiatives, which sustain high levels of governmental performance within available resources.
- Consolidating and matching taxpayer databases to ensure full identification of revenue owed the City.
- Pursuing restructuring and refinancing programs to reduce the City's debt-service costs.
- Creating a data warehouse of financial-accounting information to facilitate analyses of spending and revenue trends by City managers.

Records

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	3,356,606	3,383,643	3,383,643	3,681,812	3,651,255	3,613,901	3,456,198	3,440,473
Class 200 - Contracts / Leases	1,734,284	3,156,084	3,156,084	3,141,084	2,829,714	2,808,115	3,144,609	3,144,609
Class 300/400 - Supplies, Equipment	643,544	635,843	635,843	452,607	742,607	788,607	452,607	452,607
Class 500 - Indemnities / Contributions	121	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	1,129,515	1,129,515	1,129,515	0	0	0	0
Class 900 - Advances / Misc. Payments								
Total	6,864,070	8,306,541	8,306,541	8,406,474	7,225,032	7,212,079	7,054,870	7,039,145

- Instituting electronic transfers of funds for revenue collection and vendor payments.
- Negotiating health-benefit agreements for almost 8,000 City employees not enrolled in union health plans in order to offer quality coverage while limiting the growth in City costs.
- Assisting in improving the financial outlook for the Philadelphia Gas Works.

The Office of the Director of Finance regularly advises government officials and the public about the City's fiduciary and operational performance. *Quarterly City Managers Reports* contain information on revenues, financial obligations, numbers of employees and their leave usage, service levels, cash flow forecasts, the fund balance, and productivity enhancements. Surveys are also conducted to gauge citizen satisfaction with the quality of City services, and the results are included in the annual *Mayor's Report on City Services*. And, for the thirteenth consecutive year, a *Five-Year Financial Plan* is being published to provide a comprehensive view of City goals, targeted initiatives, and budget-balancing measures, as well as potential obstacles to continuing financial stability.

Accounting Bureau

The Accounting Bureau is responsible for recording and reporting all financial activity for the City of Philadelphia; processing payments to vendors who provide goods and services to City departments and agencies; and processing payrolls and associated fringe-benefit payments for City employees. Accounting's organizational objectives include ***satisfying generally accepted accounting principles (GAAP) and all other legal reporting requirements*** *and* ***providing effective and reliable financial systems that ease recording and reporting processes.***

- On February 28, 2003, the Accounting Bureau issued its first audited comprehensive annual financial report under the new standards set forth by the Governmental Accounting Standards Board (GASB), Statement number 34 – "Basic Financial Statements & Management's Discussion and Analysis for State & Local Governments." The financial report, which was for the fiscal year ending June 30, 2002, utilized the full accrual method of accounting, including capitalization and depreciation of fixed assets and infrastructure.

- As of December 2003, the Accounting Bureau had completed an enhancement of its data warehouse to incorporate information related to payroll and fringe benefits. The data warehouse, which stores a wealth of financial information, is readily accessible to all City departments. Over 200 licensed users throughout the government have the ability to recall data and perform online analytical processing in a variety of formats, a vast improvement over the Customer Information Communication System (CICS). By the end of FY04, the Bureau will complete a data warehouse upgrade which will enable Accounting to respond to requests from departments for ad hoc accounting reports within minutes, thereby further improving the ability of City fiscal personnel to perform financial and budgetary analyses in a timely fashion.

- During calendar year 2003 and into the early part of 2004, the Accounting Bureau made the following enhancements to the City's central payroll system:

- Employee increment and longevity pay increases were converted from paper intensive processes to an online computer based process, allowing for more timely and accurate results.
- New pre-tax employee payroll deductions were implemented for medical insurance and transit fare purchases.
- New post-tax employee payroll deductions were implemented for disability insurance, deferred compensation loan repayments and Series "I" US Government savings bonds.
- Improvements were made which enable personnel administrators to monitor the high volume of employees who completed their period of employment under the Deferred Retirement Option Plan (DROP) (more details on the DROP program are provided later in this chapter).

- During the summer of 2004, the Accounting Bureau will be implementing the provisions of GASB Statement number 39 – "Determining Whether Certain Organizations are Component Units." This statement is an amendment of GASB Statement number 14 – "The Financial Reporting Entity." The provisions of Statement 39 require the Accounting Bureau to survey tax-exempt organizations whose financial activities might qualify them to be included as component units within the City of Philadelphia's Comprehensive Annual Financial Report. If an organization is deemed to be "includable," the Accounting Bureau will consolidate that organization's financial statements with those of the City, and present a full reporting of the entire City of Philadelphia entity.

Office of Administrative Review

The Office of Administrative Review (OAR) is responsible for adjudicating citizen appeals related to non-real estate tax assessments, monetary penalties, charges for emergency medical services and water and sewer services, and reserved-parking permits for the disabled. It also collects fines from traffic and parking tickets; other code violations, including false alarm registrations and fines; and vehicle-booting and towing actions. OAR's organizational objectives include ***maximizing the recovery of funds properly due to the City*** and ***reducing internal collection costs***.

- In FY04 and FY05, OAR plans to continue its collaborative efforts with the Traffic Court. The FY03 collection total was $28 million, up from $22 million in FY02. OAR expects to collect $26.9 million in FY04. When OAR originally became involved in FY00, the Court's collections were $12 million – well under half the amount collected in FY03.

  In FY03, OAR implemented a Pay By Web system to allow citizens to pay Traffic Court fines online by credit card. In just the first six months of FY04, the Court collected $582,086 from web-based payments, which was more than the $513,682 collected in all of FY03. Although this amount accounts for only a small portion of the total Traffic Court collections, OAR expects to see the amount paid online to increase to 10 percent of total collections by the end of FY04.

- OAR continues to process Code Violation Notices and provide administrative hearings and judicial enforcement. The FY03 collection total was $1.1 million, up from $845,450 in FY02. OAR expects to receive collections at this level in FY04.

- The OAR is responsible for running a program that registers alarm systems and enforces false alarm violations. The OAR collected revenues of $3.5 million for alarm system registry and for fines for false alarms in FY03, about the same as in FY02. In FY04, OAR began upgrading to a new case management system that is built specifically for security alarm enforcement. This system will increase efficiency in processing alarm registrations and alarm violations. It will also allow OAR to improve its billing processes and, as a result, more prompt payments.

City Treasurer

The City Treasurer is responsible for investing the City's cash reserves and issuing and managing its general fund debt, as well as the debts of the Water Department, the Division of Aviation, the Philadelphia Parking Authority, the Philadelphia Municipal Authority, and the Philadelphia Gas Works (PGW). The Treasurer also ensures that the debt-issuance and cash-management practices of the Hospitals and Higher Education Facilities Authority, Philadelphia Authority for Industrial Development (PAID) and the Redevelopment Authority (RDA) are consistent with the City's overall financial goals and objectives. The City Treasurer's principal objective is ***to protect the financial assets of the City.***

- During the remainder of fiscal year 2004 and during fiscal year 2005, the City anticipates issuing approximately $815 million in new long-term debt for various capital purposes. This will include a $250 million issue for new Water/Sewer projects, a $150 million issue for the Philadelphia Gas Works and issues totaling approximately $415 million for new Aviation projects.

Minority Business Enterprise Council

The Minority Business Enterprise Council (MBEC) is responsible for ensuring that minority, women and disabled disadvantaged business entrepreneurs (M/W/DS-DBE) have the maximum opportunity to provide goods and services to the government either through contracting directly with the City or subcontracting with another City vendor. To achieve this, MBEC determines the eligibility of businesses qualified to participate and establishes anticipated DBE participation ranges for City contracts. MBEC's organizational objectives include ***expanding its database of certified vendors***, ***increasing participation of eligible firms as prime vendors***, and ***monitoring participation compliance***.

- In response to its new Executive Order issued in 2003, Ordinance 030125 and with $1 million in additional funding in FY04, a major restructuring of MBEC is underway. The disparity report undertaken in 1996 has been updated and, along with other recently completed reviews, will be used as the basis for refocusing the organization's efforts. The City also plans to invest $700,000 into new technology that will allow MBEC to better manage its functions including firm registration, certification, award tracking and participation compliance. The organizational changes and technology solutions should ultimately increase the number of certified minority-, women- and disabled-disadvantaged entrepreneurs and their participation rates in City contracts.

Office of Budget and Program Evaluation

The Office of Budget and Program Evaluation (OBPE) assists in the management of the City's resources through the preparation and oversight of the annual operating and capital budgets and the City's Five Year Financial Plan, the evaluation of revenue and expenditure proposals, monitoring of the contract approval process and the assessment of departmental performance levels. OBPE provides budgetary support services for all City departments and helps ***improve administrative management, oversee the implementation of initiatives, long-range financial planning efforts*** and ***performance measurement development and tracking***.

- In FY05, OBPE will continue to provide project and change management support to City departments for implementation of revenue-generating and cost-cutting initiatives. Working in partnership with the Managing Director's Office, Mayor's Office and other City departments, OBPE will assist with cost-benefit analysis, revenue projections and other analysis required for successful completion of each project. OBPE will also be responsible for tracking implementation efforts and ensuring targets are met.

Pensions and Retirement

The Board of Pensions and Retirement manages the City's employee retirement fund that has assets of approximately $3.6 billion. The nine-member board is chaired by the Director of Finance and includes the City Solicitor, the Managing Director, the Personnel Director, the City Controller, and four City employees elected by civil-service workers. The Pension Board's organizational objectives include ***improving the fund's investment performance***, ***reducing the City's unfunded pension liability***, and ***increasing the level of retirement education for employees***.

- In FY03 the Board worked with the City Treasurer's Office to create a procedure to eliminate benefit overpayments to deceased pensioners. In FY04 this procedure was implemented with the initiation of quarterly death audits. These audits provide Pensions staff information on retiree deaths in a timely manner, minimizing the possibility of overpayments and triggering an earlier and more rapid recovery of overpaid funds.

- The relocation of the Board's offices in FY04 has allowed for the expansion of its educational programs.

- In FY04 the Board voted to retain the Deferred Retirement Option Plan (DROP) as an ongoing benefit. The DROP program was designed in FY99 to enable the City to retain valuable employees by offering them an incentive program. Once enrolled in DROP, retirement-eligible employees may continue to work for up to four additional years and have their pension checks deposited into an interest-bearing account. At actual retirement they receive the accumulated funds and begin receiving their regular pension payments. The

Board adopted Regulation 6 in FY03. This Board Regulation provides clear direction for the administration of DROP and staff adherence to it has resulted in a much smoother transition for employees entering DROP.

- The Board maintains a diverse and balanced investment portfolio. In FY03, 42.5 percent of investments were made in domestic stocks, 15 percent in international stocks, 29.5 percent in global fixed income, five percent in tactical asset allocation, five percent in alternative investments, and three percent in the Opportunity Fund, a special program that allows the Board to invest in small, successful investment managers.

Procurement

The Procurement Department is responsible for the purchasing of all goods and services, including construction projects and managing concessions, which by law must be obtained through an open, fair and competitive process. In order to create equal access to business opportunities, the Department works in close partnership with the Minority Business Enterprise Council. The Department's organizational objectives include ***increasing competition for City business*** and ***streamlining the procurement process***.

- **Implement Local Business Entity (LBE) Certification.** In November 2003 Title 17 of the Philadelphia Code, entitled "Contracts and Procurement," was amended to add a new Section 17-109 entitled "Local Bidding Preferences," providing for the establishment of a bidding preference on City contracts for Philadelphia businesses. This change gives businesses based in the city a 5 percent advantage on their bids over nonresident companies. For example, if a city-based company were to bid $10,000 for a contract, the city would consider its bid $500 less than that. If awarded the contract, however, the City would be paid the full amount of the company's bid. The goal is to promote city business and create jobs. In response to this change, which was mandated by a voter-approved amendment to the Philadelphia Home Rule Charter, Procurement is developing a web-based LBE vendor certification process. Vendors will initiate their request for certification with an electronic online form. Using the E-works database, the vendor's Business Privilege Tax and Business Privilege licenses information will be validated. The vendor will also receive email acceptance or rejection notices. The Department plans to have the system in place by May 2004. Procurement contract awards based on LBE preference will begin July 1, 2003.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Supplies & Equipment						
Number of Services, Supplies and Equipment (SSE) contracts completed[1]	812	743	503	700	700	550
Total dollar amount of contracts	95,818,590	134,250,740	110,953,354	120,000,000	120,000,000	120,000,000
Processing time (days) from receipt of requisition to bid award[2]	131	117	103	136	136	121
Processing time (days) from request to posting of purchase order (existing requirements contract)	5	5	5	7	7	5

Processing time (days) from bid award to contract conformance	N/A	70	56	65	65	60
Number of small-order purchases	1,524	1,315	934	1,300	1,300	1,100
Total dollar amount of small-order purchases	5,263,306	4,999,982	3,935,914	5,000,000	5,000,000	5,000,000
Public Works						
Number of public-works awards made	272	250	240	275	275	280
Total dollar amount of public-works contracts	199,509,578	210,213,722	173,506,366	220,000,000	220,000,000	250,000,000
Processing time (days) from bid initiation to award[3]	85	87	84	77	77	85
Processing time (days) from bid award to contract conformance	71	63	46	70	70	70

[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 reduce to 121 in FY05.
[3]Processing time (days) from bid initiation to award. Loss of staff through retirement and attrition is expected to increase processing time, from projected 77 days in FY04 to projected 85 days in FY05.

Revenue

The mission of the Department of Revenue is to collect all revenue (tax and non-tax) due to the City and tax revenue due to the School District of Philadelphia, and to do so promptly, courteously, and in a manner that inspires public confidence in the integrity and fairness of the Department. The Water Revenue Bureau bills and collects water and sewer charges and ensures that the Water Department has the financial resources necessary to continue to provide high-quality water and cost-effective wastewater treatment to the city and the region.

- In FY04 the Revenue Department converted its stand-alone real-estate tax system to the Taxpayer Information Processing System (TIPS), completing the City's multiyear consolidation of its major revenue-collection systems. Integrating these systems allows the City to receive tax payments earlier and intervene sooner in the case of late payments, both of which result in a reduction of costly collection-enforcement efforts.

  With consolidation completed, the Department will work with the Mayor's Office of Information Services (MOIS) in FY05 to develop a plan to modernize the City's current TIPS mainframe architecture using the Oracle 9i E-Business Suite the City recently acquired. The actual move of TIPS to the Oracle platform will be a multiyear project. Once completed, it will further enhance the Department's ability to operate efficiently and to maximize tax collection capabilities.

  The Water Revenue Bureau (WRB) is using the Oracle 11i E-Business Suite to build and support a new Customer Information System at a cost of approximately $9 million. The implementation of this new system, known as Project Ocean, will allow the WRB to address inefficiencies in its current 25-year-old billing/enforcement system. The goal is to streamline and standardize core business processes and to obtain productivity efficiencies. This new system coupled with the success of the installation of automatic read meters will provide more accurate bills for water customers. The Water Department has now installed automatic meters for 98.33 percent of residential water customers and 72 percent of the large commercial meter customers.

- In FY05 Revenue will expand its efforts to identify those who are liable for Philadelphia taxes and are not paying or are underpaying what they owe. Under an information sharing agreement with the Internal Revenue Service (IRS), the Department of Revenue receives federal tax information that is matched to local tax records to identify those with potential Philadelphia tax liabilities. Additional staff with annual salaries totaling approximately $400,000 will permit Revenue to initiate new projects targeted at wage tax, net profits tax, and business privilege tax that are expected to yield approximately $5 million in additional collections. In addition, the Department is analyzing receivable information to determine more effective ways to collect known tax receivables. The goal is to target collection activity in order to increase revenue.

- For several years, the Department of Revenue has used a document imaging and retrieval system to capture and store tax returns and payment information. The technology for this imaging system is outdated and no longer supported by the vendor. During FY04, Revenue began pursuing an upgrade to its system, and partnered with the MOIS and Fleet Management to select an imaging solution that would meet the needs of all City departments. In March 2004, the new web based imaging retrieval system will be installed at a cost of approximately $280,000. The new system will improve data entry speed and accuracy as well as enhance retrieval capabilities for improved access by staff.

Key Performance Measurements: Revenue

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Number of Walk-in Taxpayers Served [1]	47,558	42,018	43,832	50,000	50,000	48,000
Average Waiting Time for Walk-In Customers (minutes:seconds)	18:29	10:06	13:35	20:00	20:00	24:00
Number of Incoming Calls	466,858	426,544	500,943	500,000	500,000	500,000
Response Rate for Incoming Calls (percent of calls answered)	76%	72%	67%	65%	65%	60%
Ratio of Returned Mail to Outgoing Mail	6.9%	4.3%	5.6%	5.1%	5.0%	5.0%
Value of Audit Assessments (in thousands of dollars) [2]	$19,123	$11,009	$22,762	$12,000	$12,000	$12,000

[1] The large increases in the number of incoming calls and walk-in taxpayers anticipated in FY03 and FY04 can be attributed to legislative reform of the business privilege tax and real estate tax deferral programs. Unlike short duration phone contacts typically required by real estate assessment increase inquiries, contacts in these years likely will entail more detailed and complex explanations.

[2] The increase in audit assessments in FY03 is a direct result of a major settlement the City reached. In FY04 it is expected that audit assessments will resume their normal levels.

Key Performance Measurements: Water Revenue Bureau

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY03 Target Projection	FY04 Current Projection	FY05 Projected
Percent of Customers Who Pay on Time (within 31 days)	60.7%	59.2%	60.4%	59.7%	60.9%	60.9%
Number of Walk-In Customers Served	66,276	71,359	71,320	69,400	69,604	72,500
Walk-In Customer Average Wait Time[1]	6:39	4:05	4:44	4:38	4:28	5:00
Number of Incoming Telephone Calls [2]	426,557	474,195	512,299	483,577	495,969	539,664
Response Rate For Incoming Telephone Calls	83.0%	78.4%	75.2%	80.0%	71.0%	70.0%
Citizen Survey: Percent Satisfied Water and Sewer Billings and Collections	66.9%	70.0%	67.3%	72.0%	74.0%	75.0%
Percent of Bills Based on Actual Reads [3]	80.0%	84.3%	88.8%	85.0%	84.0%	88.0%

[1] As service representatives gain familiarity with the new Oracle software, average walk-in customer wait times for FY05 are expected to increase. As these service representatives become comfortable with the system, the Department expects wait times to decrease.

[2] The increase in calls received the past few years and projected for FY04 and FY05 is due to a stormwater rate restructuring. Public response to the rate increase led to increases in several service levels. Specifically, there was an increase in the average talk time trying to explain the calculations, an increase in abandoned calls by people unwilling to hold for long periods, and an increase in repeat calls. The numbers of calls received and call talk times returned to normal levels in FY03 after customers became more familiar with their new rate structures.

[3] The percent of bills based on actual reads in FY01 was lower than in previous and subsequent years due to the Department's transition that year to an automatic meter reading (AMR) system.

Risk Management

The Division of Risk Management is responsible for limiting the City's financial liability arising from claims, lawsuits, and employee injuries. Toward that end, the Division coordinates the City's workplace safety efforts, administers the employee disability program, establishes parameters for the purchase of insurance by the City and its contractors, and investigates and resolves personal injury and property damage claims against the City. Risk Management's organizational objectives include ***reducing the costs of employee disability claims while improving the quality of medical services, expediting the return to work of employees after injury***, and ***improving the management of claims***.

- Risk Management continues to work to control costs related to its employee disability program. After making a transition to a new third party administrator (TPA) in FY03, the department is working with the new TPA to verify electronic records relating to the City's claims history. The division has again continued to maintain flat the medical costs for the program despite rising health care costs. In FY05 the Division will be working with the TPA to assure additional appropriate medical cost containment measures are in place. The addition of the Heart and Lung benefit for the City's Police and Fire departments, which provides 100 percent wage continuation for sworn officers injured in the performance of their duties, presents new challenges to cost forecasting related to injuries. Unlike the City Injured on Duty (IOD) program where the PA Workers' Compensation board determines eligibility for a claim, the Heart and Lung benefit transfers this responsibility to a panel of three arbitrators, one representing the FOP, one representing the City and a neutral arbitrator. A hearing before this panel must be held before an injured worker can leave a no-duty status and return to work or move to a light duty status. Additionally, unlike IOD which caps the amount of IOD days an employee can use during their employment with the City, Heart and

Lung benefits are unlimited as long the injury is deemed "temporary." The Heart and Lung Program was implemented in March 2004.

- During FY04 Risk Management continued to manage an Owner Controlled Insurance Program (OCIP), or "wrap-up" program for Neighborhood Transformation Initiative (NTI) demolition projects. An OCIP provides coverage for the City and all contractors in a consolidated program that is controlled by the City. This program has enabled the City to reduce insurance costs that vendors pass on to the City. Risk Management projects the wrap-up program will save the City up to $5 million over the next five years. In addition to the cost-savings, the City has been successful in providing broader insurance and safety protection to contractors, thereby increasing participation opportunities for small and disadvantaged contractors who cannot afford the high costs of insurance coverage. Thirty-six contractors/subcontractors have been enrolled into the wrap-up thus far and more than 50 percent are small or disadvantaged contractors. The NTI wrap-up program is scheduled to be in place until 2008.

- In FY04 Risk Management has continued to promote the use of the federal Small Business Administration's bond-guarantee program, which assists small contractors who are unable to obtain required performance bonds on their own by assuming 90 percent of the risk associated with bonds up to $2 million in value. The program also provides help in completing bond applications and access to an assortment of other services, including credit-history repair, business planning, and financial record keeping. Through January 2004, 121 vendors had enrolled in the program. Sixty-three bonds (four for the City of Philadelphia and 59 for other government agencies) totaling over $16 million in contract value have been provided to DBE contractors. The Division anticipates that the program will continue to grow through FY05.

- Several programs to improve employee safety and reduce financial costs associated with worker-related injuries and third party claims will be instituted in FY05 and FY06. Audits will be conducted of the major City departments to concentrate on improving injury and illness prevention programs. Citywide and departmental driver safety programs will be instituted to lower the number of vehicular crashes, thereby reducing injuries and cost associated with those incidents. The Department expects to reduce the number of crashes by 10 percent, which would result in a $1.0 – 2.0 million reduction in costs. Additionally, the injury and illness reporting system will be restructured presenting the Pennsylvania Bureau of Workers Compensation with timelier and more precise information and providing the City with enhanced data for tracking trends in employee injuries that will better focus efforts on reducing those occurrences. The Bureau requires all employers to report claims within 21 days of the date of notice and has set a compliance standard of 80 percent. Currently, Risk submits claims through the postal service, which can lead to unpredictable delays or lost mail. By instituting an electronic method of reporting, notices will be received within 12 hours, thereby significantly increasing the City's compliance rating.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
Workers' Compensation Recipients Number of Employees Receiving Total Disability Benefits[1]	470	458	516	460	460	500
Average Number of Employees on "Limited Duty" Injured-on-Duty Status[2]	265	264	295	265	265	295
Number of No-Duty Days	20,729	19,133	25,595	20,000	20,000	20,000
Workers' Compensation-related Revenues Subrogation / Supersedeas[3]	$882,730	$1,421,988	$861,129	$750,000	$750,000	$750,000
New Service Connected Disability Pensions Granted[4]	30	52	26	50	40	40
Third-Party Recovery[5]	$500,279	$382,164	$333,097	$500,000	$400,000	$500,000

[1]Workers' Compensation Recipients Number of Employees Receiving Total Disability Benefits. Risk Management expects the Heart and Lung benefit to increase the number or recipients in FY05.

[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.

[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]New Service Connected Disability Pensions Granted. New service connected disability pensions granted increased in FY02 and remained at close to FY02's higher level because the Risk Management Division has made a diligent effort to reduce the number of employees on-duty and limited duty by returning them to work or referring them to the Pension Board for service-connected disability determinations. However, service connected disability pension fluctuates based on the total injuries that meet the criteria for consideration and approval and timeliness of the employee(s) filing the request.

[5]Third Party Recovery. Third Party Recovery refers to dollars recovered from insurance companies when citizens damage city property. In FY05, Risk Management plans to work with the Traffic Engineering division of Streets and the Police Department to increase documentation of these damages with the hopes of recovering a larger amount of money.

Five-Year Obligations Summaries

City Treasurer

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	701,120	789,571	763,916	663,916	547,441	547,441	547,441	547,441
Class 200 - Contracts / Leases	86,442	90,797	90,797	79,901	79,901	79,901	79,901	79,901
Class 300/400 - Supplies, Equipment	14,801	27,527	27,527	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	802,363	907,895	882,240	768,041	651,566	651,566	651,566	651,566

Procurement

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	3,182,155	3,218,037	3,073,136	3,003,636	3,003,636	2,949,286	2,836,300	2,836,300
Class 200 - Contracts / Leases	1,961,560	1,572,687	1,467,687	1,320,918	1,320,918	1,320,918	1,320,918	1,320,918
Class 300/400 - Supplies, Equipment	105,678	117,714	82,714	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	5,249,393	4,908,438	4,623,537	4,398,997	4,398,997	4,344,647	4,231,661	4,231,661

Revenue

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	12,056,480	13,329,906	13,329,906	13,423,341	13,085,815	12,197,242	11,347,659	11,127,400
Class 200 - Contracts / Leases	4,121,040	4,063,379	4,063,379	3,595,774	3,565,774	3,565,774	3,565,774	3,565,774
Class 300/400 - Supplies, Equipment	767,421	784,058	784,058	739,971	689,971	689,971	689,971	689,971
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds				44,883	44,883	44,883	44,883	44,883
Class 900 - Advances / Misc. Payments								
Total	16,944,941	18,177,343	18,177,343	17,803,969	17,386,443	16,497,870	15,648,287	15,428,028

City of Philadelphia
Five-Year Financial Plan

• • • • •

First Judicial District
of
Pennsylvania

First Judicial District of Pennsylvania

Mission

The judicial system of Philadelphia includes three courts – the Court of Common Pleas, Municipal Court, and Traffic Court – which are part of the Unified Judicial System of the Commonwealth of Pennsylvania. Together they comprise the First Judicial District of Pennsylvania (FJD), which was established in 1991 and directly controlled by the Pennsylvania Supreme Court until 1996 when it assumed responsibility for its own operations, including local adult and juvenile probation services.

The Court of Common Pleas is the court of general jurisdiction and operates through three divisions. The Trial Division is responsible for most criminal and civil cases while Family Court handles domestic relations matters, such as divorce, child custody and support, and domestic violence, and cases involving juvenile delinquency and dependency and adoptions. The Orphans' Division is responsible for cases involving estates, wills and trusts.

Municipal Court is the court of limited jurisdiction. It handles adult criminal cases with a maximum sentence of incarceration of five years or less, conducts preliminary hearings in all adult criminal matters, shares jurisdiction with the Court of Common Pleas in small-claims cases, adjudicates landlord-tenant matters, and hears certain code enforcement and school-tax cases. This court also provides commissioners to preside at arraignments, fix and accept bail, issue warrants, and perform related duties. Traffic Court adjudicates all cases originating in Philadelphia involving a moving traffic violation.

Despite the fact that the City funds virtually all of the FJD's operating expenses, which are estimated to total $115 million in FY04, the FJD is not a City department or agency. Rather, it is an entirely separate governmental entity that is part of the judicial system of the Commonwealth of Pennsylvania, ultimately subject to the direction and control of the Pennsylvania Supreme Court. Accordingly, the City has no authority to manage court operations, allocate budget appropriations among court functions, or control court expenses.

The City today provides funding for Philadelphia's judicial system only because the General Assembly continues to ignore the Pennsylvania Supreme Court's 1987 decision (*Allegheny I)* that directed the state to assume responsibility for its funding. In July 1996, after nine years of inaction by the General Assembly, the Supreme Court issued a writ of mandamus (*Allegheny II)*, directing the General Assembly to enact a funding scheme for the court system on or before January 1, 1998. A report by former Supreme Court Justice Frank J. Montemuro in July 1997 recommended a four-phase transition from county to state funding. In January 2000, the state implemented Phase I of this transition, moving 14 trial court administrators from the City's payroll to its own – 18 months after the target date set by Justice Montemuro. July 1, 2000 was also established by Justice Montemuro as the deadline for completion of Phase II, which would transfer to the state's payroll the costs of the personal staffs of the FJD judges, court reporters, masters, hearing officers, arbitrators, parajudicial officials, and administrative support staff. The Commonwealth, however, has neither met this target nor established another timetable.

Philadelphia's Relationship with the FJD

Given the General Assembly's inaction, the City has had no choice but to fund Philadelphia's judicial system for nearly 17 years in a manner found unconstitutional by the state's highest court. In 1991, when the City's fiscal crisis prevented it from supporting the courts' funding demands, the Pennsylvania Supreme Court took control of the courts, established the FJD, and appointed an executive court administrator. The City and the FJD agreed to a "zero-growth, zero-reduction" budget that was incorporated in 1993 into a directive of the Supreme Court. Although the terms of the directive extended only through FY97, the substance of the "zero-growth, zero-reduction" budget agreement has been continued by agreement of the parties on a year-to-year basis.

For the initial zero-growth budget limit, the City and the courts agreed to use the actual FY91 obligations of $90.4 million as a base. This limit was later revised upwards, principally to reflect wage increases of nearly $13 million for FJD employees. The higher limit also includes the costs of projects that the City asked the courts to undertake or agreed should be funded, along with the courts' share of increases in fee revenue. As a result, City General Fund obligations for the courts will have grown by $24.6 million, or 27 percent, between FY93 and FY04. At the same time, the state's contribution to court operations rose from $13.1 million in FY93 to only $16.4 million in FY03 (pursuant to a decades-old reimbursement formula). As part of the proposed participation in Citywide austerity measures that the Administration is requesting of all independent offices, the City-proposed FY05 budget of $106.4 million reflects a $5.5 million reduction from FY04 after adjustments for one-time DROP lump sum payments made in FY04 and DROP related workforce rightsizing reductions already planned for FY05.

In addition to its own annual operating budget, the courts generate other recurring costs that are budgeted elsewhere and further burden the City's finances. These include employee fringe benefits ($31.6 million in FY03 and an estimated $33.3 million in FY04); utilities and operating expenses in buildings occupied by the courts ($6.7 million in FY03); procurement advertising ($161,975); and vehicle fuel and maintenance ($123,021). When these items, totaling $38.6 million for FY03, are considered, the courts actually cost the City $150.9 million last fiscal year. Accompanying these annual costs are periodic expenditures through the City's capital program ($9 million has been obligated since FY96, with another $3.2 million budgeted in the FY05-FY10 capital program) and vehicle purchases by the Office of Fleet Management (approximately $800,000 from the General Fund since FY93).

Budget Surpluses

Unlike other general fund-supported activities, unspent FJD funding does not revert to the General Fund. Instead, as part of the "zero-growth, zero-reduction" agreement, all savings in annual FJD appropriations are transferred at the end of each fiscal year to the Administrative Office of Pennsylvania Courts (AOPC), purportedly for the exclusive use by the FJD for technology and training. FJD and AOPC, however, are not required to report to the City on the actual disposition of the surpluses, which between FY92 and FY03 amounted to over $42 million. Even with the accrual of this yearly dividend, during FY02 and FY03 City Council budget hearings, the courts requested that the City appropriate an additional $3.0 million to cover the costs of outside legal counsel representing indigent and juvenile defendants and families at risk. While no additional funding was provided for outside legal counsel in FY02, for FY03, the City, going beyond the requirements of the zero-growth agreement, provided an additional $1.5 million for this purpose.

The end-of-year surpluses are not the only court-related transfer payments made by the City to the AOPC. Pursuant to a June 1993 Pennsylvania Supreme Court order, the City also transfers the entire annual FJD General Fund budget for materials, supplies and equipment as well as the appropriation for contracted services other than counsel, arbitration and jury fees, so the courts may do their own purchasing. Through FY03, these payments have totaled $139.4 million, with no detailed accounting to the City by the AOPC of how the money has been spent. For FY04, another $14.7 million is expected to be disbursed by the City for this purpose.

During the last several fiscal years, the courts began to accumulate more City dollars from another source. Prior to FY00, the City was paying as much as $15.2 million annually from the Grants Revenue Fund for FJD child-support enforcement costs that were later fully reimbursed by the state. Beginning in FY00, the state changed its reimbursement formula, causing shortfalls of $5.9 million that year, $6.5 million in FY01, and $5.1 million in FY02. As a result, in FY02 the City was forced to reimburse the Grants Revenue Fund a total of $17.3 million from the General Fund, which, in effect, increased the FJD budget by 16.9 percent that year. That reimbursement left the courts with no year-end surplus to be transferred by the City to the AOPC. As part of a settlement of a mandamus action by the FJD for the FY03 and FY04 budget years, the City agreed not to seek any further reimbursement from the FJD for this payment to the Grants Revenue Fund.

Other FJD-Generated Costs

In addition to the funding required for its own operations and the costs incurred by City support departments and the capital program, the FJD and the District Attorney's Office also force City spending through their own initiatives and practices. This is particularly true in the case of court-related overtime costs for police officers, which the Police Department estimates at $20.1 million in FY01, $21.1 million in FY02, and $20.5 million in FY03. These costs have been driven to a large extent by the desire of prosecutors and judges to have all police officers involved in an arrest available for a court hearing, regardless of whether they actually testify. As a result, on a single day numerous officers are present in the Criminal Justice Center waiting to be called as witnesses in multiple courtrooms. Some of these officers may have to be there at a time apart from their normal work shifts; other officers may have to be held past their shifts in order for the Department to ensure necessary patrol coverage – all of which generate overtime costs.

In an effort to curtail court-related overtime, the Police Department, the District Attorney's Office, and Municipal Court initiated a pilot program in one courtroom in August 1999, allowing one officer to testify on behalf of all officers at preliminary hearings for narcotics cases. While defense attorneys have raised concerns about the constitutionality of such "hearsay" testimony, these programs have withstood legal challenges in Philadelphia and elsewhere in the Commonwealth. On January 7, 2002, this program was expanded to all nine preliminary hearing rooms, and during the next ten months, the District Attorney sent 10,098 fewer court-appearance notices to police officers than during the same period the year before. In addition, the FJD participates with the Police Department, the District Attorney's Office and the Managing Director's Office in a working group dedicated to reducing court overtime costs.

The FJD also initiates or expands programs that require General Fund expenditures, many times without the involvement of or financial commitment by City departments during the planning stages. A new Philadelphia Community Court, for example, opened in February 2002 to address Center City quality-of-life offenses more quickly and appropriately – with an expected City operating cost of approximately $800,000 a year. In FY03 the City also added $195,000 to the budget of the Clerk of Quarter Sessions, based on that agency's claim that increased caseloads require it to assign two court clerks to 18 "high-volume" courtrooms, an increase of 14 courtrooms.

Future Direction

More than six years after Justice Montemuro's report, the state has transferred only a small portion of the responsibility for the courts to the Commonwealth. The City continues to look to the state to implement Phase II and establish timetables for Phases III and IV, which would include the remaining FJD functions, including the Office of Prothonotary, and shift as well the costs for the Clerk of Quarter Sessions, Orphans' Court, and Register of Wills, which are budgeted separately from the FJD at a total of $7.4 million in FY05.

Despite the significant dollar amounts transferred to the AOPC from FJD appropriations, in August 2002 the courts filed a complaint in mandamus to force the City to increase its FY03 operating budget by $4.1 million. This action, against which the City defended itself, sought the restoration of $2.6 million in FY02 and FY03 budget reductions, which was the FJD's share of the cuts that all City departments had been asked to take, and another $1.5 million for outside counsel fees. In May 2003 the City and the FJD reached a settlement agreement that left the FJD's FY03 budget appropriation intact, but increased its FY04 budget from $112.66 million as proposed by the City to $115 million. The agreement also allowed the FJD to continue to retain and transfer to its AOPC Court Improvement account any budget surpluses.

As noted above, the Supreme Court's 1993 directive is no longer binding on the City or the FJD. The state's continuing failure to assume complete financial support of the courts and the burgeoning financial demands of the FJD make a thorough review of the zero-growth, zero-reduction approach, which initially met the mutual needs of the FJD and the City, all the more compelling. This is particularly true in light of the state's unilateral control of the FJD's rapidly growing City General Fund surpluses without any scrutiny by Philadelphia taxpayers coupled with the current, serious threats to the City's ability to achieve budgetary balance.

Five-Year Obligations Summary

First Judicial District

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	82,358,642	88,601,577	88,601,577	81,313,804	80,221,829	79,197,719	77,341,900	76,845,742
Class 200 - Contracts / Leases	27,481,079	23,745,419	23,745,419	22,570,226	22,570,226	22,570,226	22,570,226	22,570,226
Class 300/400 - Supplies, Equipment	2,357,148	2,653,004	2,653,004	2,520,354	2,520,354	2,520,354	2,520,354	2,520,354
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	112,196,869	115,000,000	115,000,000	106,404,384	105,312,409	104,288,299	102,432,480	101,936,322

Expenditure Class	FY 03 Actual	FY 04 Adopted Budget	FY 04 Current Target	FY 05	FY 06	FY 07	FY 08	FY 09
Class 100 - Wages / Benefits	82,358,642	88,601,577	88,601,577	81,313,804	76,135,114	75,111,004	73,255,185	72,759,027
Class 200 - Contracts / Leases	27,481,079	23,745,419	23,745,419	22,570,226	22,570,226	22,570,226	22,570,226	22,570,226
Class 300/400 - Supplies, Equipment	2,357,148	2,653,004	2,653,004	2,520,354	2,520,354	2,520,354	2,520,354	2,520,354
Class 500 - Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	112,196,869	115,000,000	115,000,000	106,404,384	101,225,694	100,201,584	98,345,765	97,849,607

City of Philadelphia
Five-Year Financial Plan

Capital Program

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, ensure public health and safety, result in improvements to the quality of life for city residents, have a direct impact on the city's neighborhoods, and maintain the City's fiscal stability through measures to enhance the effectiveness and efficiency of City operations.

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 budget to the Mayor. As with the operating budget, City Council must provide its approval. Once that occurs, Council must also adopt a loan authorization ordinance, which allows a public referendum authorizing the City to finance the City-funded portion of the capital budget.

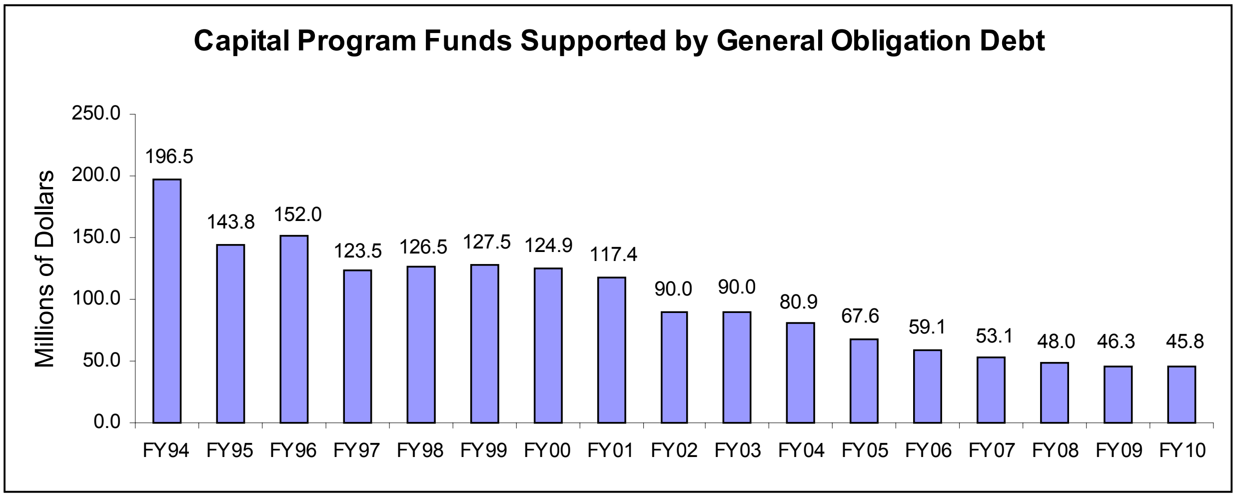
The loan authorization ordinance needs to be passed by City Council with enough time for the City Commissioners to have the question printed on the ballot for the November General Election. Since the FY05 loan authorization did not meet the intended deadline of passage before City Council's summer recess, the City is in risk of not having enough time to follow the legislative procedures in order to place the question on the ballot. Without voter approval, the City will not be able to borrow or spend any general obligation funds allocated to projects in the FY05 capital budget year. Without authorization to spend or borrow these funds, the City will be unable to address unanticipated health and safety situations at City facilities. In addition, by not having matching funds through new general obligation funds, the City will forego millions in federal and state funding for projects such as street resurfacing and transportation projects.

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 (MBEC). In addition, the 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.

Organizational Objectives and Targeted Initiatives

Provide Long-Term Investment in the City's Extensive System of Public Facilities in order to Sustain and Enhance Philadelphia's Competitiveness as a Place to Work, Live and Visit

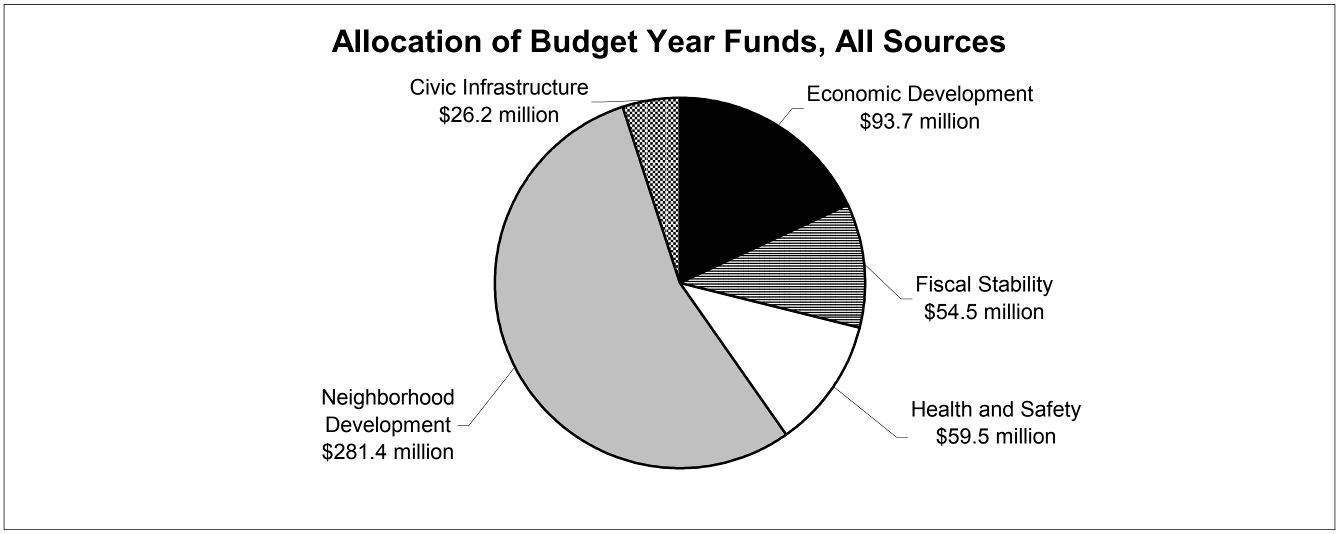
- **Implement the Fiscal Year 2005 Capital Budget.** The proposed Capital Budget, the first year of the Capital Program, totals $515.3 million of which $67.6 million, or 13 percent, is to be funded through new City tax-supported debt financing. City self-sustaining sources, primarily from airport leases and Water Department revenues, account for 30 percent of the proposed budget-year spending, while federal and state grants comprise nearly half of the budget at 48 percent. Two percent of the budget comes from private sources and from Other Governments and Agencies. Five percent of the capital budget consists of operating revenue that is appropriated to the capital budget from the operating budget. The capital budget also contains $16 million (3 percent) in revolving funds, which are City funds replenished through proceeds from the sale of property acquired in the past through the use of Capital funds. The chart below shows the Capital Program funds supported by General Obligation debt for the Capital Program from FY94 through the proposed FY10 budget.



* Funding for FY94 was provided by PICA debt; $106.8 million of FY95 funding was also PICA debt while $37 million was City debt. PICA no longer has the legal authority to issue debt for capital projects.

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 the City's real estate. The City's outstanding tax-supported debt is then subtracted from that amount to derive the City's legal debt margin. As of the end of FY03, the City's remaining debt capacity was $102.2 million. That margin only increases when debt is retired or the assessed value of real estate increases.

The BRT, following a recommendation made in the Tax Reform Commission's report, has decided to move towards 100 percent assessment of real estate properties. As discussed in the Fiscal Health chapter of this Plan, the Administration supports this change. 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 because of 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 that ratio got too high, it could result in a reduction of the City's bond rating, and therefore an increase in the costs of borrowing. It may become more cost-effective overall to make some capital purchases from the operating budget in future years.



Source: Philadelphia City Planning Commission

The projects in the FY05-FY10 Capital Program are categorized by the Mayor's five priorities: neighborhood development, civic infrastructure, economic development, fiscal health, and health and safety.

Neighborhood Development projects directly support the Mayor's Neighborhood Transformation Initiative (NTI) through the renewal of facilities serving residential communities, including branch libraries, neighborhood park and recreation facilities, police and fire stations, neighborhood health centers, and other site improvements in support of neighborhoods and commercial revitalization programs. Improvements to transit stations and other SEPTA facilities, street reconstruction and resurfacing, street signage and traffic control improvements, and the replacement of water and sewer mains are also included in this category as essential services to neighborhoods and their residents.

Civic Infrastructure projects 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 are most Art Museum, Penn's Landing, and Fairmount Park projects (except for neighborhood specific parks and facilities). The rehabilitations of City Hall and the Central Library are also considered *Civic Infrastructure* projects. The FY05-FY10 capital budget includes $300,000 in FY05 for path lighting on River Drive in Fairmount Park and $550,000 in City and $700,000 in private funds for facility improvements at the Waterworks Millhouse. The FY05 budget includes $5.0 million for improvements to City Hall, with an additional $21.0 million budgeted through the remainder of the Plan.

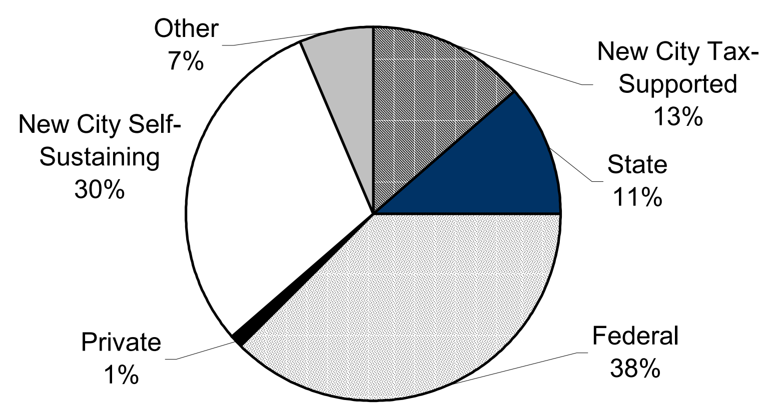
Economic Development projects serve to retain and attract businesses, provide jobs for residents, support neighborhood-based job creation and employment centers, and assist similar development initiatives. The biggest component in the *Economic Development* area is the expansion and upgrade of Philadelphia International Airport. In FY05, the Philadelphia International Airport's five-year capital program, which does not impact the City's debt incurring capacity, will be $80.3 million, of which $48.4 million is funded through airport leases.

The FY05 Capital Budget also dedicates funding for land acquisition and infrastructure improvement projects to support industrial development in the city.

The Capital Program enhances the City's *Fiscal Stability* by investing in projects that support government operating efficiencies and provide for more effective service delivery. Projects in this category include communications system improvements, database and computer-related initiates, and energy conservation programs. The *fiscal stability* category also includes facility assessment studies, most improvements to Police and Fire headquarters and the modernization of operational buildings. In FY05, the Mayor's Office of Information Services (MOIS) will begin the first phase of a two–year Business and Information Continuity/ Recovery Project (for more details, see the MOIS chapter in this Plan). The total cost of this project is $1.5 million.

The Capital Program also provides investment in *Health and Safety* projects, which are ones that promote overall improvements in public health, safety and welfare. Examples include projects related to the city's water supply (water and waste treatment) facilities, asbestos abatement and life safety (fire alarm and suppression systems) improvements in public buildings, environmental remediation, and structural improvements at City shelters and prison facilities. In addition, the City's continuing rehabilitation of the fire and intrusion alarm systems in the City's recreation facilities will receive a $750,000 federal grant in FY05 and is programmed to receive an additional $1.5 million in City funding through FY10. The FY05-FY10 capital program also includes $1.5 million in City money and $1.8 million in state money for laboratory renovations at the Medical Examiner's Office (MEO). These renovations will enable the City's public health labs, which are currently located at 500 South Broad Street, to move into this building, allowing for better operation and coordination between these City labs.

Sources of Funds, FY05 Budget Year



Source: Philadelphia City Planning Commission

- **Implement Security Program Across City Buildings.** As a result of the events of September 11, 2001, the City has allocated $7.9 million to evaluate the security needs of Center City municipal high-rise office buildings, including City Hall. Improvements that have been implemented include the addition of bollards surrounding the curb around City Hall to mitigate the risk of unauthorized vehicles parking or driving onto the apron of the building, securing of non-essential entrances to buildings, and increased monitoring and screening for the employees and visitors of these government buildings with the addition of security card access gates. In FY05, the City will begin implementation of a full security plan in City Hall, which will include addition of security cameras, improved lighting surrounding the building, and installation of mechanical locking devices which will control unauthorized access into the building. Additionally, the plan will allow the City to adjust the level of security needed in City Hall based on national terror alert standards. The project is expected to be complete by the end of calendar year 2005.

- **Monitor and Supervise Construction of New Youth Study Center**. In FY04, the City acquired land in West Philadelphia to construct a new, state-of-the-art Youth Study Center. This facility, tentatively named the Thurgood Marshall Center, will include housing for 150 youths and will house medical, educational, and recreation facilities, as well as several court components (i.e., hearing rooms, intake, and probation rooms) within one building. This facility will replace the Juvenile Justice Center, located on 20th Street and Benjamin Franklin Parkway, which holds a maximum of 105 residents. The goal of this project is to provide an atmosphere where youth 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. The Capital Program Office will be responsible for the management of the project, including the oversight of the design and construction contracts, building commissioning, move coordination of staff and residents, and overall budget management.

City of Philadelphia
Five-Year Financial Plan

• • • • •

Appendices

City of Philadelphia

Five-Year Financial Plan

• • • • •

Appendix I

Enterprise Funds

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 to supplement 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 Maintenance 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 were transferred by statute to the Pennsylvania Public Utility Commission effective July 1, 2000.

Addressing the Crises at PGW

Since 1998, PGW has been buffeted by an almost overwhelming array of managerial, operational, regulatory and financial crises. As Philadelphia's population shrunk from two million in 1970 to 1.5 million in 2000, its remaining residents 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 PGW customers routinely have difficulty paying their bills, while others who can pay enter into and later break payment arrangements. A statutory moratorium on shut offs during the winter season provides 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 had already begun to erode the utility's operating margins, and unpaid customer bills were mounting.

By August 2001, those factors left PGW 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 position 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 an organizational system of practices that was inconsistent with sound fiduciary and efficient management principles.

By August 2003, the company had made substantial progress in its efforts to reform its operations and to come into compliance with PUC regulations as it moved completely under the purview of the PUC on September 1, 2003. Starting in FY02 and moving into FY03, the company was confronted with a new and critical problem: the unprecedented increase in the commodity costs of natural gas. The bill for the average customer per year has increased from approximately $900 in FY02 to $1,300 in FY03 and is projected to increase to nearly $1,500 in FY04. These increases have placed an almost overwhelming burden on many of PGW's customers. A consequence to the company has been a marked increase in the provision for its uncollectible accounts. Progress that the management team has made in containing costs from operations has been overtaken by this increase in bad debt expense, marked increases in healthcare costs and a steep climb in pension expense from $2.5 million in FY01 to $13 million in FY03 as a result of changes in the financial markets. This has left PGW unable to make its $18 million payment to the City in FY04, but the City expects to receive its payments in each year from FY05 through FY09.

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 was anticipated to save $76.5 million over five years beginning in FY02, including $9.5 million the first year. During FY02, PGW in fact was able to reduce its annual non-gas operating expenses by 6.1 percent or $14 million, from $229.7 million to $215.7 million. Almost $9 million of those savings were potentially recurring in the areas of collection, field services, customer services and marketing. In FY03, although non-gas operating expenses increased, the escalation can be explained by the aforementioned bad debt expense, pension costs and healthcare charges as well as additional requirements imposed on the company by PUC regulations addressing matters of safety and reliability and customer services and satisfaction.

Operational Improvements. PGW has achieved ongoing savings from operations while addressing a number of major challenges. It repaired its 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 as well. The company expanded its collection operations and reduced its 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 by 6 percent to 10.9 percent in FY03 from 10.3 percent at the end of FY00. PGW's net receivable at the end of FY03 rose by

$26.3 million, a level it expects to be able to reduce during the upcoming fiscal year. PGW has also made significant strides in customer service. In 1999 customers calling PGW waited an average of almost 12 minutes to talk with a service representative. With the implementation of its customer service initiative in June 2001, PGW has been successful in managing and training its call center personnel, who now answer 79.3 percent of all non-emergency calls within 30 seconds, moving its performance from last position in the Commonwealth to within the state's rigorous standard by September of that same year. That dramatic improvement, sustained throughout FY02, has prevented a potential PUC order that PGW contract out its call center operations. In December 2002 PGW also resumed its guarantee of a 48-hour response time to service calls from customers enrolled in its parts-and-labor repair program.

During FY03, the company also undertook efforts to complete its 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 in a manner that directly supports the individual departments while cutting costs. Most importantly, management has undertaken a full restructuring of its distribution and field services functions so as to increase productivity, address additional requirements of PUC compliance and reduce costs.

Regulatory Relief. After ten years without a rate increase, in 2001 and 2002 PGW won a total of $69.6 million in permanent base-rate relief from the PUC. Of that, $36 million was emergency relief to preserve the utility's overall liquidity and access to capital markets after an historically warm winter cut its projected annual "contribution margin" (its total operating revenues less fuel cost) by $33.1 million. PGW also persuaded the PUC in August 2002 to permit it to implement a "weather-normalization adjustment" that 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.

Decreased 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 2006, resulted in the May 2002 removal of PGW's bonds from "CreditWatch with negative implications" by rating agency Standard and Poor's after nearly two years. The company also negotiated with lenders the removal in August 2002 of a "ratings trigger" from its commercial-paper program that would have caused the entire 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, for PGW to continue to operate. With the increase in gas costs and consequent effects on both the customers' ability to pay and the company's liquidity in FY03, management anticipates further 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.

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," means that the company had to "unbundle" its rates, charging separately for gas supply and for gas-transportation services, and institute mechanisms for customers to buy gas from other companies, even as PGW continues to serve as a regulated gas distribution monopoly and supplier of last resort.

PGW's Restructuring Plan has been 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 2003-2004 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

Real progress has been made by the Administration and PGW managers in reforming an organization whose mode of operations had put its existence and the City's General Fund at serious risk. Much of the progress has resulted from the resolution of the more immediate crises rather than from a strategic effort driven by clear operational and fiscal goals that, in part, balance PGW's continued financial viability and 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 at PGW under control; permanent management in place; and a working relationship with the PUC, the utility's financial condition and statutory responsibilities to citizens having been addressed, PGW is turning its attention toward those 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 its customers, lower costs further and raise new revenues in order to ensure the company's fiscal health.

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 its 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 nearly 32 percent increase as compared with only a 20 percent increase for the entire Commonwealth. Despite this additional revenue, the company projects that the annual cost of all of its low-income programs will reach $76.6 million in FY04**,** including $25.9 million in low-income customer, bad-debt expense; $24.5 million in low-income customer discounts, and $18.1 million in senior citizen discounts. PGW is currently revising its Senior Citizen Discount Program, with the agreement of other parties. After September 1, 2003, new applicants to the program will have to demonstrate financial need.

On March 1, 2004, PGW filed with the PUC a 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. PGW anticipates a decision on this request during the summer of 2004 and hopes to make this new surcharge effective beginning September 1, 2004.

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 sold in that month. (In connection with this bond issue, through which PGW also refinanced $185.5 million in existing debt, Moody's Investors Service rating agency changed its outlook on PGW from negative to stable.) To continue with this program of capital improvements, the company further anticipates the issuance of $150 million of bonds in the fall of 2004.

As part of this capital program, PGW has accelerated the reduction of its cast-iron pipeline and replacement with polyurethane or steel pipeline. The utility reduced its inventory by 21.4 miles in FY02, with another 22.6 miles by the end of FY03, after which it will return to a level of 18 miles per year 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 forecasts depend on several key assumptions. For example, paying down short-term debt as planned and fully funding anticipated capital expenditures will require $25 million per year in cost savings, added revenues, or both, the sources of which have yet to be determined, for FY06 through FY09. Forecasts also assume that annual FY04-FY09 bad debt levels stabilize at between $53 million and $62 million annually, down from $54 million to $85 million during FY00-FY03. Along with even more aggressive bill collection efforts, achieving these levels will probably require a slight decline in gas costs consistent with current gas price projections. And should PGW's financial forecasts prove accurate, its roughly seven percent ratio of bad debt as a percentage of billed gas revenues will still be much higher than industry standards of one to three percent.

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

In 2003, Philadelphia International Airport was ranked the 17th busiest US airport (up from 19th in 2002). As of January 2004, PHL offered over 550 daily departures to 78 domestic and 32 international destinations. By the end of the fiscal year, the addition of two new low fare carriers will increase the total number of airlines servicing PHL to 30, including four foreign flag carriers.

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 Airport to low fare carriers.** PHL's efforts to attract low fare competition to the region achieved a major success in FY04 when Southwest Airlines and Frontier opted to commence service in Philadelphia. Beginning in May 2004, Southwest will operate out of four Terminal E gates and offer 14 daily departures to six cities: Tampa, Orlando, Chicago, Phoenix, Las Vegas and Providence. Frontier, a low-fare carrier based in Denver, will also commence service in May with flights to Denver and Los Angeles. In February 2004 existing low fare tenant AirTran expanded its service by adding a third daily nonstop flight to Fort Lauderdale, a fourth daily nonstop flight to Orlando and one daily nonstop flight to West Palm Beach. With the addition of these flights, AirTran Airways now operates 19 flights a day from Philadelphia, including non-stop flights to Atlanta, Boston, Ft. Myers and Tampa.

- **Increase the number of destination options.** US Airways will begin seasonal nonstop service between Glasgow, Scotland and its Philadelphia hub on May 8, 2004. This will be US Airways and PHL's 11th European destination and third in the United Kingdom (including London and Manchester).

- **Develop 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 in that 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. In September 2003, the Airport hosted a symposium with representatives from the airline community to kick off the new negotiation process. Major carriers, low-fare airlines and international carriers were represented. The Airport plans to begin negotiations with the airlines this summer.

Continue to Provide a Safe and Secure Environment to Inspire Passenger and Community Confidence

- **Implement new security measures.** Airport security received increased attention after the tragic events of 9/11. At PHL in FY04, the final Security Enhancement project was initiated after the opening of International Terminal A-West and will greatly enhance the utilization of the access control and CCTV system. In addition, preliminary design work has begun to develop an in-line explosive detection baggage system for the entire Airport. It is anticipated that the funding for this $100 million project will come from the federal government. The Airport expects a funding decision to be made on this project by the end of calendar year 2004. If PHL is selected to receive this federal funding, the project will take three years to complete.

Provide Cost-effective Rate Structure and Enhance Revenue Sources

- **Maintain positive credit rating.** Moody's Investors Service affirmed the "A-3" rating on Philadelphia International Airport revenue bonds and restored the Airport's outlook from negative to stable in 2003. Moody's had changed the outlook to negative shortly after the terrorist attacks of September 11, 2001. In its credit analysis, Moody's stated that since November 2001, the number of enplaned passengers at PHL has recovered faster than the national average, PHL has managed to control budget growth, and debt service coverage has remained strong. The A-3 rating reflects the Airport's large origin and destination base, rate-making methodology, strong management team and its role as a connecting hub for US Airways as well as its reasonable debt ratios and improved gate capacity.

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 initiated two projects to upgrade and modify existing Terminal A East. The initial phase, totaling $8 million, will enhance the connection between Terminal A West and Terminal A East by replacing the four-lane security checkpoint in Terminal A East with an expanded seven-lane security checkpoint designed in accordance with the latest TSA standards. Additional improvements will be made to operations space and concession areas. Estimated completion is Spring 2005. 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 E.** PHL is reviewing final design proposals for the Terminal E expansion project. Improvements will include construction of a Terminal E hammerhead concourse, increased ticketing facilities, upgraded security checkpoints, expansion of the Bridge D/E link and construction to connect Baggage Claim in Building E with Baggage Claim in Building D. The hammerhead concourse addition will provide four new gates while relocating three existing gates. The project, which is expected to cost $100 million is scheduled to be completed in 2006.

- **Master Plan: Expedite Environmental Impact Study (EIS).** In September 2002, the President designated seven transportations projects to be part of a pilot streamlined environmental review process. PHL's Master Plan process was the only airport project selected. It is expected the Airport's two current EIS projects will benefit from this executive initiative:

  - *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 Federal Aviation Administration (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 slight extension of other existing runways while utilizing much of the existing facilities. 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," proposes using the existing Airport infrastructure to the best extent possible, while beginning to construct four new runways diagonally across the existing airfield, ultimately leading to the complete redevelopment of the Airport.

  - *Runway Improvement Project (RWIP), 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. The project is expected to be complete by Fall 2007.

- **Acquire adjacent land parcels at PHL**. With a total area of approximately 2,300 acres, PHL ranks 22nd in land mass among the nation's top 25 airports. Only New York's LaGuardia, Newark International and San Francisco International are smaller. The Airport seeks opportunities to acquire adjacent properties for future development, which will provide a greater opportunity for the Airport to expand the airfield, construct terminal facilities, expand cargo operations, build hangars and increase employee and passenger parking. The current physical size of the Airport contributes to delays, which, in turn, increases costs, making the Airport less attractive for growth and investment. As part of its effort to expand, the Airport continues to seek to acquire a 21-acre former VIACOM site in Tinicum Township to use as a runway safety area.

Key Performance Measurements

Measurement	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Target Projection	FY04 Current Projection	FY05 Projected
# of Enplaning (departing) Passengers	12,652,900	11,715,114	12,136,625	13,150,000	12,958,000	13,500,000
Total # of Aircraft Operations[1] (PHL)	483,401	456,879	454,428	475,000	456,000	475,000
Air Cargo[2] Activity (in tons)	622,593	576,265	589,691	610,000	569,200	600,000
Number of Aircraft Gates[3]	103	103	120	120	120	124
Gross Concession Development Program Revenue (in millions)[4]	$79.1	$80.9	$83.2	$85.8	$88.3	$93.0

[1] An aircraft operation is either a takeoff or landing

[2] Airfreight and mail combined

[3] 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 have been increasing for various reasons including airlines not offering food onboard planes, causing passengers to buy at the airport and passengers are arriving earlier at the airport to reduce wait times in line, enabling longer periods of time to make purchases.

AVIATION FUND
FIVE YEAR FINANCIAL PLAN
FISCAL YEARS 2005- 2009
ALL DEPARTMENTS

		FY 2004 Estimate	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues							
	Category						
	Locally Generated Non-Tax	$244,993,000	$258,495,000	$263,665,000	$268,938,000	$274,317,000	$279,803,000
	Passenger Facility Charges	32,416,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
	Revenue from Other Governments	2,127,000	2,300,000	2,346,000	2,393,000	2,441,000	2,490,000
	Revenue from Other Funds of the City	450,000	475,000	485,000	495,000	505,000	515,000
Total Revenue, All Sources		$279,986,000	$296,270,000	$301,496,000	$306,826,000	$312,263,000	$317,808,000
Obligations							
100	Personal Services	$73,612,000	$80,606,000	$82,218,000	$83,862,000	$85,539,000	$87,250,000
200	Purchase of Services	84,474,000	88,758,000	90,533,000	92,344,000	94,191,000	96,075,000
300	Materials and Supplies	8,496,000	8,975,000	9,155,000	9,338,000	9,525,000	9,716,000
400	Equipment	7,125,000	7,554,000	7,705,000	7,859,000	8,016,000	8,176,000
500	Contributions, Indemnities and Taxes	4,285,000	4,706,000	4,800,000	4,896,000	4,994,000	5,094,000
700	Debt Service	93,986,000	101,764,000	104,581,000	96,671,000	96,676,000	100,928,000
800	Payments to Other Funds:						
	Payments to General Fund	3,412,000	3,412,000	3,480,000	3,550,000	3,621,000	3,693,000
	Payments to Water Fund	761,000	761,000	776,000	792,000	808,000	824,000
	Payments to Capital Fund	9,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
	Total Payments to Other Funds	13,173,000	12,173,000	12,256,000	12,342,000	12,429,000	12,517,000
900	Advances and Other Misc. Payments	500,000	500,000	500,000	0	0	0
Total Obligations, All Departments		$285,651,000	$305,036,000	$311,748,000	$307,312,000	$311,370,000	$319,756,000
Fund Balance from Prior Year		24,053,000	23,388,000	19,622,000	14,370,000	18,884,000	24,777,000
Commitments Canceled - Net		5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Ending Fund Balance		$23,388,000	$19,622,000	$14,370,000	$18,884,000	$24,777,000	$27,829,000

City of Philadelphia
Five-Year Financial Plan

• • • • •

Appendix II

Long-Term Obligations

SINKING FUND COMMISSION
GENERAL FUND OPERATING BUDGET - ESTIMATES
FISCAL YEARS 2005 to 2009

	DESCRIPTION	2005	2006	2007	2008	2009
200	**PURCHASE OF SERVICES**					
200	Long Term Leases	78,293,008	82,852,175	86,027,524	78,352,364	82,869,529
700	**DEBT SERVICE**					
701	Total Interest on City Debt LT	44,702,056	47,094,563	52,164,603	50,909,841	49,438,242
702	Total Principal on City Debt LT	30,111,689	25,674,402	30,959,512	37,570,070	36,430,208
703	Interest on City Debt Short Term	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
704	Sinking Fund Reserve Payments	3,369,731	3,370,731	3,375,281	3,372,481	3,374,815
705	Committment Fee Expense	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
706	Arbitrage Payments	850,000	850,000	850,000	850,000	850,000
	Total Class 700	91,533,476	89,489,696	99,849,396	105,202,392	102,593,265
	Total All Classes	169,826,484	172,341,871	185,876,920	183,554,756	185,462,794

City of Philadelphia
Five-Year Financial Plan

• • • • •

Appendix III
Other Statutory Requirements
General Fund

CITY OF PHILADELPHIA FY2005-2009 Five Year Financial Plan		SUMMARY OF OPERATIONS FISCAL YEARS 2003 TO 2009 (Amounts in Thousands)						
FUND	General							
		F.Y. 2003	F.Y. 2004	F.Y. 2005	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
NO.	ITEM	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	1,936,628	1,997,966	2,041,815	2,075,359	2,122,216	2,173,952	2,224,744
2	Locally Generated Non-Tax Revenues	245,236	251,186	271,442	247,100	248,980	260,902	261,032
3	Revenue from Other Governments	876,572	907,779	999,088	1,011,842	1,024,325	1,043,721	1,111,235
4	Sub-Total (1) + (2) + (3)	**3,058,436**	**3,156,931**	**3,312,345**	**3,334,301**	**3,395,522**	**3,478,575**	**3,597,011**
5	Revenue from Other Funds of City	27,299	27,536	27,909	26,597	26,587	25,985	26,393
6	Total - Revenue (4) + (5)	3,085,735	3,184,467	3,340,254	3,360,898	3,422,108	3,504,560	3,623,404
7	Revenues Forgone	0	0	0	0	0	0	0
8	**Total Revenue and Other Sources (6)+(7)**	**3,085,735**	**3,184,467**	**3,340,254**	**3,360,898**	**3,422,108**	**3,504,560**	**3,623,404**
	OBLIGATIONS/APPROPRIATIONS							
9	Personal Services	1,246,659	1,297,260	1,241,557	1,199,036	1,194,311	1,182,826	1,178,587
10	Personal Services-Employee Benefits	540,606	594,813	713,724	744,249	821,324	888,976	941,423
11	**Sub-Total Employee Compensation**	**1,787,265**	**1,892,073**	**1,955,281**	**1,943,285**	**2,015,635**	**2,071,802**	**2,120,010**
12	Purchase of Services	1,007,113	1,060,043	1,097,055	1,109,886	1,117,655	1,117,373	1,125,554
13	Materials, Supplies and Equipment	76,045	75,503	68,331	66,841	67,358	67,482	67,452
14	Contributions, Indemnities, and Taxes	122,907	95,913	109,132	108,132	108,132	108,132	89,019
15	Debt Service	97,055	105,467	91,534	89,490	99,850	105,202	102,593
16	Capital Budget Financing	0	0	0	0	0	0	0
17	Advances and Miscellaneous Payments	32,378	31,995	36,740	35,731	35,201	34,702	34,230
18	Sub-Total (11 thru 17)	3,122,763	3,260,994	3,358,073	3,353,365	3,443,831	3,504,693	3,538,858
19	Payments to Other Funds	30,421	28,163	24,711	26,078	26,078	26,078	26,078
20	Future Government Efficiencies	**0**	**0**	**0**	**-18,000**	**-18,000**	**-12,000**	**-12,000**
21	**Total - Obligations (18+19+20)**	**3,153,184**	**3,289,157**	**3,382,784**	**3,361,443**	**3,451,909**	**3,518,771**	**3,552,936**
22	Oper.Surplus (Deficit) for Fiscal Year (8-23)	(67,449)	(104,690)	(42,530)	(545)	(29,801)	(14,211)	70,468
23	Prior Year Adjustments:							
24	Revenue Adjustments	0	0	0	0	0	0	0
25	Other Adjustments	19,753	28,000	28,000	28,000	22,000	22,000	22,000
26	Funding For Future Obligations	0	0	0	0	0	0	0
27	Total Prior Year Adjustments	19,753	28,000	28,000	28,000	22,000	22,000	22,000
28	**Adjusted Oper. Surplus/ (Deficit) (24+29)**	**-47,696**	**-76,690**	**-14,530**	**27,455**	**-7,801**	**7,789**	**92,468**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS							
	Fund Balance Available for Appropriation							
29	June 30 of Prior Fiscal Year	139,025	91,329	14,639	109	27,565	19,764	27,553
30	Residual Equity Transfer							
31	Fund Balance Available for Appropriation							
	June 30 (30)+(31) + (33)	**91,329**	**14,639**	**109**	**27,565**	**19,764**	**27,553**	**120,021**

City of Philadelphia
General Fund
FY 2005 - 2009 Five Year Financial Plan
Summary by Class

Expenditure Class	Actual FY 03	Budgeted FY 04	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08	Projected FY 09
Class 100 - Wages / Benefits	1,787,264,866	1,858,652,338	1,892,072,877	1,955,281,035	1,943,285,542	2,015,634,800	2,071,802,366	2,120,009,759
Class 200 - Contracts / Leases	1,007,112,734	1,078,638,649	1,060,042,962	1,097,054,803	1,109,886,173	1,117,654,812	1,117,372,795	1,125,554,429
Class 300/400 - Supplies, Equipment	76,045,295	75,681,808	75,502,539	68,330,863	66,840,949	67,357,855	67,481,855	67,451,855
Class 500 - Indemnities / Contributions	122,906,583	96,745,983	95,913,488	109,132,432	108,132,432	108,132,432	108,132,432	89,018,517
Class 700 - Debt Service	97,055,427	112,616,932	105,466,932	91,533,476	89,489,696	99,849,396	105,202,392	102,593,265
Class 800 - Payments to Other Funds	30,421,485	28,163,290	28,163,290	24,710,988	26,077,707	26,077,707	26,077,707	26,077,707
Class 900 - Advances / Misc. Payments	32,378,000	31,995,000	31,995,000	36,740,403	35,731,007	35,201,049	34,701,324	34,230,435
Total	3,153,184,390	3,282,494,000	3,289,157,088	3,382,784,000	3,379,443,506	3,469,908,051	3,530,770,871	3,564,935,966

City of Philadelphia
FY 2005 - 2009 Five Year Financial Plan
General Fund
Summary by Department

Department	Actual FY 03	Budgeted FY 04	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08	Projected FY 09
Art Museum Subsidy	2,250,000	2,250,000	2,250,000	0	0	0	0	0
Atwater Kent Museum Subsidy	263,321	292,867	292,867	0	0	0	0	0
Auditing Department (City Controller's Office)	7,290,203	7,951,479	7,951,479	7,314,505	6,972,689	6,972,689	6,972,689	6,972,689
Board of Building Standards	96,056	121,054	121,054	121,054	115,000	115,000	115,000	115,000
Board of L & I Review	169,634	212,927	212,927	212,927	202,646	202,646	202,646	202,646
Board of Revision of Taxes	7,448,779	8,839,697	9,030,497	8,286,783	8,364,865	8,185,303	7,784,122	7,662,411
Camp William Penn	337,042	311,411	311,411	283,385	276,175	276,175	276,175	276,175
Capital Program Office	2,113,088	2,420,263	2,370,063	1,977,415	1,928,637	1,928,637	1,928,637	1,928,637
City Commissioners	7,735,586	8,960,301	8,960,301	7,960,206	7,729,531	7,729,531	7,729,531	7,729,531
City Council	13,008,459	15,455,332	15,330,332	18,918,166	18,134,354	18,134,354	18,134,354	18,134,354
City Planning Commission	3,097,442	3,221,879	3,221,879	3,108,866	2,960,852	2,875,861	2,766,202	2,766,202
Commerce Department	4,742,909	5,395,800	5,395,800	4,605,733	4,548,039	4,548,039	4,548,039	4,548,039
Commerce Department-Economic Stimulus	4,750,000	61,155,175	59,503,985	4,131,250	3,500,000	3,000,000	2,500,000	2,000,000
City Treasurer	802,363	907,895	882,240	768,041	619,812	619,812	619,812	619,812
Civic Center	194,167	271,427	271,427	271,427	0	0	0	0
Civil Service Commission	137,717	164,385	163,399	164,055	157,117	157,117	157,117	157,117
Clerk of Quarter Sessions	4,483,752	5,046,227	5,046,227	4,486,116	4,264,090	4,264,090	4,264,090	4,264,090
Community College Subsidy	22,067,921	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924
Convention Center Subsidy	32,378,000	31,995,000	31,995,000	36,740,403	35,731,007	35,201,049	34,701,324	34,230,435
Debt Service (Sinking Fund)	171,381,989	192,550,437	185,050,437	169,826,484	169,341,871	182,876,920	183,554,756	185,462,794
District Attorney	29,381,897	30,868,562	30,868,562	29,772,887	28,706,464	28,706,464	28,706,464	28,706,464
Fairmount Park Commission	14,138,339	13,758,576	14,058,576	13,494,328	12,978,887	12,882,987	12,680,617	12,647,604
Finance Department	44,883,273	16,772,180	16,643,952	14,569,891	15,080,215	14,997,425	14,823,736	14,748,762
Finance - Contib. School Dist./Tax Cuts	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
Finance - Employee Benefits	540,605,583	579,523,000	594,813,000	713,724,000	744,249,051	821,323,825	888,976,391	941,423,331
Finance - PGW Rental Reimbursement	0	0	0	18,000,000	18,000,000	18,000,000	18,000,000	0
Fire Department	161,317,055	175,233,242	175,888,242	166,602,811	164,302,735	164,324,717	164,423,663	164,423,663
First Judicial District	112,196,869	115,000,000	115,000,000	106,404,384	101,225,694	100,201,584	98,345,765	97,849,607
Fleet Management Office	38,503,737	36,652,790	39,374,265	38,892,834	36,126,145	35,923,460	35,784,041	35,557,773
Fleet Mgmt. - Vehicle Purchase	9,799,293	10,700,000	6,700,000	2,180,000	4,180,000	4,680,000	5,180,000	5,180,000
Free Library	35,866,248	38,281,893	38,281,893	36,526,075	34,461,540	34,070,199	33,263,776	33,023,842
Hero Scholarship Awards	3,000	35,661	34,698	25,000	25,000	25,000	25,000	25,000
Historical Commission	255,089	265,618	265,618	325,618	310,716	310,716	310,716	310,716
Human Relations Commission	2,148,812	2,279,873	2,279,873	2,259,408	2,123,032	2,096,511	2,043,369	1,971,258
Human Services Department	538,632,150	599,348,410	585,820,586	640,801,137	640,525,647	640,500,082	640,500,082	640,500,082
Indemnities	29,921,622	29,921,804	29,113,915	25,113,915	24,113,915	24,113,915	24,113,915	23,000,000
Labor Relations, Mayor's Office of	492,481	532,764	516,764	494,752	472,163	472,163	472,163	472,163
Law Department	15,340,980	15,865,214	17,355,214	15,134,206	13,913,331	13,861,956	13,678,771	13,660,455

City of Philadelphia
FY 2005 - 2009 Five Year Financial Plan
General Fund
Summary by Department

Department	Actual FY 03	Budgeted FY 04	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08	Projected FY 09
Licenses and Inspections Department	21,837,420	24,194,862	24,564,362	21,450,159	20,680,555	19,915,430	19,330,487	19,027,540
Licenses and Inspections - Demolitions	1,969,116	0	0	0	8,000,000	8,000,000	8,000,000	8,000,000
Managing Director's Office	15,769,948	15,958,717	15,518,717	13,982,223	13,349,210	13,325,340	13,192,674	13,095,636
Mayor's Office	4,236,832	3,783,407	3,783,407	3,945,773	3,777,446	3,669,446	3,642,446	3,642,446
Mayor - Mural Arts Program	0	0	0	864,623	838,569	838,569	838,569	838,569
Mayor's Office of Community Services	769,607	780,133	886,982	711,753	681,052	681,052	681,052	681,052
Mayor - Scholarships	198,676	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Mayor's Office of Information Services	12,840,552	12,960,195	12,672,480	11,179,254	10,648,735	10,568,081	10,301,932	10,127,892
Off. of Behavioral Health/Mental Retardation Svcs.	16,214,624	15,796,968	15,724,210	14,692,638	14,563,268	14,563,268	14,563,268	14,563,268
Office of Housing & Community Development	1,738,830	1,740,734	440,734	387,846	375,503	375,503	375,503	375,503
Office of Emergency Services	17,141,412	15,544,372	16,844,372	15,541,322	14,536,769	14,494,948	14,387,811	14,387,811
Personnel Department	4,785,789	5,024,130	4,969,787	4,568,071	4,313,058	4,148,629	3,977,435	3,977,435
Police Department	491,321,389	485,195,245	495,856,103	470,506,502	455,852,096	457,917,137	456,791,224	456,625,976
Prisons System	172,088,973	175,874,596	180,581,447	179,925,799	178,961,483	177,888,106	176,324,080	175,378,532
Procurement Department	5,249,393	4,908,438	4,623,537	4,398,997	4,247,433	4,193,083	4,080,097	4,080,097
Public Health Department	99,132,209	105,626,627	105,699,385	105,784,817	101,931,617	101,476,283	101,269,374	100,766,816
Public Property Department	47,127,190	48,165,402	46,339,077	45,271,511	45,656,251	46,823,218	47,295,112	48,151,292
Public Property - SEPTA Subsidy	57,247,312	0	0	57,034,000	57,883,000	60,181,000	61,346,000	62,470,000
Public Property - Space Rentals	13,928,772	14,515,541	14,515,541	13,677,177	13,833,196	14,225,758	14,628,134	15,110,650
Public Property - Utilities	28,112,884	27,475,500	27,475,500	26,389,036	28,532,386	28,883,386	29,752,036	30,314,636
Public Property - Telecommunications	12,844,462	12,748,125	11,598,185	10,631,500	12,982,098	13,584,094	13,813,414	13,868,350
Records	6,864,070	8,306,541	8,306,541	7,276,959	7,039,706	7,026,753	6,869,544	6,853,819
Recreation Department	35,260,825	38,584,763	38,709,763	37,288,073	35,191,820	34,448,819	33,455,227	33,223,347
Recreation - Stadium Complex	4,521,453	4,578,764	2,461,299	0	0	0	0	0
Refunds	90,270	854,365	831,297	500,000	500,000	500,000	500,000	500,000
Register of Wills	2,939,554	3,074,952	3,179,952	3,023,355	2,874,125	2,874,125	2,874,125	2,874,125
Revenue Department	16,944,941	18,177,343	18,177,343	17,803,969	17,386,443	16,497,870	15,648,287	15,428,028
Sheriff's Office	13,576,910	13,475,759	14,718,184	14,064,381	12,627,312	12,627,312	12,627,312	12,627,312
Streets Department	35,822,000	31,475,832	32,450,918	27,797,190	27,130,318	26,908,318	26,881,318	26,854,318
Streets - Sanitation Division	87,788,055	88,973,286	90,721,429	88,765,413	87,483,931	87,769,390	87,816,542	88,595,958
Tax Reform Commission	158,638	375,000	375,000	0	0	0	0	0
Witness Fees	134,252	229,881	223,674	175,000	175,000	175,000	175,000	175,000
Zoning Board of Adjustment	421,904	503,987	503,987	497,658	475,420	475,420	475,420	475,420
Total	3,153,184,390	3,282,494,000	3,289,157,088	3,382,784,000	3,379,443,506	3,469,908,051	3,530,770,871	3,564,935,966

City of Philadelphia
FY 2005 - 2009 Five Year Financial Plan
General Fund
Estimated Fringe Benefit Allocation

	Actual FY 03	Budgeted FY 04	Projected FY04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Unemployment Compensation	2,580,848	2,400,000	2,400,000	2,600,000	2,487,409	2,525,288	2,525,288	2,525,288
Employee Disability	34,058,374	36,600,000	40,100,000	40,100,000	38,947,710	39,947,710	39,947,710	39,947,710
Pension	150,477,532	156,000,000	167,000,000	253,110,000	279,602,000	324,173,000	357,960,000	374,071,000
Pension Obligation Bonds	55,235,021	58,900,000	58,900,000	66,327,000	70,506,305	74,670,321	78,762,083	83,138,660
FICA	59,412,947	61,513,000	61,513,000	63,900,000	62,606,571	62,288,940	62,102,899	62,087,526
Health / Medical	226,611,065	251,610,000	252,400,000	274,987,000	277,663,996	305,083,506	334,943,351	366,818,087
Group Life	7,004,845	7,100,000	7,100,000	7,200,000	7,093,105	7,193,105	7,293,105	7,393,105
Group Legal	4,206,755	4,300,000	4,300,000	4,400,000	4,273,564	4,373,564	4,373,564	4,373,564
Tool Allowance	59,600	100,000	100,000	100,000	97,126	97,126	97,126	97,126
Flex Cash Payments	958,596	1,000,000	1,000,000	1,000,000	971,265	971,265	971,265	971,265
TOTAL	540,605,583	579,523,000	594,813,000	713,724,000	744,249,051	821,323,825	888,976,391	941,423,331

City of Philadelphia
Fiscal Year 2005 Operating Budget
FY 2005-2009 Five Year Plan
General Fund Full-Time Positions

Department	FY 2003 Adopted Budget	FY 2004 Adopted Budget	FY 2005 Proposed	FY 2006 Proposed	FY 2007 Proposed	FY 2008 Proposed	FY 2009 Proposed
Atwater Kent Museum	6	6	5	4	4	4	4
Auditing	131	132	125	119	119	119	119
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	143	160	163	160	155	154	154
Camp William Penn	3	4	4	4	4	4	4
Capital Program Office	22	22	18	17	17	17	17
City Commissioners	101	101	96	91	91	91	91
City Council	226	216	205	195	195	195	195
City Planning Commission	61	57	46	44	44	44	44
City Rep. / Commerce	31	27	24	23	23	23	23
City Treasurer	17	15	13	12	12	12	12
Civic Center	3	3	0	0	0	0	0
Civil Service Commission	3	3	2	2	2	2	2
Clerk of Quarter Sessions	126	128	122	116	116	116	116
District Attorney - Total	479	464	438	416	416	416	416
Civilian	*454*	*442*	*421*	*400*	*400*	*400*	*400*
Uniformed	*25*	*22*	*17*	*16*	*16*	*16*	*16*
Fairmount Park	225	211	201	191	191	191	191
Finance	171	151	159	151	151	151	151
Fire	2,518	2,518	2,302	2,302	2,302	2,302	2,302
Civilian	*131*	*130*	*130*	*130*	*130*	*130*	*130*
Uniformed	*2,387*	*2,388*	*2,172*	*2,172*	*2,172*	*2,172*	*2,172*
First Judicial District	2,060	2,082	1,996	1,896	1,896	1,896	1,896
Fleet Management	408	344	345	328	321	313	313
Free Library	746	738	699	662	658	658	658
Historical Commission	5	5	6	6	6	6	6
Human Relations Commission	45	44	40	38	38	38	38
Human Services	1,943	1,950	1,816	1,816	1,816	1,816	1,816
Labor Relations	10	8	7	7	7	7	7
Law	214	207	198	198	198	198	198
Licenses & Inspections	433	399	409	399	375	367	366
Managing Director	112	92	85	81	81	81	81
Mayor	67	48	46	44	44	44	44
Mayor's Office of Community Ser	22	20	17	15	15	15	15
Mayor's Office of Information Ser	139	120	102	92	92	92	92
Mural Arts Program	0	0	16	15	15	15	15
Office of Behavioral Health/MR S	0	0	47	47	47	47	42
Office of Emergency Shelter Ser	72	68	60	57	57	57	57
Office of Housing & Comm. Dev.	7	6	5	5	5	5	5
Personnel	90	90	83	79	79	79	79
Police	7,907	7,843	7,821	7,621	7,621	7,621	7,621
Civilian	*998*	*933*	*911*	*911*	*911*	*911*	*911*
Uniformed	*6,909*	*6,910*	*6,910*	*6,710*	*6,710*	*6,710*	*6,710*
Prisons	2,202	2,100	2,077	1,973	1,973	1,973	1,973
Procurement	77	76	68	65	65	65	65
Public Health	886	835	761	712	709	706	703
Public Property	219	236	198	188	188	188	188
Records	90	87	80	76	76	76	76
Recreation	593	601	565	537	537	537	537
Register of Wills	70	70	67	64	64	64	64
Revenue	316	267	276	267	242	239	238
Sheriff	267	267	254	242	242	242	242
Streets	742	667	608	578	572	571	571
Streets - Sanitation	1,453	1,376	1,349	1,282	1,282	1,282	1,282
Zoning Board of Adjustment	6	6	6	6	6	6	6
TOTAL GENERAL FUND	**25,472**	**24,875**	**24,035**	**23,248**	**23,174**	**23,150**	**23,140**

Note: Positions levels represent all budgeted positions and do not reflect the average filled position level.

City of Philadelphia

Five-Year Financial Plan

• • • • •

Appendix IV
Other Statutory Requirements
Cash Flows

CASH FLOW PROJECTIONS **OFFICE OF THE DIRECTOR OF FINANCE**

EQUITY IN CON CASH **GENERAL FUND FY2004**

FY 2004

Actuals through May 31

(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	4.7	6.1	6.2	5.8	3.5	13.2	25.9	185.3	91.3	16.9	7.9	5.9	372.7			(8.1)	364.6
Wage, Earnings, NP Tax	94.5	82.0	77.3	88.5	85.8	84.4	99.4	87.3	93.6	93.5	96.6	67.3	1,050.2			8.3	1,058.6
Realty Transfer Tax	11.1	10.7	14.1	10.3	8.2	10.5	14.3	10.5	11.3	11.5	11.2	8.5	132.2			(39.2)	93.0
Sales Tax	8.8	8.6	9.0	8.5	9.7	8.6	6.5	9.0	11.6	9.8	8.1	9.8	108.0			5.6	113.6
Business Privilege Tax	(2.4)	2.5	16.4	9.9	1.7	4.8	4.3	2.2	27.6	227.5	31.0	9.1	334.6	(48.4)		10.1	296.3
Other Taxes	4.5	5.3	4.5	6.1	4.0	4.2	4.1	6.5	(1.2)	5.7	6.5	5.6	55.8			(0.0)	55.8
Locally Generated Non-tax	25.9	16.6	28.4	18.1	10.3	17.1	15.9	17.0	21.6	31.3	21.9	16.7	240.8	10.4		(40.4)	210.8
Other Governments	0.0	32.7	35.9	87.2	4.7	6.6	2.2	118.0	43.0	60.4	8.2	46.2	445.0	241.4		21.7	708.1
Other Governments-PICA	18.1	17.6	12.5	23.6	12.8	17.2	19.3	16.7	18.2	19.5	22.0	16.7	214.2	7.2		4.4	225.8
Interfund Transfers		0.5	0.6	0.5	0.5	0.6	0.5	0.5	0.7	0.2	0.5	22.4	27.5			(2.2)	25.3
Total Current Revenue	165.2	182.6	204.9	258.5	141.2	167.2	192.4	453.0	317.7	476.3	213.9	208.1	2,980.9	210.6		(39.8)	3,151.8
Collection of 6-30-03/Govt.	83.9	71.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	155.3	0.0			
Other Fund Balance Adj.												1.1	1.1				
Non-revenue receipts						1.5				(1.5)			0.0				
Non-budget items	3.1											(4.0)	(0.9)				
TOTAL CASH RECEIPTS	252.2	254.0	204.9	258.5	141.2	168.7	192.4	453.0	317.7	474.8	213.9	205.2	3,136.4				

	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	75.1	101.7	99.2	140.1	102.0	103.5	102.2	98.9	127.7	87.7	89.9	112.1	1,240.1	54.3	2.9	(18.2)	1,279.1
Employee Benefits	40.8	29.8	31.4	32	29.2	30.4	25.4	32.5	28.5	29.9	26.8	27.8	364.5	4.1	0.3	(4.3)	364.6
Pension	159.7	(1.2)	(1.5)	20.7	(1.5)	(0.6)	1.9	(1.4)	(1.1)	36.5	(1.4)	11.5	221.6	4.3		(11.0)	214.9
Purchase of Services	26.0	82.7	73.4	100.3	63.9	82.0	59.9	75.2	100.4	77.4	77.2	82.3	900.7	25.6	133.7	18.3	1,078.3
Materials, Equipment	2.7	3.8	7.1	4.7	3.9	4.9	2.5	4.1	2.8	7.8	3.9	3.9	52.1	4.2	19.2	0.2	75.7
Contributions, Indemnities	10.7	4.8	13.5	3.6	0.9	7.1	1.2	2.6	9.5	2.4	1.5	36.6	94.4		1.5	0.8	96.7
Debt Service-Short Term			1.0			0.0	0.0	0.0	0.0	0.0	6.8	4.8	12.6			0.0	12.6
Debt Service-Long Term	0.0	0.0	19.7	0	12.2	0.4	1.1	(0.1)	18.7	0.1	36.1	4.8	92.9			7.5	100.4
Interfund Charges	0.0	0.6										27.6	28.2	0.0		(0.1)	28.1
Advances, Subsidies		32.0											32.0				32.0
Current Year Appropriation	315.0	254.2	243.8	301.4	210.6	227.7	194.2	211.8	286.4	241.8	240.8	311.4	3,039.1	92.5	157.6	(6.8)	3,282.4
Prior Year Encumbrances	50.9	35.8	13.3	10.8	4.2	3.7	1.2	7.6	2.8	2.6	3.5	0.5	136.7	0.2	9.7	28.0	174.6
														92.7	167.3		
Prior Year Vouchers Payable	62.2	9.6	5.6	2.9	1.3								81.6				
TOTAL DISBURSEMENTS	428.1	299.6	262.7	315.1	216.1	231.4	195.4	219.4	289.2	244.4	244.3	311.9	3,257.5				
Excess (Def) of Receipts over Disbursements	(175.9)	(45.6)	(57.8)	(56.6)	(74.9)	(62.7)	(3.0)	233.6	28.5	230.4	(30.4)	(106.7)	(121.0)				
Opening Balance	171.8	345.9	300.4	242.5	185.9	111.0	48.3	45.4	279.0	307.5	537.9	507.4	171.8				
TRANS	350.0											(350.0)	0.0				
CLOSING BALANCE	345.9	300.4	242.5	185.9	111.0	48.3	45.4	279.0	307.5	537.9	507.4	50.8	50.8				

OFFICE OF THE DIRECTOR OF FINANCE
CASH FLOW PROJECTIONS
CONSOLIDATED CASH--ALL FUNDS--FY2004

FY 2004

(Amounts in $millions)

	I-----------	-----------	-----------	-----------	-----------	---Actual-	-----------	-----------	-----------	-----------	------------	IEstimate
	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	345.9	300.4	242.5	185.9	111.0	48.3	45.4	279.0	307.5	537.9	507.4	50.8
Grants Revenue	123.2	59.7	54.5	77.9	58.7	54.8	73.5	81.4	78.8	69.9	87.5	92.1
Community Development	(14.4)	(4.2)	(1.8)	6.1	(0.3)	6.8	6.8	(2.8)	6.5	8.5	5.5	6.7
Vehicle Rental Tax	9.1	9.5	4.7	5.1	5.4	5.7	6.0	6.2	4.4	4.7	5.0	5.3
Other Funds	5.2	11.8	7.7	20.3	6.4	8.7	11.7	38.3	15.4	19.1	17.4	8.3
TOTAL OPERATING FUNDS	469.1	377.2	307.6	295.2	181.3	124.4	143.3	402.2	412.5	640.0	622.9	163.2
Capital Improvement	(31.9)	(41.1)	(46.2)	(54.2)	(58.7)	184.3	178.6	171.8	163.1	161.9	157.9	149.3
Industrial & Commercial Dev.	7.3	7.3	6.6	6.9	6.8	6.8	6.3	6.1	5.8	5.3	5.3	5.3
TOTAL CAPITAL FUNDS	(24.6)	(33.8)	(39.6)	(47.3)	(51.9)	191.1	184.9	177.9	168.9	167.2	163.2	154.6
TOTAL FUND EQUITY	444.5	343.4	268.0	248.0	129.4	315.5	328.2	580.1	581.4	807.3	786.1	317.8

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE

EQUITY IN CON CASH GENERAL FUND FY2005

FY 2005

(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	4.9	6.3	6.4	6.0	3.6	13.6	26.7	191.3	94.3	17.4	8.2	6.1	384.8			0.0	384.8
Wage, Earnings, NP Tax	96.5	83.7	78.9	90.3	87.6	86.1	101.5	89.1	95.6	95.4	98.6	68.6	1,072.0			0.0	1,072.1
Realty Transfer Tax	10.7	10.3	13.5	9.9	7.9	10.1	13.7	10.1	10.9	11.0	10.8	8.2	127.0			0.0	127.0
Sales Tax	8.8	8.6	9.0	8.5	9.7	8.6	6.5	9.0	11.6	9.8	8.1	9.8	108.0			0.0	108.0
Business Privilege Tax	(2.5)	2.6	16.7	10.1	1.7	4.9	4.4	2.2	25.3	155.7	31.6	9.3	262.2	30.0		0.0	292.2
Other Taxes	4.7	5.5	4.7	6.3	4.1	4.4	4.2	6.7	(1.2)	5.9	6.7	5.8	57.8			0.0	57.8
Locally Generated Non-tax	29.2	18.7	32.0	20.4	11.6	19.3	17.9	19.2	24.3	35.3	24.7	18.8	271.4			0.0	271.4
Other Governments	0.0	37.4	39.6	99.8	5.2	7.4	2.5	129.2	49.2	69.0	9.1	72.6	521.0	256.0		0.0	777.0
Other Governments-PICA	10.0	14.8	15.9	18.5	19.7	20.1	18.6	16.7	18.2	19.6	22.2	20.2	214.4	7.7		0.0	222.1
Interfund Transfers	0.0	0.5	0.6	0.5	0.5	0.6	0.5	0.5	0.7	0.2	0.5	22.7	27.9			0.0	27.9
Total Current Revenue	162.3	188.3	217.3	270.3	151.6	175.1	196.6	474.1	328.8	419.4	220.5	242.1	3,046.5	293.6		0.0	3,340.2
Collection of 6-30-03/Govt.	146.0	124.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	270.3	0.0			
Other Fund Balance Adj.												3.5	3.5				
Non-revenue receipts						1.5				(1.5)		2.1	2.1				
Non-budget items	4.0											(4.0)	0.0				
TOTAL CASH RECEIPTS	312.3	312.6	217.3	270.3	151.6	176.6	196.6	474.1	328.8	417.9	220.5	243.7	3,322.4				
														V. P.	**Encum-brances**	**Mergers**	**Budget Obliga-tions**
EXPENSES AND OBLIGATIONS																	
Payroll	71.9	97.3	94.9	134.1	97.6	99.1	97.8	94.7	122.2	83.9	86.0	107.3	1,186.9	52.0	2.8	0.0	1,241.6
Employee Benefits	43.6	31.9	33.6	34.2	31.2	32.5	27.1	34.7	30.5	32.0	28.6	29.7	389.6	4.4	0.3	0.0	394.3
Pension	3.7	220.4	(2.1)	29.3	(2.1)	(0.8)	2.7	(2.0)	(1.6)	51.6	(1.9)	16.3	313.3	6.1		0.0	319.4
Purchase of Services	26.9	85.6	76.0	103.8	66.1	84.9	62.0	77.8	103.9	80.1	79.9	85.2	932.2	26.5	138.4	0.0	1,097.1
Materials, Equipment	2.4	3.4	6.4	4.3	3.5	4.4	2.3	3.7	2.5	7.1	3.5	3.5	47.1	3.8	17.4	0.0	68.3
Contributions, Indemnities	12.2	5.5	15.4	4.1	1.0	8.1	1.4	3.0	10.8	2.7	1.7	41.6	107.4	0.0	1.7	0.0	109.1
Debt Service-Short Term	0.8										6.1	4.3	11.2			0.0	11.2
Debt Service-Long Term	0.0	2.0	18.3	0.3	12.0	0.4	1.0	3.6	13.9	0.6	23.5	4.6	80.2			0.0	80.2
Interfund Charges												24.7	24.7			0.0	24.7
Advances, Subsidies		36.7						0.0					36.7				36.7
Current Year Appropriation	161.5	482.8	242.4	310.0	209.4	228.5	194.3	215.5	282.2	258.0	227.5	317.2	3,129.3	92.7	160.6	0.0	3,382.6
Prior Year Encumbrances	50.5	35.5	13.2	10.7	4.2	3.6	1.2	7.5	2.8	2.6	3.5	0.5	135.6	0.2	9.6	28.0	173.4
														92.9	170.2		
Prior Year Vouchers Payable	69.8	10.8	6.3	3.3	1.5								91.6				
TOTAL DISBURSEMENTS	281.8	529.0	261.9	323.9	215.0	232.1	195.4	223.0	285.0	260.6	231.0	317.7	3,356.5				
Excess (Def) of Receipts over Disbursements	30.5	(216.4)	(44.6)	(53.6)	(63.4)	(55.5)	1.2	251.1	43.8	157.3	(10.5)	(74.0)	(34.2)				
Opening Balance	50.8	81.2	234.8	190.2	136.6	73.2	17.7	18.9	270.0	313.8	471.1	460.6	50.8				
TRANS		370.0										(370.0)	0.0				
CLOSING BALANCE	81.2	234.8	190.2	136.6	73.2	17.7	18.9	270.0	313.8	471.1	460.6	16.6	16.6				

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

FY 2005

(Amounts in $millions)

	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	81.2	234.8	190.2	136.6	73.2	17.7	18.9	270.0	313.8	471.1	460.6	16.6
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)	0.0
Vehicle Rental Tax	5.6	5.9	1.2	1.5	1.8	2.1	2.4	2.7	3.0	3.3	3.6	4.0
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	111.8	265.7	216.4	163.1	100.0	44.8	46.3	297.7	341.8	499.4	489.2	49.6
Capital Improvement	140.3	131.8	123.3	114.8	106.3	97.8	89.3	80.8	72.3	63.8	55.3	46.8
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	146.8	138.3	129.8	121.3	112.8	104.3	95.8	87.3	78.8	70.3	61.8	53.3
TOTAL FUND EQUITY	258.6	404.0	346.2	284.4	212.8	149.1	142.1	385.0	420.6	569.7	551.0	102.9

City of Philadelphia
Five-Year Financial Plan

• • • • •

Appendix V
Base Obligation Methodology

City of Philadelphia
Principal General Fund Obligation Growth Assumptions
FY 2005-2009 Five Year Financial Plan

		FY 05	FY 06	FY 07	FY 08	FY 09
Class 100	**Personal Services**					
	Civilian Wages	0.0%	0.0%	0.0%	0.0%	0.0%
	Uniform Wages (a)	3.0%	0.0%	0.0%	0.0%	0.0%
	Employee Benefits					
	Unemployment Comp.	8.3%	-4.3%	1.5%	0.0%	0.0%
	Employee Disability	0.0%	-2.9%	0.0%	0.0%	0.0%
	Pension	50.9%	10.5%	15.9%	10.4%	4.5%
	Pension Obligation Bond.	12.6%	6.3%	5.9%	5.5%	5.5%
	FICA	3.9%	-2.0%	-0.5%	-0.3%	0.0%
	Health/Medical	9.0%	1.0%	9.9%	9.8%	9.5%
	Group Life	1.4%	-1.5%	1.4%	1.4%	1.3%
	Group Legal	2.3%	-2.9%	2.3%	0.0%	0.0%
	Tool Allowance	0.0%	-2.9%	0.0%	0.0%	0.0%
	Flex Cash Payments	0.0%	-2.9%	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**	14.8%	-2.7%	-1.5%	-1.4%	-1.4%

(a) Three percent effective 7/01/04 for IAFF only.

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

• • • • •

Appendix VI
Capital Budget

		2005 $x000
ART MUSEUM		
ART MUSEUM COMPLEX - CAPITAL		
1	Philadelphia Museum of Art - Building Rehabilitation	1,000 1,000 CN
2	Philadelphia Museum of Art - Perelman Building Renovations	1,232 1,232 CN
ART MUSEUM COMPLEX - CAPITAL		20,699 3,191 A 2,232 CN 15,276 CT
ART MUSEUM		20,699 3,191 A 2,232 CN 15,276 CT

2005 – 2010 Capital Program – Budget Year Allocations

AVIATION

NORTHEAST PHILADELPHIA AIRPORT

		2005 $x000
3	Taxiway Expansion Program	1,100 900 FB 100 SB 100 XN
4	Airfield Lighting Improvements	500 450 FB 25 SB 25 XN
5	Sidewalk Improvements	250 250 XN
6	Improvements to Existing Facilities	400 400 XN
	NORTHEAST PHILADELPHIA AIRPORT	12,701 6,179 FB 2,312 SB 775 XN 3,435 XT

PHILADELPHIA INTERNATIONAL AIRPORT

		2005 $x000
8	Terminal Expansion & Modernization Program	27,000 3,500 PB 23,500 XN
9	Airport Expansion Program	6,000 6,000 XN
10	Noise Compatibility Program	3,000 2,400 FB 600 XN
11	Airfield Capacity Enhancement Program	10,000 5,000 FB 5,000 XN
12	Runway 17-35 Extension	10,000 7,500 FB 2,500 XN
13	Runway 9R/27L Resurfacing	16,000 12,000 FB 4,000 XN
14	Improvements to Existing Facilities	6,000 6,000 XN

2005 – 2010 Capital Program – Budget Year Allocations

	2005 $x000
PHILADELPHIA INTERNATIONAL AIRPORT	658,309
	120,423 FB
	51,033 PB
	10,000 TB
	47,600 XN
	24,959 XR
	404,294 XT
AVIATION	671,010
	126,602 FB
	51,033 PB
	2,312 SB
	10,000 TB
	48,375 XN
	24,959 XR
	407,729 XT

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
CAPITAL PROGRAM OFFICE		
CAPITAL PROGRAM ADMINISTRATION		
19	Capital Program Administration Design and Engineering	6,773 6,773 CN
CAPITAL PROGRAM ADMINISTRATION		15,274 6,773 CN 8,501 CT
CAPITAL PROJECTS		
20	Citywide Environmental Remediation	300 300 CN
21	Improvements to Facilities	1,650 1,000 CA 650 CR
CAPITAL PROJECTS		3,175 116 A 1,000 CA 300 CN 650 CR 1,109 CT
CAPITAL PROGRAM OFFICE		18,449 116 A 1,000 CA 7,073 CN 650 CR 9,610 CT

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
COMMERCE		
COMMERCIAL DEVELOPMENT		
22	Neighborhood Commercial Centers - Site Improvements	2,000 1,000 CN 1,000 SB
COMMERCIAL DEVELOPMENT		18,846 1,000 CN 10,696 CT 5,150 SB 2,000 TB
INDUSTRIAL DEVELOPMENT		
25	PIDC Landbank Acquisition & Improvements	11,000 11,000 Z
26	West Parkside Utility Relocations and Improvements	225 225 CN
27	Grading and Paving - New and Existing Streets	250 250 CN
28	PIDC Landbank Improvements, Engineering and Administration	5,000 5,000 Z
INDUSTRIAL DEVELOPMENT		26,744 475 CN 10,269 CT 16,000 Z
PENN'S LANDING / WATERFRONT IMPS		
29	Penn's Landing Improvements	500 500 CN
30	Schuylkill River Trail Improvements	500 250 CN 250 SB
PENN'S LANDING / WATERFRONT IMPS		1,759 750 CN 759 CT 250 SB

2005 – 2010 Capital Program – Budget Year Allocations

	2005 $x000
COMMERCE	47,349
	2,225 CN
	21,724 CT
	5,400 SB
	2,000 TB
	16,000 Z

		2005 $x000
EMERGENCY SHELTER AND SERVICES		
FAMILY CARE FACILITIES - CAPITAL		
31	OESS Facility Renovations	235 235 CN
FAMILY CARE FACILITIES - CAPITAL		1,595 235 CN 1,360 CT
EMERGENCY SHELTER AND SERVICES		1,595 235 CN 1,360 CT

		2005 $x000
FAIRMOUNT PARK COMMISSION		
FAIRMOUNT PARK - CAPITAL		
32	Athletic and Play Area Improvements	525 525 CN
33	Building Improvements	900 900 CN
34	Facility Improvements	1,968 868 CN 700 PB 400 SB
35	Historic Building Improvements	700 700 CN
36	Park and Street Trees	300 300 CN
37	Parkland - Site Improvements	3,140 1,350 CN 1,790 FB
38	Roadways, Footways, and Parking	250 250 CN
FAIRMOUNT PARK - CAPITAL		28,893 441 A 4,893 CN 8,849 CT 4,872 FB 1,173 PB 8,665 SB
FAIRMOUNT PARK COMMISSION		28,893 441 A 4,893 CN 8,849 CT 4,872 FB 1,173 PB 8,665 SB

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
FIRE		
FIRE FACILITIES		
39	Fire Department Computer System Improvements	50 50 CR
40	Fire Department Interior and Exterior Renovations	1,400 650 CN 750 FB
FIRE FACILITIES		5,975 650 CN 1,471 CR 3,104 CT 750 FB
FIRE		5,975 650 CN 1,471 CR 3,104 CT 750 FB

		2005 $x000
FLEET MANAGEMENT		
CAPITAL PROJECTS		
41	Fleet Management Facilities	550 550 CN
42	Fuel Tank Replacement	600 200 CN 400 SB
CAPITAL PROJECTS		1,978 750 CN 428 CT 800 SB
FLEET MANAGEMENT		1,978 750 CN 428 CT 800 SB

2005 – 2010 Capital Program – Budget Year Allocations

		2005
		$x000

FREE LIBRARY

LIBRARY FACILITIES - CAPITAL

		2005
43	Branch Libraries - Improvements	900 900 CN
44	Central Library Renovations	50 50 CN
LIBRARY FACILITIES - CAPITAL		4,192 950 CN 2,725 CT 154 PB 363 SB
FREE LIBRARY		4,192 950 CN 2,725 CT 154 PB 363 SB

		2005 $x000
HEALTH		
HEALTH FACILITIES		
45	Health Administration Building	200 200 CN
46	Health Department Equipment and Repairs	1,000 1,000 CR
47	Health Facility Renovations	640 640 CN
48	Medical Examiner's Office	3,300 1,500 CN 1,800 SB
HEALTH FACILITIES		8,314 2,340 CN 2,000 CR 2,174 CT 1,800 SB
PHILADELPHIA NURSING HOME		
49	Equipment and Renovations - Philadelphia Nursing Home	1,900 1,900 CR
PHILADELPHIA NURSING HOME		7,071 7,071 CR
HEALTH		15,385 2,340 CN 9,071 CR 2,174 CT 1,800 SB

		2005 $x000
HUMAN SERVICES		
RIVERVIEW - CAPITAL		
50	Riverview Home Renovations	875 875 CN
RIVERVIEW - CAPITAL		54,902 875 CN 9,970 CT 44,057 TB
HUMAN SERVICES		54,902 875 CN 9,970 CT 44,057 TB

		2005
		$x000

MANAGING DIRECTOR'S OFFICE

CAPITAL PROJECTS - VARIOUS

		2005
51	Citywide Facilities	3,000 3,000 CN
52	Energy Star Building Upgrades	250 250 CN
53	Green Lights Lighting Upgrades	250 250 CN
54	Integrated Case Management System	1,500 1,500 CN
CAPITAL PROJECTS - VARIOUS		26,127 5,000 CN 16,662 CT 3,164 FB 501 PB 800 SB
MANAGING DIRECTOR'S OFFICE		26,127 5,000 CN 16,662 CT 3,164 FB 501 PB 800 SB

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
MOIS		
CAPITAL PROJECTS		
56	Business and Information Continuity/Recovery Project	500 500 CN
CAPITAL PROJECTS		1,849 500 CN 1,349 CT
MOIS		1,849 500 CN 1,349 CT

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
POLICE		
POLICE FACILITIES		
57	Computer and Communication System Improvements	1,140 1,140 CR
58	Police Department Interior and Exterior Improvements	640 640 CN
POLICE FACILITIES		11,289 640 CN 7,971 CR 1,978 CT 700 SB
POLICE		11,289 640 CN 7,971 CR 1,978 CT 700 SB

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
PRISONS		
CORRECTIONAL INSTITUTIONS - CAPITAL		
59	Prison System - Renovations	1,575 1,575 CN
CORRECTIONAL INSTITUTIONS - CAPITAL		11,165 161 A 1,575 CN 9,100 CT 275 SB 54 TB
PRISONS		11,165 161 A 1,575 CN 9,100 CT 275 SB 54 TB

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
PUBLIC PROPERTY		
BUILDINGS AND FACILITIES - OTHER		
60	Buildings and Facilities Improvements	665 665 CN
61	Family Court	1,000 1,000 CN
62	Triplex Facility Improvements	200 200 CN
BUILDINGS AND FACILITIES - OTHER		22,711 1,865 CN 6,223 CR 7,508 CT 2,942 FB 3,456 PB 614 SB 103 TB
CITY HALL COMPLEX		
63	City Hall	5,000 5,000 CN
CITY HALL COMPLEX		15,670 2,266 A 5,000 CN 8,404 CT
COMMUNICATIONS PROJECTS		
64	Communications Systems Improvements	5,500 200 CN 5,300 CR
COMMUNICATIONS PROJECTS		9,035 200 CN 5,367 CR 3,468 CT

2005 – 2010 Capital Program – Budget Year Allocations

	2005 $x000
PUBLIC PROPERTY	47,416
	2,266 A
	7,065 CN
	11,590 CR
	19,380 CT
	2,942 FB
	3,456 PB
	614 SB
	103 TB

		2005 $x000
RECREATION		
ITEF - VARIOUS FACILITIES		
66	Grant Funded Recreation Improvements	2,000 1,000 CN 1,000 SB
67	Improvements to Existing Recreation Facilities	4,000 4,000 CN
68	Improvements to Existing Recreation Facilities - Infrastructure	150 150 CN
69	Improvements to Existing Recreation Facilities - Swimming Pools	500 500 CN
70	Improvements to Existing Recreation Facilities - Life Safety Systems	300 300 CN
71	Ice Rink Renovations	600 600 CN
ITEF - VARIOUS FACILITIES		64,302 770 A 6,550 CN 49,514 CT 890 FB 418 PB 6,160 SB
RECREATION		69,080 828 A 6,550 CN 52,234 CT 890 FB 2,418 PB 6,160 SB

		2005 $x000
STREETS		
BRIDGES		
72	Bridge Reconstruction & Improvements	6,142 602 CN 4,676 FB 864 SB
BRIDGES		37,685 41 A 602 CN 2,281 CT 28,161 FB 711 PB 5,889 SB
GRADING & PAVING		
73	Reconstruction/Resurfacing of Streets	11,000 11,000 CN
74	Historic Streets	200 200 CN
GRADING & PAVING		25,164 826 A 11,200 CN 12,853 CT 285 PB
IMPROVEMENTS TO CITY HIGHWAYS		
75	Center City Traffic Signals - Phase 2	3,510 10 CN 3,500 FB
76	"Forever Green" Program	40 40 CN
77	Federal Aid Highway Program	14,810 3,710 CN 10,700 FB 400 SB
IMPROVEMENTS TO CITY HIGHWAYS		96,471 255 A 3,760 CN 9,876 CT 76,629 FB 927 PB 4,724 SB 300 TB

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
SANITATION		
78	Modernization of Sanitation Facilities	980 980 CN
SANITATION		1,477 980 CN 497 CT
STREET LIGHTING		
79	Street Lighting Improvements	1,250 250 CN 1,000 FB
STREET LIGHTING		2,952 250 CN 991 CT 1,096 FB 615 SB
STREETS DEPARTMENT FACILITIES		
80	Streets Department Support Facilities	185 185 CN
STREETS DEPARTMENT FACILITIES		1,078 185 CN 893 CT
TRAFFIC ENGINEERING IMPS		
81	School/Pedestrian Crossing Signs and Signals	200 200 CN
82	Traffic Control	1,050 1,050 CN
TRAFFIC ENGINEERING IMPS		4,241 1,250 CN 600 CR 1,403 CT 988 FB

2005 – 2010 Capital Program – Budget Year Allocations

	2005 $x000
STREETS	169,068
	1,122 A
	18,227 CN
	600 CR
	28,794 CT
	106,874 FB
	1,923 PB
	11,228 SB
	300 TB

		2005 $x000
TRANSIT		
TRANSIT IMPROVEMENTS - SEPTA		
83	SEPTA Bridge, Track, Signal, and Infrastructure Improvements	3,948 3,948 CN
84	SEPTA Station and Parking Improvements	1,266 1,266 CN
85	SEPTA Vehicle/Equipment Acquisition and Improvement Program	509 509 CN
86	SEPTA Passenger Information, Communications, and System Controls	57 57 CN
TRANSIT IMPROVEMENTS - SEPTA		14,865 5,780 CN 9,085 CT
TRANSIT		14,865 5,780 CN 9,085 CT

2005 – 2010 Capital Program – Budget Year Allocations

		2005 $x000
WATER		
COLLECTOR SYSTEMS - CAPITAL		
87	Improvements to Collector System	24,510 10 PB 24,000 XN 500 XR
88	Storm Flood Relief / Combined Sewer Overflow	4,000 4,000 XN
COLLECTOR SYSTEMS - CAPITAL		97,830 10 PB 28,000 XN 1,500 XR 68,320 XT
CONVEYANCE SYSTEMS - CAPITAL		
89	Improvements to Conveyance System	21,930 10 PB 21,420 XN 500 XR
CONVEYANCE SYSTEMS - CAPITAL		53,301 10 PB 21,420 XN 1,500 XR 30,371 XT
GENERAL - CAPITAL		
90	Engineering and Administration	18,604 17,122 XN 1,482 XR
91	Vehicles	4,000 4,000 XR
GENERAL - CAPITAL		30,449 17,122 XN 10,912 XR 2,415 XT
TREATMENT FACILITIES - CAPITAL		
92	Improvements to Treatment Facilities	46,000 36,153 XN 9,847 XR

2005 – 2010 Capital Program – Budget Year Allocations

	2005
	$x000
TREATMENT FACILITIES - CAPITAL	112,280
	36,153 XN
	20,152 XR
	55,975 XT
WATER	293,860
	20 PB
	102,695 XN
	34,064 XR
	157,081 XT

2005 – 2010 Capital Program – Budget Year Allocations

	2005
	$x000

Five-Year Plan Drafting Committee:

Editorial Review and Coordination: Joyce S. Wilkerson, Sharon Kershbaum, Rob Dubow, Fran Burns, Judi Cassel, Janice Davis, James Donaghy, Fran Dougherty, Hal Fichandler, Phil Goldsmith, William Grab, Loree Jones, Susan Kretsge, Michelle Lai, Sean McNeeley, Ellen Steiker, Hallie Torrell, Peggy Van Belle.

Authors: Arlene Bailey, Dave Baldinger, Tom Becker, Barry Bessler, Jim Bolno, Emily Camp-Landis, Shane Creamer, Kristin Fairweather, Joe Faith, Jacob Fisher, Tim Gill, Tina Ginnetti, Delia Gorman, David Griesing, Monique Harvey, Vincent Jannetti, Sharon Kershbaum, Michelle Lai, Anne Lee, Sean McNeeley, Sara Merriman, Ray Meyers, Jill Milicia, Tara Mohr, Kevin O'Hagan, Tom O'Hara, Mary Platt-Coles, Jim Pollock, Peggy Van Belle, Harry Wellerstein.

Public Financial Management: F. John White, Barbara Bisgaier, Dean Kaplan, Pam Forbes, Marny Baxt and Mary Coughlan.