City of Philadelphia

Five-Year
Financial Plan

Fiscal Year 2004 - Fiscal Year 2008
(including Fiscal Year 2003)

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

Presented by the Mayor, January 28, 2003

CITY OF PHILADELPHIA

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John F. Street

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CITY OF PHILADELPHIA
FIVE-YEAR FINANCIAL PLAN

City of Philadelphia

Five-Year Financial Plan

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Introduction

Introduction

Overview

As the City of Philadelphia enters 2003, it, like every major city across the country, faces an ominous financial quandary. The local and national economic downturns create a cycle of problems for municipalities – revenues slow at the same time that service demands for basic needs like stable housing, public safety and substance abuse treatment grow. The priorities of this Administration have been to tackle these core needs: revitalizing neighborhoods in decline, repairing public schools, strengthening families, attracting businesses to foster economic growth, and ensuring high public safety and quality of life standards in every community, and to the extent possible, reducing the local tax burden. Rather than meeting this financial quandary by paring back on crime prevention or neighborhood improvements or youth development programs – and exacerbating this cycle – this Administration will continue to invest aggressively in long-term systemic changes.

The Administration will address the financial gap by changing how City government operates. In preparing this Five Year Financial Plan, the Administration initially faced a projected deficit of $834 million by the end of FY08. An explanation of how this deficit developed is included in the Fiscal Health chapter of this Plan. Addressing the monumental budget gap required deep scrutiny by department leaders and outside consultants of every dollar that will be spent. While the City has implemented expenditure reductions and revenue generating initiatives in the past, the current approach required making choices and sacrifices not needed to fill smaller prior budget gaps. The primary strategies – including revenue initiatives, efficiency improvements, policy changes and service reductions – are discussed at the end of this chapter and throughout this Plan.

The remaining elements of this Five-Year Financial Plan, the City of Philadelphia's twelfth, are the same as the elements in this Administration's prior Plans. The Introduction will describe the Mayor's five principal objectives, accomplishments thus far, and as mentioned above, strategies for addressing the budget deficit without slowing progress on the priority objectives. The supporting chapters: Fiscal Health, Neighborhood Transformation, Economic Development, Public Education, and Citizen Services: Public Safety and Quality of Life Standards and Coordinated Social Services will discuss future plans for moving these targeted areas forward. The department chapters are also mini-strategic plans, outlining future initiatives to meet the overarching goals of the administration, while helping to balance the budget, as well as departments' unique objectives that ensure they fulfill their mission.

Mayor Street's Objectives

In January 2000, when Mayor Street first came into office, he identified five primary objectives for his Administration. Since then, despite lingering weakness in the economy and unprecedented national security concerns, the City has continued its considerable progress toward meeting these objectives. Some of the Administration's biggest FY03 investments – $35 million to support Operation Safe Streets, $8 million to fund neighborhood blight removal and streetscape improvements and an additional $45 million contribution to the School District of

Philadelphia – have already had a remarkable impact. Results from the annual Citizen Satisfaction Survey reflect that citizens recognize this progress as well, with satisfaction levels reaching record highs in FY02 regarding public safety, graffiti removal and vacant lot clean up efforts and City services in general. Recent accomplishments related to each of the Administration's target objectives are highlighted below.

Maintain Fiscal Health with a Steady Tax Reduction

While Philadelphia did end Fiscal Year 2002 with a $114.3 million operating deficit – its first since FY91 – the City's fiscal problems are relatively less severe than other major cities in the United States. Other cities find themselves forced to deplete their financial reserves, increase taxes and severely cut critical services in order to make up for reduced revenues. Pittsburgh, for example, is currently facing a deficit equal to over 15 percent of its total budget. This Administration will not be shortsighted in its efforts to address its budget shortfalls; it is committed to continuing its tax reduction program and avoiding the devastating cycle of increasing taxes and driving residents and businesses out of the city. Instead, it will work collaboratively with City Council to pursue responsible strategies, many of which are outlined at the end of this chapter, ensuring key investments are preserved while spending is dramatically reduced.

<u>Accomplishments</u>

- **Fiscal discipline**. During FY02, tax revenues slowed for the first time in a decade and an operating deficit led to a drop in fund balance from $230 million in FY01 to $139 in FY02. Despite the impact of the economic slowdown, the weakness in the stock market and the increase in security costs after September 11, 2001, the Administration has preserved a fund balance to serve as a short-term buffer, and the immediate implementation of budget cutting efforts in FY02 and early FY03 has also helped control the deficit without impacting services. Some of these efforts included:

  – 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 has resulted in a drop in the City workforce of over 400 positions.

  – Departments were given five percent target budget reductions for FY03.

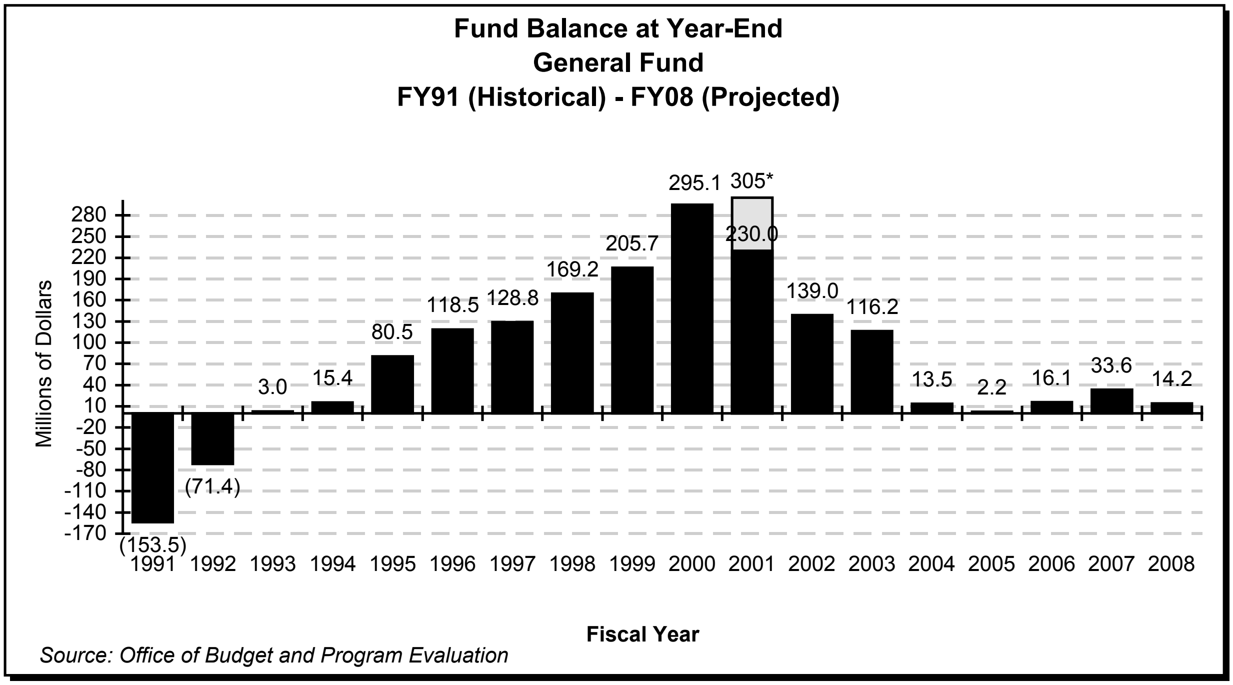
  – Non-uniform employee contributions for health benefits were increased significantly in FY03; for the first time, employees with HMOs were required to make contributions.

  – The budget for outside legal counsel was reduced by 16 percent in FY03.

  – Exempt employees who earn over $50,000 did not receive salary increases in FY03.

  – Planning for the departure of retirees enrolled in the Deferred Retirement Option Program (DROP) to ensure departments reduce positions.

  These and the proposed efforts discussed at the end of this chapter will ensure the City maintains balanced budgets through FY08.



* 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.

- **Maintained tax reduction program**. The City is continuing to absorb deeper tax cuts. Since the beginning of this Administration, the tax reduction program has returned $156.5 million to taxpayers. This Plan calls for reducing the Gross Receipts portion of the Business Privilege Tax by 54 percent and reducing the Wage Tax by 13 percent from their FY95 levels, when the reduction program began. These reductions will provide Philadelphia taxpayers with an additional $319 million in reductions through FY08, bringing the total amount of reduction from the beginning of the Street Administration through FY08 to $475 million.

- **Updated fees and fines to better reflect costs**. In early FY03, the City evaluated a number of its fees and fines and determined that many had not been updated in many years and no longer reflected the cost of the work performed. As a result, document recording fees and library fines have been increased and City Council is considering Administration requests to increase license and permit fees and parking fines. The fee increases in most cases will be used to fund automation or service improvement efforts.

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. Although there are a number of long-term initiatives to address neighborhood stability that will not show tangible results immediately (as described in the Neighborhood Transformation and Blight Elimination chapter), significant accomplishments have already been achieved.

Accomplishments

- **Cleaned and maintained vacant lots across the city**. At the beginning of FY02, the City launched an aggressive program to clean and keep reasonably free of debris all 32,000 of Philadelphia's vacant lots. This program marked the first time in Philadelphia's history that the City had a comprehensive lot-cleaning program. Starting in June 2001, the Managing Director's Office (MDO) hired crews of workers and coordinated the vacant lot cleaning process, which included an initial major clean-up of all lots in FY02 and then on-going maintenance during FY03 and beyond. A number of property owners received bills for the initial cleaning that the City performed in FY02 and have begun doing the maintenance themselves to avoid further charges. Other lots have been adopted by community groups who have taken over maintenance activities as part of the MDO Community Partnership program, in which the Managing Director's office provides the groups with equipment and supplies. In the first half of FY03, nearly 400 community partners received equipment. Finally, much of the lot cleaning work is being performed by the Community Service program, which began in July 2002 in cooperation with Philadelphia Municipal Court, whereby minor offenders are sentenced to community service hours in lieu of imprisonment.

- **Improved neighborhood streetscapes.** The City has continued aggressive anti-blight efforts to further improve the quality of life in neighborhoods. The Managing Director's Graffiti Abatement Teams, which use mobile high-pressure power washers to "blast" graffiti from building surfaces, cleaned 74,720 properties (including street fixtures and bridges) in FY02 and plan to clean 88,300 in FY03 – a significant increase from the 54,508 properties cleaned in FY01. The teams also removed graffiti from all buildings and structures visible from the Market-Frankford Elevated Train line during FY02 and are completing the "El Project" in FY03 by placing murals along the route. Abandoned vehicles and dead street trees continue to be removed at record levels.

- **Promoted neighborhood stability and homeownership**. The City has recently introduced a number of initiatives to promote and protect homeownership – the cornerstone of stable neighborhoods. In June 2002, the City introduced an anti-predatory lending hotline to provide counseling and professional referrals to homeowners regarding fraudulent lending practices; the hotline has already received 800 calls through December 2002. The City also supported extensive training to housing counseling agencies and legal services for complicated cases. In December 2002, the City appointed a new Secretary of Housing and Neighborhood Preservation to create a single point of accountability for designing, articulating, and implementing an overall housing and neighborhood preservation strategy for the City. In FY03 the City also used NTI bond proceeds to significantly expand the loan capacity of three financial products that support home repair by $2 million each, including the Philadelphia Home Improvement Loan program, the Homeownership Rehabilitation Program, and the Basic Systems Repair Program.

- **Advanced land assembly process.** In order to facilitate the redevelopment of vacant land, the City must be able to assemble contiguous parcels of land large enough for significant commercial, industrial or residential investment and streamline the land acquisition and disposition processes. During FY03, the City acquired 2,510 lots with $14 million in loan proceeds (a significant increase from the approximately 175 lots typically acquired each year) and placed the properties in the City's "Land Bank" so that they will be available for future development. The City also made significant progress in the development of its Vacant Parcel Information System with the January 2003 release of a baseline system to track property acquisition and redevelopment processes.

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. The City will continue to invest in its economy to help generate the sustained growth essential to reversing its long-term decline. Philadelphia, once the manufacturing capital of the nation, has witnessed the loss of more than 350,000 manufacturing jobs over the last 40 years. In the post-manufacturing era, the healthcare and financial/insurance services industries provided much of the foundation of Philadelphia's economy. In recent years, spurred by the completion of the Pennsylvania Convention Center in 1993, the City has experienced significant growth in its hospitality and tourism industry. Expanding the Convention Center is essential to the City's efforts to draw an increasing number of guests to Philadelphia's hotels. That expansion can only take place, however, after the Center's labor-management and governance issues are resolved. While the City will continue efforts to support both its mature and new industries in Center City and within neighborhoods, the City has begun to focus economic development initiatives on entrepreneurs who participate in innovative "new economy" start-ups that fuel future growth.

Accomplishments

- **Downtown office attraction and retention.** During FY03, the Commerce Department kicked off an initiative to retain Center City office tenants by visiting large businesses whose leases expire over the next five years. The Department also conducted considerable outreach to suburban firms debating over whether to relocate. These efforts contributed to American Business Financial Services' decision to move to Center City from the suburbs in mid-2003, bringing 700 new professional service jobs (anticipating reaching 1,000 by 2006). Outreach also helped secure Radian Group Inc.'s decision to remain in Center City (440 employees) and Keating Development Corporation decision to move its headquarters from Bala Cynwyd to Center City's new Phoenix Building (150 employees). The announcement of two planned office buildings – The Cira Centre at 30th Street Station and One Pennsylvania Plaza at 17th and JFK – will further promote efforts to increase businesses in the city limits.

- **Innovation Philadelphia's effective outreach**. Innovation Philadelphia (IP), formed at the end of FY01 in partnership with the University of Pennsylvania, Comcast Corporation and GlaxoSmithKline, has already had a number of successes. As an early measure, IP developed and distributed the "Innovation Philadelphia Entrepreneur's Guide" to provide entrepreneurs and early-stage technology companies with the resources they need to grow their companies. IP launched the Innovation and Entrepreneurial Index, to examine where

Philadelphia stands in relation to key competitors in the Innovation Economy and introduced the IP Economic Stimulus Fund, which targets regional early stage technology companies. IP worked closely with the Philadelphia Industrial Development Corporation to secure Sarasota-based Living Naturally's decision to open its new marketing, research and service center in the Philadelphia Naval Business Center, structuring the $1.2 million loan with warrants (allowing IP and PIDC to eventually convert their loan into equity). Other targeted technology firms that have made recent commitments to locate in Philadelphia include the Minnesota-based Apptec Labs (200 high tech professionals coming in 2004) and Innaphase, a software provider to the pharmaceutical market, which consolidated its 100 employees into Center City office space in 2002.

- **Airport recovery and expansion**. Following the suspension of commercial aviation activity on September 11, Philadelphia International Airport was one of the first airports in the country to reopen after achieving compliance with new FAA security requirements. By March 2002, the Airport had reversed the negative trend of reduced passenger levels and exceeded the number of enplaned passengers from March 2001, while national levels were still 10.2 percent below 2001 levels. Concession revenues also ended up higher for the year – $80.1 million in FY02 vs. $79.1 million in FY01. The Airport has continued its expansion efforts at a rapid pace. In fall 2002, four new gates were added and ticketing and bag claim space were expanded in Terminal D and a total of 5,000 new parking spaces were added to Garages A and E/F. The new 13-gate International Terminal is still scheduled to open in spring 2003, at the same time US Airways will offer direct service to Shannon and Dublin, Ireland for the first time.

- **Simplified transactions with the City**. The City is in the process of implementing a number of initiatives to simplify and streamline government transactions for businesses (many of which are discussed in the Departments of Licenses and Inspections and Records sections of this Plan). Beginning with FY03 tax returns, filing the Business Privilege Tax (BPT) will become simpler for new businesses, who no longer need to file two separate BPT returns for two different years on the same date – a confusing process that resulted in improper filing by approximately half of the city's 10,000 new businesses each year. In FY03, the Commerce Department combined its rebate programs (for facade improvements and security enhancements) with PCDC's rebate programs, eliminating redundancy and better leveraging available resources to support small businesses.

- **City weathers economy better than nation**. Historically, national economic downturns have affected Philadelphia more severely than other cities and the nation as a whole. Philadelphia's employment levels dropped dramatically at the end of 2000, as part of a national trend, and have remained relatively stagnant since then. However, the preliminary estimates show that the decline in Philadelphia average employment for the first ten months of 2002 compared to the same period in 2001 was actually smaller than the national decline. While this average should be viewed with some skepticism until the annual statistical re-benchmarking in March 2003, if this trend held true for all of 2002, it would be the first year in decades that the local job growth rate was superior to the national rate.

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

The future of Philadelphia depends on the development of our youth. High quality public education leads to a capable, well-skilled workforce, a critical factor in attracting companies and jobs. One of the primary reasons for the migration of the City's middle class to the surrounding suburbs has been the lure of smaller class sizes and well-funded public school districts. Stable, healthy families and effective prevention programs, including quality after-school options, further ensure the progress of children and youth. The Mayor has made a commitment to improve the lives of youth and adults and help them realize their potential by setting higher performance goals and monitoring the outcome of the delivery of public education and social services.

<u>Accomplishments</u>

- **Public Education**

  - **School District leadership**. In addition to averting a complete privatization of its Administration by Edison Schools, the City successfully negotiated a new governance and financial partnership with the Commonwealth that secured City representation on the School Reform Commission and additional revenue to support critical School District operations. Also of particular note, the School District of Philadelphia successfully recruited Paul Vallas to serve as CEO starting in July 2002. Vallas gained a national reputation as an innovator when he led the Chicago School District.

  - **Fiscal stability finally achieved**. After years of budget deficits, the School District is projecting to end FY03 with a $2 million surplus. As part of a partnership between the City and the Commonwealth, the City increased its annual contribution to the School District by $45 million beginning in FY02 and the General Assembly approved a state budget in June 2002 that contained $86.4 million in new funds for the district. Further, in April 2002, the General Assembly passed legislation providing the School District with the ability to issue deficit-financing bonds. As part of the City's commitment to increase its funding by $45 million, City Council then approved the transfer of real estate millage equivalent to $25 million to cover debt service on the bonds beginning in FY03. The School District's $300 million deficit-funding bond will give it a financial buffer for five years, buying time for educational improvements and statewide school funding reform to be implemented.

  - **Academic performance continues to improve**. The Pennsylvania System of Student Assessment (PSSA) tests have been administered to 5th, 8th and 11th graders since 1996. Despite an increase in the proportion of students who are English language learners, learning disabled, and low attenders, there continue to be significant improvements for 5th and 8th grade students while 11th graders' results have remained flat. In the 1989-1990 school year, 59.4 percent of the District's students scored in the "below basic" category of the PSSA; in 2001-2002, only 54.6 percent scored "below basic." As a result of progress, the Commonwealth awarded $4.1 million in school performance funding to the

District, which was 16 percent of the funding for 2001-2002, despite the District having just 11.8 percent of the Commonwealth's students.

- **Social Services**

  - **Unprecedented investments in youth development programs**. This Administration began an unprecedented investment in building an extensive after-school network, with a goal of providing positive youth development activities to school aged children between the hours of 2 PM and 8 PM (peak times for youth to commit crimes, use drugs and alcohol, and engage in other negative behavior). During FY02, eleven Beacon Schools were opened, offering after-school and family support services to 3,300 youth and their families. In FY03, an additional nine Beacons will open serving an additional 2,700 children and families. The Recreation Department launched two "teen centers" in FY02 and recently added two more in FY03 (each with the capacity to serve 150 youth), providing non-school hour recreational activities for nearly 1,000 high-risk and previously adjudicated youth. Since FY00, DHS has expanded the number of community based youth programs at Family Centers by 5,500 slots and the number of truancy and delinquency prevention programs offered by providers by 4,800 slots.

  - **Introduced innovative programs to prevent abuse and neglect**. In addition to providing prevention resources for youth, the Department of Human Services (DHS) recently implemented a number of voluntary in-home services targeted to "compromised" caregivers, to preempt future entry into the child welfare system. The Parenting Collaborative, a network of parenting education and support services, served nearly 1,000 high-risk caregivers in FY02. The City also began crisis nursery support in FY02, providing respite for 479 desperate parents either as a drop-in center or by appointment. The Nurse-Family partnership, started in FY03, will send nurses to visit 400 first time mothers at or below 185 percent of poverty in North Philadelphia and provide infant health education and parenting skills. In FY03, 50 parents with mental retardation will receive life skills training and parenting education to enable them to maintain their children at home. DHS will also provide approximately 160 substance-dependent women in treatment with extra case management support to ensure their children receive adequate care.

  - **Increased response to lead paint hazards**. In FY02, the City began a multi-pronged approach to remediate lead hazards in properties occupied by lead-poisoned children. As part of that effort, the Department of Public Health expanded its own hazard reduction staff from one team to three teams, and hired five certified contractors with up to eight teams to perform lead removal work. Since May 2002, OESS has provided temporary relocation services to over 60 households, to expedite the lead removal process in these homes. Further, in November 2002, the Law Department joined the Court of Common Pleas, the Childhood Lead Poisoning Prevention Program and the Health Department to create a dedicated "Lead Court" in which the City initiates action against private landlords who refuse to conduct necessary lead hazard reduction and informs tenants of their rights to withhold rent from non-compliant landlords. The Law Department has already filed 500 lead court actions and litigated 400 cases as of the end of December

2002 and plans to address the entire 1,200 backlog and the 30-50 new cases identified each month by the end of FY03. When the increased lead abatement response began in April 2002, there were 1,400 properties in need of lead abatement; by January 2003, the number was reduced to 976.

- **Efforts to end chronic homelessness**. In addition to the anti-predatory lending efforts and expanded rehabilitation loan programs discussed above, the City has made significant advances in its efforts to provide stable housing and end homelessness. In early FY02, the City introduced Ready Willing and Able, a 70-bed intensive residential employment and training program for single men with drug abuse and criminal histories. The program is funded through a performance based contract with a provider who must match the outcomes it reached in New York City, where 55 percent of all participants graduated and remained employed, housed, clean and sober for at least 18 months after graduation. The City has also made strategic use of a wide array of housing resources to help families live successful, independent lives. The "Good Neighbors Make Good Neighborhoods" program offers a year of intensive support services to families newly placed in stable housing, to ensure they can maintain their independent living situation and permanently break the cycle of homelessness.

Enhance Public Safety and Quality of Life Standards for all Communities

As important as taxes are to business and residential location decisions, the quality and delivery of municipal services – what Philadelphians actually receive in return for taxes paid – are equally critical. The City must continue to enhance Philadelphia's quality of life by further strengthening municipal services and public safety to make the City an even more desirable place for employers and residents.

<u>Accomplishments</u>

- **Significant investments in public safety have paid off.** This Administration has invested significant resources in innovative public safety efforts, and the results have been dramatic. Operation Safe Streets successfully eliminated open-air drug markets from more than 300 street corners in neighborhoods across the city. From the introduction of Operation Safe Streets in May 2002 through December 2002, homicides decreased by nearly 13 percent, Part I offenses decreased by 14 percent, and overall crime decreased by nine percent. In 2002, the FBI estimated homicide rates increased 2.3 percent across the nation; Philadelphia clearly goes against the trend with a seven percent decrease for the year (from 309 in 2001 to 288 in 2002). Because of Operation Safe Streets, there are neighborhoods in Philadelphia where – for the first time in decades – children feel safe playing outdoors and people are no longer wary when they walk to the corner store. After a recent tragedy in Baltimore, neighborhood residents chanted, "We want Safe Streets!" and Mayor O'Malley contacted Mayor Street to learn more about our effort. Operation Safe Streets is beginning to serve as a national model.

- **New record in fire safety**. The Fire Department ended 2002 with only 32 fire fatalities – the lowest number of deaths in over 50 years. The Fire Department's success is primarily a result of effective prevention efforts, including the fall 2002 Home Escape Planning educational campaign, the reduction in abandoned vehicles as part of NTI's vehicle removal program (resulting in a 6.3 percent decrease in automobile fires from FY01 to FY02), and rapid response by the Fire Marshal's office leading to increased arrests and convictions of arson fires.

- **Renewed focus on City parks**. In early FY03, the Fairmount Park Commission began developing a strategic plan to serve as a roadmap for park leadership for the next five years. The project is funded through a generous grant from the William Penn Foundation. As part of the project, key leaders from public and private organizations, park stakeholders, friends groups and the general public will be invited to participate in a series of interviews, focus groups, surveys and public forums to gather feedback on the current state of City parks and a future vision for the park system. The final product will prioritize the level and type of services desired by park users, and provide recommendations for optimizing internal operations and best leveraging resources to deliver the ideal mix of services. A number of successful capital projects, including the reclamation of JFK (or "LOVE") Park, trail and signage enhancements in the Wissahickon Valley, and the near completion of the Fairmount Water Works restaurant and festival plaza, have also reflected a renewed emphasis on park space.

- **Effectively addressed public nuisances**. In April 2002 the City launched an aggressive campaign to target "quality of life" code violations, such as graffiti, vandalism and property neglect. The Community Life Improvement Program (CLIP) was introduced in the 6th and 10th Council Districts, with possible expansion to others going forward. CLIP acts as a quick response unit, giving violators 10 days to respond after receiving a written violation from L&I inspectors or the Street Department's enforcement officers. If the violator takes no action, a CLIP team will resolve the violation (i.e., cut the high weeds, remove the trash, clean and seal the property) and charge the property owner with a fine and a fee for the service performed. If the property owner does not pay the fine and fee, the amount is placed as a lien on their property. In April 2002 when the program began, compliance within 10 days of receiving a written violation was performed 34 percent of the time. By the end of December 2002, compliance with CLIP violations within 10 days rose to 89 percent.

Strategies To Close Budget Deficit

As the City prepared the FY04-FY08 Five Year Plan, it faced an $834 million deficit. The Street Administration was determined to close that enormous gap while maintaining its essential strategic investments and with the least possible impact on service. Through a number of aggressive initiatives, the City will be able to eliminate the projected budget gap and balance the budget over the life of the Plan. As part of this year's budget cycle, the City challenged departments to find ways to cut their budgets while having no or minimal impact on services. Most departments were given a 1.5 percent cut in their Class 100 (Personnel) appropriation in FY04, and a 2.5 percent cut on their total budgets in FY04, FY05 and FY06. Those across-the-board cuts, however, did not apply to independently elected officials, the Police or Fire Departments, the Free Library of Philadelphia, the Recreation Department or the Fairmount Park Commission. The across-the-board cuts led to just over $200 million in budget reductions over the life of the Plan. Unfortunately, the consequences of these cuts will likely show next year.

For example – fewer ballfields will be renovated and they will receive less on-going maintenance; the backlog of ditches in need of restoration will grow; grass will be mowed less frequently. Despite all efforts to prevent a reduction in service, there were certain impacts that could not be avoided. While a portion of the projected deficit was also eliminated through increased fees and fines, higher projected real estate transfer taxes and increased state reimbursements for DHS costs, the vast majority of the Plan's balancing actions are created by specific policy changes, efficiency improvements, revenue generating initiatives or service cuts. The initiatives are outlined below.

Policy Changes

- **Replace only 50 Percent of DROP Retirees.** During FY02 and FY03, a consultant worked with six large departments (Streets, Revenue, Licenses and Inspection, Public Health, Recreation and Public Property) to determine how to best absorb positions as individuals retire through the Deferred Retirement Option Program (DROP). The Managing Director's Office is working with other City agencies to develop the optimum strategies for handling the challenges and capitalizing on the opportunities presented by having large numbers of employees retiring within a short amount of time. Rather than filling positions as people leave, departments are rethinking operations, crew sizes, staff-supervisor ratios, and automation of processes in order to replace only 50 percent of the retiring employees. If only 50 percent of the almost 2,600 retiring positions are replaced, the City will save a total of $145 million through FY08, $48 million more than the projected savings in the FY03-FY07 Plan, which assumed that two-thirds of DROP retirees would be replaced.

- **Pay Minimum Municipal Obligation (MMO) on Pension Bonds**. As discussed in greater detail in the Fiscal Health and Financial Administration chapters of this Plan, the downturn in the stock market has prevented the City's pension fund from attaining its earning assumptions, with earnings substantially lower than the anticipated nine percent in both FY01 and FY02. When the fund fails to meet its earnings assumption, the City must increase the size of its pension contribution to compensate for the lower than anticipated returns on investments, to ensure that the fund can make payments to retirees and maintain a relatively flat stream of payments. According to information supplied by the City's actuary, under the City's current funding policy, the losses suffered in FY01 and FY02 would require the City to more than double its contribution to the pension fund from the $151 million contributed in FY02 to over $347 million in FY08.

  In order to avoid the clearly devastating impact that using the City's current funding policy would have on the City's finances, the Board will change its funding policy and pay only the legally required Minimum Municipal Obligation (MMO). While paying the MMO will mean that the City will amortize its unfunded pension liability more slowly, it will also mean that the City's pension fund payments from FY04 through FY08 will be about $245 million lower than they would be under the City's current policy. Even paying the MMO, however, is not without risk. This payment policy will require that the City's pension fund contributions be $129 million higher over the course of the Plan than they were in the five years covered by the FY03-FY07 Plan.

- **Use Floating Rate Instead of Fixed Rate for General Obligation Debt To Be Issued During Plan Period**. When the City issues general obligation debt, it generally issues debt that has a fixed, long term, interest rate. In this Plan, the City assumes that it will have two new general obligation bond issues, but, instead of issuing fixed rate debt, the City will use floating rate debt. Floating rate debt typically requires lower interest rate payments than does fixed rate debt. If, however, it appears that there is a financial advantage to using fixed rate debt, the City can convert its floating rate debt to fixed rate. Based on material supplied by the City's financial advisors, the Plan assumes that this shift in interest rate will reduce debt payment costs by $22.9 million through FY08.

- **Modify Policy for City Take-Home Vehicles and Cell Phones.** The City has over 6,000 vehicles in its fleet, of which approximately 650 are considered "take home" vehicles – sedans used by senior administrators for personal use, including driving the vehicle between home and work. The City plans to institute a "charge back protocol" by FY04 that will consist of a flat fee of $5 per workday, or $1,200 annually, for the privilege of using a City vehicle for personal use. The fee will be automatically deducted from employee paychecks. The new protocol will recuperate City costs associated with the maintenance of City-owned vehicles used for limited personal use and will provide employees with tax relief, since they are currently taxed on their vehicle use as part of their fringe benefits. The protocol is also likely to result in a return of a number of vehicles. The City will also implement changes in its cell phone policy, both in terms of the number distributed and reimbursement process. The revenue from the car and cell phone policy changes are expected to result in a net benefit to the General Fund of $3.08 million over the life of the Plan.

Efficiency Improvements

- **Form Administrative Service Centers**. Every City department has staff that performs similar administrative functions, including payroll and attendance tracking, IT support, budget monitoring, and personnel activities such as hiring and training. These functions are relatively universal across every department and decentralization has resulted in redundancy, a lack of standardization in terms of procedures and policies, waste and inefficiency. The City plans to centralize these activities across clusters of departments, which will allow departments to focus on their core business, ensure standardized administrative practices, eliminate redundant positions and deploy existing staff more efficiently. Implementation of the first Administrative Service Center will begin at the end of FY03 and will include the Mayor's Office, Finance, Procurement, the Treasurer's Office, MOIS, Revenue and Personnel. Other functions that exist in multiple departments, like public information/ communications and grant writing will be centralized as well. The City plans to have a total of seven administrative service centers and eliminate 400 positions over the next five years, resulting in a total savings of approximately $35.2 million through FY08. The Plan does not assume any savings from these consolidations until FY05 and does not assume in any year of the Plan that the City will achieve more than two thirds of the savings that eliminating 400 positions would theoretically generate.

- **Consolidate Facilities Maintenance and Outsource Custodial Services.** 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, prisons, fire stations, park facilities and so on. Many of these positions require a skilled trade, like 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. During FY04, the City plans to consolidate the maintenance of nearly all of the City’s facilities, excluding Fairmount Park, the Philadelphia Prison System and the Water Department, under the Department of Public Property. The preventative maintenance and repairs required for the different facilities are fairly universal. The consolidation will allow for a more efficient and rapid deployment of workers, who can concentrate on all facilities within a certain area and eliminate traveling from one part of the city to another, which will result in more thorough maintenance. The City estimates that consolidation will allow for a reduction in 10 percent of the facility maintenance employees and will maintain, and in some cases, improve the level of service. The Plan assumes a total savings of $4.4 million as a result of the consolidation, with savings beginning in FY05.

Although most of the larger City-owned facilities currently use contracted custodial services, there are still over 500 City employees performing custodial services for the remaining facilities. The City plans to release a Request for Proposal during FY03 to determine if outsourced services across the City would be more cost-effective than performing the work internally. The outsourcing of all custodial services will save approximately $2.6 million through FY08. The City plans to take advantage of opportunities at the expanded airport facilities and other non-general-funded facilities to absorb the custodial and maintenance worker positions.

- **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 FY03, the Office of Budget and Program Evaluation 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 $4 million through the life of the Plan.

- **Establish a Constituent Call Center and Eliminate Separated Departmental Centers.** The City will consolidate the eight existing department call centers into a unified enterprise call intake and service delivery constituent contact center. A citywide three digit telephone number (311) as a single number for all city services may be established, using a constituent service request (CSR) software application for all call center desktops. In addition to making it simpler for constituents to access City government, the 311 system will allow the City to streamline processing and workflow activities for all departments, resulting in long-term financial savings. Savings will be generated through the elimination of duplicate call centers, department-specific software applications, and eventually call center service representatives. Start-up costs are estimated to be $540,000 and annual operating costs for a 24-hour contact center with 40 agents are estimated to be $1.4 million. The Plan assumes a total savings of $4.7 million through FY08.

- **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 will be performed during FY04 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. The City estimates a total savings of $2.0 million over the life of the Plan.

- **Install Municipal Fiber Optic Network.** The Department of Public Property spends approximately $3 million annually for City Net, a privately leased fiber optic network from Verizon. City Net 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 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. The Plan includes $2.2 million in savings through FY08.

Revenue Generating Initiatives

- **Implement Strategic Marketing Partnerships**. In FY03, the City plans to embark on a strategic marketing initiative, seeking business partnerships with private companies as a means of providing new revenue. These partnerships can take a variety of forms. One type of partnership is for exclusive product rights. Exclusive product rights involve the payment of a license fee in return of exclusive use of a product, such as a soft drink, vehicle, or type of equipment. The City of San Diego currently has exclusive product right agreements for soft drinks, mobile phone service, and heart defibrillators. Other types of partnerships can include sponsorship of special events or public facilities or the sale of advertising on City space. In addition, the City will prepare for the expiration in mid-FY04 of its twelve-year old contract for street furniture, which provides the City with advertising revenue from bus shelters and other street fixtures. Some departments such as Recreation have been successful in recent years in gaining sponsorship and grant revenue from corporations. The City intends to build on this success by taking a comprehensive yet tasteful approach that capitalizes on the opportunities available for an enterprise of the City's scale. The Plan includes an additional $12 million in revenues through FY08 as a result of strategic marketing efforts.

- **Update Streets Department Fee Schedule**. The fee for a property survey conducted by the Streets Department has not been updated in 15 years. The Department recently analyzed the average cost to perform a survey and learned it is approximately 20 percent higher than the fee currently charged. The Department plans to update the fee during FY04 to better reflect the cost of the service. The Plan includes an additional $1.06 million in fee revenues through FY08.

- **Eliminate 20 Clerical Staff in Department of Licenses and Inspections (L&I) and Hire Additional Inspectors.** During FY03 and FY04, L&I will automate a number of processes including the application for permits and licenses (to be available online) and inspection and code enforcement tracking and follow up. Previously, these processes were all conducted on paper and required a significant number of clerical positions. As a result of this automation, 20 clerical positions will be eliminated through attrition and replaced with inspectors, who will generate revenues through additional inspections resulting in code violation fees and fines. The Plan includes $2 million in increased revenues through FY08 from this initiative.

- **Increase Insurance Coverage for City Health Care Center Patients**. Since FY00, 64 percent of patient visits to City health care centers (representing approximately 68 percent of patients) have been uninsured and the costs have been fully absorbed by the City. Many of the patients are, in fact, eligible for coverage but are not informed about the benefits available to them. In an effort to dramatically increase the number of patients who receive some sort of health coverage, in FY02 the Health Department began placing benefit counselors within Health Care Centers to assist patients with Medical Assistance and Children's Health Insurance Program enrollment. The Health Department estimates that this initiative will reduce the number of uninsured visits to 50 percent by FY04 and to 30 percent by FY08. The Plan includes approximately $21 million in new revenues from this initiative through FY08.

Service Reductions

Despite all efforts to avoid cutting services, the initiatives discussed above do not eliminate the deficit completely. City leaders conferred with consultants and other cities in an effort to explore all possibilities, but unfortunately, the only viable options required some service reduction.

- **Right-size the Number of Facilities**. Recreational and other amenities enrich the fabric of a community and are vital to the well-being of a neighborhood. However, 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. For example, the City currently operates an overlapping network of 156 recreation centers and 87 pools. Compared to over 20 of the largest cities in the country, Philadelphia has the most pools per resident and the second most recreation centers per resident. If the City were at the median of the other largest cities, it would have 45 recreation centers and 40 pools. Twenty "A" recreation centers have three "A" or "B" Centers within one street mile. Recreation centers are crucial to neighborhoods, but the City does not have sufficient capital or operating funds to maintain its current number of facilities, particularly when facilities are so close too each other and, in some cases, lightly used. Other City facilities such as water reservoirs, police and fire stations also were developed at a time when City planners were anticipating a growth in population, not the dramatic contraction that, in fact, has occurred.

  Over the next several years, the City will have a unique opportunity to examine its infrastructure and determine whether the City has the right number of facilities and whether those facilities are appropriately located or are redundant of facilities operated by other entities. For example, as the School District begins a process resulting in the construction of nine new schools, the City will explore opportunities for strategically consolidating its recreation centers with School District facilities or other facilities planned for development in neighborhoods. For example, the development of Fresh Fields Whole Food Market in the Art Museum Area offered the City the opportunity to integrate a new Police District into the complex, getting rid of a decrepit building for a new and strategically located police station. Mindful of the significance of these facilities to neighborhoods, the City will work with City Council, the School District and community members to determine the appropriate number and location of facilities. This initiative is expected to result in the closing of a number of City facilities and the Administration intends to use a portion of the savings generated by the closings to enhance the City's existing facilities. The City anticipates that the result of this effort will be a net $16 million savings through FY08. In addition to using a portion of the savings from closing facilities to upgrade remaining facilities, the City will also look to generate funds for facility upgrades by examining creative financing structures, including sale/leaseback arrangements for some City-owned facilities.

- **Eliminate PHLASH Subsidy**. The City currently provides an annual payment of $1.8 million to support the PHLASH visitor shuttle buses. The demand for and usage of the costly shuttle buses have not grown to levels that would justify support of this service. The 34 destinations on the PHLASH route are all available through other public transportation service. The elimination of City funds would save $9.4 million through FY08.

- **Phase Out Riverview Home for the Aged and Provide Funding for Alternate Care**. Riverview is a temporary residential care facility for the elderly and disabled located on the Delaware River in Northeast Philadelphia. Riverview's goal is to stabilize residents in a protective environment so that they can eventually return to a lower level of care, such as an independent or assisted community living arrangement. Despite its mission, a large percent of residents is never discharged and Riverview has become more of a nursing home than a temporary facility. In order to ensure that the City attains its goal of providing appropriate care in the community, the City will shift its funding for Riverview to more appropriate full-time supportive situations. By FY08, all of the City's funding will go towards care in the community and Riverview Home will be closed. The Plan assumes that this gradual shift will allow for careful planning for resident care. It is projected that the City's costs will be reduced by approximately $5.4 million from FY05 through FY08.

- **Eliminate 50 Senior Administration Positions.** The positions are mostly in the Mayor's Office, the Finance Department and the Managing Director's Office. The elimination of these positions is a clear indication that the impact of the looming deficits will be felt at every level of government. The Plan assumes that eliminating these positions will save $17.5 million through FY08.

Impact on Staffing

The policy changes, efficiency improvements and service reductions included in this Plan will combine to reduce the number of employees on the City's budget by 1,614 by FY08 from the number included in the FY03 budget. The Administration recognizes that more must be done and, during the course of the next year, will continue to search for ways to reach the Mayor's goal of reducing the City's workforce by 2,500 positions.

The following table lists each of the policy changes, efficiency improvements and service reductions that are included in the Plan. Recognizing that there is some uncertainty as to the timing and amount of savings that many of the initiatives will generate, the City has not included in the Plan the full amount of savings or revenues projected from each initiative. Instead, the Administration has included amounts that are discounted from those savings projections. In most cases, the Plan assumes that the City will assume two-thirds of the projected savings in the first year an initiative is implemented with that amount increasing to 75 percent by FY08. In order to achieve the fiscal balance projected in this Plan, the Administration will have to successfully implement and closely monitor the initiatives described in this chapter. The initiatives that the Administration will track and their projected values are summarized in the following table.

Initiative	**Total** *(in $000's)*
Replace only 50% of DROP Retirees	48,374
Pay Minimum Municipal Obligation on Pension Bonds	245,218
Use Floating Rate Instead of Fixed Rate for G.O. Debt To Be Issued During Plan Period	22,960
Modify Policy for City Take-Home Vehicles and Cell Phones	3,083
Form Administrative Service Centers	35,200
Consolidate Facilities Maintenance	4,400
Outsource Custodial Services	2,559
Centralize Warehousing of Supplies and Institute Citywide Inventory System	3,957
Establish a Constituent Call Center/Eliminate Departmental Centers	4,764
Use Mobile Patrols at Detention Center	2,000
Install Municipal Fiber Optic Network	2,191
Implement Strategic Marketing Initiative	11,710
Update Streets Department Fee Schedule	1,064
Eliminate 20 Clerical Staff in L&I and Hire Additional Inspectors	2,024
Increase Insurance Coverage for Health Center Patients	21,487
Right-size the Number of Facilities	16,000
Eliminate PHLASH Subsidy	9,400
Phase Out Riverview/Find Alternate Placements for its Residents	5,382
Eliminate 50 Senior Administration Positions	17,500
Shift Two Prisons' Employees Salaries to the Industries Fund	500
Intergovernmental Transfer	29,260
TOTAL SAVINGS AS A RESULT OF DEFICIT-CLOSING INITIATIVES FY04-FY08	**489,034**

City of Philadelphia
Five-Year Financial Plan

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Fiscal Health

Fiscal Health

Overview

The City of Philadelphia is facing its biggest fiscal challenge in a decade. A series of negative financial events in FY02 caused the first decline in the City's fund balance since FY91 that was not caused by changes in accounting practices. Those events included the end of an unprecedented ten-year economic expansion, 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. In addition, during FY02 an ordinance was 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 FY03 and throughout the life of this Plan. Tax receipts are projected to grow slower than the rate of contractual salary increases for the second year in a row in FY03. Despite a change in funding policy, the City's required contributions to its pension fund are expected to increase by $129 million over the life of this Plan compared to last year's, and by $276 million compared to the FY02-FY06 Plan. An arbitration panel awarded a 37 percent increase in health and medical benefits to uniformed police officers, who comprise one-quarter of the City's workforce. As a result of these and other factors, in preparing the FY04-FY08 Plan the Administration initially faced an $834 million projected deficit by FY08. At the same time, providing contingencies for potential threats such as the effects of welfare reform, additional tax reductions beyond those in this Plan, or future 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 $319 million in tax cuts.

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 lower tax revenues
- Higher pension costs
- Increasing labor costs
- Increasing criminal justice costs
- Fixed and potentially accelerating tax reductions

Threats that could exacerbate the fiscal crisis include:

- Effects of welfare reform
- Threat of additional tax reductions beyond those included in this Plan
- 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:

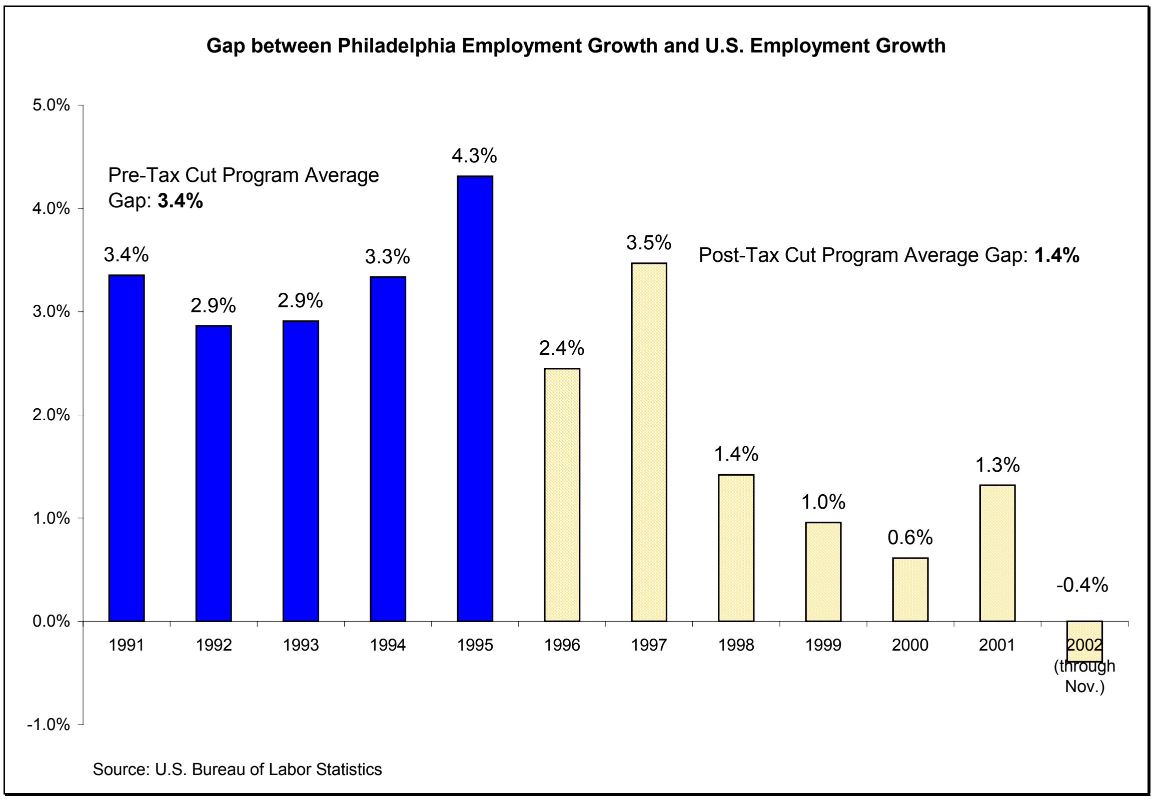
- Ongoing loss of population
- High incidence of poverty
- A weak tax base
- Low state government fiscal support
- A relatively low level of expenditures and staffing for core city government services, which limits the ability of the City to impose further cuts in those services, and relatively high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

Causes of the Current Fiscal Crisis

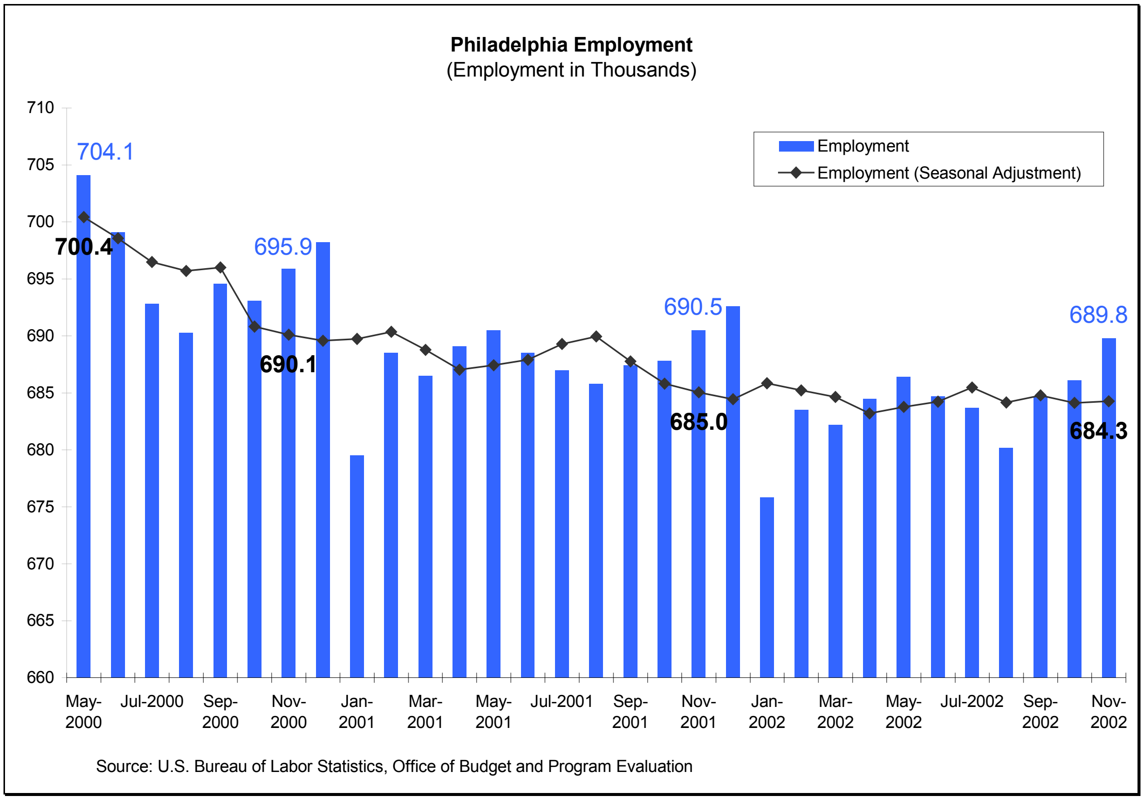
Delayed Recovery from the National Recession

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 2002 was .9 percent lower than 2001 employment and job losses continued in three of the last four months of the year following four months of gains in mid-year. The FY03–FY07 Five-Year Financial Plan anticipated that employment would lag the economic recovery as in past recessions, but this lag has been perhaps even greater than anticipated, with the national unemployment rate hitting an eight-year high of 6.0 percent in November 2002. The Fourth Quarter 2002 Survey of Professional Forecasters by the Philadelphia Federal Reserve Bank projects that the unemployment rate will not begin to drop until the second quarter of 2003, at the end of the City's current fiscal year – two quarters later than the Survey forecasted at this time last year.

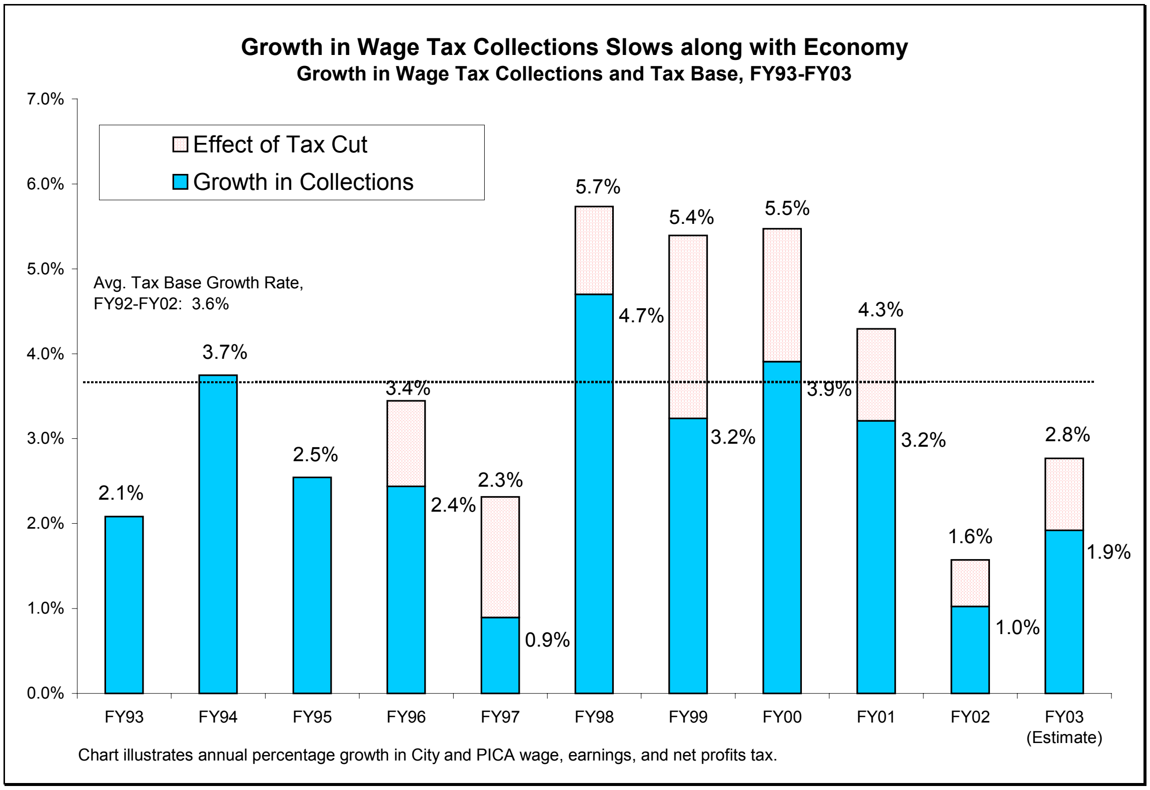
Although this delayed recovery negatively impacts Philadelphia, the local economy has weathered the recession and jobless recovery relatively well compared to the previous two recessions, demonstrating the city's successful transition over the last decade from a declining manufacturing-centered economy to a more stable service-based economy. The program of wage and business privilege tax cuts begun in 1996 has positively contributed to this transition. Following the devastating job losses of the 1980-1982 recession, employment conditions in Philadelphia persistently trailed the rest of the country. The unemployment rate in Philadelphia was 2.0 percentage points higher on average than the national unemployment rate from 1991-2000. The change in annual employment in Philadelphia was 3.4 percentage points lower than the change in national employment during the five years prior to the first tax cuts. Since the inception of the wage and business privilege tax cuts, this employment growth gap has shrunk to 1.4 percentage points on average, and based on preliminary data through November, the gap has actually reversed in 2002. For the first time in decades, the change in employment for Philadelphia may actually be superior to that of the national economy. It is important for the City to continue lowering its major tax rates, investing in its economy, and effectively providing essential services to improve its competitive position and induce economic growth. At the same time, the serious fiscal challenges facing the City make it difficult to make key investments in its economy without making sacrifices elsewhere in its budget.



Despite this success, due to the recession and slow recovery, the reality is that over the last two 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 16,000 jobs as of November 2002, or over 2.3 percent of the peak total.



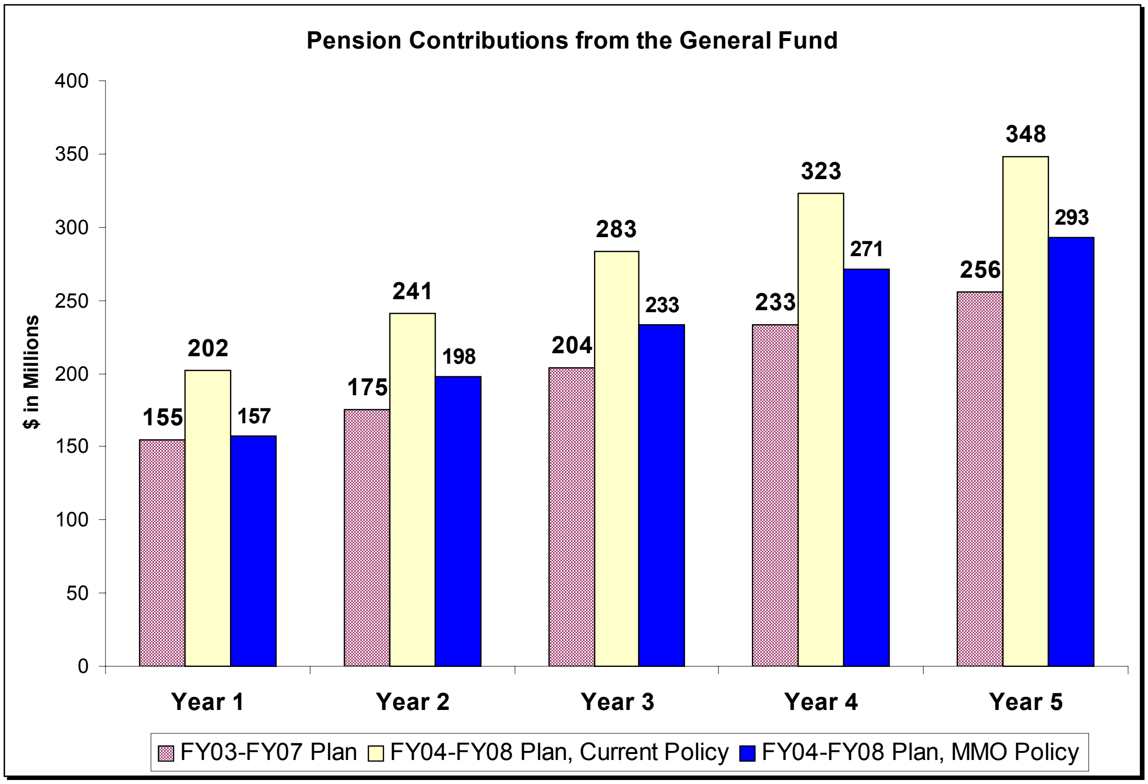
This loss of jobs has caused deteriorating growth in the City's largest revenue source, the wage tax. Wage tax revenues initially began to slow in late FY01, although strong collections in the first half of the year produced above-average gains for the fiscal year as a whole. The trend that began in 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. Wage tax collections are estimated to grow by 1.9 percent in FY03 as the economy slowly recovers, a rate significantly lower than either the ten-year average of 2.7 percent or the 3.0 percent rate of salary increases in the City's major labor contracts. While the FY03 projection calls for lower growth than the wage tax has typically seen over the last decade, it nonetheless may be difficult to achieve. In order to reach its FY03 projection, the City will need wage tax growth to be stronger in the second half of the year than it was in the first half of the year, when collections were flat at 0 percent growth compared to the previous year. This will require the growth rate in the second half to be about 3.8 percent.



Higher Pension Costs

The slowdown in the economy has also indirectly had a devastating effect on the City's pension costs. The Standard & Poor's Composite Stock Index lost 20 percent of its value between August 2000 and August 2001. Following the events of September 11, 2001 and their impact on the economy and investor confidence, major stock indices plummeted even further. The Standard & Poor's Index declined by over 42 percent from August 2000 to October 2002.

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 two-year downturn in the market prevented the City's pension fund from attaining its earnings assumptions of nine percent in FY01 and FY02, and earnings continue to be weak in FY03. In fact, the City's pension fund lost 6.0 percent and then another 5.2 percent in the last two years, 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. Maintaining the funding policy the City has used over the last several years would require the City to contribute $374 million more over the five years of the FY04-FY08 Plan than was budgeted in the FY03-FY07 Plan. That increased pension cost would be incurred even as the City attempts to manage slowed revenues, wage tax cuts of at least four percent, a 37 percent increase in police and fire medical benefit costs, and increasing criminal justice costs. Accordingly, for this FY04-FY08 Plan the City is revising its funding policy to conform to the minimum municipal obligation. The minimum municipal obligation will still cost the City $129 million more than in the FY03-FY07 Plan, but it will reduce the City's costs by $245 million over the life of the Plan compared to the current funding policy.



Changing the City's funding policy to paying only the minimum municipal obligation is not without risk. While the change reduces the City's payments in the short-term, it will mean that the City will amortize its unfunded pension liability more slowly. Under the City's current funding policy, that unfunded liability would be $722 million in FY29. Under the MMO, the unfunded liability would be $1.2 billion in FY29.

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 1.5 percentage points from FY98 through FY03. 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 Plan is $225 million in new costs to the City. If the two-year arbitration award for the International Association of Firefighters (IAFF) mirrors the award to the FOP, as is the historical trend, this would result in an additional $78 million in new salary and benefit costs over the life of the Plan. The IAFF award is expected to be announced this month. The FOP and IAFF combined represent over one-third of the City's General Fund workforce.

This FY04-FY08 Plan does not include any provision for wage increases after the contracts for the four major bargaining units expire in FY04. The $834 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 when these contracts expire.

Increasing Criminal Justice Costs

The increasing cost of providing criminal justice services has outpaced the growth of the General Fund as a whole from FY97 to FY03. Obligations for the District Attorney, Juvenile Justice Services, the Police Department, the Philadelphia Prison System, and the Sheriff's Office have increased by 60 percent, from $516.8 million in FY96 to an estimated $825.7 million in FY03, while the General Fund has increased by only about a third, from $2.4 billion in FY96 to an estimated $3.16 billion in FY02. 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 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 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 cost and prison capacity issues. As the Philadelphia Prisons Chapter of this Plan discusses, Operation Safe Streets is already beginning to have an impact as the dramatic increases in prisons population have stopped.

Fixed and Potentially Accelerating Tax Reductions

The FY03 – FY07 Five-Year Financial Plan included $290 million in tax reductions. While those reductions are essential to the City's competitiveness, they also put a further strain on the City's finances. In addition, on April 18, 2002 City Council passed legislation that locked in wage tax reductions through FY07. Previously, wage tax reductions had been passed in each fiscal year, which gave budgetary flexibility to respond to recessions or emergencies. The original FY03-FY07 Plan submitted to Council had in fact proposed a wage tax cut in FY03, a substantial acceleration in the business privilege tax (BPT) and a potential freeze in wage tax reductions after FY03 in order to afford the costs of the recession, such as stagnating revenues and escalating pension costs. Those proposals provided $170 million in tax reductions. The ordinance passed by Council along with the accelerated BPT cuts increased the total value of tax cuts in last year's Plan by about $120 million. In signing the ordinance, Mayor Street noted that the tax cuts would require the City to make tough choices on spending. This Plan reflects those choices.

The wage tax ordinance that became law as part of the FY03-FY07 Plan process poses an additional challenge for the City's General Fund due to the "triggers" set in the ordinance. The ordinance stipulates that if wage tax receipts grow by at least 3.5 percent over the previous year, the size of the wage tax reduction in the next year will increase. This trigger creates the paradoxical result that the City would actually collect more wage tax revenue by having 3.1 percent growth two years in a row than 3.51 percent growth two years in a row. The implications of the trigger are that the City is better off fiscally, if not economically, with more moderate tax growth, and that the City will not be able to replenish its fund balance through unexpectedly large wage tax growth, as occurred from FY98 to FY00.

Threats that Could Exacerbate the Financial Crisis

Effects of Welfare Reform

Federal authorization for the Temporary Assistance for Needy Families (TANF) program ended on September 30, 2002. The House of Representatives passed a reauthorization bill in May 2002 but the Senate did not pass a bill before expiration. Most recently, President Bush signed a continuing resolution to fund TANF and operate it under the expired guidelines through January 11, 2003. The outcome of TANF reauthorization, along with related welfare-to-work programs and food stamps, is unclear. Given the Congressional gains made by Republicans in the November elections, reauthorization is likely to conform to the guidelines requested by the Bush Administration and passed in the House bill. Those guidelines would keep the basic structure of the TANF act passed in 1996 while increasing work requirements and providing for a "super-waiver" that states could use to be exempted from certain requirements of the federal legislation. The "super-waiver" could potentially be used by states to redirect TANF funding for other purposes, such as highways. The indications from child welfare advocates such as the Children's Defense Fund are that the Bush Administration approach would pass on new unfunded burdens to the states. The projected budget deficit faced by the federal government as it takes up its budget in January 2003 makes the possibility of shifting costs to the states even more likely. Since the Commonwealth is facing a significant budget deficit of its own, the City is at risk of either seeing its projected annual TANF allocation of over $155 million reduced or its General Fund costs for TANF services increased.

This risk is particularly acute for the City since the 35,034 Philadelphia families receiving TANF in July 2002 comprised 47 percent of the state's total caseload. In addition, nearly 4,000 Philadelphia adults reached their five-year lifetime limit for TANF benefits during 2002. Many of those losing their benefits suffer from mental or physical disabilities that limit their ability to work. The Commonwealth to date has extended benefits for those with such disabilities through temporary special programs, but as the state struggles with budget deficits and potential new unfunded mandates, these special programs may end, leaving families without TANF benefits. Losses in benefits are likely to result in increases in homelessness and the demand on other local government services. For example, in the past the increasing numbers of Philadelphia residents lacking Medical Assistance/Medicaid resulted in more visits to City health centers by uninsured visitors, although the Health Department is successfully increasing the percentage of visits by insured visitors in FY03. The number of residents without Medical Assistance also increases the demand on the EMS system, as uncovered residents turn to 911 EMS for basic medical care that cannot be reimbursed by an insurer. For each 1,000 families that receive City-provided shelter, medical care, and foster care services, the City incurs unreimbursed costs of approximately $10.8 million annually. While the City has been spared some of these costs to date, clearly there will a rise in the number of welfare recipients losing benefits over the course of the Plan. In fact, the average daily number of emergency shelter beds supplied in the City's shelter system, which is designed to match the demand for beds, is already projected to increase by over twelve percent in FY03 and an additional three percent in FY04.

Threat of Additional Tax Reductions

The Pennsylvania Senate passed two bills in June 2002 that, if enacted, would have caused significant harm to the City's financial condition. Senate Bill 1423 would have ended the preemption of suburban earned income taxes by the City's wage tax for non-residents of Philadelphia that work in the City. This bill would have provided relief to jurisdictions in the suburban counties surrounding Philadelphia, which face fiscal pressures, increasing property tax bills, and limited ability to collect earned income tax revenue due to the City's preemption. The bill could have cost the City as much as $89 million per year in lost revenue. While the Administration supports the goal of the bill, without compensating revenues or reductions in service responsibilities the Administration could not support it as a stand-alone measure due to its impact on the City's finances. The more draconian Senate Bill 1372 would have forced the City to make a series of unaffordable wage tax cuts over five years without any compensation. Senate Bill 1372 would have cost the City over $800 million over the life of the FY03-FY07 Plan, and, when combined with the costs of Senate Bill 1423, would have resulted in far greater deficits than those that required the creation of PICA during the City's fiscal crisis of the early 1990s, as well as deterioration in city services. Neither of these bills became law during the 2001-2002 General Session, but the threat of the General Assembly taking action to diminish the City's revenues and ability to provide services without compensation remains.

There was also legislative action in 2002 that was intended to limit the growth in the City's second large tax – the real estate tax. In response to increasing property values and spikes in real estate tax bills for some homeowners, City Council passed three contradictory bills on November 21, 2002 that called for caps or deferrals on tax bills for the City's portion of real estate taxes. A bill that would cap real estate tax bill increases at four percent in a given year became law but requires action from the General Assembly to be enforceable. A bill that allows homeowners to defer payment on tax increases of more than 15 percent was signed by the Mayor. The third bill, which would have capped real estate assessment increases at 10 percent annually, did not become law, but only because of a Mayoral veto. Council also considered similar bills affecting the School District portion of the tax, which have not passed to date. Real estate assessments grew slower than inflation every year from 1992 through 2000, but real estate transactions increased over the last few years and values increased following the many positive developments of the past decade, including the wage tax cuts. In fact, a Pennsylvania Economy League study that attempted to forecast the effects of wage tax reductions estimated that reductions in the wage tax would result in increases in property values and property tax revenues that would in part offset the City's fiscal losses from the wage tax cuts.

Any further tax reductions must be affordable within the context of the City's service responsibilities over each Five-Year Plan. Additional tax reduction efforts should also be made as part of a comprehensive framework and approach towards tax reduction. The Tax Reform Commission approved first by City Council ordinance and then by referendum in November 2002 provides exactly that. The Tax Reform Commission is composed of 15 members appointed by the Mayor, City Council, City Controller, and the major business chambers. The Commission is charged with reviewing the City's tax structure and making recommendations on its improvement by November 2003, in time for the preparation of the FY05-FY09 Plan. Tax reductions beyond the approximately $319 million in cuts already included in this Plan should be considered after the work of the Commission is complete.

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 $60 million in unspecified future budget reductions over the last four years of the Plan. The City has successfully implemented these future "target" reductions for ten 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. Finally, the City is taking numerous actions outlined in this Plan to erase an $834 million projected fund balance deficit, including an across-the-board 1.5 percent personnel budget cut in FY04 and a 2.5 percent total cut in FY04 through FY06 for most departments. As a result, this Plan reduces the amount of those unspecified cuts to $48 million from the $60 million that had been included in most previous plans. Continuing to achieve these unspecified future budget reductions while maintaining services to the City's neighborhoods is a $48 million risk in the current Plan.

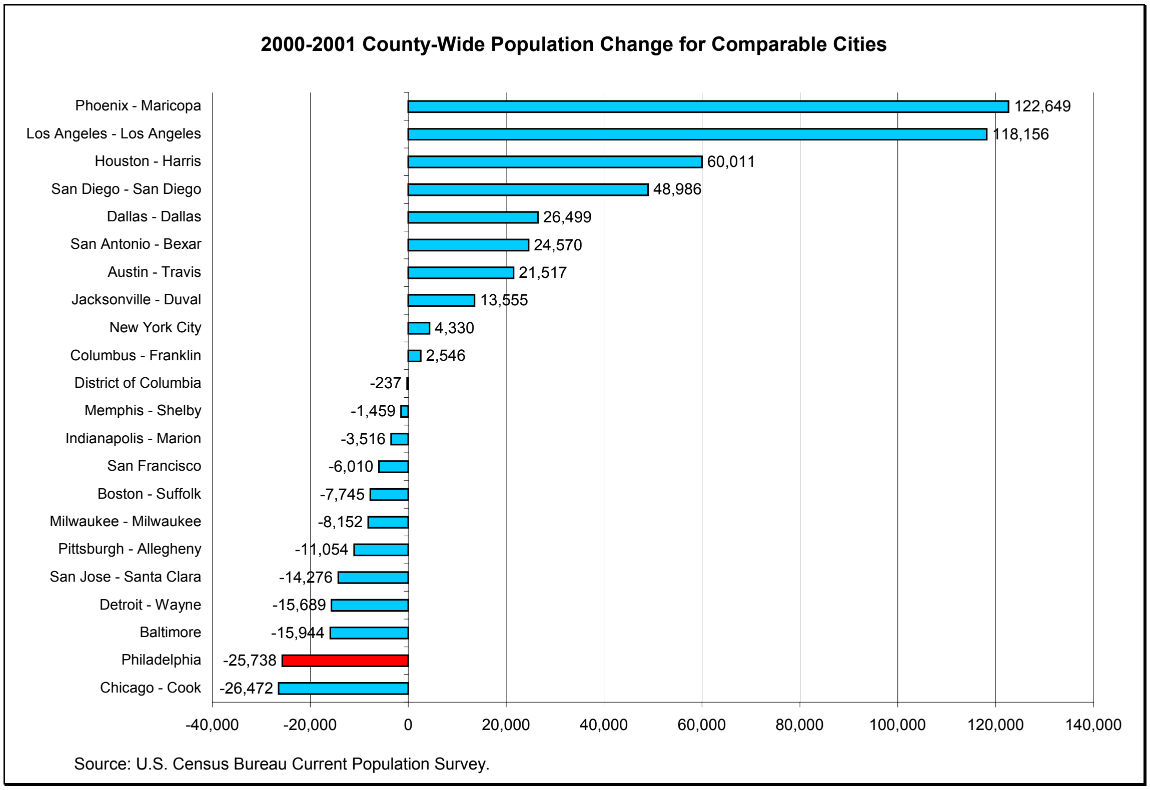
The Need to Use the Operating Budget for Necessary Capital Obligations due to the City's Limited Remaining Borrowing Capacity

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 FY02 the City's remaining debt capacity was $133.9 million. The recommended Capital Program calls for only $81 million of City-supported debt financing for capital projects in FY04 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 $180 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.

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 Current Population Survey release on county population also estimated that Philadelphia continued to lose population from 2000 to 2001 at a 1.7 percent annual rate. Among counties containing the twenty largest cities, plus regional comparables Pittsburgh and Washington, D.C., only Chicago-Cook County was estimated to lose more residents than Philadelphia from 2000 to 2001, and only Baltimore City was estimated to lose a greater percentage of residents. There is a strong regional trend among these comparable cities, as eight of the ten counties with population growth are in the South or West Census region, and eight of the twelve with population losses are in the Northeast or Midwest. Although the Current Population Survey estimates should be viewed with some skepticism after the 2000 Census results showed that those estimates were off significantly, 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. 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 border of six of these cities is coterminous with the local 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%**

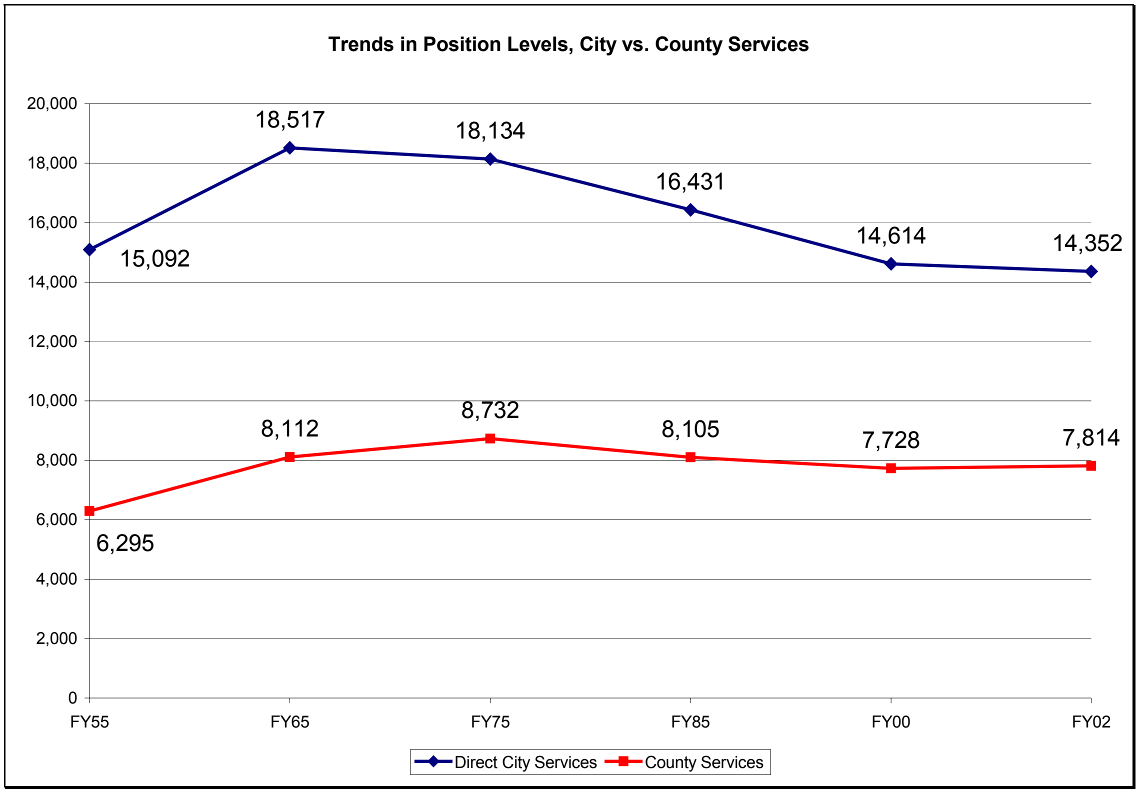
[1] Massachusetts local governments receive state lottery proceeds as well as appropriation-based Additional Aid that offsets Proposition 2 1/2 property tax restrictions.

[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.

Managing the Size of the City's Workforce

If not offset by good paying jobs, the continued losses of middle income population will threaten the City's fiscal stability by eroding the tax base while increasing the proportionate demand for the county and public safety services that are closely linked to socio-economic conditions. 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 4.9 percent from FY55 to FY02, with a decrease of 33.8 percent over this period if Police positions are excluded. From FY65 to FY02, this number dropped by 22.5 percent, with a decrease of 38.5 percent excluding Police positions. 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 3.7 percent from FY65 to FY02 – a slower rate of decline than for direct city services.

The only two departments with major increases in staffing from FY85 to FY02, 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 31 percent of General Fund staffing in FY02 – 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 – 45 percent – of General Fund staffing. These three departments were responsible for an increase of 1,067 positions from FY85 to FY02, while the number of General Fund positions for all other departments decreased by 3,605. 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 400 positions since its institution. 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 reduce the size of its workforce. The size of the workforce is projected to be 23,858 by FY08.

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.

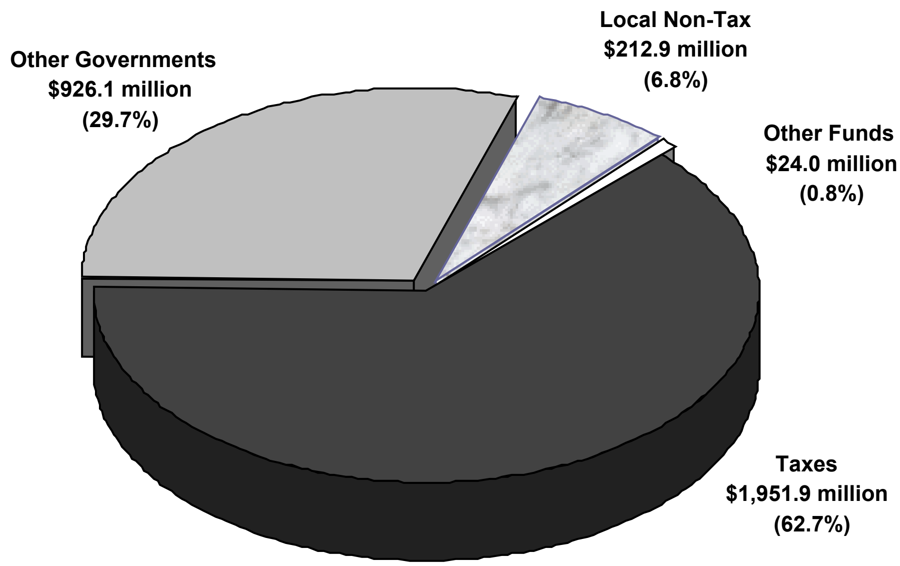
General Fund Revenues

Overview

The City's General Fund projected FY03 revenues of $3,114.8 million are divided into four major categories:

- Taxes (62.7 percent of the estimated FY03 total);
- Revenues from other governments (29.7 percent), which consist primarily of federal and state reimbursements for the costs of social service programs and the Pennsylvania Intergovernmental Cooperation Authority (PICA) City Account revenues. PICA City Account revenues are monies collected from the PICA wage, earnings, and net profits tax, after deductions for PICA debt service and expenses;
- Locally generated non-tax revenues (6.8 percent), which include various fees, fines, and charges assessed by the City; and
- Revenues from other funds (0.8 percent), which are primarily payments to the General Fund by the Water and Aviation Funds for services performed by other City agencies.

Sources of FY03 General Fund Revenues
$3,115 million



Source: Office of Budget and Program Evaluation

General Fund revenue growth exceeded inflation during seven of the last eight 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 4.5 percent from FY91 through FY01, well above inflation. From FY96 through FY01, the five year growth rate dropped to 4.1 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 potential deficits.

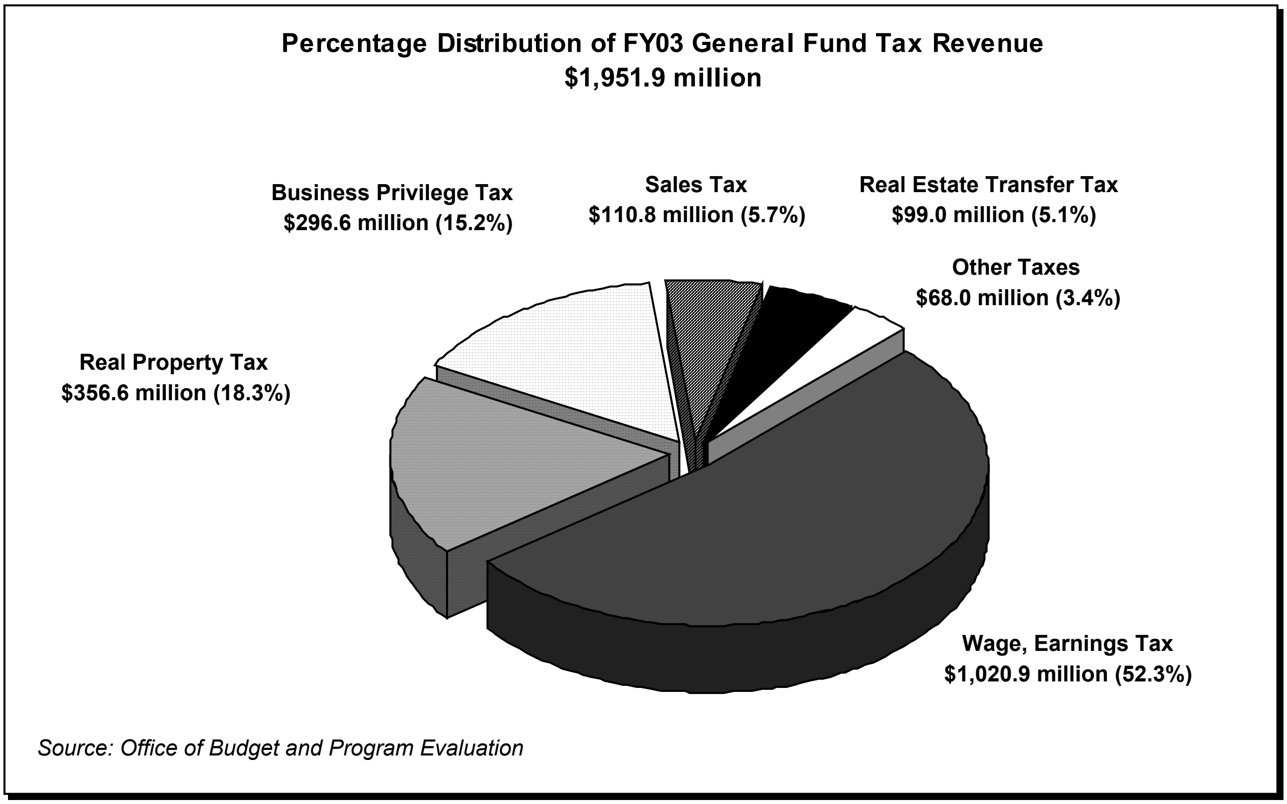
FY02 tax revenues also grew more slowly than inflation at 1.4 percent compared to FY01 receipts. Wage and business privilege taxes remained weak, while smaller taxes, such as amusement and realty transfer, provided some offset.

The Five-Year Plan assumes that revenue growth will improve slightly during FY03 and gradually rebound over the life of the Plan. The Plan assumes that growth will stay in the range of 2.5 to 3.2 percent through FY08, while inflation is projected to be 2.5 percent.

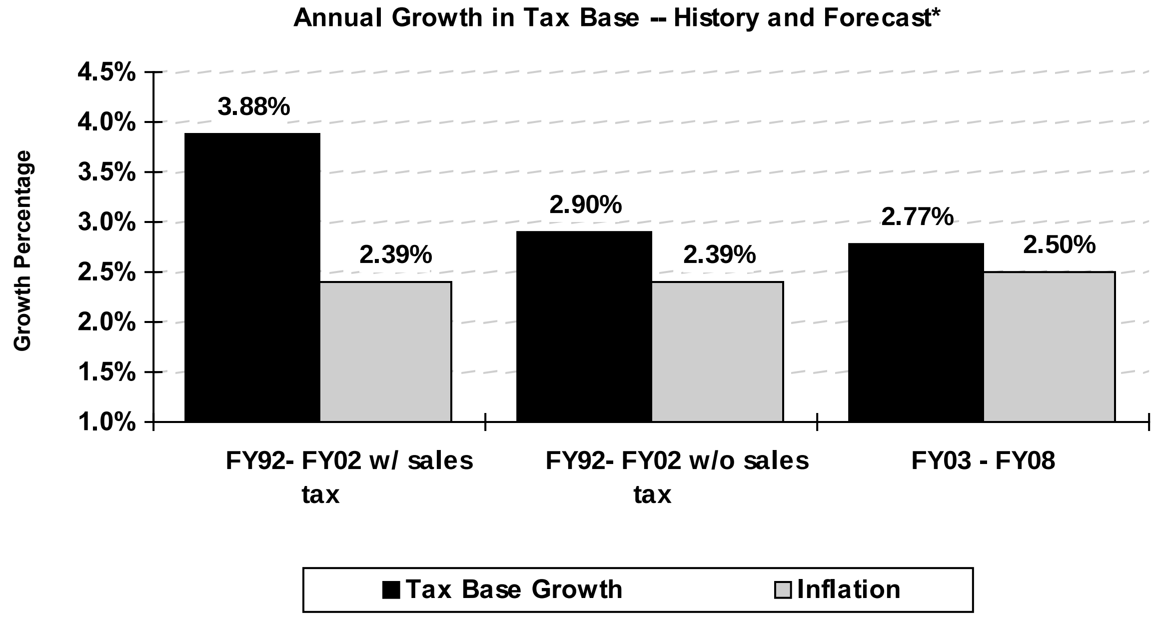
The City has achieved and maintained a balanced budget, with a cumulative positive fund balance of $139.0 million at the end of FY02. This fund balance will be difficult to maintain during periods where revenue growth is below inflation, and even after instituting a series of actions to avert a projected $834 million fund balance deficit, this Plan projects that the fund balance will still be almost completely gone by the end of FY08. 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 just under 97 percent of the City's total tax revenues. Additionally, the City received over $177 million in FY02 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 FY92 to FY02 at an average annual rate of 3.4 percent including the sales tax (which was implemented in FY93) and 2.9 percent excluding the sales tax. 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 2.8 percent from FY03 to FY08, compared to an average inflation rate of 2.5 percent.



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

Source: Office of Budget and Program Evaluation

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 FY03. It consists of a 3.0 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 4.5 percent, and a 3.9127 percent tax on non-residents working inside Philadelphia. These rates were reduced on January 1, 1996, and on each July 1st from 1996 through 2002 as the first eight 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. In addition, legislation passed in April 2002 requires continuing reductions in the wage tax through FY07.

Wage Tax Rate Reductions - Actual & Proposed				
	Residents		Non-Residents	
Fiscal Year	Rate (Proposed FY04-FY08)	Change from FY95 Rate	Rate (Proposed FY04-FY08)	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	4.4625%	-10.03%	3.8801%	-10.03%
2005	4.4250%	-10.78%	3.8475%	-10.78%
2006	4.3875%	-11.54%	3.8149%	-11.54%
2007	4.3500%	-12.29%	3.7823%	-12.29%
2008	4.3125%	-13.05%	3.7497%	-13.05%
TOTAL REDUCTION 1996-2008		**-13.05%**		**-13.05%**

(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.

- **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					
	FY99	**FY00**	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**
PICA Wage Tax	233.9	247.6	262.5	268.1	275.5	285.1	295.1	305.4	316.9	328.8
City Wage Tax	934.3	973.0	1,047.2	1,006.0	1,020.9	1,044.8	1,069.2	1,094.1	1,121.0	1,149.6
Total Wage Tax	1,168.2	1,220.6	1,309.7	1,274.1	1,296.4	1,329.9	1,364.3	1,399.5	1,437.9	1,478.4
Tax Rates										
Resident	4.69%	4.61%	4.56%	4.54%	4.50%	4.46%	4.42%	4.39%	4.35%	4.31%
Non-resident	4.08%	4.01%	3.97%	3.95%	3.91%	3.88%	3.85%	3.81%	3.78%	3.75%

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 FY02, from FY97 through FY02, and from FY92 through FY02.

Wage Tax Forecast Variables - Historical Average Annual Growth Rates			
	FY01-02	**FY97-02**	**FY92-02**
Wage and Earnings Tax Base [1]	**1.6%**	**4.3%**	**3.6%**
Non-agricultural Employment (Phila. City) [2]	-0.7%	0.5%	-0.2%
Average Wage/Employee (Phila. City)	2.3%	3.7%	3.3%
Consumer Price Index (Phila. Metro)	2.0%	2.1%	2.4%

(1) The PICA wage tax is included in the base for comparative purposes. The base is also adjusted to reflect changes in tax rates.
(2) The fiscal year 2002 numbers are preliminary.

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 FY92 through FY02, with that decline beginning to reverse by 1997 as the city registered job growth of 0.5 percent annually from FY97 through FY02.

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 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 2.3 percent in the last year, 3.7 percent per year over the past five years, and by 3.3 percent per year over the past ten years. These wage increases have led to a growth in wage tax revenues, thereby offsetting 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 between 3.5 percent in FY04 through FY06 and 3.75 percent annually in FY07 and FY08. REMI, the City's econometric forecasting model, supports the City's job and wage growth projections, predicting a 4.3 percent average annual growth in wages-per-employee through FY08. 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 0.7 percent annually. The Plan, however, is slightly more conservative than the REMI model, assuming gradual recovery into FY03 and projecting flat employment growth over the course of the Plan.

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

		FY04	**FY05**	**FY06**	**FY07**	**FY08**
	Avg. Wage/Employee Growth	3.5%	3.5%	3.5%	3.75%	3.75%
+	Employment Change	0.00%	0.0%	0.0%	0.0%	0.0%
=	Gross Growth Forecast	3.5%	3.5%	3.5%	3.75%	3.75%
-	Effect of Tax Cut	-0.83%	-0.84%	-0.85%	-0.85%	-0.86%
=	**Net Growth Forecast**	**2.67%**	**2.66%**	**2.65%**	**2.9%**	**2.89%**

- **Wage tax rate reductions.** While the Plan calls for the City to continue its incremental wage tax reduction plan through FY08, much steeper reductions are required to allow the City to make substantial strides toward being more competitive. Unfortunately, the City cannot afford to make dramatic reductions without making substantial cuts to important services.

  A cut to 3.5 percent, for example, would reduce the City's revenues by well over a billion dollars. The only way the City can make those kind of cuts without sacrificing services is if the state implements a comprehensive tax reform proposal. The City would also be more able to absorb a cut if the state assumed costs for a unified judiciary system as required by two Supreme Court orders.

  If the state assumed the costs for the First Judicial District, the Register of Wills and the Clerk of Quarter Sessions, as ordered by the Pennsylvania Supreme Court, the City would be able to reduce the wage tax rate to 4.11 percent for residents and 3.5736 percent for nonresidents.

  The City will continue to advocate for both statewide tax reform and the state's assumption of its responsibility for court financing. The Administration is committed to working with the business community and City Council on these crucial issues.

Real Property Tax

The real property tax is the General Fund's second largest source of tax revenue, accounting for an estimated $356.7 million in FY03, or almost 20 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 FY08, 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						
	1998	1999	2000	2001	2002	2003
Certified Assessments	9,201	9,241	9,452	9,741	10,159	10,621
Growth Over Prior Year	-0.2%	+0.4%	+2.3%	+3.1%	+4.3%	+4.5%
Adjustments	(124)	(61)	(70)	(62)	(-160)	N/A
Net Billings	9,077	9,180	9,382	9,679	9,999	N/A
Growth Over Prior Year	+0.4%	+1.0%	+2.2%	+3.2%	+3.3%	N/A

* Projected based on ten months of data.
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. The BRT has created an enhanced sales data system to refine the editing of sales data from sheriff sales, blanket transactions and family transfers. Unverified sales are now distributed to evaluators for review and editing. The Board has also developed defined Geographic Market Areas (GMAs), which allow for much greater precision in creating meaningful groupings of parcels. These improvements have led to better market data.

The following table shows real property tax collections since FY99 and shows the Plan's forecast through FY08.

Real Property Tax Revenue History and Forecast										
	History				Forecast					
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Current [1]	311.9	315.9	325.8	333.2	326.1	334.1	340.9	347.2	353.0	358.8
Prior [2]	30.7	37.7	37.6	40.4	30.5	30.5	30.0	29.0	29.0	28.0
Total	**342.6**	**353.6**	**363.4**	**373.6**	**356.6**	**364.6**	**370.9**	**376.2**	**382.0**	**386.8**

[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 national recession. Vacancy rates for office buildings in the Central Business District (CBD) stood at 11.5 percent in the third quarter of 2002, up slightly from the 10.1 percent experienced in the third quarter of 2001 but well below the peak rate of 18 percent recorded during the earlier 1990's.

  Certified assessments for 2003 are 4.5 percent higher than in 2002 due in part to rapidly escalating property values in many sections of the City. 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. Increased assessments are necessary to allow the Board of Revision 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. While there has been much discussion concerning this year's assessment increases and the process used to derive them, almost 80 percent of all market value increases for 2003 are less than 20 percent. In response to the assessment increases, starting in FY03 the Revenue Department will implement a one-year real estate tax deferral program for all property owners whose residential assessments by the Board of Revision of Taxes increased in excess of 15 percent from the prior year assessment. During the year, the Department will establish regulations and procedures for the rollout of an on-going Real Property Tax Deferral Program as defined in Bill Number 020579, introduced by Councilman Rizzo, which would allow homeowners who meet certain financial guidelines to defer increases in their tax bill of over 15 percent until their homes change ownership.

The Plan assumes that commercial assessments will increase by an average of 1.6 percent annually through FY08, and residential assessments will grow be slightly more than 2 percent annually through FY08. Combined residential and commercial assessments are forecast to grow an average of slightly less than 2.0 percent per year throughout the Plan period.

Business Privilege Tax

The business privilege tax (BPT) is the General Fund's third largest tax revenue source, contributing an estimated $296.6 million in FY03, or 15.2 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 0.23 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 0.23 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 the privilege of 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					
	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Current	214.0	233.9	251.7	275.5	273.8	274.6	274.3	274.7	276.9	281.3	285.1
Prior	23.4	20.7	38.4	38.5	22.0	22.0	22.0	21.0	21.0	20.0	20.0
Total	237.4	254.6	290.1	314.0	295.8	296.6	296.3	295.7	297.9	301.3	305.1
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	0.295%	0.287%	0.278%	0.265%	0.253%	0.230%	0.210%	0.190%	0.175%	0.163%	0.150%

FY01 collections include $4.5 million in one-time accruals related to the GASB 33 accounting change.
Tax collection amounts in millions of dollars.
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. Current revenues grew by 7.6 percent in FY00 and 9.4 percent in FY01 even with the tax cut that has been made annually since 1996. Without the tax cut, growth would have been 9.3 percent in FY00 and 11.4 percent in FY01. However, in FY02 as a result of the national recession, the BPT tax base grew only one percent, reflecting dramatically reduced corporate earnings. The Plan assumes the BPT tax base will experience modest growth of two percent in FY03, based on improved projections for corporate earnings and then rebound to growth rates between 3.5 and 4.5 percent for the remainder of the Plan.

In an effort led by Councilwoman Reynolds-Brown and with the Administration's support, City Council and the Pennsylvania General Assembly both passed legislation in 2002 that will simplify the BPT filing process for new businesses in Philadelphia. Beginning with FY03 tax returns, new businesses no longer need to file two separate BPT returns for two different years on the same date – a confusing process that resulted in improper filing by approximately half of the City's 10,000 new businesses each year. The Revenue Department projects this change will be revenue neutral.

- **Tax cuts.** As part of the first eight 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 .23 percent in FY03. 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.

  As the following table shows, the Administration's tax reduction program proposes to cut the tax rate on gross receipts to 0.21 percent in FY04 and then to lower it to .15 percent by FY08, a reduction of almost 54 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-FY08)**	**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%	-19.07%
2006	.1750%	-46.15%	-21.18%
2007	.1625%	-50.00%	-23.00%
2008	.1500%	-53.85%	-24.77%
TOTAL REDUCTION 1996-2008		**-53.85%**	**-24.77%**

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

- **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 4.1 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 slightly in FY03 and continue a gradual rebound over the life of the Plan.

Sales Tax

The sales tax is the General Fund's fourth largest tax revenue source, accounting for almost six 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					
FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
101.4	103.7	111.3	108.1	110.8	113.6	116.4	119.3	122.3	125.4
Growth	2.3%	7.3%	-2.9%	2.5%	2.5%	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 FY04 and FY08, reflecting the assumed inflation rate. Collections are projected to rebound in FY03 to pre-recession levels. The City's REMI model, which forecasts disposable income – a key predictor of sales growth – shows a 3.5 percent average annual increase in disposable income between 2002 and 2008 for city residents.

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 slightly more than five 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 year. In response to the weak stock market investors and pension funds are turning to real estate as a safer investment.

  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. Through the first six months of FY03 this trend continues. In 2002 there have been eight large commercial real estate sales of over $760 million, including 1818 Market Street, 1650 Arch Street, 11 Penn Center, and 1528 Walnut Street. As the following table shows, RPTT collections are assumed to grow at approximately 2.5 percent per year from FY06 through FY08, after the tax base declines in FY04 and FY05 to levels more consistent with historic trends.

Real Property Transfer Tax History and Forecast										
	History				Forecast					
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Collections	74.9	77.7	77.0	96.7	99.0	93.0	90.0	92.2	94.5	96.9
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		3.7%	-0.9%	25.6%	2.4%	-6.1%	-3.2%	2.5%	2.5%	2.5%

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

Non-Tax Revenues

Local non-tax revenue collection initiatives have played an important role in increasing the City's revenues since FY92. 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 over 100 percent from $98.2 million in FY92 to $209.1 million in FY02. Collections are projected at $212.7 million in FY03 and $210.6 million in FY04. This reduction in FY04 is largely the result of the City's loss of revenue generated by Veterans Stadium that will begin in FY04. This revenue will be completely eliminated by FY05. This revenue loss is offset by both a reduction in expenditures, as the City will no longer be responsible for stadium operations following the completion of the new football and baseball stadiums, and an increase in tax revenues generated at the new stadiums.

The administration plans to increase various fees, licenses and fines, with City Council approval, during the latter half of FY03. These increases are needed to ensure that rates and charges accurately reflect the cost of services. Additionally, improved enforcement initiatives are also expected to generate new revenues for the City in FY03 and FY04. These increases and initiatives include:

- **Live Stop.** Citywide implementation of the Live Stop program began on July 1, 2002. This program enforces the Motor Vehicle Code through a state law that permits the Philadelphia Police Department (PPD) to immobilize, tow, and store vehicles of individuals driving without operating privileges or registration. Live Stop involves coordination across agencies, including the PPD, Philadelphia Traffic Court, and the Philadelphia Parking Authority. Drivers who have their vehicle impounded because they can not show a proper driver's license or registration must appear in Traffic Court and may not reclaim their vehicle until they present the necessary documentation to operate a vehicle, including insurance. Since most individuals that drive without a license also lack insurance, Live Stop should reduce the number of uninsured motorists on the road, and therefore reduce insurance rates for all Philadelphians. The Live Stop program is projected to generate $2.6 million in new revenue in FY03 and $10.8 million over the life of the Plan.

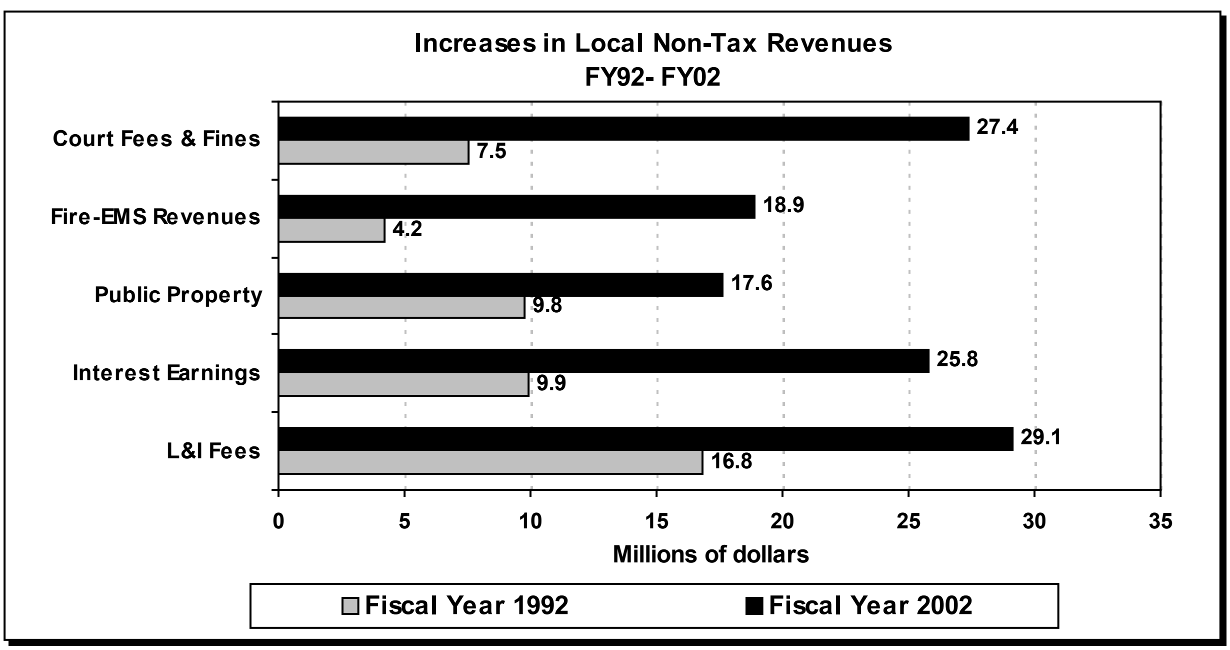
- **Updated licenses and inspections fees.** City Council has also given preliminary approval to the Department of Licenses and Inspections' proposed general fee increase for FY03. This would be the first general increase in ten years. This fee increase, which is expected to generate $2.2 million in additional revenue during FY03 and $3.3 million in FY04 and subsequent years, is tied to the cost of providing inspections and other services, which has increased in line with inflation by over 30 percent in the last ten years. At the same time fees for single-family residential building permits and fast form permits will be reduced. The fee increases will reimburse the General Fund for the cost of the services provided by the Department, in keeping with the City Charter, and they will also help the Department implement an automation program that is detailed further in the Licenses and Inspections chapter.

- **Updated records fees.** With City Council's approval, the Department of Records has increased the fees for recording deeds, mortgages and satisfactions to accurately capture the cost of technology upgrades. This initiative is projected to generate $2.9 million annually.

- **Updated parking fines.** The Administration has proposed raising fines for parking violations for the first time since 1991, when a dollar was worth 33 percent more than it is today. The existing fines are no longer an effective deterrent to parking illegally, and drivers often decide that the risk of a fine at existing levels is cheaper than parking legally and safely. The fine increases range from $5 to $15 for most violations, with an increase of $25 for the cost of a boot or tow. Raising the fines is expected to also generate $3.2 million in additional annual revenue, while improved enforcement of other traffic-related regulations is expected to generate $2.8 million in additional annual revenue.

  While the fine increases may generate revenue for the City, Parking Authority revenues have become a major risk in this Plan. The Authority is supposed to remit revenues to the City monthly, but it has only made one payment, totaling $3 million, in FY03. In FY02, the Parking Authority had paid $9.4 million to the City by the end of December. The Plan includes $95 million in parking violation fine revenues from FY04 through FY08.

- **Increased Free Library fines.** Effective January 1, 2003, the Free Library of Philadelphia increased its fines for overdue materials for the first time in ten years. The intent of the fine increase is to encourage on-time return of materials, thereby keeping more materials on-hand and in circulation. The fine increase is also expected to generate over $300,000 per year in revenue for the Free Library Foundation, which will be used to improve the collection by purchasing materials that otherwise would be purchased with General Fund dollars.



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 unprecedented 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. Through its various activities, the Neighborhood Transformation Initiative is helping Philadelphia's neighborhoods meet their potential as clean, safe, and thriving places to live, to work, and to play.

Nature of the Problem

Today, many Philadelphia neighborhoods are in a state of decline. Long-term historic changes in the global, national, and regional economy initiated Philadelphia's decline. When the pace of change overtook the City's capacity to adjust, the decline accelerated. Over the past fifty years, suburban growth and the demise of industrialization resulted in a flight of population and jobs from Philadelphia. Despite these changes, the service systems critical to neighborhood development were never redesigned to meet the needs of a changing city. Responsibility for neighborhood development is divided among multiple City agencies and departments that follow outdated procedures and processes. Solving the problems in Philadelphia's neighborhoods requires a dramatic change in government structure, policies, and priorities.

Overview of NTI's Six Framework Goals

The Neighborhood Transformation Initiative establishes a framework for investment and growth with six goals to revitalize Philadelphia's neighborhoods and to change the way City government operates. Each of these goals is discussed in depth below:

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.

<u>Goal 4</u>: **Land assembly.**
Improve the City's ability to assemble land for development.

<u>Goal 5</u>: **Neighborhood investments.**
Stimulate and attract investment in Philadelphia neighborhoods.

<u>Goal 6</u>: **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

Recognizing that neighborhoods have different needs and priorities, NTI is committed to a comprehensive community planning effort to inform the public of its revitalization activities. Planning helps communities sort through and prioritize needs while assisting the City in allocating resources to meet those needs. The Philadelphia City Planning Commission (PCPC) has incorporated NTI goals into all planning activities and increased its capacity by adding ten new community planners. In FY04, the City will:

- **Continue planning efforts in 29 neighborhoods.** The community planning process addresses neighborhood assets and challenges and presents opportunities for growth and development. Each plan includes existing conditions analyses, community priorities, analyses, recommendations, and implementation strategies. The PCPC, in consultation with City Council, identified 26 neighborhoods and three corridors as "NTI planning areas." These areas were identified using a number of criteria, including housing market type, presence of blight, proximity to stable markets, previous planning efforts, and community involvement. The planning areas, which represent a variety of needs and strengths, are: Nicetown, Tioga, East Mt. Airy, Germantown, Olney, Habitat/ACDC East (North Central Philadelphia), Strawberry Mansion, Brewerytown/ Fairmount/ Francisville, Sharswood, HACE (North of Lehigh/around 5th Street commercial district), Hawthorne/Universal (South of South Street Neighborhood), Point Breeze, Jefferson Square/7th Street Corridor, Kingsessing and West Shore, Mantua, West Powelton and Saunders Park, Overbrook/Carroll Park/Haddington, Wynnefield, West Parkside, Frankford, Wissinoming, Upper Holmesburg, Crescentville – Cedar Grove, Fox Chase/ Burholme/ Lawndale/ Upper Northwood, Parkwood Manor, Chinatown North/ 10th Street, North Broad Street/ Avenue of the Arts North, Lancaster Avenue from 52nd to 63rd Streets, and the Philadelphia Amtrak Rail Corridor.

  In FY03, PCPC community planners completed existing conditions surveys and began meeting with neighborhood residents in each of the 29 NTI planning areas. Each area required a different level of planning services. Some areas need to update existing plans, while some areas have never established a community plan. In FY03, the PCPC initiated planning processes in the neighborhoods that have not previously developed community plans - Strawberry Mansion, Tioga, and Lawndale. Among other FY03 activities, PCPC staff completed formal planning reports and blight certification for new redevelopment areas in Point Breeze, Brewerytown, and Frankford Creek; completed a draft plan for Avenue of the Arts North and "State of the Area" reports for South, Northeast and North Philadelphia; and participated in 23 neighborhood planning processes, advisory committees, and boards. PCPC staff continues to provide technical assistance to neighborhood-based organizations, individual citizens and elected officials.

- **Collaborate with the Delaware Valley Regional Planning Commission (DVRPC).** The DVRPC is committed to creating a comprehensive vision for the future growth of the Philadelphia region. In support of NTI, the William Penn Foundation provided DVRPC with a $350,000 grant for Philadelphia neighborhood planning. DVPRC will use these funds to sponsor neighborhood-planning processes in three NTI priority areas: Chinatown, East Mt. Airy, and Powelton/Saunders Park. The three neighborhood plans will be completed in early FY04. The DVRPC is also supporting other city planning efforts with Transportation and Community Development Initiative (TCDI) grants. TCDI grants support local planning, design, feasibility studies or other analyses that increase the demand or improve the market for redevelopment and improve the efficiency or enhance the regional transportation network. In FY03, TCDI grants of $100,000 and $70,000, respectively, were awarded to the Empowerment Zone to fund an in-depth planning process for a revitalized Girard Avenue commercial corridor and to the PCPC to fund a study of land development codes.

- **Update land development codes.** 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. Code modernization could provide better reinvestment guidelines for these areas and reinforce the transportation efficiencies that these areas naturally provide. During FY03, the PCPC will contract for a technical study to contribute to an update of the City's land development codes. Funded by a TCDI grant of $70,000 from the DVRPC, this study will focus on best practices from other communities that could be applicable to Philadelphia. The study will offer preliminary recommendations, including proposed code language and typical site plans.

- **Inventory Philadelphia's commercial corridors.** The City's more than 260 commercial corridors, strips, and districts represent a wide range of development opportunities and needs. Updated information is necessary to guide planning efforts for these corridors. Over the next two years, the PCPC staff will work with the Commerce Department and other agencies to update PHILASHOPS, an inventory of the city's commercial corridors linked to 2000 Census household income and population data. This project will be conducted in two phases. In the first phase, which will take place in FY04, PCPC will survey the commercial corridors in the 29 NTI planning areas, as well as priority areas named by the Philadelphia Commercial Development Corporation (PCDC). Data from PHILASHOPS will be integrated into the NTI planning process in these areas. In FY05, the PCPC will survey the remaining corridors not included in these planning areas.

- **Begin implementation of North Delaware Riverfront plan.** In November 2001, the PCPC released a 20-year vision for the renewal and redevelopment of the North Delaware Riverfront. In FY03, the PCPC worked with the Pennsylvania Environmental Council, the Managing Director's Office (MDO), PennDOT, the Streets and Commerce Departments, City Council and Philadelphia non-profit organizations on the early stages of implementation. Some ongoing PCPC activities include: (1) identifying alternative locations for industrial activities currently sited along certain sections of the Riverfront; (2) advising PennDOT on strategies to align proposed investments in the ongoing I-95 reconstruction project with both the Riverfront Plan and neighborhood goals; (3) designing the first part of a 'river road,' similar to Kelly Drive, in Bridesburg, funded by a $4.5 million federal grant allocated in 1996; and, (4) conducting transit and greenway research to identify other investments that could be made along the Riverfront. In FY04, the PCPC will work with the City's new Secretary of Housing and Neighborhood Preservation to identify strategically located parcels that may be suitable for large-scale development on the Riverfront.

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

Before growth can occur, its impediments must be removed. In the case of neighborhood development, the greatest impediment is blight in all its forms – vacant buildings, trash-strewn vacant lots, abandoned autos, litter, graffiti and dangerous street trees. Blight undermines community stability, depressing property values and creating a perception that an area is unsafe. In order to attract new residents and new businesses, the City must eradicate blight from its neighborhoods. To pursue NTI's goal of blight elimination, the City will:

- **Demolish between 8,000 and 10,000 dangerous buildings by the end of FY07.** A key component of NTI is the removal of all known dangerous buildings in the city. The demolition program will proceed on three guiding principals: (1) conduct demolition in a safe, orderly manner; (2) minimize community disruption; and (3) structure bid documents to meet goals for community participation and decrease costs. The City has made many improvements to the bidding process. Contractors now bid on the entire demolition procedure, including stuccoing, asbestos checks, and securing ground, all processes that increase accountability and efficiency.

  The City projects that it will contract for 2,000 demolitions in FY03. Demolition contractors are bidding on approximately 19 packages, each ranging from 15 to 150 properties. The actual size and number of bid packages depends on factors, such as contractor capacity, concentration of vacant dangerous properties, environmental abatement requirements, and economic opportunity goals. The direct cost of the residential demolitions for FY03 is approximately $24 million. Despite improvements to the bidding process, the pace for soliciting community input, assembling demolition packages, and attracting realistic bids from contractors has been slower than expected. In FY04-07, the City plans to spend approximately $30 million per year to demolish between 8,000 and 10,000 additional buildings.

- **Spend $20 million on commercial demolition by end of FY07.** In FY03, the City will spend approximately $3 million in NTI bond proceeds demolishing commercial/industrial buildings. The Commerce Department, with City Council input, researched and developed a list of large vacant commercial/industrial properties for demolition over the next five years. These properties will be prioritized based on the danger they pose to the community and their potential for redevelopment. This list will be reviewed and updated annually. The exact number of demolitions cannot be projected due to the variable costs of commercial demolitions.

- **Stabilize between 1,500 and 2,000 properties by 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. The City prioritizes properties in stronger real estate markets, on blocks with low vacancy rates and without significant environmental or soil problems for stabilization. The Administration will work closely with City Council to identify properties for stabilization. In FY03, the City will complete specifications for stabilizing approximately 350 properties, 100 of which will be part of the Community Life Improvement Program (CLIP). The City plans to spend $3.5 million on stabilizations in FY03 and $30 million over the next five years, which will enable stabilization of 1,500 to 2,000 buildings.

- **Maintain NTI's ongoing neighborhood streetscape improvement programs.** The City will continue its vigorous efforts to keep streets and properties clean and attractive through the abandoned auto removal, anti-graffiti, and mural arts programs.

    - *Abandoned Auto Removal* – As of December 2002, 188,215 abandoned vehicles have been removed from Philadelphia streets since the program began in FY00. In FY04, the City will continue to remove abandoned vehicles as necessary and continue to respond to all complaints within 48 hours.

    - *Anti-Graffiti Network* – In FY03 and FY04, the Managing Director's Graffiti Abatement Teams will remove graffiti from approximately 88,300 properties and street fixtures annually.

    - *Mural Arts Program* – The Mural Arts Program will complete 140 murals in FY03, serving 1,125 participants in art education workshops. In FY04, the Mural Arts Program will complete approximately 140 murals and expand program to include treatment of adjoining vacant lots.

- **Enhance the City's recycling and anti-litter efforts.** Litter prevention and recycling are anchors of NTI's ongoing goal of removing blight from Philadelphia's neighborhoods. The City is currently involved in a three-year publicity campaign to increase participation in recycling programs and to curb littering. From FY02-FY04, the Streets Department received $1.2 million per year from the PA Department of Environmental Protection (DEP) for a series of television, print, and radio advertisements aimed at promoting the City's recycling program. This campaign has succeeded in increasing recycling; the City has seen increases in the tonnage collected every month since April 2002, when compared to the previous year. In FY04, the City will tailor its advertising campaign to specific neighborhoods and demographic groups; $250,000 of the $1.2 million in DEP funds will be spent on community litter awareness education. In addition, the Streets Department will continue to fund Keep Philadelphia Beautiful, an anti-litter and recycling advocacy organization, to promote the City's recycling and anti-litter efforts.

- **Continue vacant lot maintenance and begin new phase of the "Green City Strategy".** In FY04, the City will continue to clean and maintain Philadelphia's 32,000 vacant lots, ensuring that the lots meet a City standard developed in FY00 that keeps them, "reasonably free of debris". Six to eight community and faith-based organizations will supplement existing efforts on 2,000 to 3,000 lots maintenance beginning in FY04. Working with the Pennsylvania Horticultural Society (PHS), the City will make an additional effort to stabilize and beautify vacant lots. Basic lot stabilization involves placing a minimum of six inches of topsoil, grass seed, trees and low wooden rail fencing at the lot. The efforts of the City and PHS are coordinated through the "Green City Strategy," a public/private partnership that involves community residents, organizations, and businesses in: (1) cleaning and monitoring vacant lots; (2) stabilizing and greening select vacant lots; (3) landscaping community gateways; (4) planting street trees; (5) improving municipal parks and public spaces; and (6) planning open spaces. In FY04 and FY05, the City will develop an action plan for six geographically diverse target areas. In choosing target areas, the following criteria were considered: (1) location of designated NTI priority planning and demolition areas; (2) presence of strong community focused organizations; (3) concentration of public and private investments; and, (4) existing green spaces. The six target areas are: Eastern North Philadelphia, Frankford, Mt. Airy, North Central Philadelphia, West Philadelphia/ Mantua, and the Hawthorne and South of South Street neighborhoods.

The collaboration between the City and PHS began in April 2000. Since then, teams of volunteers, community groups, businesses, and City services personnel have stabilized 400 parcels, approximately 12 acres, in the American Street Empowerment Zone and an additional 3 acres in the six targeted areas. In FY04, the City will stabilize and green approximately 15 acres of land citywide. The City plans to spend $2.5 million from the General Fund for all FY04 greening activities.

- **Continue to remove and prune dangerous street trees and increase citywide street tree planting.** Of the City's 250,000 street trees, approximately 8,500 dead and dangerous trees were in need of removal in 2001. In addition, approximately 2,500 new trees decay and become dangerous each year. The City will eliminate the backlog of dangerous trees by the end of FY06. In both FY03 and FY04, the City will remove 4,100 dangerous trees and prune 14,000 more. The City's goal is to move from a 17-year pruning cycle to a 10-year cycle and prune 25,000 trees annually beginning in FY06. The City will also enhance citywide tree planting efforts. In late FY03, the Mayor will launch Operation Green Streets. Through this program, the Mayor's Office will partner with the Philadelphia Horticultural Society, Fairmount Park Commission, Philadelphia Housing Authority, Department of Recreation, Office of Housing and Community Development (OHCD), and School District, to plant between 4,000 and 5,000 street trees by early FY04. Funding for the first year of Operation Green Streets will come from the operating budgets of the involved departments and agencies. Tree planting efforts will continue through FY08.

- **Establish Philadelphia Green Fund.** In FY04, the Administration will announce the launch of the Green Fund. The Green Fund will be a fundraising and public awareness campaign to raise private sector funds to support tree planting and greening in Philadelphia neighborhoods. To support the Fund, individuals, corporations and foundations will be asked to "Sponsor a Tree" at $250 to $500 per tree. Contributors will have the opportunity to support other greening activities, such as gateway improvements on commercial corridors, greenways in residential areas, bulb plantings (such as the PHS's "10,000 Daffodils Project"), community gardens, and mural gardens.

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

Blight elimination is inherently reactive, expending scarce resources without addressing the root causes of blight. Blight, whether illegal dumping, property maintenance or zoning violations, often begins as a small, manageable problem on a single property. However, when small problems are not addressed, they quickly become large and unmanageable, negatively affecting the entire neighborhood's quality of life. As part of NTI, the City will institute comprehensive process changes to prevent blight from appearing in Philadelphia's neighborhoods.

- **Improve administrative capacity of code enforcement agencies.** The City's code enforcement system includes the Departments of Licenses and Inspections (L&I), Health, Public Property, Streets, and Police, the Redevelopment Authority, and Public Housing Authority. These agencies and departments historically did not adequately coordinate their activities, reducing the effectiveness of the overall system. In FY03, the City implemented the "L&I – Law Department Training Program" to train L&I inspectors on evidentiary and due process requirements, inspection procedures, and current code law. The program was created to improve coordination between L&I and the Law Department in facilitating the prosecution of egregious code violations. In FY03, 193 L&I inspectors and supervisors took part in this training program, which used existing City resources and personnel. In FY04, training will emphasize code due process requirements specific to NTI work such as demolition and CLIP.

- **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 to address and abate public nuisances to improve the overall appearance of Philadelphia's neighborhoods. CLIP inspectors use methods of public education, enforcement, and abatement to address these quality of life issues. Under the direction of the MDO, L&I, the departments of 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. CLIP was launched at the end of FY02. As of the first half of FY03, inspectors had written 7,047 code and 2,428 sanitation violations.

  By the end of FY03, the City will launch NTI quality of life improvement programs tailored to address public nuisances specific to the City's different communities. These programs will represent a coordinated effort among the Mayor's Office, the MDO, Law Department, several of the operating departments, members of City Council and community residents. All stakeholders will work together to identify and prioritize quality of life and public nuisance issues specific to areas within each Councilmanic District and direct public services to address those issues.

- **Clean-up Amtrak Railway Corridor.** Property surrounding railway lines is a frequent target for short dumping and therefore a significant contributor to neighborhood blight. The Law and Streets Departments are encouraging railway companies to contribute staff or financial resources to clean up efforts on railway lines. As a result of these efforts, Conrail has committed $200,000 from their anticipated tax refund to a railway clean up project in Port Richmond and Kensington. In FY04, the City hopes to reach similar agreements with SEPTA and Amtrak.

- **Begin repairing dangerous retaining walls.** State law requires that property owners be responsible for the cost to maintain, repair or reconstruct private property ("the private infrastructure"), which includes retaining walls, alleyways, driveways, curbs, and sidewalks. However, the high costs associated with such repairs has been a deterrent for some property owners. In cases where private infrastructure such as a retaining wall becomes a public safety hazard, the City will intervene. The NTI FY03 budget includes $1 million for retaining wall repairs and will produce an analysis of alternative strategies for funding the repair of curbs, sidewalks, driveways, and alleyways. The Streets Department has compiled and prioritized a list of retaining walls in need of repair and has completed design specifications for the repair of three walls. The three walls are a part of a demonstration project that will cost approximately $400,000. In FY04, the MDO, Streets Department, and Mayor's Office will continue to explore best practices for repairs to driveways, curbs, sidewalks, and alleyways.

- **Expand the City's efforts to combat predatory lending.** Predatory lending is the practice of charging excessive interest rates and up-front fees on home loans. These practices target vulnerable, financially unsophisticated homeowners, draining equity from communities and often forcing homeowners to foreclose, which increases vacancy rates throughout the city.

  In June 2002, the City announced its participation in the "Don't Borrow Trouble" campaign, sponsored by Freddie Mac, a secondary mortgage buyer. Freddie Mac provided a $25,000 grant to set up a public information hotline for homeowners who are planning to take out a home improvement/debt consolidation loan or suspect they are victims of predatory loans. Hotline operators at Philadelphia Legal Assistance (PLA) have fielded over 800 calls from June through December 2002. PLA expects to receive an additional 800 calls for the six-month period through June 2003. Callers to the hotline are given advice on their loans, and, when necessary, referred to one of 60 anti-predatory loan counselors. In addition, the City provided $420,000 to 13 agencies for loan counseling efforts in FY03. In FY03, the City used Community Development Block Grant funds to provide three support mechanisms to help housing counselors with complicated predatory lending issues. The Homeownership Counseling Association of the Delaware Valley (HCA) received a $100,000 contract with the City to provide introductory and advanced training in anti-predatory lending counseling. Community Legal Assistance, a PLA agency, was funded $50,000 for three attorneys to provide expert legal advice to the counselors. Also in FY03, the City paid the Reinvestment Fund $15,000 to periodically review complicated cases with the counselors. In FY04, the City will begin an extensive public education campaign to raise awareness about predatory lending practices and promote alternative loan products such as the Philadelphia Home Improvement Loan. This campaign will include water bill stuffers, print advertising and a press event.

  In FY03, the City expanded its anti-predatory lending committee, which seeks to coordinate anti-predatory lending efforts in Philadelphia, to include representatives from the U.S. Department of Housing and Urban Development (HUD), the U.S. Attorney's Office, and the Philadelphia District Attorney's Office. The City also awarded contracts to third party agencies to offer needed services to victims of and those most vulnerable to predatory lending. The contracts awarded include $500,000 to the Greater Philadelphia Urban Affairs Coalition to provide home improvement financing to borrowers who have marginal credit history, and $250,000 to a collaboration of The Reinvestment Fund, Association of Community Organization for Reform Now (ACORN), and HCA to help victims of predatory lending refinance.

Land Assembly: Improve the City's Ability to Assemble Land for 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. In FY04, the City will take the following steps to promote the NTI goal of land assembly:

- **Incorporate lessons from the American Street Empowerment Zone land assembly demonstration.** As a case study to better understand the difficulty of assembling land in Philadelphia, the Empowerment Zone and the Commerce Department set out to assemble 72 individual, formerly vacant and blighted parcels to create one 3.5-acre site to permit the construction of a 60,000 square foot commercial facility in the American Street Empowerment Zone. The project, which began in February 2001, will be completed in late FY03. The land assembly effort has presented some significant challenges, including coordinating with multiple agencies who have different acquisition/disposition processes; securing valid deeds; relying on complex, time-consuming Sheriff's Sales; and conducting relocation notifications, which all hindered the process. As a result of this project, the City is reviewing the strategies of communication to community residents and community involvement in the planning and land assembly process. The City is also reviewing how the methods of acquisition (e.g., Sheriff's Sale, spot condemnation and eminent domain) can be improved. Findings from this project will be incorporated into the City's future land assembly policy and practice.

- **Institute land acquisition and land banking principles.** As part of NTI, the City will acquire vacant land on a regular and consistent basis. This process will facilitate the City's efforts to redevelop land for new commercial, industrial or residential uses. The Interagency Acquisition Review Team (IART), an interagency collaborative established under NTI, determines acquisition policy and priorities. The IART, which consists of representatives from the PCPC, RDA, OHCD, the Department of Commerce, the Empowerment Zone and the Mayor's Office, reviews acquisition requests for land banking and specific development projects. All acquisition requests receive initial approval from City Council. Approved acquisitions are funded by NTI bond proceeds and managed by the Redevelopment Authority (RDA) through eminent domain condemnation in accordance with state and local laws.

  In the first half of FY03, Council approved the acquisition of 2,510 lots with approximately $14 million in NTI bond proceeds. This represents a 1,300 percent increase in acquisitions over previous years, when 175 parcels were typically acquired by the RDA each year. Pursuant to these new acquisition policies, the IART received an additional $43 million in requests for land acquisition in FY03. Further acquisitions using NTI bond proceeds and recycled funds from RDA condemnations will be made in FY04-FY07.

  In FY04, the City will begin to transfer title of all city-surplus properties for which there are no recorded expressions of interest to the RDA to include in the land bank. 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. Until this entity is formally created, the RDA will serve as the *de facto* "land bank".

- **Institute acquisition recycling program.** Most of the property that the RDA will condemn as a part of NTI is tax delinquent and/or has other municipal liens recorded against it. When the RDA settles with an owner, or in the case of abandoned property, pays the appraised value of the real estate, the City collects the outstanding liens up to the appraised value of the real estate. Beginning in FY03, the Administration will include as part of the City's operating budget an amount equal to its projected share of delinquent real estate taxes ($0.45 for each $1.00 collected) and other municipal liens that will be collected as a result of these RDA condemnations. The City will reuse revenues generated by these condemnations to fund NTI property acquisitions in FY04-

FY07. Beginning in FY04, the City will have approximately $5.6 million available to recycle for future land acquisitions.

- **Develop a vacant property management information system.** To efficiently track the acquisition, assembly and disposition of property, the City is developing a Vacant Property Management Information System (VPMIS). This system 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. Thus far, the City has completed data flow analyses of the acquisition and disposition processes. In January 2003, the City began accessing the first phase of the VPMIS, a baseline system to track property acquisition and redevelopment processes. When fully operational, the VPMIS will build on the City's geographic information system (GIS) to perform spatial analysis and obtain mapping information efficiently from other City departments and agencies. The Mayor's Office of Information Services (MOIS) will use $1.96 million of NTI bond proceeds to accelerate necessary improvements to the City's GIS. In FY04, the City will issue an RFP and hire a consultant to complete the fully integrated VPMIS; the system will be operational by the close of FY05.

- **Continue to propose legislative changes to facilitate urban redevelopment.** During FY02, the RDA and Law Department drafted proposed changes to urban redevelopment law that included: (1) a reduction in the statute of limitations for property owners to challenge compensation offers for condemnations; (2) adding "abandoned properties" to the list of vacant properties eligible for spot taking by the RDA; and (3) providing clear definitions of "abandoned" and "vacant" property. These changes, which were signed into law in October 2002, provide the City and RDA with key tools to accelerate the acquisition and packaging of blighted properties.

  In FY04, the Law Department will seek the adoption of Common Pleas Court rules for eminent domain cases to help speed the land acquisition process. In addition, the City will work with the Pennsylvania Low Income Housing Coalition, which authored a best practices report (funded by the Pew Charitable Trusts) on reforms to state law that could help Philadelphia exercise greater control of property in order to eliminate blight and promote development, to create an agenda of further goals for legislative reform.

Neighborhood Investments: Stimulate and Attract Investment in Philadelphia Neighborhoods

Neighborhood redevelopment will only occur if the City facilitates investment within a cohesive, comprehensive City strategy for housing and neighborhood preservation and revitalization. In FY04, the City will take the following steps to stimulate housing investment:

- **Create the new Office of Housing and Neighborhood Preservation.** The City's new Secretary of Housing and Neighborhood Preservation began work on December 9, 2002. The new Secretary will oversee the reorganization of many of the City's housing agencies and development of new mixed income and market rate housing projects. The reorganization will focus on the housing and neighborhood preservation functions carried out principally by OHCD, RDA, and the Philadelphia Housing Development Corporation (PHDC). The Office of Housing and Neighborhood Preservation (OHNP) will become the single point of accountability for designing, articulating, and implementing an overall housing and neighborhood preservation strategy for the City. The OHNP will also encourage an expansion in the production of market rate housing by: (1) facilitating the private acquisition of property from public and private owners; (2) creating an ombudsman position to shepherd developers through the City's various approval processes; and (3) assisting developers in understanding local housing market trends and developments through better information data systems and analyses.

- **Consolidate small vacant lot acquisition/disposition and maintenance programs.** The City has six distinct programs for the acquisition and disposition of small vacant lots as well as three maintenance programs, administered by RDA, PHDC, the Department of Revenue, and OHCD. These programs include the Small Vacant Lot Abatement Program, Gift Property Program, Side Yard Program, Public Auctions, Urban Garden Program, Maintenance Program, and Community Caretaker Program. All of these programs receive a substantial volume of applications and maintain a significant backlog of requests. The City would like to eliminate this backlog and expedite the process for transferring these lots to individuals and organizations. To this end, the Mayor's Office conducted a thorough review of the City's various acquisition/disposition and maintenance programs for small vacant lots and made a series of recommendations for streamlining and consolidating these programs. In FY04, the City will design and implement one acquisition/disposition program to replace all existing programs.

- **Ensure that 3,500 new affordable housing units exist by end of FY07.** The City is committed to providing quality, affordable housing for its most vulnerable citizens – low income, elderly, and special needs populations. Through OHCD, RDA and PHDC, the City partially funds the acquisition and production of affordable housing developments. In the first six months of FY03, 39 homeownership, 198 rental, and 25 special needs units were completed for a total of 262 new housing units. As of December 2002, 427 additional units were under construction including 155 homeownership, 226 rental, and 46 special needs units, for completion by the end of FY03. An additional 416 homeownership, 615 rental (including elderly), and 205 special needs units were at some stage of acquisition or planning. These ventures are expected to begin construction in the last six months of FY03 or during FY04.

- **Promote the construction of 2,000 housing units within new urban communities by end of FY07.** New urban communities are mixed income and offer a variety of housing options: rental, homeownership, senior and special needs. NTI's demolition and land assembly activities present numerous opportunities to construct new, large-scale housing developments throughout Philadelphia. Five developments consisting of 2,114 new units will begin construction in FY04. These developments are: 788 units at Mill Creek Hope VI; 400 units at Brewerytown; 230 units at Capehart; 546 units at Tasker/Gray's Ferry; and completion of the remaining 151 units at Cecil B. Moore Homeownership Zone. Half of these new units will be rental properties (including low-income and senior) and the other half will be homeownership properties.

- **Provide financing to developers and homeowners to fund rehabilitation and repairs.** Capital investments are required to preserve Philadelphia's older housing stock so that 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 that they can repair and improve their homes. By the end of FY07, the City will invest in the preservation of 4,500 homes.

The City will continue to allocate funds to the Homeownership Rehabilitation Program (HRP), which provides an average subsidy of $25,000 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 bond proceeds to match $2 million in CDBG funding to HRP. To encourage maximum production, the expanded program will now be available to non-profit and for-profit developers. The City also provides financial assistance to homeowners for home improvements and repairs.

The Philadelphia Home Improvement Loan (PHIL) program lends up to $25,000 at 3 percent and 5 percent rates to existing homeowners. In FY03, the City contributed an additional $2 million in NTI bond proceeds to the program, expanding the program's loan capacity to $4 million. The newly expanded program is open to all city residents, regardless of income. The City is working with four banks, Fleet, Citizens, Wachovia/First Union and PNC, who serve as lenders to the loans, which are then purchased by the City. Beginning in FY03, the City began aggressively promoting the new PHIL Program with the "Great City. Great Rate." advertising campaign. The program will be funded with $4 million annually through FY05 and will provide approximately 200 home-improvement loans a year.

In the third quarter of FY03, the City will issue a request for proposal (RFP) to agencies to provide Targeted Basic Systems Repair Program (BSRP) grants to low income homeowners in ten neighborhoods. The Targeted BSRP is modeled after the existing BSRP, which provides homeowners with grant and/or grant assistance for essential systems (plumbing, heating, electrical, and roofing) and exterior façade improvements, including porch and cornice repairs, painting and sidewalk and step replacement. For both BSRP programs, eligible homeowners must have incomes less than 80 percent of the area mean income; the Targeted program, however, is only for homeowners who live on blocks with fewer than 10 percent of the properties vacant. To leverage the greatest benefit from NTI resources, the homeowner will match his/her affordable loan with an NTI grant, dollar for dollar up to $7,500 (or $10,000 if façade treatments are required). In the case of owners who do not qualify for a loan, the contracted agency may approve un-matched grants. The City will allocate $2 million in NTI bond funding each year to the Targeted BSRP from FY03-FY05, which is expected to serve 230 homeowners annually from FY03 through FY05.

- **Encourage a healthy real estate market.** A crucial component of a healthy real estate market is the consistent buying and selling of market rate housing. Market rate housing is constructed and purchased without using government subsidy. In many parts of the city, private developers are rehabilitating or building homes to sell on the open market. The Administration expects to see the construction or rehabilitation of 6,000 market-rate housing units by the end of FY07 as a result of NTI. In FY03, The Reinvestment Fund will begin to monitor market activity by collecting data on building permits issued and certificates of occupancy for unsubsidized housing. This will help the City better understand trends in Philadelphia's stronger real estate markets and encourage investment in its marginal markets. To compliment the City's efforts to increase the supply of market rate housing, the Center City District will launch the Neighborhood Marketing Program, in March 2003. The Neighborhood Marketing Program is a demonstration project marketing six Philadelphia neighborhoods to potential residents in the greater Philadelphia region. The Program will employ print advertisements, brochures, and a website to create interest in Mt. Airy, Fox Chase, Overbrook Farms, Southwest Center City, Roxborough, and Cedar Park.

In addition, the City will continue to support programs that create homeownership opportunities for homebuyers. In FY03, the City awarded a $250,000 contract to the Greater Philadelphia Urban Affairs Coalition (GPUAC) to serve as intermediary to design and market an Employer Assisted Housing (EAH) program to Philadelphia employers. EAH programs offer homeownership benefits, such as counseling, down payment and closing costs assistance, and group mortgage origination and to employees. GPUAC will encourage the Philadelphia business community to adopt EAH programs, promoting homeownership in Philadelphia and making participating businesses more attractive to potential employees.

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

Achieving NTI's bold targets and goals requires more than cooperation and collaboration; it requires a commitment of economic resources. The City is projected to maintain the $130 million in funding from the General Fund that was provided in last year's Plan to support NTI projects. Of these projected funds, $90 million ($18 million annually) will cover debt service payments and $40 million will be allocated to street tree and vacant lot remediation. While significant, these amounts are insufficient to address all of the needs of Philadelphia's neighborhoods. Neighborhood transformation is a holistic process, requiring investments in redevelopment, schools, public safety, and commerce. Over the next five years, the City will invest in public safety through Operation Safe Streets, in commerce through Renewal Community and Empowerment Zone activities, and in the renovation and rebuilding of City facilities with the Capital Funds. In FY04, the City will invest in Philadelphia's neighborhoods, leveraging the following sources:

- **Issue the NTI bonds for the redevelopment of Philadelphia's neighborhoods.** The centerpiece of the NTI is an investment of approximately $295 million in bond proceeds over five years. In February 2002, City Council approved the issuance of these bonds by the Redevelopment Authority (RDA), and in May 2002, the RDA issued the first tranche of bonds worth $145 million. In June 2002, Council approved the NTI FY03 Program Statement and Budget, which focuses on the uses of these bond proceeds. In FY03, $68 million in NTI bond proceeds funded the demolition of dangerous residential, commercial, and industrial properties; the assembly of land for new development; the stabilization and rehabilitation of salvageable residential properties; and, the development of a property management information system. The Mayor's Office will submit the FY04 budget to City Council in May 2003.

- **Continue Operation Safe Streets.** In order to dramatically improve the quality of life in city neighborhoods through the elimination of crimes associated with open-air narcotics activity, the City initiated Operation Safe Streets in May 2002. Operation Safe Streets makes a firm statement that open-air drug sales will no longer be tolerated on the streets of Philadelphia. The Police Department mapped drug violence across the city and classified corners according to the severity of the crime. Police officers were then deployed to targeted corners to disrupt, dissuade and deter the drug trade. Town watch and community groups were mobilized to support the intensified policing. Social service agencies simultaneously promote substance abuse treatment and prevention programs. The Safe Streets Program will cost an estimated $100 million from FY03 through FY07. In FY04, the City will continue to police known drug corners using stationary posts, foot patrols, high profile patrols (bike-vehicle) surveillance/arrests, buy/bust and reverse sting operations. (For more information, see the Police Department chapter)

- **Attract business investment to Philadelphia's Renewal Community.** Philadelphia is home to one of forty U.S. Department of Housing and Urban Development Renewal Communities. This designation, which lasts through 2009, offers tax and other financial incentives for the development of commercial properties, purchase of equipment and employment of area residents. The Renewal Community exemplifies NTI's approach of involving local, state and federal governments, private businesses, community-based organizations and neighborhood residents in efforts to revitalize Philadelphia's neighborhoods. Specifically included in Philadelphia's Renewal Community are the commercial corridors of C.B. Moore Avenue, Washington Avenue, South Street, Point Breeze Avenue, Grays Ferry Avenue, Hunting Park Avenue, Germantown Avenue, Allegheny Avenue, Lancaster Avenue, Girard Avenue, and North Broad Street. Over 300 individuals have been trained on the benefits of the Renewal Community, so that they can promote the program to businesses, developers, and investors. In the first half of FY03, 76 businesses received information about the program. Businesses will be eligible for significant funding through an assortment of federal tax credits, tax deductions, and an exclusion of capital gains taxes. In addition, the Renewal Community will allocate $12 million per year in federal tax deductions, known as Commercial Revitalization Deductions (CRD), to emerging and/or expanding businesses. The first $12 million CRD allocation took place in the first half of FY03 and was shared among ten businesses; the awardees will create or retain an estimated 599 full and part-time jobs throughout the Renewal Community. Annual allocations of $12 million in CRD will continue through FY10.

- **Build new schools.** Safe, functioning, conveniently located schools are a necessary part of successful communities. Over 70 percent of the Philadelphia School District's 263 elementary, middle, and high schools are more than fifty years old. Between 1984-1996, virtually no capital investments were made in City schools. Beginning in FY04, the School District will launch the five-year Capital Improvement Program (CIP) to make needed improvements to the city's school buildings. The Capital Improvement Program will spend $1.4 billion in general obligation bonds and capital grants to build new elementary and high schools, conduct major renovations, and make other needed upgrades to building exteriors, lighting, wiring and laboratory facilities.

- **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. Federal HOPE VI grants and HUD-approved bonds are employed to rebuild and/or revitalize public housing developments at the Tasker, Mill Creek, Cambridge I & II and Wilson Park sites. In FY02, PHA was one of only two national housing authorities selected for the federal Moving-to-Work program. Through Moving-to-Work, PHA will receive $37 million to improve operational efficiency, family self-sufficiency and property revitalization and modernization of public housing over the next seven years.

- **Proactively seek federal and state support for NTI's efforts.** In FY04, the Administration will work with the City's federal lobbyists to secure $3 million in funding over five years for implementation of the Green City Strategy. Working in coordination with the Commonwealth, Philadelphia will be amending the existing Keystone Opportunity Zones (KOZ) and Keystone Opportunity Expansion Zones (KOEZ), which provide virtually tax-free development sites to build new facilities on these properties, to add additional locations and to remove parcels that are desirable for market rate housing development. To date the KOZ incentives have been accessed by 89 projects, which will invest $158 million in capital improvements and create an estimated 2,701 jobs and retain 1,731 jobs. In addition, Governor Rendell has proposed a $200 million revolving loan fund to help Pennsylvania cities to revitalize vacant land. The City will closely monitor progress on these efforts in order secure a portion of this funding for NTI land assembly efforts.

- **Secure corporate and philanthropic support through an aggressive fund-raising strategy.** The Mayor's Office has identified five areas that require corporate and philanthropic support: (1) establishment of an urban green fund; (2) public sector capacity building through management training and systems building; (3) select land use planning in high impact areas of the city; and (4) develop a flexible fund to support the creation of new urban communities.

  Citizens Bank has emerged as a supportive corporate partner for the City of Philadelphia and NTI. In October 2002, Citizens and the University of Pennsylvania launched the University City Neighborhood Improvement Program. The Program is a five-year $28 million development initiative designed to create affordable housing opportunities, support small business and strengthen community organizations in the University City area. Beginning in FY04, several elements of the University City Program will be replicated in other parts of Philadelphia through the Citizens Bank/ City of Philadelphia NTI Partnership. The Partnership will leverage more than $78 million in support (over five years) for residential mortgage, home improvement loans, and small business loans; community development project financing and property acquisition loans; and, support for other activities, such as a small business technical assistance program, anti-predatory lending efforts, and the Green City Strategy.

Five Year Estimated Summary NTI Program Budget

NTI Activity	FY03	FY04	FY05	FY06	FY07	Total (FY03-FY07)
Blight Elimination						
Residential Demolition	$35,140,627	$28,252,730	$30,502,730	$27,057,837	$19,046,076	$140,000,000
Large Vacant Bldg Demo.	$3,000,000	$4,250,000	$4,250,000	$4,250,000	$4,250,000	$20,000,000
Redevelopment Through Land Assembly						
Land Acquisitions	$8,000,000	$8,000,000	$8,000,000	$8,000,000	$8,000,000	$40,000,000
Land Assembly for Development Projects[1]	$3,000,000	$2,500,000	$2,000,000	$1,500,000	$1,000,000	$10,000,000
Housing Investment and Neigh. Pres.						
Vacant Property Stabilization	$6,000,000	$6,000,000	$6,500,000	$6,000,000	$5,500,000	$30,000,000
Housing Rehab & Preservation Programs	**$8,000,000**	$11,250,000	$11,250,000	$11,250,000	**$8,250,000**	$50,000,000
MIS and IT Activities						
Vacant Property MIS	$2,100,000	$0	$0	$0	$0	$2,100,000
Additional MIS	$2,900,000	$0	$0	$0	$0	$2,900,000
Total	**68,140,627**	**$60,252,730**	**$62,502,730**	**$58,057,837**	**$46,046,076**	**$295,000,000**

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.

Under the direction of the Commerce Department, this Administration has focused its efforts on five priorities:

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

The City's economic development efforts will focus on Philadelphia's strengths and 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 we compete for new knowledge-based jobs. 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 service sector employment, over the next five years, Philadelphia will look to support existing sectors while bolstering new job growth among knowledge workers. According to a recent Federal Reserve study, the Philadelphia region's share of workers who are employed in knowledge positions is 32 percent, four percentage points above the national average. In a recent speech, Philadelphia Federal Reserve Bank President Anthony Santomero stated that while business and consumer uncertainty lingers, "This is an opportune time for the Philadelphia metropolitan area. The national economy is on the mend and recovering from the mildest recession in its history. Our economy is on course for renewed growth, sustained expansion, and steadily rising real incomes driven by knowledge-based productivity gains. Large metropolitan places have some fundamental advantages that can place them at the forefront of this knowledge-driven economy. Philadelphia has had particular success in establishing itself in an important segment of the knowledge economy, and it seems to be developing the capacity to broaden its role."

Cluster Employment Data: 1997-2002 (In Thousands)
Source: Bureau of Labor Statistics

	1997	1998	1999	2000	2001	2002*	% Change from 1997
Construction & Mining	11.1	11.5	12.8	13.8	12.3	11.7	5.2%
Manufacturing	58.7	57.8	57.3	55.8	52.5	51.0	-13.2%
Transportation & Public Utilities	33.6	34.2	35.8	36.3	35.8	33.6	0.1%
Wholesale & Retail Trade	110.3	113.5	118.4	120.7	118.1	117.1	6.2%
Finance, Insurance & RE	53.0	52.3	50.6	51.1	50.3	50.2	-5.3%
Services	282.2	289.3	293.2	298.8	300.3	301.7	6.9%
Government	118.7	116.8	117.2	119.6	118.6	119.1	0.3%
Total	667.5	675.3	685.2	695.9	687.8	684.3	2.5%

* December estimate by City of Philadelphia Office of Budget and Program Evaluation

Despite recessionary circumstances, Philadelphia's employment for 2002 remained relatively stable. Employment in Philadelphia's service sector, including health care, education, hospitality, and other services, increased by 6.9 percent from 1997 to 2002. This sector's growth, reflected by added jobs in all years, has been key to stabilizing the local economy and 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, as destinations set to open in 2003 include the National Constitution Center and Lincoln Financial Field, the new Eagles stadium. Coupled with other recently opened regional amenities such as the Kimmel Center for the Performing Arts, the Independence Visitors Center, and the new Phillies stadium set to open in 2004, as well as the possible opening of a Calder Museum and a possible relocation of the Barnes Foundation, the new facilities reflect 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) – 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 which 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 success 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 two 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 2002 third 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, Boston is 13 percent more expensive, and Washington D.C. is approximately 11 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 its 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 City faces enormous challenges in its endeavor to create and retain jobs. These obstacles, and the City's strategies for overcoming them, are identified in the following discussion.

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: 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. 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 well-paying jobs for residents.

- **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. In order 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. One successful example is currently operating along Girard Avenue, from I-95 to 33rd Street. The Girard Coalition, an organization of non-profit, private sector and community development groups have joined forces and are working with the City to make streetscapes improvements along Girard Avenue. Through grant and loan programs, capital projects, and technical assistance, the City served over 2,000 individual neighborhood businesses in FY03 alone.

  The Administration has developed several programs encouraging small business development and has specifically targeted some to break the cycle of prison recidivism. If individuals coming out of prison are to be successful, they must have employment, or other opportunities to earn an income. Because of their criminal records, however, many will never find traditional employment. A number of initiatives have been introduced to meet the City's objectives of expanding income generating opportunities for individuals coming out of prison 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 out-reach efforts to grow entrepreneurs is 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 meeting's purpose is to identify and address any barriers to retaining these tenants in Center City. Thirty-seven businesses have been visited thus far, with several successes. For example, after seriously considering a suburban relocation, Radian, a financial services company, has executed a long-term lease to consolidate its 440 employees to 1601 Market Street in Center City Philadelphia. American Business Financial Services will relocate its headquarters and 700 employees from Bala Cynwyd to 234,000 square feet in Center City's Wanamaker Building in mid-2003. In addition, ABFS has committed to grow its employment to 1,000 by 2006. The City helped coordinate a financial package that includes loans for fit-out costs, State tax credits and City grant funding that is forgivable based on meeting employment goals.

- **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 Goode. 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. There are 15 companies involved in the program, which will ensure a 10-year $15 million funding stream from the private sector to help CDCs provide services to support small business, create jobs and stabilize neighborhoods.

- **Expand 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 the BPT, net profits tax, 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. If approved by City Council, KOIZs will 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 89 new or existing companies within KOZs or KOEZs, leveraged over $158 million in private investment, and fostered the creation of 2,701 jobs and the retention of 1,731 jobs.

- Renewal Community Designation. The Community Renewal Tax Relief Act of 2000 extended the Philadelphia Empowerment Zone, a federal program that offers employment and operating tax incentives to businesses locating within economically distressed areas, through December 2009. It also authorized the creation of 40 Renewal Communities. In 2002, Philadelphia competed successfully and was designated one of only 28 urban Renewal Communities in the country. 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 2002, the first year of the seven-year program, the City allocated $12 million in Commercial Revitalization Deductions, a tax benefit accelerating depreciation for businesses located in the Renewal Community. All 10 qualified applicants received allocations this year, which leveraged approximately $42.5 million in private investment and helped to create and retain 535 full time jobs and 64 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 PIDC and supported by the Commerce Department, UII has helped strengthen individual companies and their business relationships by organizing purchasing forums, connecting small businesses to large corporations and strengthening the relationship between residents and neighborhood-based companies. In its sixth 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. The UII has also packaged 16 loans for state and federal programs. Overall, UII has 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 teach high school students about employment opportunities in manufacturing through classroom education and business interface, the City and UII support a program called *Philadelphia Makes It!*, which began in 2001. This year the program will include monthly tours of manufacturing facilities, support of existing programs and the introduction of the *Made in Pennsylvania* curriculum to high school classes. 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 the 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. The Brownfields Program's success can be measured by the growth in project volume over time as well as the external funding that is leveraged by the City of Philadelphia's commitments.

Funding for Brownfields, 2000-2002

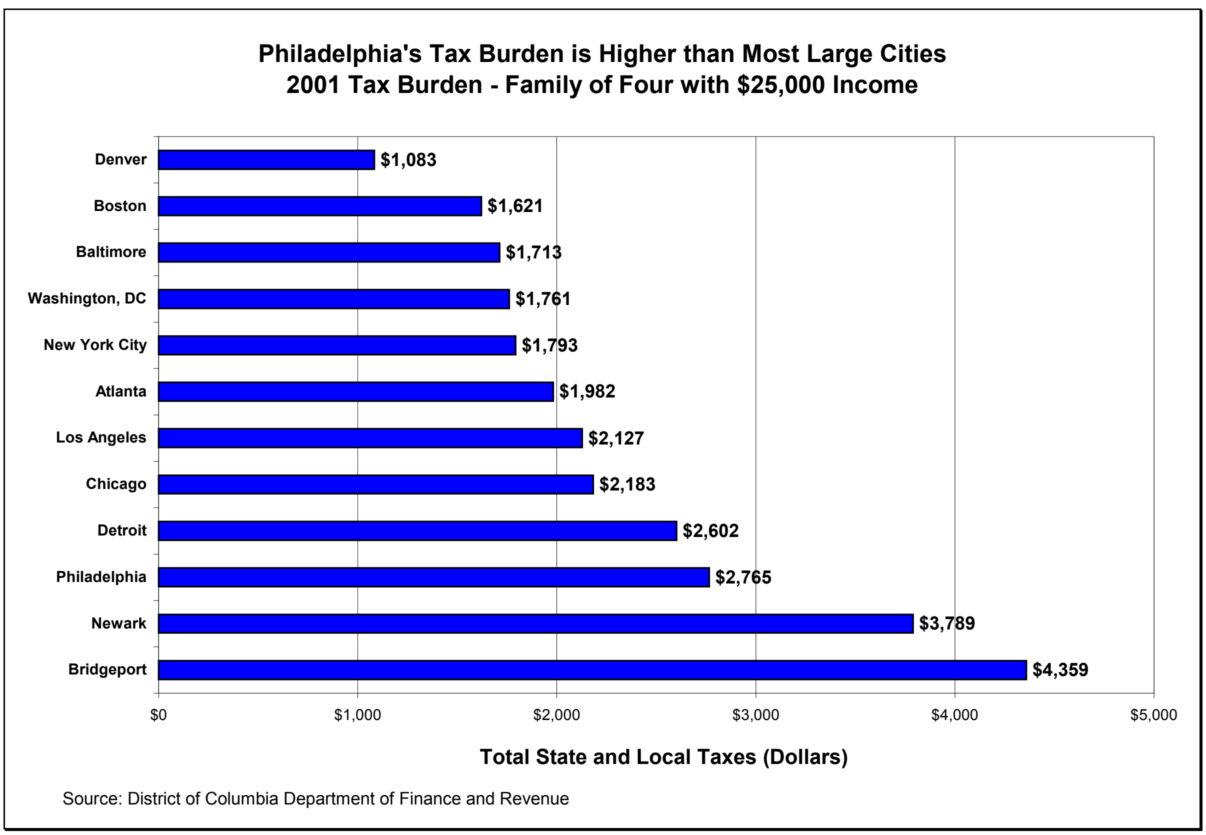
	2000	2001*	2002
City (Commerce, PIDC, RDA)	$194,159	$1,240,354	$293,827
State	$647,093	$2,570,367	$2,184,894
Federal	$88,664	$70,313	$138,550
Private		$86,214	$413,263
TOTAL	$929,916	$3,967,248	$3,030,534
Leverage (Non-City $/Total)	79%	69%	90%
Number of projects	24	34	45
* The spike in per project costs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

A prime example of successful brownfield redevelopment is the Commerce Department's ongoing work in the Schuylkill River Corridor. What started for the Commerce Department in 1998 as a retention effort focused on DuPont Marshall Laboratories has grown to a corridor-wide amenities-driven redevelopment effort in partnership with the nonprofit Schuylkill River Development Corporation (SRDC). Guided by a Master Plan funded by the state and private foundations, SRDC plans to acquire and develop a trail connecting Center

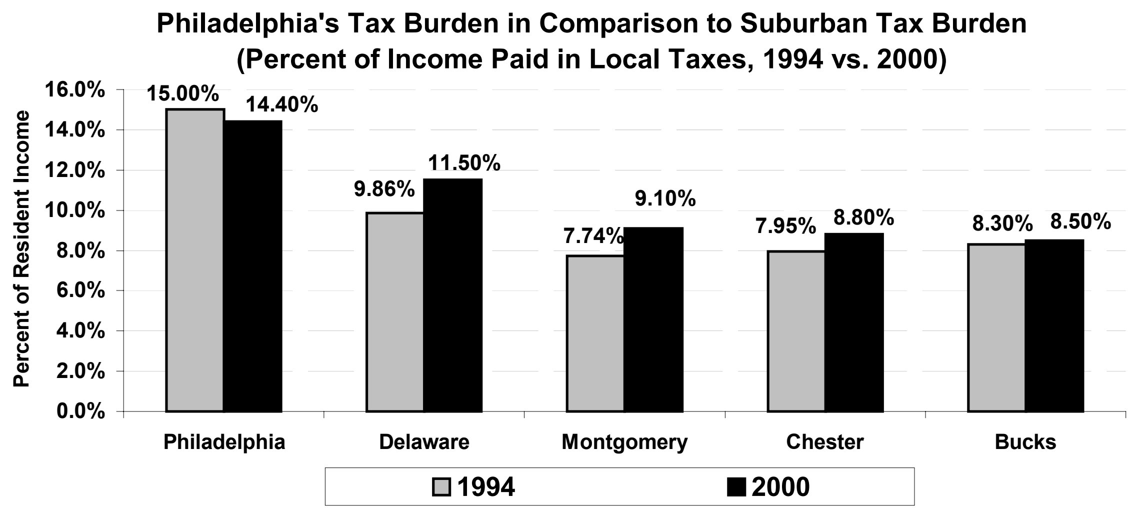
City to Historic Bartram's Garden in Southwest Philadelphia, estimated to cost approximately $30.7 million, not including bulkhead improvements. Most recently, the State awarded $284,000 in June 2002 to the Commerce Department to acquire land between the South Street Bridge and the University Avenue Bridge on the East Bank of the Schuylkill River, a key linkage in the trail. As the trail is developed, the Commerce Department will continue acquisition and remediation work on adjacent parcels of land. One such parcel targeted by the Commerce Department for redevelopment, a former roofing materials factory, is now a $15 million, 110,000 square foot FedEx Express facility employing approximately 200 people.

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 through FY08 both the wage tax reduction and the business privilege tax reduction (see Fiscal Health Chapter of this Plan). The tax reduction program, which has been in place since FY96, is essential because, as the following chart shows, despite the incremental tax reduction program, Philadelphia's 2001 tax burden was the third highest among comparison cities for a family of four with $25,000 annual income.



Philadelphia's tax burden is also high compared to those in surrounding counties, as the following graph shows. However, that gap began to close between 1994 and 2000. Moreover, since 2000 Philadelphia has continued to lower its tax burden while the surrounding counties have been increasing taxes.



Source: *Metropolitan Philadelphia Policy Center, 2001. Robert P. Inman, Ph.D.*

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.

- **Accelerate the reduction in the gross receipts portion of the Business Privilege Tax (BPT) and simplify the filing process**. As part of the first eight 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 0.325 percent before the program started in FY96 to 0.23 percent in FY03. The more aggressive reductions begun in last year's Five-Year Plan are continued through FY08 in this year's Plan, as the Administration's tax reduction program cuts the tax rate on gross receipts to 0.21 percent in FY04 and then lowers it to .15 percent by FY08, a reduction of almost 54 percent from the FY96 level. Economists have said that the reductions in this onerous tax, which unfairly imposes even more of a burden on certain types of businesses and consumers than on others, will stimulate the Philadelphia economy.

  In an effort led by Councilwoman Reynolds-Brown and with the Administration's support, City Council and the Pennsylvania General Assembly both passed legislation in 2002 that will simplify the BPT filing process for new businesses in Philadelphia. Beginning with FY03 tax returns, new businesses no longer need to file two separate BPT returns for two different years on the same date – a confusing process that resulted in improper filing by approximately half of the City's 10,000 new businesses each year. .

- **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. During FY03, the PCPC will contract for an early-stage technical study to contribute to an update of the City's land development codes. Funded by a TCDI grant of $70,000 from the DVRPC, this study will focus on best practices from other communities that could be applicable to Philadelphia. The study will offer preliminary recommendations, including proposed code language and typical site plans. In addition, in FY03 the City formed a working group tasked with making short- and long-term recommendations to streamline and consolidate the licensing and permitting process. A cross section of those recommendations include:

  - Reduce the number of applicants that need to wait in line and file in-person by establishing drop off boxes and accepting applications through the mail, with the eventual goal of electronic filing. These alternative submission mechanisms should be available in FY04.
  - Modernize forms to capture needed information by eliminating unused sections and adding features in anticipation of future automation. The forms will be updated in FY03 and available in FY04.
  - In FY03, establish and publicize a "Developer Services Committee" comprised of key multi-agency personnel to provide support to developers on their applications, particularly during the early design stages.

- **Streamline internal functions**. Several City departments are also working to reduce regulatory burdens on businesses and increase electronic access to services. Visitors to **www.phila.gov** are now able to: pay parking tickets, view property assessments, search for police reports of incidents that occurred within the Philadelphia city limits and request a copy of the accident report, and download a block party street closure permit.

  One way the City has historically assisted small businesses is through rebate programs for security enhancements and façade improvements. In FY03 a working group combined rebate programs at Philadelphia Commercial Development Corporation (PCDC) with those at the Commerce Department into one consolidated program, called the Small Business Commercial Improvement Program (SBCIP). Launched in January 2003, SBCIP will increase internal efficiency, unify grant award policy across neighborhoods and ultimately extend program resources to a greater number of businesses. The combined program will use City and CDBG funds to serve over 130 businesses in both FY03 and FY04, providing an average grant per business of $1,800.

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 chronic labor problems must be fixed, more recent governance problems must be corrected, and its expansion must be funded. Despite 2002 being the best convention year to date in terms of occupancy, the PCC's ability to attract future conventions has been threatened by well-publicized labor inefficiencies and the resulting elevated labor costs. Confusion over governance created by state legislation that expands the Authority's Board to give more representatives to the counties surrounding the City and, as a result, dilutes the City's representation on the Board, heightened competition from new larger convention centers in other cities. 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, or the soon to be completed centers in Boston and Washington D.C., both of which will have 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, with occupancy rates averaging just 60.1 percent in 2001 compared with 73 percent in 1997. Despite the most successful PCC booking year ever, hotel occupancy is projected to be approximately 64 percent for 2002. Establishing Philadelphia as a premier convention and tourist destination is key to capitalizing on the hospitality infrastructure in place. Expanding the Convention Center is essential to the City's efforts to draw an increasing number of guests to Philadelphia's hotels. That expansion can only take place, however, after the Center's labor-management and governance issues are resolved.

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. Another outcome of increased congestion and delay is that competitive airlines are less likely to enter the market. Low cost airlines particularly tend to avoid overcrowded, delay-ridden airports. 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**. Responding to the precipitous drop in tourism business after September 11, 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. The primary objective of the program, which offers hotel packages and other visitor incentives, is to stimulate short-term sales of hotel rooms and spending for historic and cultural attractions, performing arts, restaurants and retail. The campaign, titled "Philly's More Fun When You Sleep Over" (www.gophila.com), lasted from November 2001 to March 2002 and was responsible for 36,654 nights sold and $10 million in direct visitor spending. The success of this campaign enabled the City to be named by *Travel* Magazine as the top city in the country for post-September 11 tourism recovery. 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 who had the most positive and profound impact on the industry in the past year. As a result of the success in 2001-2002, Philadelphia is once again implementing the program in its entirety with an investment of $2.6 million from DPRA, the City and the Commonwealth.

- **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. In order 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. Once a financing plan is developed and funds are secured, the expansion could be completed within four years. The Center initially proposed that the City provide half of the funding for the expansion of the Center. The expansion, however, cannot occur until the Center's labor-management and governance issues are resolved.

- **Increase the Airport's competitive position**. The Airport will continue to address the industry challenges and further its competitive advantage though a number of initiatives. The Airport expanded Terminal E in late 2002 to provide an additional four gates as well as an additional 49,700 square feet of concourse space and 11,700 square feet for ticket counters. The City plans to operate these gates as common-use gates. As part of a 32-year lease agreement set to expire in 2006, most gates at PHL are still classified as "exclusive use" and are leased to one airline for its exclusive use, regardless of level of activity. Subsequent leases will eliminate granting exclusive-use rights and will be based on "preferential-use" or "common use" terms. These provisions will 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.

  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 Dublin and Shannon, Ireland would be available on US Airways in May 2003, bringing the total number of international destinations served directly from PHL to 28. In FY02, PHL successfully expanded domestic low-fare service by AirTran, which increased its direct service from PHL from 10 daily flights to 12, serving four destinations. The Airport will also develop a separate marketing campaign to attract low fare carriers to the Philadelphia market.

  Furthermore, in FY02 the Airport completed a new Master Plan outlining options for expanding airfield capacity and identifying facility improvement needs. Many of the nation's major airports are configured so that aircraft can depart or land simultaneously, but PHL's runways are spaced too close together (according to Federal Aviation regulations) for simultaneous runway departures and landings. The Master Plan will propose options of how to reconfigure the airfield to have dual simultaneous runway capacity. After an FAA-mandated study of flight path impacts is complete in 2003, a final runway configuration will be chosen and detailed construction documentation will begin. 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. PHL has developed the Master Plan and the other initiatives to build a thriving airport that attracts low fare carriers and encourages business and leisure travelers to use PHL over regional competitors.

- **Construct new sports stadiums**. Construction is underway for new football and baseball stadiums in South Philadelphia. The Eagles football stadium, Lincoln Financial Field, is under construction and scheduled to open in mid-2003. In December 2002, construction of the Phillies baseball stadium was 25 percent complete with an opening expected in spring 2004. The total project cost for both stadiums, which are being funded by the City, the teams and the state, is over $1 billion, with the City's portion accounting for approximately 30 percent of the total cost. The new stadiums are projected to generate $159 million in revenue for the City from wage, business, sales, and amusement taxes. Both the Phillies and the Eagles signed long-term 30-year leases. The new stadium complex will be situated adjacent to the Veterans Stadium, which currently houses both teams, and would need up to $120 million in repairs merely to ensure it met minimal life safety codes. These new stadiums will complete Philadelphia's four-facility sports complex that will be unmatched anywhere in the

United States. Because of the imminent completion of the new football facility, the City is in a position to compete successfully for a multiyear contract to host the annual Army - Navy college football game. If successful, the City projects $15 million in economic impact and up to 15,000 hotel room nights booked in the city per game.

- **Support waterfront development**. The City's rivers are a tremendous resource that this Administration looks to further develop by supporting public and private initiatives to enhance the waterfront. Despite recent setbacks, Penn's Landing continues to be a development priority for Philadelphia. To capitalize on momentum, time-sensitive opportunities and public interest in the site, a Request for Qualifications (RFQ) was issued by the City and Penn's Landing in December 2002. The development community showed tremendous interest, with over 60 applications requested and nine developer qualification submissions received. The Philadelphia City Planning Commission, the Commerce Department and Penn's Landing Corporation have led three public comment sessions to gather public input regarding this site. Based on the material contained in the RFQ, a short list of developers will be selected to compete for development rights to the site, with the expectation that a developer will be in place by May 2003. Negotiated milestones and performance criteria will be an integral part of the development agreement, to ensure that development is complete by 2005. In addition to progress at the Penn's Landing main site and along the Schuylkill River Corridor mentioned earlier, the 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, is slated to open July 4, 2003. Support for new potential development initiatives such as the Calder Museum and the relocation of the Barnes Collection to the City and the expected April 2003 completion of façade renovations and interior upgrades to the historic Blue Horizon boxing center will also contribute to expansion of the City's visitor market.

- **Host major events**. The Pennsylvania Convention Center and the existing and future large sports facilities enable Philadelphia to attract major events that generate significant spending and help support the hotel room supply. In 2002 Philadelphia successfully hosted the NBA All-Star Weekend and the ESPN X-Games, 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 2003 and beyond, the City will continue to compete for and host large-scale events, including the Army - Navy Game, The Women's Final Four and the NCAA Men's Gymnastics Championships.

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 year. Biotechnology, information and life science firms have emerged as new economic generators likely to have high growth potential. Historically, the amount of seed capital available for entrepreneurs in these areas, as well as the level of city-based incentives specifically targeting these firms, has been limited. 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.

  Since its December 2001 incorporation, IP established several goals to address the needs of entrepreneurs and early-stage technology companies in the Greater Philadelphia region. Successes in the first year of operation or activities to be immediately undertaken include:

  - July 2002 - Publishing and distributing over 23,000 copies of the "2002 Innovation Philadelphia Entrepreneurs' Guide" that featured more than 170 organizations to assist entrepreneurs and early-stage technology companies with the resources they need to grow their companies.
  - October 2002 - Launching the Innovation and Entrepreneurial Index, a comprehensive study examining where Philadelphia stands in relation to key competitors in the Innovation Economy.
  - January 2003 - The creation of the Innovation Philadelphia Economic Stimulus Fund (ESF) which makes investments in Philadelphia regional early-stage technology companies capable of generating a return on investment as well as a significant economic

impact. As of mid-January 2003, IP has received and reviewed the business plans of 97 companies. The first company to receive an IP-ESF was Living Naturally, a national natural food software company.
- September 2002 – Launching the online *Research Dollar$ Bulletin* and *Federal Proposal Preparation Federal Funding Program* to help regional researchers and early-stage technology companies win a larger share of federal grant dollars available to develop and commercialize new technology.
- Spring 2003 - In partnership with the Greater Philadelphia Chamber of Commerce, IP will publish the "2003-2004 Greater Philadelphia Financing Resource Guide" focusing on the region's key financing resources and how entrepreneurs can use these resources to finance their companies. IP will also implement programs specifically targeted to the special issues and requirements of knowledge economy businesses.

Coupled with the release of the Innovation and Entrepreneurial Index were a set of ambitious but achievable long-range regional goals for IP, to be realized within the next five years. They are:

- Increase the annual science and engineering research investment in the Philadelphia region to one billion dollars by leveraging state, industry, academic, science and engineering investment in the region. Currently, the Philadelphia region generates approximately $600 million annually.
- Establish a nationally recognized Federal Research Center.
- Create 25 university and research-based spin out companies per year within the next five years. In the year 2000 the region had seven.
- Generate $50 million annually in Small Business Innovation Research (SBIR) awards within the next five years – doubling the region's current award level.
- Generate $100 million worth of new and incremental Early-Stage/Seed Capital resources with the next three years. This $100 million would be on top of the $146 million generated in 2001.
- Attract three international conferences to Philadelphia focused on the Knowledge Economy within the next five years.

- **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 Science Center opened the Port of Technology, the first of the five planned buildings that will serve as incubators. The 144,000 square foot Port of Technology was 80 percent leased when the project was completed in September 2000. Other incubator development around the city includes the Enterprise Center in West Philadelphia, 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.

  In June 2002, a major new development called the Biotechnology Greenhouse Corporation of Southeastern Pennsylvania (BGC), funded using approximately $34 million of the state's tobacco claim settlement and with additional sources, announced its intention to locate its headquarters at the Port of Technology in Philadelphia. The BGC's core mission is to undertake regional initiatives that transfer technology from research laboratories to entrepreneurial start up companies; enhance collaboration between academic, entrepreneurial, corporate, financial and governmental partners; and attract new biotechnology companies to the region.

The BGC will concentrate resources on product investments in biopharmaceuticals, biomedical devices, and in clinical trials to bridge funding gaps that usually occur before a product is completed and other sources of operating revenue become available. Supplemental funding will help innovations reach the final stages of product development so that new businesses are created. In addition, resources will be used to market Greater Philadelphia as a life sciences center in support of other synergies already underway in the region through partnerships such as the Eastern Technology Council. The intellectual collaboration of the region's industries and academic universities provides an unparalleled opportunity to increase the number of new enterprises in the Greater Philadelphia region.

Challenge: *Addressing a Skilled Workforce*

The quantity and quality of the area's workforce are key factors in companies' business location decisions. With 1.5 million residents, Philadelphia offers a vast labor pool. However, the Philadelphia region as a whole has experienced relatively little population growth over the past decade. With no real growth, the regional population has also 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 58 percent, the lowest in the region by six percentage points and eight percentage points lower than the national average. Philadelphia's unemployment rate hovers 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 (WIB) (www.pwib.org) – a private sector-led commission appointed by the Mayor 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 WIB has worked to increase the number of unemployed and underemployed City residents engaged in accredited technical training and degree-granting programs, with over 3,000 individuals trained in 2002 alone. By increasing educational attainment levels, Philadelphia will be better positioned to meet the workforce needs of existing employers and attract new employers.

  The WIB has also 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 the following:

- Life Sciences: a regional project that focuses on the establishment of the employer-led Life Science Career Alliance, specifically designed to increase the quantity and quality of individuals entering in-demand occupations in this key industry sector.
- Manufacturing: the development of a manufacturing-focused workforce intermediary to address the employment issues that have emerged from the City's Urban Industry Initiative, which has been working with nearly 500 local manufacturing companies for the last five years.
- Hospitality: the development of a series of customized services to recruit individuals through the local CareerLink system to work for small hospitality employers.
- Financial Services: an industry-led regional project that will result in the development of a community college-based institute to prepare skilled workers for the financial services industry.

- **Invest in connecting potential workers to the local labor market**. The CareerLink system, which is a partnership of state and local organizations and is funded by the federal government, provides resources to help underemployed, unemployed and dislocated workers receive the training and skills necessary to attain gainful employment. CareerLink counselors work with employers, such as ARAMARK and UPS, to fill job openings and close skill gaps. As of January 2003, six CareerLink Centers and 25 additional access points were open in neighborhoods across the city, which served over 40,000 customers in 2002. The demand is growing for CareerLink services, as centers totaled just 18,000 customers in 2001. CareerLink represents a nearly $1 million annual investment from an array of partners, including the City of Philadelphia, the Commonwealth of Pennsylvania, private sector employers, and organizations funded to provide workforce development services.

  In 2002 the City expressed 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 has also actively engaged in several industry-specific initiatives where demand for workers outpaces supply. Focus industries include life sciences, financial services, manufacturing, and hospitality. Employer-led advisory councils guide these initiatives and all focus on meeting the demand for workers in each of these strategic industry sectors. For example, to respond to serious shortages in the healthcare industry, the City has been collaborating with the Delaware Valley Healthcare Council (DVHC) to provide career information, counseling, and training to those seeking employment in the health and life science fields. This work has been used to inform the Life Sciences Career Alliance described above.

In FY04, the City will continue to cultivate partnerships like the one with DVHC to help employers in key industry sectors find appropriately skilled workers and to help residents access a continuum of services leading to jobs paying family-sustaining wages. Other WIB initiatives for 2003 include:

- Building a strong regional collaboration among the WIBs in Southeastern Pennsylvania (Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties), and pursuing workforce activities to impact the region as a whole.
- Identifying, funding, and filling 10,000 meaningful summer job slots for Philadelphia's youth through a private sector-led campaign.
- Fully realizing the WIB's charge to leverage Philadelphia's limited resources as effectively as possible. To this end, the WIB anticipates the completion of a major effort to map all the workforce resources invested in Philadelphia. As of January 2003, approximately 50 percent of those resources (over $225 million) have been mapped.

- **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 - 35. The Philadelphia region hosts over 213,000 full-time enrolled college students annually, with 80,000 in the city alone. 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. Overall, thousands more students enroll as local college freshmen than leave the region to attend college elsewhere.

  The City has always taken a leadership role in retention initiatives through its support of the Campus Philly website for area college students, the Philadelphia College Festival (attended by 25,000 students in 2002), and a host of other activities that attract, engage and retain students in the City of Philadelphia. The City's efforts have been a catalyst to create a local "college town" culture, as evidenced by the continued leadership that students themselves have taken to network with each other and their surrounding communities.

  In order to maximize the effectiveness of all the retention initiatives, the City has partnered with other key organizations focusing on student retention through the recently launched Knowledge Industry Partnership (KIP). The Knowledge Industry Partnership is a broad-based coalition of Philadelphia-area civic, business, governmental, and higher education leaders working together to maximize the impact of the region's "knowledge industry" on Philadelphia's competitive future. The City and KIP have defined its efforts within three core policy areas:

  1) ARRIVE -- attracting prospective students to Philadelphia;
  2) EXPLORE -- engaging current students in local communities and social experiences; and
  3) ACHIEVE -- connecting graduating students to internships and jobs in the City and region.

  The success of the City's graduate retention efforts will be based upon the overall development of a regional identity as a competitive place for young people to live when compared with other metropolitan areas such as New York, Boston or San Francisco. Annually, the City and KIP will track student enrollment, student involvement, and graduate retention rates to measure the initiative's progress. Associated economic benefits of the programs include:

- A stimulated population migration to the city and region, especially of young people
- A boosted regional tourism economy
- A more youthful image and stronger "youth economy" for the city and region
- An increased share of 18-35 year olds in the region
- An improved workforce quality and quantity
- An increased level of new businesses
- Improved employment opportunities

While the challenges facing the City are daunting, the economic development strategy for FY04 will help overcome those challenges and ensure that Philadelphia has a growing, vibrant economy.

Key Performance Measures and Accomplishments

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
PIDC						
Total Number of Jobs Created	N/A	1,033	1,785	1,800	3,000	2,000
Public Investment (in $000)	N/A	25,574	20,835	21,000	28,000	20,000
Public Investment per Job Created	N/A	24.76	11.67	11.67	9.33	10.00
Average Loan Size (in $000)	N/A	774.98	332.47	330.00	383.56	333.33
PCDC						
Total Number of Jobs Created	N/A	145	301	150	200	250
Public Investment (in $000)	N/A	1,654	4,144	1,654	2,000	2,500
Public Investment per Job Created	N/A	11.41	13.77	11.03	10.00	10.00
Grants						
Number of Block Grants Awarded	N/A	13	22	21	21	21
Dollar Value of Block Grants Awarded	N/A	1,143	1,900	1,650	1,650	1,650
# SBCIP Grants Awarded	N/A	60	134	134	134	150
$ Value of SBCIP Grants (in $000)	N/A	209	247	247	247	500

PIDC Total Number of Jobs Created. The projected increase for total number of jobs created through PIDC in FY03 is attributed to the relocation of American Business Financial Services from suburban Philadelphia to Center City.

PCDC Total Number of Jobs Created. In FY02, PCDC had a higher distribution of loan proceeds due to surplus carry-over from FY01. Therefore, a larger loan fund was available to create a larger number of jobs.

Number of SBCIP Grants Awarded. SBCIP (Small Business Commercial Improvement Program) grants assist small businesses through rebate programs for security enhancements and façade improvements. Previously, SBCIP existed as 2 separate programs, security and façade improvements. In January 2003, the two programs merged to form SBCIP.

City of Philadelphia

Five-Year Financial Plan

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High Quality Public Education – School District of Philadelphia

High Quality Public Education
School District of Philadelphia

Overview

Strengthening public education remains one of the Street Administration's primary strategies to grow the City's economy and enhance the quality of life for our citizens. School reform took center stage in Philadelphia during the past year, as the Administration acted to accomplish what many thought would be impossible: establishing a promising governing partnership with the Commonwealth, obtaining record new funding and recruiting a dynamic chief executive to lead a comprehensive improvement of the School District of Philadelphia. After years of financial and political turmoil, the City's public schools finally have many of the right conditions to start delivering educational opportunities that children need to compete in the 21st century.

Governance

The School District of Philadelphia is currently operating under a unique governing structure that has drawn national attention. After years of financial crisis at the District, the Mayor proposed to then-Governor Ridge that the City and the Commonwealth enter into a partnership for governing, managing and funding Philadelphia's schools. Following Governor Ridge's appointment as federal Director and, later, Secretary of Homeland Security, Governor Schweiker maintained this commitment to work with the City. On December 21, 2001, following extensive negotiations, Governor Schweiker and the Mayor announced that they had reached an agreement for a "full partnership" to operate the Philadelphia public schools. The partnership was grounded in a shared commitment to improve school quality and student performance, and included specific governance and financial terms.

Under the partnership agreement, the City would have two appointments to the new five-member School Reform Commission (SRC) created under the amended State takeover law. The agreement also would require a "supermajority" of four votes for key decisions including authorization to incur debt and the hiring and dismissal of a Chief Executive Officer (CEO).

The financial terms of the agreement required an additional $75 million per year in state funding and an additional $45 million in local funding. Governor Schweiker and Mayor Street agreed to seek approval for this funding from the Pennsylvania General Assembly and City Council. A portion of the City's new funding would be applied towards debt service on a $300 million deficit-funding bond, designed to give the SRC and new CEO several years of financial breathing room in which to plan and implement educational improvements and work towards statewide school funding reform.

This "full partnership" represents a far better outcome than the potential alternatives to resolving the School District's financial crisis. One alternative was a hostile takeover by the state, where issues such as the full privatization of the District would have been decided without local input. The only other alternative would have left the City alone in an impossible struggle to find solutions for the nearly bankrupt District. The City simply could not afford to provide sufficient new funds to keep schools open, let alone to provide the stability and academic quality to which the City's public school children and families are entitled. Clearly, the partnership approach provided the right opportunity for sustaining and improving public education in Philadelphia.

Management

The new partnership-based governance structure initiated by the Mayor brought much-needed stability that enabled the SRC to recruit new executive leadership for the District from a pool of the most qualified candidates in the country. Following a national search, Paul Vallas was named CEO of the School District on July 17, 2002. While serving as CEO of Chicago Public Schools from 1995 to 2001, Mr. Vallas led what was then considered the most ambitious school reform effort in the nation and gained national attention by improving test scores of the nation's third-largest public school system. Since his arrival in Philadelphia, Mr. Vallas has embarked on aggressive new academic, financial and capital plans designed to enhance educational outcomes while obtaining fiscal stability.

Educational Reform

Improving, but Still Struggling Academic Performance

For the sixth consecutive year, student test scores showed an overall increase in the 2001-2002 school year, with an annual rate of improvement that far outpaces state averages. According to a Standard & Poor’s analysis released on January 13, 2003, the School District was one of 51 out of the 501 school districts in the state to improve at a rate twice the state average, and one of only four such districts in the Delaware Valley. This performance earned a greater-than-average share of the performance awards granted by the state. The District accounts for less than 12 percent of the state’s public school students yet the District received 16 percent of the performance funding awarded. The School District has been administering the Pennsylvania System of Student Assessment (PSSA) since 1996 in grades 5, 8 and 11 in reading and mathematics. Although the scores of Philadelphia students have improved since the introduction of the test, these scores have been lower than statewide averages, and barriers to high performance continue to exist. In order to overcome these barriers, which include extremely high rates of poverty, increasingly high rates of students who are English language learners, a large number of students with learning disabilities, and insufficient resources to compensate for these educational challenges, the District must make significant progress in implementing the new academic and financial plans in place.

Philadelphia’s achievement gains occurred even with large increases in the percentage of students who have participated in testing. Moreover, the improvement has reached the lowest performers: from 1999 to 2002, the number of students scoring in the “below basic” category on the PSSA has dropped by approximately 10,000 students, from 59.4 percent of all students to 54.6 percent. Still, it is clear that far too many Philadelphia students are failing to achieve state standards and real reform in all aspects of teaching and learning is required.

Recognizing the compelling need to take bold action, the SRC embarked on a broad experiment that involved designating 86 low performing schools for reform, allocating additional resources to those schools and employing multiple educational and management approaches. The most controversial of the measures was a proposal to contract with seven different private for-profit and non-profit businesses and organizations to manage 45 elementary and middle schools. This proposal was approved by the SRC in a three to two vote in which the Governor's appointees all voted for the proposal. The City's two representatives opposed this action on the grounds that it went "too far, too fast" for the District to manage under even the best circumstances, let alone without an executive management team in place. Still, the extent of privatization approved by the SRC was scaled back from the Governor's original plan. For example, because of the Mayor's strenuous opposition, a private company -- Edison Schools -- would not have a role in managing the School District. In addition, Edison Schools was approved to manage only 20 District Schools, rather than the 45 initially proposed by the Governor and his appointees.

At the urging of the City's representatives, the SRC decided to "restructure" 21 schools, keeping them under District management but allocating additional resources to them to fund approved reform plans. Another 16 improving but still low performing schools were granted additional resources. Finally, the Commission also converted four district schools to charter schools. Through this design, the SRC expected to be able to assess and compare the performance of various educational models.

The scale of these reforms demonstrates the seriousness with which the SRC approached the effort to generate improved school performance. Over 50,000 students – almost 25 percent of total District enrollment – and approximately 900 teachers are in the schools targeted for reform. Taken alone, this would constitute the second largest school district in the Commonwealth. Overseeing and accurately assessing these schools with their various management models represents an enormous challenge for the District, but it also presents a tremendous opportunity to both learn from the different approaches and to expand the most successful strategies across the District so that the best reform measures reach all children.

When Paul Vallas began as CEO, he completed negotiation of the school management contracts to ensure that they contained fair and strong financial and performance accountability provisions. He also developed an academic plan with program initiatives to provide:

- Additional time-on-task through a mandatory extended day program for students who are falling behind during the school year plus mandatory summer school for students failing to meet graduation and promotion standards;
- Increased parental support and involvement through parent training and character education;
- An upgraded, uniform curriculum;
- New public safety initiatives, including a new Uniform Discipline Code;
- Expanded pre-school;
- A new teacher recruitment and development initiative;
- A new attendance and truancy initiative;
- A new accountability system, including new testing regimens;
- An expanded school construction/rehabilitation program to provide new, smaller comprehensive high schools in each area the City, and to improve science labs, libraries and technology centers in existing high schools; and

- A new strategic plan to restructure and revitalize secondary education in Philadelphia.

The 2002-2003 academic year began with the Fresh Start Back to School campaign, in which Mayor Street and Governor Schweiker joined School District officials in a celebratory opening of schools. The Fresh Start campaign demonstrated the energy and commitment behind the new partnership between the Commonwealth and the City.

Financial Stability

While large-scale school reform measures were being initiated within the District, some of the financial components of the partnership agreement were finalized. City Council approved a real estate millage transfer from the City to the School District for the FY03 budget that provided the District with additional real estate tax revenue of $25 million annually (see the Fiscal Health chapter for more details). City Council also approved an increase of the City's annual General Fund grant to the School District from $15 million annually to $35 million, thereby meeting the Mayor's commitment of $45 million in increased funds. This grant is subject to Council's approval in each fiscal year, although the terms of the partnership agreement require the City to maintain the level of local financial effort provided in the FY03 budget in all future years. Approximately $25 million of the new annual funding provided by the City will be used to support debt service on $300 million in deficit-financing bonds. Concurrently, in an effort to save substantial funds, the SRC announced plans to cut 325 central administration jobs by mid-July 2002. Job cuts were projected to save the District approximately $25 million annually.

On June 29, 2002, the General Assembly approved a state budget that contained approximately $85 million in new funds for the School District. These new funds from the Commonwealth honored the Governor's commitment to the District under the partnership agreement. This increase in funding for the School District of Philadelphia also led to an increase in state funding for all other school districts in the Commonwealth. The new funds for Philadelphia included a $26.5 million increase in the basic education subsidy; a $1.5 million increase in special education funding; a $1.8 million reimbursement of mandated transportation costs for private and parochial students; $29.7 million in charter school reimbursements; and a $25 million supplemental education appropriation for schools targeted for reforms.

The General Assembly earmarked a significant portion of the new state funds for those schools assigned to private managers. This action essentially signaled agreement with the position held by the City and District for years: money does matter when it comes to school reform and performance. Nevertheless, the City and the District maintained that all schools needed more resources, not just those with private managers. An agreement was eventually reached where the funding restrictions were eased to give more flexibility to the District, so that all low performing schools targeted for reform received higher per pupil funding.

The District issued deficit financing bonds totaling $317 million. Of those proceeds, $131.1 million was applied to discharge accumulated deficits. The School District's FY03 Mid-Year Financial Report issued in January 2003 projects a modest operating surplus and positive year-end fund balance of $2.1 million, resulting in $190.4 million in debt financing bond proceeds available to be discharged over the five-year financial plan while the District seeks structural balance (this amount includes changes in reserves and debt proceeds). This adjusted fund balance is an improvement of $30.3 million over the adopted FY2003 operating budget based upon additional expenditure reductions and increased revenues projected by the Vallas administration. The five-year financial plan projects structural deficits from FY04 through FY07 of $35.9 million, $32.2 million, $46 million and $60 million, respectively. Based on the current financial plan, the District is projected to end FY07 with a balance of $16.3 million from deficit financing proceeds.

The Need 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. A recent study by the Education Trust found that, in terms of the state share of funding public education, Pennsylvania ranked 43rd out of the 47 states that submitted data. According to that same study, Pennsylvania had the fourth highest funding gap between school districts with the lowest child poverty and school districts with the highest child poverty. This funding gap increased by 18 percent from 1997 to 2000, when it reached $1,248. This means that a Pennsylvania elementary school with 400 students in a high-poverty district receives approximately $499,200 *less* than a comparable school in a low-poverty district. As part of a larger strategy to close the achievement gap between wealthy and poor school districts in Pennsylvania, and provide all children with the opportunity to achieve state standards, the inequitable and inadequate distribution of resources must end.

A special session of the General Assembly that convened last September to address school property tax relief failed to act on the problem. Public education dominated the governor's race and Governor Rendell will ask the General Assembly to address the funding issue early in 2003. In the City's view, any tax reform measure that merely limits property taxes and replaces them with new local or even state revenue sources, is insufficient to meet the educational challenge at hand for the entire Commonwealth. Moreover, any school finance reform measure must recognize the unique circumstances of Philadelphia's tax structure and its position in the region.

The Administration believes that an effective tax and school funding reform plan should incorporate the following principles:

- Flexibility for local communities to set local tax rates and determine the most effective and efficient mix of revenue sources.
- Adequate funding, determined by reasonable benchmarks, to assure all students in all school districts the opportunity to attain state educational standards.
- More equitable funding across school districts, with the Commonwealth paying the majority of school costs and recognizing education difficulty and expense factors (e.g. poverty, English language learners, school readiness, economic indicators and cost of living).
- Accountability for improved school performance, driven by fair and appropriate assessment, must accompany increased funding.

- Hold harmless all districts by maintaining at least current state funding levels and permit local decision-making for locally funded school spending.
- Give full credit to all forms of local education funding support beyond current “tax effort” calculation and recognize limitations on districts’ ability to pay.
- Reliability and predictability to enable school districts to plan and implement educational and capital programs under optimal circumstances.

The Street Administration will be working 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

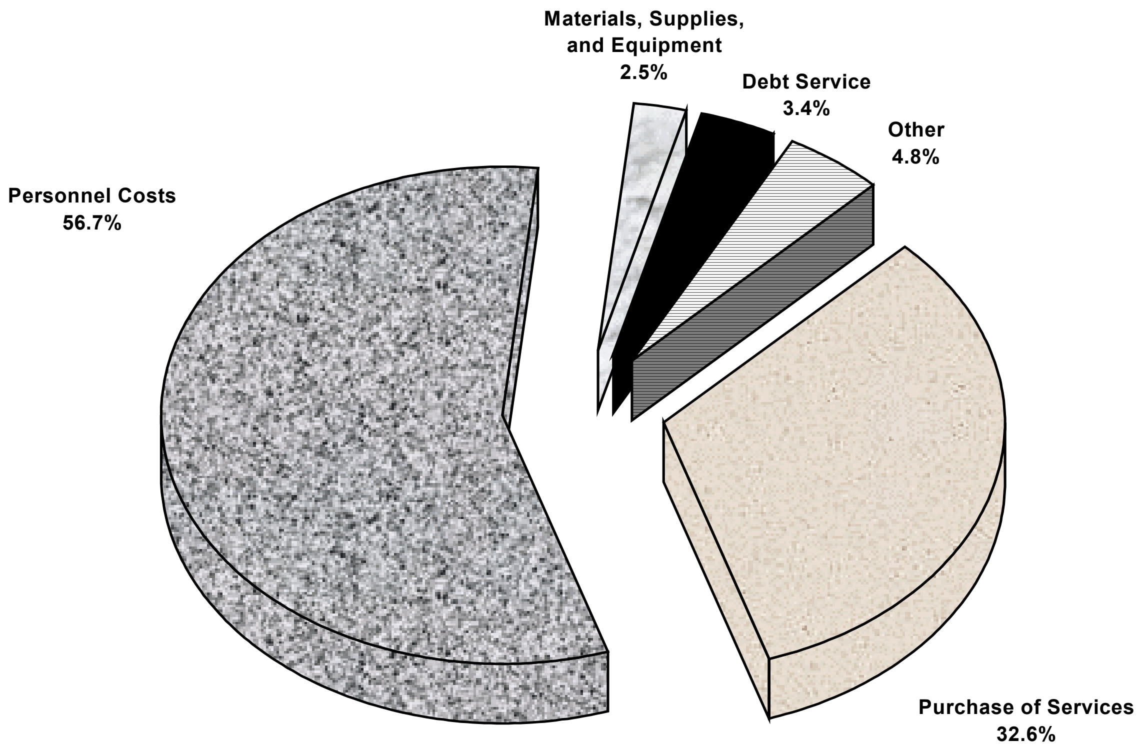
City Workforce

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 56.9 percent of the FY03 General Fund budget at a cost of almost $1.8 billion.

Personnel Costs Account For More Than Half of the City FY03 General Fund Budget



Source: Office of Budget and Program Evaluation

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, contract negotiations and effective labor-management relations are key to meeting the challenge of controlling the cost and managing the effectiveness of the City workforce.

City Workforce as of October 2002 (All Funds, Excluding Court Employees)[1]		
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 relative 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 additional costs associated with heightened security.

The 2000 AFSCME agreements included a significant evolution of the City's contribution for health insurance for City workers, in that the 2000 contracts 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 December 2001, the City began negotiating for successor agreements with the FOP and IAFF to cover FY03 and FY04. This bargaining has been conducted in the context of the national recession and the war on terrorism, which have not only given the City a renewed appreciation of the dedication and the sacrifice offered by our police officers, fire fighters, and emergency medical personnel, but also a heightened awareness of the vulnerability of the City's financial position to events beyond our control. According to the U.S. Bureau of Labor Statistics, the national unemployment rate in November 2002 hit 6 percent, the highest level in a decade, and the Bureau of Labor Statistics reports that nationally there were 15,649 mass layoffs, affecting 1,740,828 people, in the period of January through November 2002. Additionally, as the Fiscal Health chapter of this Plan details, a number of other threats to the City's finances 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

Just after taking office, Mayor Street faced the challenge of negotiating new contracts covering over 25,000 City workers. In the 2000 round of bargaining, the City sought to reasonably share the results of the City's relatively 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 or service reductions. 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. 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 for FY01 and FY02 by $25 million. The total deviation from the FY01-FY05 Plan caused by the Fire award totaled $62.7 million. 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.

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). After 13 hearing days between April and July, the Police Interest Arbitration panel issued an award on July 25, 2002. The terms of the award will have a significant financial impact on the City. The panel granted the FOP 3 percent and 3.5 percent increases in each of the two years of the contract, costing the City $28 million in FY03 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 percent. The panel awarded a further 10 percent increase, to $847 per member per month, in the second year of the contract. The award will cost the City just under $225 million over five years.

The IAFF and the City agreed that hearings in the Fire Interest Arbitration proceedings would not commence until September 2002. As of January 2003, the IAFF arbitration proceedings are still in progress and it is unlikely that an award will be issued prior to February or March. Although the panel will clearly be influenced by the pattern of bargaining with the AFSCME District Councils and the FOP Award, the City’s continuing financial difficulties could result in more restrictive terms for the 2,400 Firefighters than those received by the City's other 21,000 unionized employees.

The 2000 labor agreements and the 2002 Police award 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.

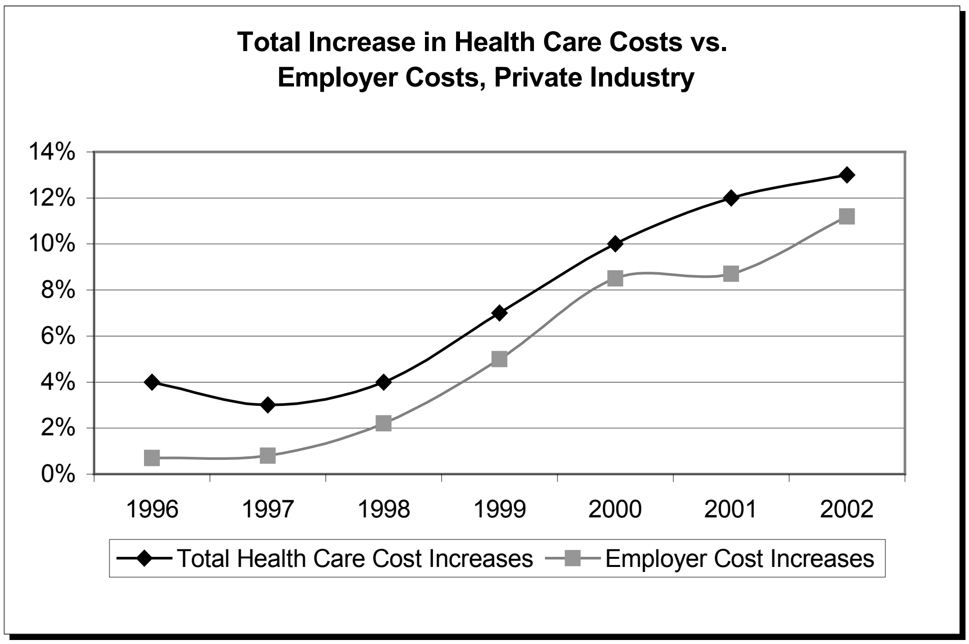
The major economic provisions of the current agreements are detailed in the following chart:

	AFSCME	IAFF	FOP
Term	4 Years	2 Years	2 Years
Wages	FY01: 4.7% bonus ($1,500) FY02: 3% FY03: 3% FY04: 3%	FY01: 3% FY02: 4% FY03: TBD FY04: TBD Differential between Fire Battalion Chief and Fire Captain 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% 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 - To be determined FY04 - To be determined $5.2 million lump sum payment in FY01, with $800,000 held in reserve for add'l premium costs 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 37% 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. Minor changes to funeral leave.	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 and FY02.	Payments to Union Health Fund to supplement retiree health insurance of $2.5 million in FY01, FY02, FY03 and $3 million in FY04.

Contract Negotiations 2004

This FY04-FY08 Plan does not include any provision for wage increases after the contracts for the four major bargaining units expire in FY04. The $834 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 when these contracts expire.

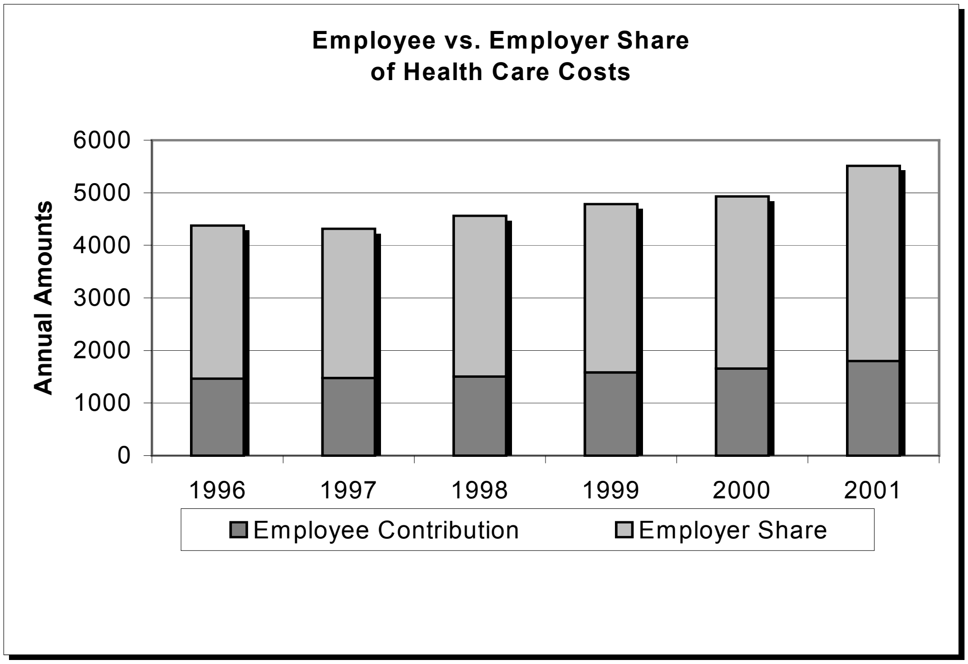
One area of major concern in the upcoming negotiations is the spiraling cost of health care, which increased 12.8 percent in 2002 according to the Mercer Human Resources Consulting survey of large employers in the Philadelphia area. The Towers-Perrin *2003 Health Care Survey* is projecting that the cost of these benefits will rise a further 16 percent in 2003, constituting the third successive year of double-digit growth, and the highest year-over-year increase in more than a decade. According to the *2003 Segal Health Plan Cost Trend Survey*, "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. Consequently, plan sponsors are facing new round of challenges to balance the needs of their participants with their increasing fiscal pressures.



Source: BLS Employment Cost Trends. Towers-Perrin 2003 Health Care Cost Survey

Health plan sponsors must make health care cost containment a top priority and adopt a new round of strategies and tactics to meet these needs." Among the strategies the Segal Survey recommends is cost-sharing with employees. They report that "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.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2001; Mercer/Foster Higgins National Survey of Employer Sponsored Health Plans 2001

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/Foster Higgins National Survey of Employer-Sponsored Health Plans 2001*, 79 percent of employers require an average employee contribution of $56 per month for Preferred Provider Organization (PPO) individual health coverage, while 91 percent require an average contribution of $191 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.

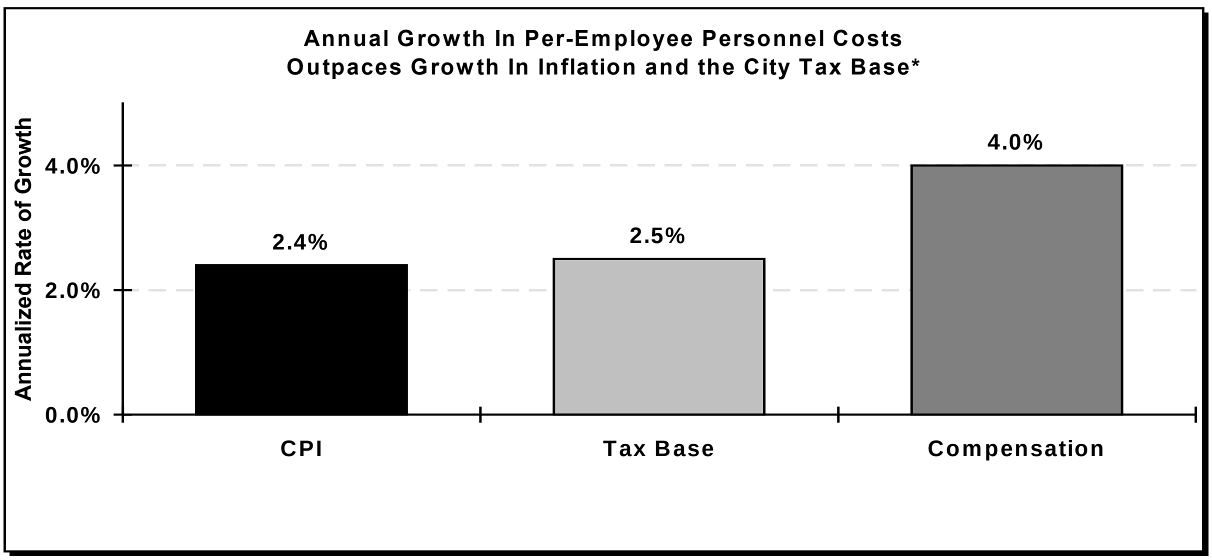
Like large employers across the country, the City must develop appropriate cost-containment strategies. However, because the labor unions administer health care benefits and have the final decision-making power over benefit design and cost, the City's ability to influence the health plans of the municipal unions is limited to negotiating contribution levels. With the uniformed 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 find cuts elsewhere in order to comply with the award. In addition, the FOP-administered health plan currently provides members with extremely low co-pays and does not require any employee contribution to the cost of their health care coverage.

During the unprecedented economic expansions of the 1990s, rising costs from increased wages and benefits could be offset by growth in the local tax base. Now, however, the ongoing weakness in the national and local economies 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 lag behind its surrounding counties in terms of unemployment and per capita income:

Unemployment and Personal Income		
	Unemployment Rate October 2002	**Per Capita Personal Income 2000**
Philadelphia	7.9 percent	25,544
Chester County	3.5 percent	46,757
Montgomery County	4.3 percent	44,446
Bucks County	4.4 percent	36,099
Delaware County	4.6 percent	35,258
Nationally	5.7 percent	29,469

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 FY98 through FY03, employee compensation costs are projected to grow at a faster rate than either the City tax base or inflation.



* 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

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;

- To help fund the cost of any compensation increases, the City must capture any economies in its personnel cost structure that would not substantially affect the quality of life for individual employees if changed – for example, by working with its unions to develop more cost-effective systems for administering benefits;
- 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, there are external threats to the ability of the City, its workers, and their unions to continue to build on the success of the last ten years. As the City began to prepare the FY04-FY08 Five-Year Plan, it faced an $834 million cumulative deficit by the end of FY08 if no corrective actions are taken. The fiscal crisis the City is facing has already necessitated a hiring freeze, which was instituted in November 2001. 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). In addition, the City will implement a number of initiatives designed to lower the City's cost of doing business without damaging services. Those initiatives are discussed in the Introduction to this Plan.

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. As of the beginning of FY03, the License Committee has completed revising seven license issuance processes, and tackled redesigning the permitting process. By redesigning the Newsstand License process, the Committee reduced the total process time from application to license issuance by up to 73 percent, while reducing the labor involved by 30 percent. For the Sidewalk Café license, the group was able to eliminate over 40 percent of the steps in the previous process, reducing the cost of issuing the license by 32 percent. 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 requirements.

- The Police Department's Forensic Sciences Division will be moving to a new laboratory facility in calendar 2003 that will allow all of the division's laboratories to be co-located. This will allow intake of evidence to be analyzed by the Chemistry, Crime Scene, Criminalistics, DNA, and Firearms Identification Units on a twenty-four hour basis. In 2002, a second RGI project was undertaken to streamline the intake, transfer and storage procedures of the various separate laboratories and determine how the facility can be used most effectively and efficiently to aid in the investigation and resolution of crime. By continuing to automate 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 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 FY02, 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 FY03. In addition, the OLR has worked closely with representatives of AFSCME to reduce a longstanding backlog of employee grievances. In FY02, the two AFSCME District Councils filed 146 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, 158 labor grievances were resolved in FY02, reducing the backlog from 136 to 124 in FY02.

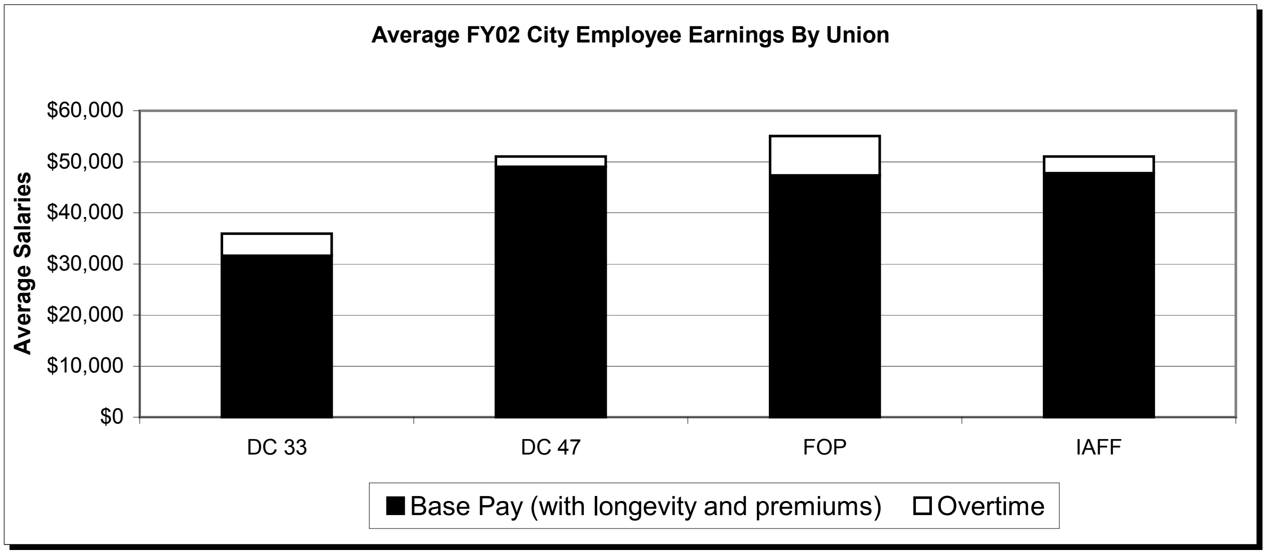
A Review of the Current City Compensation Package

In general, Philadelphia City workers receive a highly competitive wage and benefit package. Total compensation for union-represented City workers increased by four percent from FY01 to FY02.

The following are among the highlights of the City's current compensation package.

Wages

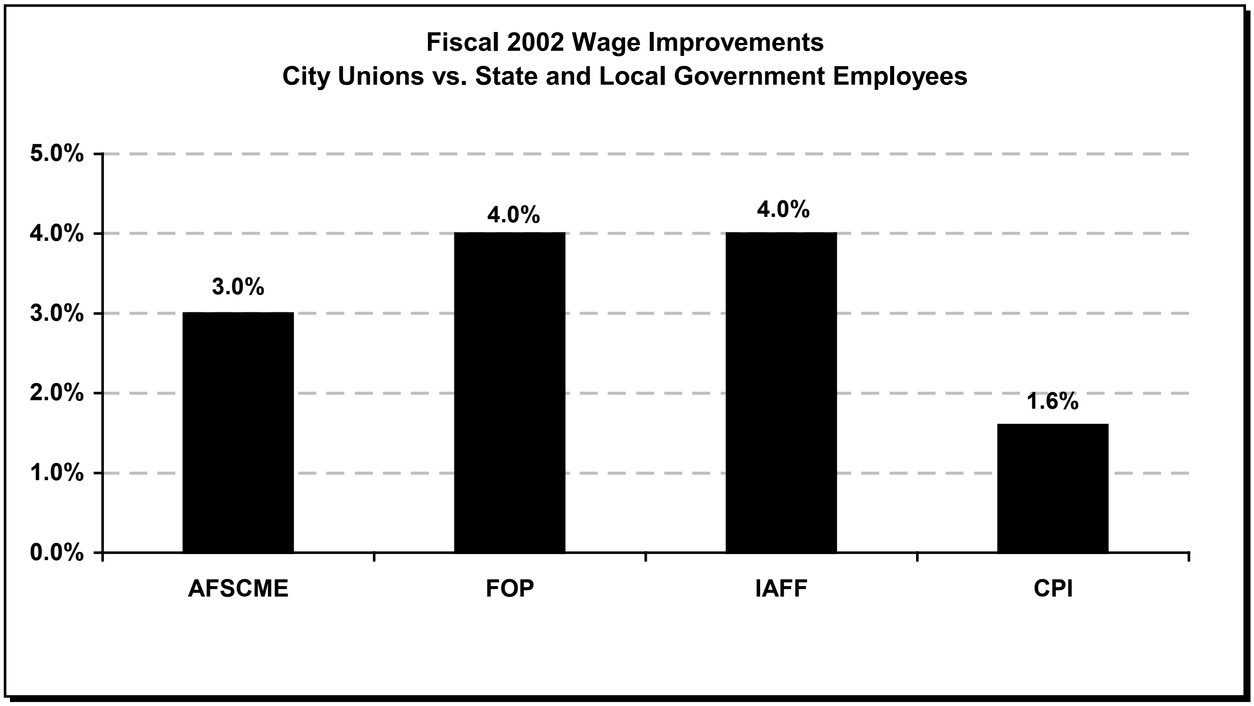
In addition to providing benefits and job security superior to those generally found in the private sector, City jobs provide good wages. Both base pay and overtime earning opportunities for City employees are highly competitive. For FY02, the average District Council 33 member earned over $35,000, the average District Council 47 member earned over $47,000, the average firefighter earned over $53,000, and the average police officer earned over $56,000—all before including additional wage increases already received in FY03.



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).

The average increase of 3.4 percent for the City's unionized workforce from FY01 to FY02 easily matched the 3.3 percent median first-year wage increase for state and local government workers as reported through the first three quarters of calendar 2002 by the Bureau of National Affairs.



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

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.

As a further illustration, a City of Philadelphia police recruit starts off at an annual rate of $32,716 during six months of paid training at the Police Academy and receives his or her first increase when promoted to Police Officer, to $34,986 after six months in the academy. 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 $36,384. By the end of four years, at July 1, 2002 salary levels, automatic increases will bring the officer's salary to $48,534, a cumulative raise of 48.3 percent *without* any across-the-board pay increases pursuant to a collective bargaining agreement. Similarly, a social worker hired by the City at $27,847 a year will earn automatic raises totaling 75.3 percent over just six years to end up with a $48,803 annual salary. Moreover, even employees in a job classification such as Automotive Technician – for which the private sector would typically pay all employees one set rate – would receive guaranteed increases totaling 11.6 percent on top of the two annual three percent negotiated general increases that were included in the existing collective bargaining agreements with AFSCME. As detailed in the following chart, these increases also exclude any raises that might be earned as a result of merit promotion.

SELECTED AUTOMATIC STEP AND LONGEVITY PAY INCREASES (as of 7/1/2002) (Excludes merit promotions, overtime, and additional across-the-board negotiated increases; includes stress/shift premium pay received by police officers in on-street duty status)						
	Title	**Salary**	**Raise**	**Title**	**Salary**	**Raise**
Entry	Police Recruit	32,716		Firefighter	31,763	
After Academy	Police Officer	36,384	11.21%	Firefighter	33,666	5.99%
After 1 yr	Police Officer	39,695	9.10%	Firefighter	36,004	6.94%
After 2 yrs	Police Officer	42,530	7.14%	Firefighter	39,277	9.09%
After 3 yrs	Police Officer	46,466	9.25%	Firefighter	43,248	10.11%
After 4 yrs	Police Officer	48,534	4.06%	Firefighter	46,053	6.49%
After 5 yrs	Police Officer	48,604	0.52%	Firefighter	48,188	4.64%
Total			**48.6%**			**51.7%**
Entry	Soc. Wk. Trainee	27,847		Auto Main. Tech.	32,869	
After 1 yr	Soc. Wk. Trainee	29,834	7.14%	Auto Main. Tech.	33,908	3.16%
After 2 yrs	Social Worker I	33,902	13.64%	Auto Main. Tech.	34,994	3.20%
After 3 yrs	Social Worker II	40,148	18.42%	Auto Main. Tech.	36,071	3.08%
After 4 yrs	Social Worker II	42,826	6.67%	Auto Main. Tech.	36,071	—
After 5 yrs	Social Worker II	46,127	7.71%	Auto Main. Tech.	36,696	1.73%
After 6 yrs	Social Worker II	48,803	5.80%	Auto Main. Tech.	36,696	—
Total			**75.3%**			**11.6%**

Source: Office of Labor Relations

Further, while the step increases illustrated 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 $48,604 to $52,532, while a firefighter promoted to lieutenant after five years receives a nine percent raise from $48,188 to $52,519.

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 data is for private sector employers, 2001
Source: Personnel Department, Watson Wyatt Data Services

Health Benefits

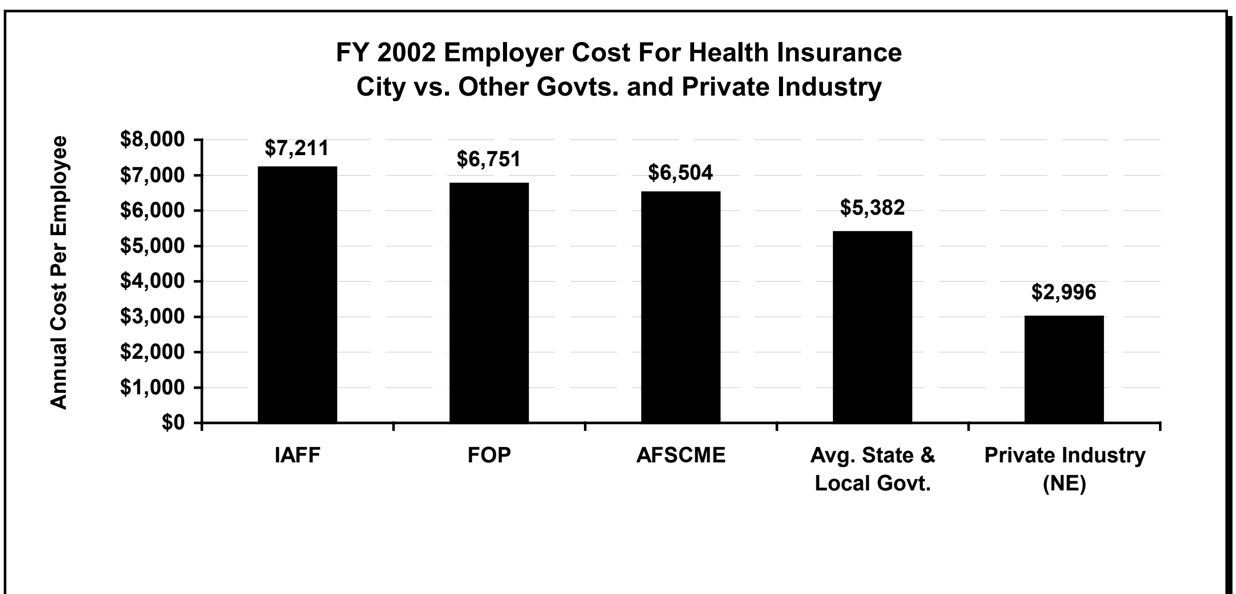
Nonunion City employees receive a first-rate health and welfare plan administered by the City. The plan includes a choice between a health maintenance organization (HMO) managed care plan and a Point of Service plan providing full family medical coverage for a small employee contribution. The plan also 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. At the same time, the dramatic increases in the amount the City is charged for health benefits have forced the City to increase the amount that participants in the City-administered plan are required to contribute and, for the first time, to require participants choosing the HMO to make a contribution.

Benefits Under the City-Administered 2003 Flex Plan
• An HMO managed care health plan (Keystone HPE) and a Point-of-Service Plan (Keystone POS), both requiring a small employee contribution, or one of two more expensive plans requiring a larger employee contribution (Blue Cross/Blue Shield Personal Choice Value Plan 15/25/70 or 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 2002, the City's monthly contribution was set at $579.92 per employee for AFSCME, $770.00 for the FOP, and $600.93 for the IAFF (which does not yet have an arbitration award covering FY 2003-2004). Although the Arbitration Panel in the 2002 Interest Arbitration between the City and the FOP awarded the union an unprecedented increase it its health and welfare benefits, it acknowledged the need for cost containment. The Panel directed the health and welfare plan's Board of Trustees to consider plan redesign and benefit structure modifications that will reduce the cost to the City of providing health care benefits.

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 either of the two Personal Choice plans 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. In this regard, the small number of City employees making a contribution toward their own health coverage premiums contrasts sharply with national trends. According to the 2001 *Hay Benefits Report*, more than two-thirds of all plans nationally now require an employee contribution for single coverage and 90 percent require a contribution for family coverage. *The Kaiser/HRET Survey of Employer Sponsored Health Benefits: 2001* reported that the average annual employee contribution for family coverage was $1,800 in 2001. According to the Towers-Perrin *2003 Health Care Survey*, overall health care premium costs for 2002 increased 13 percent over 2001, and, as outlined earlier, are projected to rise another 15 percent in 2003. As the cost of health insurance goes up, employers across the country are increasing the employees' share. The Towers-Perrin survey reports that the average employee pays 19.33 percent of the cost for single coverage, and 22.24 percent of the cost for family coverage. The Kaiser/HRET study found that 75 percent of large employers were very or somewhat likely to increase the contribution required of employees for health care.

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's contribution level for Fiscal year 2002 is well in excess of an average government benefit—and more than double the average private sector employer's share of health insurance costs.



Note: 2002 City costs do not include increases effective July 1, 2002. The composite FOP rate for calendar 2002 will be $7995, and the AFSCME will be $6731 for the same period. As of January 2003, the IAFF rate has not been determined.
Source: Bureau of Labor Statistics, 2nd Quarter 2002 ECEC

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 a minimal 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, and will continue to assert this position in its labor negotiations.

Legal Services

In FY01, the City spent over $4.7 million to fund free legal benefits provided through all four of the City's unions.

Legal Plan Costs By Bargaining Unit

Union	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 2001 *Hay Benefits Report*, the few employers that do provide legal services plans (seven percent of Mid-Atlantic employers in 2001) 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 uniformed classes, the City's program pays 100 percent of regular pay to Police Officers or Firefighters who are injured on the job, in compliance 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. In the latter half of FY03, the unit will be focusing on implementing a new injury form to improve collection of injury data and targeting of interventions to reduce the cost and impact of accidents.

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. The City's pension contributions are projected to cost $210.8 million in FY03, about 6.7 percent of the City's General Fund budget. The downturn in the stock market has prevented the pension fund from meeting its 9 percent annual earnings assumptions. As discussed in the Fiscal Health chapter of this Plan, the increased City contributions to the pension fund necessitated by the overall weakness in the stock market are one of the biggest financial challenges facing the City.

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. The age of retirement eligibility is 45 for uniformed employees hired before 1988 and 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). Over 3,100 employees have elected to participate in this program, including 786 uniformed police employees and 516 members of the Fire Service. The typical police officer or firefighter who, after 25 years of service, enrolls in the plan 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.

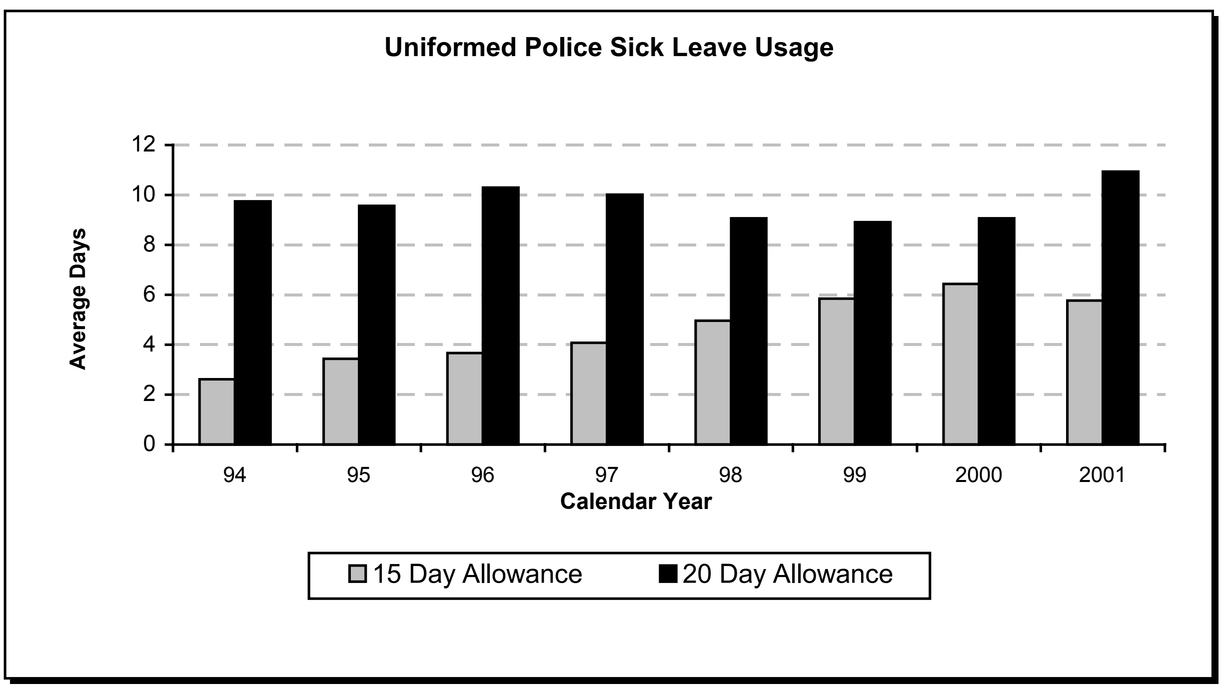
While current employees have the opportunity to participate in DROP and can substantially improve their financial position at retirement, the pension reforms of 1999 also established a Pension Adjustment Fund, which dedicates a percentage of investment earnings to be paid as additional benefits for current 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 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 if the stock market recovers sufficiently to allow the City to exceed its earnings assumptions.

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. This makes additional pension improvements unnecessary.

Leave Benefits

A reasonable level of leave usage for holidays, vacation, illness, and personal emergencies is needed for maintaining 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, in excess of competitive norms for both public and private sectors. 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.

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. One of the clearest examples of this has been in the Police Department, as shown in the following chart. The average number of days of sick leave used by police officers hired since 1992 has increased due to the accumulation of earned sick days over time as well as the increase in the average age of such officers, although the number stabilized in 2001. Nevertheless, the average number of sick days used by police officers with a 15 day per year allowance remains significantly lower than the average usage by officers with the 20 day per year allowance.



Source: Office of Labor Relations

In addition to restructuring the sick leave benefit further (possibly including the addition of some form 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 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 17 have been hired from the eligible list established November 30, 2001.
- 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 December 2002, only 40 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 December 2002, only 108 have been hired.
- For the laborer list established in January 2002, 16,403 people applied. As of December 2002, only 108 have been 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 the table at the end of this chapter.

Planning for Future Workforce Needs

Looking forward over the next five years, the growing number of employees enrolled in the Deferred Retirement Option Program will have a substantial impact on the size of the workforce. Since its inception in October 1999, more than 3,100 employees have enrolled in the program, which allows them to defer retiring for up to four years while accumulating a lump sum equal to the amount of the pension payments deferred. As of December 2002, 20 percent of the enrollees have retired, after an average of 538 days in the program. The City is anticipating that the greatest impact of the program will begin to be felt in the fall of 2003, when the first, and largest, group of DROP participants reaches the date by which it must leave city employment.

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 has undertaken a process that will 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 will identify and implement alternative solutions such as organizational restructuring, automation, job simplification or elimination, and reassignment of work and, as a result, will replace only half of the employees who leave through the DROP.

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 are allowed to grow at excessive rates, mass layoffs, along with their unfortunate consequences for employees and the public, would likely be unavoidable. In addition the Administration has taken steps with its exempt employees to control costs and manage the size of the workforce. While union workers got raises under their collective bargaining agreements, exempt employees who make more than $50,000 got no raises. Moreover, one of the cost cutting initiatives in this Plan is the elimination of 50 exempt positions – mostly in the Mayor's Office, the Finance Department and the Managing Director's Office.

City of Philadelphia Compensation Package By Bargaining Units				
	AFSCME	**FOP**	**IAFF**	**Comparisons**
Wages	Average FY02 earnings of $35,904 for DC 33 and $51,016 for DC 47. FY02 earnings do not reflect 3 percent increase received after December 15, 2002.	Average FY02 earnings of $55,074. FY02 earnings do not reflect 3 percent general increase received after July 1, 2002.	Average FY2002 earnings of $51,027.	Average earnings for full time City unionized employees in FY 2002 were $45,325 compared to calendar 2000 per capita wage earnings for workers in Philadelphia region of $33,377 according to Bureau of Economic Analysis. Average wage increases nationally for State and Local Government through first three quarters of 2002 are 3.7 percent (based on the Employment Cost Index published October 2002).
Health	City funds union plan at cost of $6,731 per employee in calendar 2002.	City funds union plan at cost of $7,995 per employee in calendar 2002.	City funds union plan at cost of $7,211 in Fiscal 2002. Fiscal 2003 cost is unknown as yet.	All union plans funded by the City at levels more than double the average northeast employer contribution level for 2002 of $2,996 (based on Employment Cost Index 2002).
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 Foster-Higgins national survey (2001 data), only 29 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-	City Injured-On-Duty (IOD) system pays 100 percent of pre-	City Injured-On-Duty (IOD) system pays 100 percent of pre-	Workers' Compensation pays only 66 2/3 percent of

City of Philadelphia Compensation Package By Bargaining Units				
	AFSCME	**FOP**	**IAFF**	**Comparisons**
	injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	pre-injury pay, tax-free, and does not continue general medical benefits, sick leave accrual, or pension credits.
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 2.2 percent per year for the first 20 years and at 2 percent per year thereafter. 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 2.2 percent per year for the first 20 years and at 2 percent per year thereafter. 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 and in FY02 to a union fund for supplemental retiree benefits. Contributions, if any, for FY03 and FY04 are unknown as of January 2003	The City's retirement plans are extremely generous relative to most employers', offering a defined benefit (instead of the increasingly common defined contribution), a relatively early age for retirement, and no social security offset. Changes to Pension Plan permit employees to begin receiving pension payments as deferred compensation while still working, for up to four years. Additionally, Pension Adjustment Fund provides for possible sharing of investment earnings with current retirees.
Paid leave	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 10 to 25 vacation days, plus paid funeral and military leave.	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 10 to 25 vacation days, plus paid funeral and military leave.	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 96 to 192 vacation hours, plus paid funeral and military leave.	Combined 15 paid holidays and personal days exceeds national average of 10.3 found in 2002 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	While permitted under collective bargaining agreements, no layoffs have occurred since	While permitted under collective bargaining agreements, no layoffs have occurred since	Through the first three quarters of 2002, the Bureau of Labor Statistics reported 4,962 layoffs of 50 or more employees

City of Philadelphia Compensation Package By Bargaining Units				
	AFSCME	**FOP**	**IAFF**	**Comparisons**
	out during labor-management cooperation program (which was extended by mutual agreement through FY04).	1980.	1980.	lasting for more than 30 days nationwide, resulting in separation of 855,672 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.

City of Philadelphia
Five-Year Financial Plan

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Citizen Services:

Public Safety and Quality of Life Standards

Citizen Services
Improving Public Safety and Quality of Life Standards

Mission

In an effort to provide an improved quality of life for its residents, the City of Philadelphia continues to build upon past initiatives as well as to develop new initiatives that deliver services in a coordinated and comprehensive manner. Many of these initiatives involve the delivery of service by an individual department and are detailed in the following chapters. Some of these initiatives, however, cut across departments and require centralized oversight and expertise.

To help coordinate the City's response to specific inter-departmental issues, the Managing Director's Office (MDO) provides project planning and supervision, ensuring that redundant efforts are minimized and resources are efficiently allocated. The MDO is the oversight agency responsible for public safety and maintaining quality of life standards.

Organizational Objectives and Targeted Initiatives

The Administration has taken unprecedented steps to improve the quality of life in the City's neighborhoods, from cleaning lots to plowing snow from all residential streets. As this chapter will detail, much of this quality of life improvement activity is coordinated by the Managing Director's Office.

Improve Neighborhood Quality of Life through Coordinated Implementation of Programs

- **Vacant lot clean-up program.** In FY03, the City continued the vacant lot clean-up program as part of the Mayor's Neighborhood Transformation Initiative. All of the approximately 32,000 vacant lots in the city received a major cleaning in FY02 and are now being maintained as part of the follow-up program. From July 2002 through December 2002, vacant lot crews removed 6,170 tons of debris from lots – encouragingly, this was significantly less than the 23,095 tons collected during the same period last year. Once the major debris was removed as part of the original cleaning, the upkeep required has primarily been grass mowing and weed removal. The City also has fewer lots to maintain for two reasons: improved compliance and the Community Partnership program. A number of property owners received bills for the initial cleaning that the City performed in FY02 and have begun doing the maintenance themselves to avoid further charges. Other lot maintenance activities have been taken over by community groups as part of the MDO Community Partnership program. The MDO supports grassroots maintenance efforts by lending equipment and supplies to community groups. In FY02, the MDO provided equipment and supplies to 499 community groups and for the first half of FY03 provided equipment and supplies to 368 community groups. In FY04, the City will spend about $3.0 million to continue cleaning lots and providing equipment to community partners.

- **Community service program.** In FY03, the MDO initiated a community service program in cooperation with Philadelphia Municipal Court whereby minor offenders are sentenced to community service hours in lieu of imprisonment. The MDO assigns offenders to clean alleys, lots, sidewalks and underpasses, and reports compliance to the Courts. From July 1, 2002, when the program began, through December 2002, a total of 405 offenders participated and completed 1,409 community service hours. The MDO hired two administrative staff, one field director and three supervisors at a total cost of $210,000 to coordinate the program.

By the end of FY03, the MDO will be working with the Philadelphia Traffic Court to extend the program to include non-violent traffic offenders. Non-violent traffic offenders will be given community service hours rather than being sent to jail, which should help relieve the prison population while enhancing neighborhood streetscapes. Participants will be assigned to cleaning and beautification projects from Tuesday through Saturday from 8:00 AM to 1:00 PM. When participants complete the required community service hours, the City will forward a letter to the Court confirming the compliance. The inclusion of Traffic Court offenders will initially result in approximately 125 additional participants. No new staff or resources are needed for this program expansion.

- **Community Life Improvement Program (CLIP).** In April 2002 the Managing Director's Office, in collaboration with Councilwoman Joan Krajewski and the Neighborhood Transformation Initiative, launched an aggressive campaign to target "quality of life" code violations, such as graffiti, vandalism and property neglect. The Community Life Improvement Program (CLIP) was introduced in the 6th and 10th Council Districts and serves as a coordinated effort of the departments of Licenses and Inspections (L&I), Police, Streets, Water, Fairmount Park and Anti-Graffiti crews. CLIP acts as a quick response unit, giving property owners 10 days to respond after receiving a written violation from L&I inspectors or the Street Department's enforcement officers. If the violator takes no action, a CLIP team will resolve the violation (i.e., cut the high weeds, remove the trash, clean and seal the property) and charge the property owner with a fine and a fee for the service performed. If the property owner does not pay the fine and fee, the amount is placed as a lien on their property.

  From April 2002 through December 2002 CLIP crews cleaned 8,155 properties of graffiti, removed 1,169 trees and trimmed 824 , towed 4,076 abandoned cars, wrote 2,428 sanitation violations, replaced 590 street signs, wrote 7,047 L&I violations and cleaned 2,776 inlets. The concentration of enforcement and abatement efforts has resulted in the percentage of property owners complying with violations within 10 days increasing from 34 percent in April 2002, when the program began, to 89 percent in December 2002. In FY04, the City will evaluate the possible extension of CLIP to a larger geographic area of the City.

- **Anti-Graffiti Network.** The Anti-Graffiti Network abates graffiti vandalism and coordinates graffiti-fighting measures across a number of departments, City-related agencies and volunteer organizations. The Anti-Graffiti Network anticipates cleaning a total of 88,300 properties in both FY03 and FY04. In FY02 the teams also removed graffiti from all buildings and structures visible from the Market-Frankford Elevated Train line and are completing the "El Project" in FY03 and FY04 by maintaining a zero tolerance policy for new graffiti and placing murals along the route.

The MDO's Anti-Graffiti Voucher Program distributes cash grants and vouchers to neighborhood organizations to fighting graffiti. Consistent with the past five years, in both FY03 and FY04, the Program expects to provide $68,325 to approximately 375 organizations to purchase 6,500 gallons of paint and related supplies.

The Anti-Graffiti Network also supports the Mural Arts Program's (MAP) efforts to create and restore murals throughout the city and provide workshops on drawing and painting. Mural Arts seeks out world-renowned artists to produce high quality designed murals. MAP expects to complete 140 murals throughout the city in both FY03 and FY04 and provide art education workshops for over 1,000 children each year.

- **Engage the community in Operation Safe Streets.** When the Mayor launched Operation Safe Streets, a quality of life improvement program to eliminate open-air drug corners in the City of Philadelphia, he emphasized the need for community partnerships. The MDO fosters community partnerships for Operation Safe Streets by coordinating neighborhood rallies and bike rides.

  From July 2002 and through December 2002, the MDO, in conjunction with the Mayor's Office and neighborhood town watch groups, held 40 Safe Streets rallies at recreation centers across the city. The Mayor, Managing Director and Police Commissioner used the rallies to inform the public about Operation Safe Streets and to learn about citizens' concerns regarding safety in their neighborhoods. Representatives from other City agencies used the forums to educate citizens about accessing City services and to learn about the community's other service needs. In addition, from September 2002 through December 2002, the MDO coordinated five community bike rides with the Mayor through city neighborhoods. The bike rides reflect the joint effort between the community and City to combat drug trafficking and reclaim neighborhoods. The bike rides also serve to promote volunteer bike patrols. In preparation for the bike rides, the MDO arranges for the streets to be cleaned and the delivery of bikes, bike helmets and staging equipment. The MDO also helps notify the public of the rides and encourages City officials to participate. The bike rides will continue through FY04.

  As a result of the rallies, City staff documented over 600 complaints and plans to address each of them. Residents were also asked to volunteer and support various community projects. About 100 residents signed up to participate in neighborhood bike patrols and over 50 residents volunteered to work in libraries and recreation centers.

- **Operation Town Watch.** The City's Operation Town Watch promotes public safety by supporting citizen participation in crime prevention patrols and community programs. The MDO works with the Police Department to provide training, equipment, annual grants, organizational support and communication to approximately 17,000 citizen volunteers in over 600 Town Watch groups in every City police district to promote and maximize the effects of community policing in our neighborhoods.

  In FY03, Operation Town Watch staff received anti-terrorism training from the Pennsylvania Emergency Management Agency and will transfer training skills to community town watch groups through FY03 and FY04. In addition, Operation Town Watch will encourage citizen neighborhood bike patrols and develop community policing partnerships to support Operation Safe Streets. Operation Town Watch also supports the Junior Town Watch and the Safe Corridors program, which provides parents with training and equipment to monitor children on their route to and from school.

Plan and Implement Effective Responses to Citywide Emergencies and Special Events

- **Snow fighting.** The MDO coordinates City operations in snow emergencies and directs the Streets Department, Office of Fleet Management, Fairmount Park, Water Department, Department of Public Property and Mayor's Office of Community Service on the procedures, assembly and deployment of personnel and equipment for every type of snowstorm. The objective of the snow response is to ensure Philadelphians return to normal activity as quickly as possible and reduce the number of City government closures or service delays.

  In the December 5, 2002 snowstorm, under the direction of Mayor John Street, the City plowed 2,265 miles of City streets – the most ever plowed by the City in a storm. The unprecedented response was possible thanks to a massive snow fleet consisting of 116 highway division vehicles, 168 residential snow fighting trucks, over 100 sanitation plows, 11 brine trucks and two leased snow melters. The MDO will continue the Administration's commitment to the highest level of snow removal possible, including clearing all secondary and tertiary roads, throughout the Plan period.

- **Emergency Management.** The MDO directs the operations of the City's Office of Emergency Management (OEM), which runs the Emergency Operations Center (EOC), coordinates all City contingency planning and all interdepartmental activities during crisis situations, and publishes the City of Philadelphia Emergency Operations Plan. In the aftermath of the tragic events of September 11th, the OEM had to begin preparing for the threat of domestic terrorism. As a result in FY03, the OEM revised the Emergency Operations Plan to reflect new Federal standards and participated in the development of a regional counter-terrorism plan. In addition, in FY03 the OEM and the Department of Public Property began studying the capabilities of the EOC. Experts were hired to evaluate the technologies and capabilities of the EOC facility; prepare recommendations for an evacuation plan for key city officials so that they could continue to run critical City operations in the event of a disaster; and present analysis on the call taking operations and infrastructure at the 911 Emergency Communications Center.

  Through FY03 and FY04, the OEM will continue preparing for a disastrous event while considering the EOC facility recommendations and working to secure Federal and State funding to finance projects. OEM estimates that a new EOC would cost approximately $2.7 million for construction, furniture, video surveillance and data networks. If funding is not identified, the OEM will consider an alternate mobile emergency operations center that would combine the existing mobile command post with additional office space and equipment provided in a mobile vehicle, similar to a trailer. Equipment would be versatile and operations could relocate to an affected area, secure location or special event. The mobile center is estimated to cost $456,000.

- **Special events**. The MDO provides oversight of and coordination for more than 350 special events held annually in the city of Philadelphia, including the Mummers Parade, Thanksgiving Day parade, and Sunoco Welcome America festival. The events typically require the involvement of the Streets, Public Property, Recreation, Police, Fire, Licenses and Inspections, Health and Law Departments. Currently, different departments take the primary responsibility for different events. In order to streamline and standardize the preparation involved for large events, in FY03 the MDO plans to document the appropriate steps to follow from planning, equipment and personnel deployment to clean up. This process will also allow the City to identify and best leverage the resources available for special events across all City departments.

Coordinate the City's Response to Major Policy and Regulatory Issues

- **Americans with Disabilities Act (ADA) compliance.** The Accessibility Compliance Office (ACO), which is part of the Managing Director's Office, is charged with ensuring the City's compliance with the Americans with Disabilities Act, the Fair Housing Amendments Act, and any other laws affecting people with disabilities and their relationship with the City of Philadelphia. ACO provides routine guidance to all City departments on accessibility issues; reviews capital projects for compliance with federal ADA and local building code requirements; serves as the point of contact for accessibility concerns and complaints from citizens; provides technical assistance to architects on ADA and building code requirements; and participates in outreach efforts to the disability community.

  In FY03, in response to an ADA lawsuit filed against the City, the ACO worked with the City Commissioners to assess the level of accessibility at the 1,681 polling places throughout the city. The assessment will be completed late in FY03 and the information will be used to develop a plan for providing additional accessible polling sites in FY04. Solutions such as acquiring portable ramps and working with ward leaders to identify alternative sites will be explored.

  In FY03, ACO also formed a committee comprised of members of the Fire Department, Department of Licenses and Inspections, Department of Public Property, SEPTA, the Philadelphia Housing Authority and various disability organizations to address emergency planning and preparedness for people with disabilities in the Philadelphia area. In FY04, the committee plans to organize a panel of experts to raise awareness among building owners and people with disabilities on how to appropriately prepare for and respond to an emergency or evacuation situation. Also, by March 2003 the committee plans to submit a proposal for amendments to the Emergency and Preparedness Chapter of the new State Fire Code that the Fire Department will be adopting in December 2003. The amendments will establish procedures for notifying and assisting people with various types of disabilities during emergency situations.

- **Streamline and create efficiencies in the permitting and licensing process.** In FY03 the MDO created a multi-departmental working group to recommend changes to the permitting and licensing process. The working group submitted a plan to the Managing Director and committee of department commissioners in January 2003. Upon review of the plan, the Managing Director will set priorities and a task list to be completed through FY03 and FY04.

Anticipated tasks for FY03 are redesigning permit documents and application forms, analyzing zoning refusals and variances, creating a permit application drop-off procedure, creating a building services committee and establishing customer service standards. Activities expected to occur in FY04 include developing a complete checklist for all processes, creating a cross-departmental manual of permit services, restructuring one master license for each business entity, preparing an infrastructure design standards study and automation of pre-paid plumbing and fast form building permits. The MDO and the Department of Licenses and Inspections will study each task to quantify efficiencies gained and ability to redistribute the work force.

- **Environmental issues.** The MDO participates in and develops environmental programs focusing on issues that directly impact the health and safety of City residents.

  In addition, through FY04 the MDO will continue to work with the Pennsylvania Environmental Protection Agency (EPA) on its “Energy Star” Program, to make City buildings more energy efficient and less prone to emit carbon dioxide. As an initial phase of the program and at no cost to the City, in FY03 the EPA surveyed the Municipal Services Building, One Parkway Building and Criminal Justice Center to identify energy cost savings. Preliminary findings have indicated a possible $200,000 in annual savings for a $50,000 City investment.

  Additional activities to be continued in FY04 include: the development of a citywide Open Space Plan; the implementation of a new hazardous waste removal plan; and the development of a Scrap Yard Compliance Initiative to ensure private scrap yard compliance with all City, state and federal codes. In FY03, the MDO also concluded a technical assistance agreement with the EPA and 16 other federal agencies to provide resource support and technical assistance for 27 selected projects at no cost. These environmental projects contribute to the City’s efforts to improve Philadelphia’s environment, ultimately influencing the health and safety of city residents.

  Finally, in FY03 the MDO, with the pro bono assistance of law firm Ballard, Spahr, Andrews and Ingersoll, completed a “Citizens Guide on Environmental Permitting” describing the various environmental permits issued by the City. Copies will be distributed in the public facilities in the Philadelphia City Planning Commission and the Departments of Health, Streets, L&I, and Water.

City of Philadelphia
Five-Year Financial Plan

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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 throughout its 8,900 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 eight recreation centers; 12 day camps; 40 playgrounds; 113 tennis courts at 15 locations; 22 baseball, 20 football, 48 soccer and 87 softball fields; 40 basketball courts; 3 outdoor pools; 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

- **Develop 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. The final product will prioritize the level and type of services desired by park users and will provide recommendations for optimizing internal operations and best leveraging resources to deliver the ideal mix of services. The Strategic Plan will be completed in approximately one year in two phases and will cost $640,000; Phase I is being funded in full by a generous grant of $300,000 from the William Penn Foundation. Fairmount Park is currently seeking private funds for Phase II of the project. Some key elements of Phase I of the project are:

  - <u>Widespread public engagement</u>: Key leaders from public and private organizations, park stakeholders, friends groups and the general public will be invited to participate in a series of interviews, focus groups, surveys and public forums to gather feedback on the current state of City parks and a future vision for the park system.
  - <u>Operational/financial review</u>: The project will include an evaluation of the operational and financial management of the Fairmount Park Commission. It will examine the overlapping functions and responsibilities between Fairmount Park and the Department of Recreation and identify revenue opportunities.
  - <u>Programs</u>: An assessment of park facilities and recreation programming will be conducted to better meet the needs of users.
  - <u>Partnerships</u>: The strategic planning process will also assess the partnerships, 86 existing friends groups, and volunteer outreach efforts that currently exist, those that can be developed, and how to best leverage these relationships.

- **Create watershed-related exhibits for the Fairmount Park environmental centers.** The Fairmount Park Commission received a $190,000 grant from the U.S. Environmental Protection Agency (EPA) in the fall of 2001 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 staff of the Fairmount Park Environmental Education Division is working closely with the consulting designer to ensure completion of the project, scheduled for fall of 2003.

- **Expand the neighborhood street tree maintenance program**. As part of the Neighborhood Transformation Initiative's (NTI) efforts to enhance neighborhood streetscapes, the City began a multi-year program in FY02 to dramatically increase the number of street trees removed and pruned annually. The goal of this program, which costs approximately $3.5 million annually, is to eliminate the backlog of approximately 8,500 dead street trees in need of removal and to increase the number of prunings in order to gradually move from a 17-year pruning cycle to a 10-year cycle. In FY03 and FY04, the Park anticipates removing 4,100 dead street trees, which should allow it to eliminate the backlog and the additional 2,500 street trees that die each year (1 percent of 250,000 trees) by FY06. The City plans to prune 14,000 trees in FY03 and FY04, and as the backlog of dead trees is removed, the number of trees pruned will gradually increase to approximately 25,000 per year by FY06.

  Starting in FY03, the Park will begin focusing on new street tree plantings as part of NTI's Operation Green Streets, which leverages private dollars and targets tree plantings in designated geographic areas as part of a larger greening effort. As part of this effort, the Park will plant 957 new trees in FY03 and 1,000 in FY04, an increase from 196 new trees in FY02.

- **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, will begin in the third quarter of FY03 and 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. If left unchecked, the build-up is anticipated to reach approximately 25,000 cubic yards over the next three years. Aside from causing congestion in the Parks recycling yards, which are at maximum capacity, there are public safety concerns from possible lightening strikes and fires. By FY04, Fairmount Park will initiate a waste wood reduction program. The Park will reduce the wood to mulch and will offer the mulch to citizens, free of charge. The NTI Program will use 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. By FY04, Fairmount Park will provide information about this new program through its website and network of horticultural associations.

- **Improve playground safety.** The Fairmount Park Commission manages 40 playgrounds throughout the park system. Beginning in FY03 and continuing over FY04 and FY05, Fairmount Park will establish a comprehensive playground safety maintenance program through a reallocation of existing staff to ensure that these playgrounds meet established standards for safety maintenance. The only new/additional cost will be for the purchase of materials to repair and maintain the equipment. The goals of the program are as follows:

  – Train and certify 10 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 Strawberry Mansion's historic mansions and recreation facilities with the regional trail system.** In April 2003, the Fairmount Park Commission and the Fairmount Park Conservancy will complete Phase I of a project on 1.3 miles of the 3.8-mile Boxers Trail in Fairmount (East) Park. Phase I, which will cost $500,000, will be funded by grants from the William Penn Foundation, Mrs. Patricia Kind, the Delaware River Port Authority and the Schuylkill River Heritage Corridor grant program. The Boxers Trail, also known as the Cliffs Trail, is presently a narrow, unpaved path along a wooded hilltop that overlooks the Schuylkill River in East Fairmount Park. The trail follows the alignment of old carriage roads that once led to the historic mansions built in the 1700's and early 1800's. The Boxers Trail is an important component in the revitalization of East Park and the adjacent Strawberry Mansion community. The trail takes its name from African-American boxers including Joe Frazier who, associated with gyms in North Philadelphia, used the route as part of their training routine. The other name for the trail – Cliffs – is derived from the path's physical location at the top of the bluffs overlooking the Schuylkill River and its proximity to the ruins of the Cliffs Mansion (built in 1753, destroyed by fire in 1986).

The project includes: demolishing and disposing of old broken-up sidewalk, removing trees and brush, placing topsoil on some removed sections to convert to turf, excavating new trail sections, placing and compacting stone to create new trail, installing erosion control measures, planting, seeding and mulching in cleared areas, and repairing stairs and railings at Strawberry Mansion. Phase II will involve many of the same types of tasks, although some of the segments will be located on steeper slopes and will require different construction methods, such as retaining walls.

In FY04 and FY05, the Commission and Fairmount Park Conservancy will work to raise the funds to design and implement the 2.5-mile phase II of the trail. When completed, this important multi-use trail will link together the Park's historic mansions and recreation facilities with the adjacent Strawberry Mansion community and the regional trail system.

- **Link cultural facilities in West Fairmount Park.** In FY03, work will begin 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 FY04 with completion of the project projected in FY05.

- **Continue improvements to Fairmount trail system.** For the past several years, park staff have been working with volunteers to eliminate unplanned and redundant trails and improve existing trails as identified in individual park Trail Master Plans. Closing unplanned and redundant trails is considered an improvement since these rogue trails fragment natural areas, making conditions less hospitable to wildlife. They often initiate heavy soil erosion, since they are poorly sited (often on steep slopes) and are not properly constructed. Closing these trails repairs the damage, stops erosion, and "knits" the fragmented areas back together. Trails that are eliminated are often restored through replanting to increase habitat diversity and control erosion. Approximately 8 miles of trails will be closed or repaired by volunteers in FY04. This distance is based on previous years accomplishments by volunteer groups. The cost to close a trail is minimal and depends on the level of damage. Much of the materials for closing can be obtained on the site (e.g., fallen trees and branches). Erosion control fabric may be used in some locations. Plants used for the sites are obtained from the Natural Lands Restoration and Environment Education Program (NLREEP) nursery, paid for from William Penn Foundation grant funds.

- **Complete restoration of Fairmount Water Works.** The restoration of the Fairmount Water Works was substantially completed in October 2001. However, a fire on New Year's Day 2002 caused over $1.5 million in damages to the Engine House, the site of a future restaurant. The repairs are scheduled for completion in June 2003. Once the repairs have been completed, the Engine House will open as a restaurant and the deck will be used by the public for seasonal activities, including theatre, concerts and other public events beginning in the summer of 2003. Projected annual revenues from this site include concession fees from the Waterworks Restaurant ($90,000), paid parking ($150,000, including parking tax) and festival weekends ($25,000 for food and merchandise sales).

Encourage Community Participation in Park Volunteer and Recreation Activities

- **Expand opportunities available through the Fairmount Park rowing camp.** The Fairmount Park Rowing Camp celebrated its ninth season in FY03 by serving 140 inner city teenagers. The success of the Rowing Camp can be attributed to its strong attendance and to the continued support from CellularOne as the camp's primary corporate sponsor. The rowing clubs along Boathouse Row and the Dad Vail Regatta are also providing financial assistance. Approximately 75 percent of the $20,000 cost to operate the camp comes from corporate support. In the summer of 2003, Saint Joseph's University will join the Park in expanding the camp from 140 participants to as many as 246 young Philadelphians interested in learning to row. Saint Joseph's University will be providing, free of charge, use of its new boathouse on Kelly Drive, along with equipment and instructors to accommodate an additional 106 participants.

- **Strengthen community support for the parks.** In FY04, the Office of Volunteer Services will strengthen existing and establish new community partnerships with both the corporate and non-profit communities to accomplish beautification projects while raising public awareness and support for Philadelphia's parks. Park Volunteer Coordinators will continue to work closely with the Park's existing network of 85 Friends' groups. While continuing their work in the natural areas of the parks, Park Volunteer Coordinators will also continue their role in assisting neighborhood Friends groups on an as needed basis for specific restoration projects. In general, community groups provide assistance for trail maintenance/closures, invasive plant control and native plant installation. In FY02, Volunteer Coordinators assisted the Friends of Fernhill Park, Penn Treaty Park, Fisher Park and Carpenter's Woods in maintaining their parks. In FY03, the Volunteer Coordinators have also begun to work with the John Bartram Association to control invasive plant species and establish a new trail along the Schuylkill River. By working more closely with neighborhood park groups, park maintenance staff can focus more attention on operational and maintenance issues.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Total Acres of Grass Cut [1]	17,123	24,294	22,578	22,800	21,300	19,700
Weeks between Cuts-Frequency	3.41	2.38	2.60	2.57	2.76	2.98
Acres Cut – Contractual Services	13,439	21,263	21,006	19,500	18,100	18,100
Acres Cut by Park Employees	3,684	3,031	1,572	3,300	3,200	1,600
Street Trees Removed – Contractual Services [2]	1,311	1,390	4,223	4,100	4,100	4,100
Street Trees Pruned- Contractual Services	8,505	8,264	13,886	14,000	14,000	14,000
Park Trees Removed	1,695	1,699	2,512	1,731	1,800	1,800
Park Trees Pruned	1,909	2,250	2,908	2,374	2,500	2,500
Street Trees Planted	N/A	83	196	957	957	1000
Number of Ballfields Maintained	692	652	802	606	530	398
Number of Ballfields Renovated	121	80	143	135	160	80
Citizen Survey: Percent Satisfied with Fairmount Park	76.5	78.8	81.2	82	82	82
Citizen Survey: Percent Satisfied with Neighborhood Park	66.5	68.2	71.6	72	72	72

Note:
1 Fairmount Park mows approximately 2,000 acres a number of times each season
2 Street Tree removals include Operating and Capital dollars

Five-Year Obligation Summary

Fairmount Park

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	9,563,984	9,941,834	9,673,403	10,077,309	9,813,061	9,772,358	9,662,289	9,637,395
Class 200	2,767,150	2,898,923	2,898,923	2,742,509	2,742,509	2,742,509	2,742,509	2,742,509
Class 300/400	585,305	643,439	643,439	632,158	632,158	632,158	632,158	632,158
Class 500	500,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Class 700								
Class 800								
Class 900								
TOTAL	13,416,439	14,334,196	14,065,765	14,301,976	14,037,728	13,997,025	13,886,956	13,862,062

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

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

- **Improve deployment of Emergency Medical Service (EMS).** In FY04, the Fire Department will upgrade software for EMS, enabling better medical reporting, greater efficiency in dispatching and improved mapping for dispatched vehicles. The Department will implement a new Automatic Vehicle Locator (AVL), Geographic Information System (GIS) Mapping and Safety Pad software for the EMS Units. The total cost of these systems is estimated to be $750,000 and will be fully funded by a vendor.

  The AVL and GIS Mapping systems will enhance the Department's emergency response time. EMS dispatching currently relies on interactive radio communication and is based on station location mapping, which dispatches EMS based on location of the station to the caller and not necessarily location of the actual EMS vehicle to the caller. The AVL system will provide real time, electronic mapping, through vehicle locators and using wall-mounted electronic display. GIS Mapping will allow dispatchers to view detailed map information containing streets and addresses, locations of hospitals, locations of fire houses, and locations of callers. The systems will enable dispatchers to pinpoint vehicles at any given time, which will give them the opportunity to redirect vehicles to new emergencies before returning to the station.

  In FY04, the Fire Department will also change the process for relaying medical information to hospitals. Currently, Emergency Medical personnel manually complete medical forms for patients en route to the hospital. This process is time consuming and redundant because hospital staff complete additional medical forms when the EMS arrives. New software, called Safety Pad, will allow emergency medical technicians to fill out medical forms using a handheld computer. This information would then be relayed directly to hospitals, better preparing them for the incoming patients and eliminating redundant paperwork.

- **Eliminate high pressure hydrant system.** There are two types of fire hydrants in the city, domestic fire hydrants and high-pressure fire hydrants. While most areas of the city use the domestic fire hydrants, Center City and certain parts of North Philadelphia have a high-pressure system in addition to a domestic system. The high-pressure system was installed in the early 1900s and served as the primary fire hydrant system in the industrial and mercantile portions of the city, with domestic hydrants serving as a backup system. However, improvements to the domestic system, revisions to the building and fire codes, and the subsequent cost efficiencies gained in the domestic system made the high-pressure hydrant system obsolete. Additionally, the high-pressure hydrants have received minimal maintenance and hydrant replacements are almost four times the cost of domestic hydrant replacements. In FY03, the Fire and Water Departments will work together to assess the approximately 450 high-pressure hydrants in Center City and decide on the future of the system. In FY04, the team will evaluate the estimated 550 hydrants in North Philadelphia. In both areas, the team will work block by block to evaluate the water sources, availability of hydrants if high pressure hydrants are removed, number and costs of domestic fire hydrants that need to be installed, and if current water mains need to be expanded due to changes in the flow of water. If the Department decides to upgrade the entire high-pressure system, the costs are currently estimated to be anywhere from $17 million to $35 million.

Reduce the Outbreak of Fires through Enhanced Fire Prevention and Safety Activities

- **Reduce the number of fire deaths through increased prevention programs.** During calendar year 2002, the City hit a 50-year low for the number of fatal fires, with 32 fatalities for the year. There were 45 fire deaths in calendar year 2001. The 10-year high occurred in 1995, with 90 fire deaths. The reduction in fire deaths can, in large part, be attributed to the Department's fire prevention and education programs.

  In FY03, the City's 93 fire companies conducted a city-wide fire safety program encouraging home escape planning. Each fire company received 125 flyers that contained information on how to design a home escape plan. These flyers were distributed door-to-door in neighborhoods throughout the City. Additionally, the Department plans to enhance its KidsZone website (www.phila.gov/fire/kidszone). The website was developed for children aged 5 to 10 years old to provide games, puzzles, and answers to children's questions about fire safety around a fire safety theme. In FY03, the Department will launch an interactive game with sound that will teach very young children about fire alarms and home escape planning.

  The Department's FireStopper Program works with families to provide early intervention and recognition of experimental or behavioral fire setting problems in young children. Departmental statistics suggest that the number of fires set by children is increasing annually, reaching 964 in 2002. The FireStopper Program provides visits to the child's home to teach fire safety and home escape planning. At the end of the 2-hour program, the family is given a fire safety education packet and is provided follow-up evaluations, when necessary. The Department will involve mental health professionals for cases where more serious emotional problems exist. The Department provided FireStopper training in 109 homes in calendar 2002 and expects to reach 175 homes in calendar 2003.

- **Expand Shelter-in-Place initiative.** In FY02, the Fire Department began a Shelter-in-Place initiative. The program provides a plan for the safety of citizens in the event that their immediate neighborhood is exposed to or threatened by the release of a hazardous chemical or biological agent. During the drills, occupants learn to properly and effectively seal off buildings and remain indoors to prevent exposure to the hazardous materials. The Fire Department supervised 20 drills in FY02 in Philadelphia public, private, parochial and charter schools and is projecting to complete drills in 100 schools in FY03. In FY04, a change in the fire code will require that every building, including city schools, with required fire evacuation plans conduct Shelter-in-Place drills in addition to fire drills.

Key Performance Measures and Accomplishments

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Number of Fires						
Structural	2,440	2,510	2,526	2,500	2,400	2,400
Non-Structural	N/A	N/A	N/A	N/A	10,500	10,500
Vacant Buildings	233	210	258	200	240	240
Average Response Time (minutes: seconds)	4:24	4:20	4:19	4:30	4:20	4:20
Fire Deaths (Civilian)	52	55	38	48	37	37
Fire Prevention Activities	10,666	16,853	11,177	14,000	11,100	11,200
EMS Runs	176,971	183,687	188,200	182,000	191,500	196,862
EMS Average Response Time (minutes: seconds)	6:06	5:51	5:54	6:30	6:15	6:15
First Responder Runs	31,362	29,494	34,661	31,000	38,500	42,000
Citizen Survey: Percent Satisfied with Fire Protection	83.0%	84.1%	88.8%	89%	89%	90%
Citizen Survey: Percent Satisfied with EMS Response	86.3%	85.7%	90.7%	91%	91%	92%

Non-Structural Fires. In FY03, the Department modified its method for counting non-structural and structural fires, making the counts more precise and making comparisons to earlier years misleading.

Fire Prevention Activities. These educational outreach activities are conducted by firefighters in the field and include the distribution of literature at community events, station tours, home inspections, etc. The high number of prevention activities conducted in FY01 was primarily a result of the Operation Children First campaign, a grant-funded initiative that involved the distribution and installation of smoke detectors.

EMS Average Response Time. With the implementation of the AVL software, the Department expects EMS response time to improve. However, EMS response times are difficult to predict due to factors that cause delays such as weather conditions, traffic congestion, and length of travel.

Five-Year Obligations Summary

Fire

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	138,047,884	141,106,619	143,721,174	157,072,244	148,167,184	148,334,815	148,423,868	148,384,234
Class 200	4,469,209	4,679,583	4,934,583	4,934,583	4,934,583	4,934,583	4,934,583	4,934,583
Class 300/400	5,689,686	5,647,415	5,647,415	5,647,415	5,530,823	5,530,823	5,530,823	5,530,823
Class 500								
Class 700								
Class 800	6,346,352	6,126,000	6,934,000	7,579,000	7,579,000	7,579,000	7,579,000	7,579,000
Class 900								
TOTAL	154,553,131	157,559,617	161,237,172	175,233,242	166,211,590	166,379,221	166,468,274	166,428,640

City of Philadelphia
Five-Year Financial Plan

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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 needs of Philadelphia's children and adults for the resources of the Central Library have grown enormously since the building was first opened in 1927. As a result, the scope of the services and collections located at Central and the technology needs have challenged the facility's ability to serve Philadelphia adequately. The Library is developing several options for renovating and expanding the Central Library as part of the planning to improve access to its collections and electronic resources, and to update and enhance the quality of the service in this information age. Because of the City's debt ceiling limits, a variety of funding scenarios are under review.

Explore Ways to Expand Services to School-Age Population

- **Develop a closer partnership with Philadelphia public schools.** The Library hopes to expand its library outreach program for school-age children. Currently, the Library staff at each branch visits its neighborhood schools a minimum of twice a year -- in the fall and spring. In FY04, the Library plans to increase its efforts to share information about Free Library resources with teachers and students. The Library will seek private funding in FY04 to hire and train a minimum of nine School Outreach Specialists (SOS) to establish closer contact with principals, teachers, department heads and school librarians at all schools. The SOS staff will bring the public library to the classroom in a number of ways, such as introducing teachers and students to the Library's catalog and online resources through laptop hook-ups; bringing age-appropriate reading material for young students to enjoy in the classroom; and signing up students for library cards so that they can visit the Free Library and experience the full range of resources available. The Library's director and new school district CEO will continue working together to identify additional ways in which the Free Library and the Philadelphia School District can collaborate in the future.

- **Expand services for teens.** In FY03, the Library will complete a three-year project to expand the materials, programs and services available for teens as part of the Library's initiative to attract this age group. While all library facilities previously had books and other materials specifically selected for this age group, as the result of this concerted effort, the teen materials will be more numerous and prominently displayed at all locations. In FY02 and FY03, a number of grants, including one for $120,000 from the Carnegie Corporation, have enabled the Library to purchase more materials for teens at all locations. The Library will use sampling techniques in spring FY03 to track circulation of teen materials included in this project. With a $100,000 grant from the Joseph and Marie Field Family and others, the Library also plans to offer 20 programs, including a new Teen Author series, in spring FY03 to highlight the teen collections at 12 library locations. This series will feature Nikki Giovanni, Tanya Barrientos, and other authors who are popular with teens. For the first time, every branch will present two other programs specifically targeted to teen audiences, many of which will be designed and presented by the teens who work for the Library as Teen Leadership Assistants (TLAs). The TLAs are high school students living in the branch's neighborhood who work in the LEAP after school program. They help peers and young children with homework, provide computer assistance, present enrichment programs and technology workshops and mentor younger children.

- **Evaluate after-school program.** The Library's LEAP (Learn, Enjoy and Play) after-school program began in 1989 in 15 branches and has since expanded to every branch library, five days a week. LEAP provides homework assistance, computer literacy, library skills, and enrichment activities for school-age children and teens in grades 1 through 12. In FY01, the Library began evaluating this drop-in after-school program with regular samplings that produced attendance statistics and planning information. The attendance survey showed that one third of the participants attended LEAP regularly, and that an estimated 85,000 individual children and teens attended LEAP during the school year. In FY04, the Library will work with outside evaluators to develop specific program outcomes that will reflect the LEAP goals of increasing literacy and library use. During FY03, Branch Associates will begin to evaluate the Associate Leader project (i.e., Teen Library Assistant graduates attending college in this area who are mentoring current TLAs and focusing on program development and training) as part of the LEAP program.

- **Implement online homework help program.** Starting in November 2002, the Free Library began an online homework help program for students in grades 4-12 after school from 3:00-6:00 p.m. at five library locations (Central Library, Lehigh, Cecil B. Moore, South Philadelphia and Independence branch libraries). *LEAP Online* (Tutor.com) supplements the existing LEAP after school program with in-depth assistance in several subjects. Students use library computers to get to the LEAP online web site and type in their question. A tutor (a graduate student or teacher) at Tutor.com interacts with the student via the computer to help the student complete the homework assignment. Tutors may draw math problems on the screen, edit papers submitted by the student, explain science formulas, supply history facts, or refer the students to sources of additional help (e.g., to other web sites or the branch librarian). This pilot program is funded by a $50,000 Library Services and Technology Act (LSTA) grant received in September 2002 through Commonwealth Libraries. The program will be expanded to an additional ten library locations by February 2002 after the Library has had experience with this program. Use statistics, tracked by Tutor.com, are high and comments to date from students, parents and teachers have been very positive.

Expand "Library Without Walls"

- **Redesign the Library's web services and web site.** The number of hits to the Library's web site (www.library.phila.gov) continues to grow dramatically from just below 18 million in FY00 to a projected 65 million hits in FY04. Nearly 82 percent of respondents to the FY02 Citizen Satisfaction Survey reported that they were satisfied with the Library's electronic information and website. The Library expects to satisfy the expectations of both new and experienced library web site users and continue the increase in the web site's use. To accomplish this, the Library plans over the next three years to develop and roll out a new web site design, and update and refresh the content, site navigation and graphics. During FY04, the Library will redesign the home, secondary, and tertiary pages and all navigation, and accomplish a mechanical redesign of approximately one fourth of the entire site. Input from focus groups will assist with the redesign process. The Library expects to complete the FY04 work at an estimated cost of $250,000 in privately raised funds. Additional fund raising will support future aspects of the redesign process.

- **Implement new ways to increase the availability of books and other materials.** Beginning in July 2001, library customers could renew their library books online through the "My Account" program. This feature of the Library's automated library system - which is available at no additional cost to the Library - gives a customer access to his or her library account. By logging on to "My Account" through the Library's web page, the customer can see items checked out on his/her library card; renew magazines and books without staff assistance; cancel any outstanding requests; and obtain the balances of any fines or fees owed. As of September 2002, over 2,700 customers were using this option. By FY04, customers will also be able to reserve library books online through the Library's web site, rather than having to reserve a book title directly at a branch. The Library can already email customers all notices including overdue notices, book requests, etc.

Position Library as Center to Philadelphia's Educational and Cultural Life

- **One Book, One Philadelphia.** People in cities across the country, including Chicago and Seattle, have selected one book to promote literacy and encourage communities to come together to read and discuss a single book. Mayor Street announced his choice of Lorene Cary's **The Price of a Child** on November 25, 2002 as the title for the "One Book, One Philadelphia" program. The Library is leading efforts to ensure success of this shared reading experience by developing book discussion groups and a host of other events to be held from February through April 2003 at library agencies and other locations in Philadelphia as well as in surrounding counties. Sample activities include author readings, book discussions, radio program discussions, a concert of Negro spirituals, and tours of the Philadelphia Underground Railroad. The cost of the initiative is $250,000, which will cover 2,000 copies for people to borrow from libraries, programming funds, and marketing materials. The funds for this project will be raised from private sources, with the surrounding counties raising additional funds to support programs in their areas. "One Book, One Philadelphia" is currently envisioned as a one-year project, after which the Library and its partners will evaluate the success of the project to determine the potential for repeating it in future years.

- **Earned Income Tax Credit.** The Library is collaborating with the Campaign for Working Families (CWF), a coalition of nonprofit groups working to increase the number of eligible Philadelphians who apply for the Federal Earned Income Tax Credit (EITC). Last year in Philadelphia alone, between $80 million and $85 million dollars in EITC went unclaimed. Through programs on financial literacy and free tax assistance, the Free Library and the CWF want to help eligible people take advantage of EITC, which can provide a credit of between $1,000 to $4,000 per family. IRS-trained volunteers will be available at the Central Library, South Philadelphia, McPherson Square, Greater Olney, and Cobbs Creek branches and at the Northeast, West and Coleman Regional Libraries to assist filers in completing their tax forms and applying for this tax credit. The program will be available during regular library hours on Saturday afternoons and two evenings a week at these locations from February through April FY03. The IRS is providing eight laptop computers for use during this project, while the Library is dedicating an additional eight existing laptops during this period. There will be minimal in-kind cost to the Library.

Strengthen the Quality of Customer Service

- **Listen and respond to Library customers.** In the FY02 Citizen Satisfaction Survey, 79 percent of City residents reported that they were satisfied with library services. The Library also conducted its own in-library written customers exit survey during FY02 to get more specific information. Overall, the Library's "excellent" service rating went up from the previous on-site survey it conducted twelve years earlier from 58.2 percent to 64.7 percent. Responses were more positive than in the earlier survey for all services provided directly by library staff, such as helpfulness, quality customer service, and telephone assistance. Responses were less positive for resource availability, such as best sellers, audiovisual materials, and hours. Each branch has developed specific plans to respond to its survey results and will implement changes during FY03. Additionally, the Library will identify different ways to address systemic issues around resource availability raised in the survey during FY04.

- **Complete branch and regional Library upgrades.** The Free Library is nearing the end of its multi-year capital improvement plan, which began in FY95. Through the plan, the Library is renovating all library facilities and installing new technology in each location for public use. This capital program, totaling $60 million, was funded jointly by a public/private partnership. The following projects are the only ones that remain to be completed:

  - ***Widener Branch.*** The current Widener branch (located at 2531 W. Lehigh Ave), a small, cramped space that was a former bank, will be replaced by a new, one-story facility just two blocks away. Slated for completion in FY04, the expected cost of $2.8 million is being funded entirely from the City's capital budget.

  - ***Walnut Street West.*** The Walnut Street West Library (40th and Walnut Streets) will be rebuilt during FY03 and FY04 at a cost to the capital program of $3.3 million. The project will retain the original exterior while creating a 21st century library inside, including a self-checkout service option. This service will enhance efficiency in book circulation, especially during peak times when there can sometimes be long lines. The Library will evaluate the success of this service option for possible use at other locations.

- ***George Institute.*** This branch (1461 N. 52nd) closed for renovations June 2001 and will be rebuilt during FY03 and FY04 at a cost of $1.45 million, of which $1.2 million will be City funds, $113,000 will be from a State-funded Keystone grant and $147,000 will be private grant funding.

- **Upgrade the Library's integrated library system.** To prepare for the upgrade in FY04 of the automated system that manages the Library's catalog and circulation system, Library staff has prepared an analysis of possible costs and functionality. The current system was installed in 1995, and the vendor is planning to phase out support for this product since the product's operating system is considered obsolete. The current generation of integrated library systems to which the Library plans to upgrade is more functional, user-friendly and flexible. The new system's cost is approximately $644,000. Library staff is investigating purchase options including a five-year lease/purchase plan.

- **Install public computer reservation system.** The public computers available for use in the Libraries have been extremely popular. Unfortunately, public services staff spends considerable time signing people up to use a computer, and then reminding users that their time allotment expired and others are waiting. This is time that could be dedicated to assisting people directly with their information searches. The Library is now investigating several companies that provide an automated sign-up/sign-off system for public computers, and expects to issue a request for proposal (RFP), select a vendor, and install a system by June 2003 at a cost of $115,000. This automated sign-up/sign-off system will provide advance notice to users before their session is terminated that their time is nearly up. This sign-up system will be easier because staff and the public will know immediately when a PC is available and faster because the software automatically logs a user off the PC.

- **Promote staff recruitment and retention.** The Library, like other City departments, expects to lose a number of senior managers during FY03-FY05 through the DROP program and other departures. The Library is assessing the impact of losing those senior managers and will incorporate the results in its long range staff planning. On the national level, all libraries, including the Free Library, are experiencing difficulties in recruiting librarians. The Free Library, therefore, wants to increase the retention rate of its younger librarians by providing information about anticipated job opportunities and leadership attributes needed to be effective, and assisting staff in assessing personal skills and addressing developmental needs. To expand awareness of promotional opportunities, the Library is beginning a series in spring FY03, continuing into fall FY04, titled "Career Awareness." The series will consist of workshops for specific job classifications. The training will strengthen the pool of potential candidates for promotion, develop leaders who are better prepared to assume key positions, and promote staff retention by providing helpful career development.

Key Performance Measurements and Accomplishments

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Original Projection	FY03 Current Projection	FY04 Projection
Visits to Library	4,961,754	5,934,080	6,226,316	6,393,116	6,655,650	6,700,000
Items Borrowed	6,341,612	6,668,923	7,024,391	7,125,024	7,150,000	7,250,000
Library Hours	97,256	111,158	110,772	113,678	112,500	114,195
Branch Libraries Open	47	48	49	49	49	50
Number of Volunteer Hours	82,639	85,050	94,493	91,625	95,000	96,250
World Wide Web Hits	17,774,326	27,404,756	41,960,124	49,175,588	56,000,000	65,000,000
Citizen Survey: Percent Satisfied with Library Services	74.6%	81.1%	79.1%	81.8%	80%	80.1%
Citizen Survey: Percent Satisfied with Hours of Operation	80.5%	77.5%	79.7%	79%	80%	80.1%
Citizen Survey: Percent Satisfied with Availability of Computers	69.8%	70.7%	69.7%	71.3%	70%	70.1%

Visits to Library and Items Borrowed. Visits to the Library and items borrowed in FY03 and FY04 are projected to increase modestly as the regional and branch library renovation program is nearing completion. By the end of FY04, all three regional libraries and 50 branch libraries will have been renovated and upgraded. The Library's modern facilities, expanded computer supply, and extremely active after-school program should result in these higher visitation and circulation numbers.

World Wide Web Hits. The number of hits to the Free Library's website has increased dramatically, with nearly 56 million hits projected in FY03, as awareness of the website increases and more residents use it to search the system-wide catalog, access information resources, and get information on branches and hours of operation.

Five-Year Obligations Summary

Free Library

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	29,494,826	30,336,846	30,472,086	32,796,809	31,229,964	30,814,722	30,541,891	30,428,211
Class 200	1,561,955	1,576,246	1,585,406	1,585,406	1,530,506	1,530,506	1,530,506	1,530,506
Class 300/400	3,121,727	4,226,407	3,899,678	3,899,678	3,802,814	3,802,814	3,802,814	3,802,814
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	34,178,508	36,139,499	35,957,170	38,281,893	36,563,284	36,148,042	35,875,211	35,761,531

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 online offering and communications through additional software.** Beginning in FY03, the Department will implement new software applications that will enable online application of permits and licenses, automation of inspections and related code enforcement activity, and customer relationship management. The new system, which will cost approximately $3.3 million, will be fully funded through the Department's fee increases in building privilege licenses, housing licenses, and construction permits. The system will increase efficiency of the Department, enable better data capture of customer information, and improve the Department's overall customer service. The system will also minimize the number of clerks needed in the Department. The Department will produce $2 million in net benefit to the General Fund over the life of the Plan by eliminating 20 clerk positions through attrition by FY08. These positions will be partially replaced with five new inspectors, who will generate net revenue for the City through inspection activity.

  The Department will begin migrating permits online in FY03 and is planning to have all permit and license applications available on its website by the end of FY04. Users will be able to log on to the site and apply for the permits directly online, eliminating walk-in wait times and significantly reducing permit and license processing time from weeks to as little as one to two days. In addition, providing these applications online will enable the customer to immediately schedule required inspections electronically. 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. The online functions will also include easy access to departmental records, case histories, and violation notice information.

  The Department will also enable online payment of permits and licenses through two methods e-check and escrow account. Frequent customers will be able to establish an escrow account with the City, creating a drawdown account for any licenses or permits requested. One-time or infrequent customers will be able to use the online system and pay for permits and licenses through e-checks. The e-check system enables the customer to securely pay for the permit or license by providing the bank transit routing number and customer checking account number to the City. The City can then debit the application cost directly from the customer's account, thereby decreasing processing time by eliminating the need for the customer to send a check via the postal service and waiting for the check to clear before permit or license processing can begin. The new payment options will increase efficiency by enabling customers to handle transactions online without having to physically go to L&I to apply to pay for the permit or license. Currently, customers wait in line for each piece of the permit and license process. Information is not linked across the different areas, making the process lengthy and frustrating for customers.

The new software will also enable the Department to capture all contact with customers from in-person contact, telephone contact and email/web contact. Systems that currently capture this information will be linked and cross-referenced against each other. Customer service representatives will have access to records of all customer contact, which will enable the Department to provide better service to their customers.

- **Reduce the number of licenses to increase efficiency.** The City has approximately 200 licenses that govern building development, occupancy, and maintenance. In FY04, the Department will reduce the number of licenses and allow for multi-year payments. Multi-year payments enhance efficiency for the Department by decreasing the amount of paperwork required for annual renewals and increase convenience for customers by decreasing the frequency of payments. The Department has four major categories of licenses: housing, business, health and occupational. Within the housing category, there are four types of licenses: multi-family licenses, rooming house licenses, residential rental licenses for single family dwellings and residential rental licenses for duplex properties. In FY03, the department plans to consolidate these four housing licenses into one housing inspection license. In FY04, the Department will change the licensing period from the current one-year renewal period to a three-year duration for single and duplex rental housing occupancies. The Department's 27 occupational licenses will be reduced to four and made renewable on a two-year basis. The Department will also combine business and health licenses into a combined commercial enterprise license. The renewal cycle of these combined business and health licenses will be determined based on the number of annual inspections that the business requires.

Enhance Code Enforcement Efforts

- **Train inspectors on state-wide uniform construction code.** In May 2003, the Commonwealth will complete development of a new statewide enforcement code. This new, comprehensive building code establishes minimum regulations for new construction and additions and renovations to existing structures. The Uniform Construction Code Act (Act 45 of 1999) requires all Pennsylvania jurisdictions to adopt the code and certify all applicable employees in the state code by FY08. In addition, appropriate employees must earn a specific number of continuing education credits in order to maintain their certification. The Department began training appropriate employees through a partnership at Drexel University in late FY02. The classes are expected to continue until the 180 L&I employees who are mandated to be state certified in at least one area, complete the training and gain the necessary certifications. All 180 employees will receive training in Building Code Use and Application. A select number will receive training in at least one other area, including Fire Code Inspection; Mechanical, Fuel Gas, Energy Code Inspection and Plan Review; One and Two Family Dwellings Inspection; Plumbing Code Inspection and Plan Review; Electrical Code Inspection and Plan Review; and Property Maintenance and Housing Inspection. The

Department expects its inspectors to have completed the necessary training by the FY08 deadline, at a cost of $620,640.

Promote the Revitalization of Neighborhoods

- **Demolition of dangerous buildings.** In FY03, the City estimates contracting for 2,000 demolitions. Demolition contractors are bidding on approximately 29 packages, each ranging from 15 to 150 properties. The actual size and number of bid packages depends on such factors as contractor capacity, concentration of vacant dangerous properties, environmental abatement requirements, and economic opportunity goals. The direct cost of the residential demolitions for FY03 is approximately $24 million, almost entirely out of NTI bond proceeds. Despite improvements to the bidding process, the pace for soliciting community input, assembling demolition packages, and attracting realistic bids from contractors is slower than expected. From FY04 – FY07, the City plans to spend approximately $30 million per year to demolish between 8,000 and 10,000 additional buildings.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Original Projection	FY03 Current Projection	FY04 Projected
Permit Inspections	169,561	156,012	150,496	137,861	154,710	160,700
Housing and Fire Inspections	N/A	N/A	N/A	104,000	115,000	120,000
Licenses Issued	107,055	116,332	119,787	123,500	123,500	119,285
Business Compliance Inspections	40,933	40,366	49,101	42,000	43,644	45,000
Business Compliance Code Violation Notice Tickets Issued	N/A	1,996	2,091	2,000	2,000	2,100
Buildings Demolished	1,284	1,679	1,040	2,000	2,000	2,000
Clean and Seals – Buildings Treated	1,710	1,693	1,769	1,775	1,587	1,587
Clean and Seals – Lots Treated	2,099	2,256	1,080	1,065	798	753
Percentage of survey respondents satisfied with L&I services	47.3%	50.0%	41.3%	42%	43%	46%

Permit Inspections. The number of permit inspections decreased by 13,549 or 8.7 percent from 169,561 in FY00 to 156,012 in FY01 due, in part, to the temporary redeployment of inspectors to update the vacant land and properties inventory. In addition, beginning in FY01, the number of permit inspections does not include zoning inspections, which have been reassigned as collateral work among all L&I inspection personnel, and are no longer limited to inspectors conducting permit inspections.

Housing and Fire Inspections. In FY03, the Department modified its methods for counting housing and fire inspections, making the counts more precise and making comparisons to earlier years misleading.

Clean and Seals – Lots Cleaned. The decrease in lots cleaned is attributed to increases in lot cleaning efforts by other city agencies and community groups. For example, in FY02, all of the City's 32,000 vacant lots received a major cleaning as part of the Mayor's Neighborhood Transformation Initiative.

Five-Year Obligations Summaries

Licenses and Inspections

BUDGETED OBLIGATIONS	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
Class 100	16,910,801	17,228,052	17,228,052	17,440,379	15,581,427	14,891,436	14,383,967	14,052,637
Class 200	3,790,129	2,966,435	2,966,435	5,985,785	2,742,629	2,674,064	2,674,064	2,674,064
Class 300/400	585,810	613,536	613,536	768,698	578,980	564,506	564,506	564,506
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	21,286,740	20,808,023	20,808,023	24,194,862	18,903,037	18,130,006	17,622,537	17,291,207

Licenses and Inspections – Demolitions

BUDGETED OBLIGATIONS	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
Class 100								
Class 200	22,060,188	2,000,000	2,000,000	0	0	0	0	0
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	22,060,188	2,000,000	2,000,000	0	0	0	0	0

City of Philadelphia

Five-Year Financial Plan

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Mayor’s Office
of
Information Services

Mayor's Office of Information Services

Mission

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

Organizational Objectives and Targeted Initiatives

Provide Innovative Solutions to Enhance the City's Provision of Services

- **Consolidate various LAN and Mainframe functions and 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 to supporting the necessary IT infrastructure, and various IT services, has proven to be expensive and inefficient. Enterprise services that should be coordinated centrally include managing the desktop and LAN assets of the city, consolidating and reducing the number of data centers supporting departmental servers and mainframe computing needs. In connection with the development of Administrative Support Centers, the Administration will consolidate various LAN and mainframe functions as well as enterprise services.

- **Develop and implement e-government transactional applications.** The City is developing a number of applications to allow citizens and businesses electronic access to City functions. This ability for residents and businesses to 'self-service' through the Internet rather than by waiting in City offices or on telephone lines is often referred to as e-government. MOIS completed a strategic plan for e-government in early FY03 and will 'go live' with several pilot projects by the end of the fiscal year. The first application will allow business taxpayers to apply for their business privilege license and business privilege tax identification number on-line in early 2003. This application will benefit both the Revenue and Licenses and Inspections (L&I) Departments by capturing and instantly transmitting information from one common application form to both departments. The second series of projects will allow taxpayers to file and ultimately pay taxes on-line. Working with the Revenue Department, City Treasurer and Law Department, MOIS plans to provide the ability to file the School Income Tax on-line this upcoming tax season. The cost of these projects for FY03 is approximately $100,000 from the Revenue Department's budget. If each application is successful, ultimately all business tax returns could be filed on-line, and it is anticipated that filing Business Privilege Tax returns on-line will be available in FY04. By the end of FY03 the City will release an RFP for a provider to manage electronic payment processing, which would eventually enable taxpayers to make payments on-line.

  Other e-government initiatives will help the City improve its business processes and operate more efficiently. MOIS is working to develop an infrastructure for the Board of Revision of Taxes and L&I to share alphanumeric and GIS data about properties on the City's intranet. This will reduce the number of redundant inspections made by each agency, and it will provide a more consistent tax and safety enforcement approach. MOIS is also working with L&I, the Health Department and Fairmount Park to develop a one-stop permitting application. Development of these transactional capabilities will proceed incrementally through FY04.

- **Continue to develop the Integrated Data Information System.** The Integrated Data Information System (IDIS) initiative will improve the exchange of social service information among staff and management across City and City-related agencies. A city resident may receive social services from a range of City departments and City-related agencies, each of which has tracked clients and case histories separately in the past. This 'silo' approach creates redundant data entry and inefficient use of staff time, and perhaps more importantly fails to take a holistic treatment approach that builds upon the past case history of the resident receiving service. By allowing greater data and information exchange among City agencies and social workers, IDIS will foster better coordination and effectiveness in providing Philadelphians of all ages with appropriate, seamless and comprehensive services. In January 2003, IDIS will begin a pilot with 125 users from Adult Services, the Children and Youth Division of the Department of Human Services, Community Behavioral Health, the Coordinating Office of Drug and Alcohol Abuse Programs (CODAAP), and the Office of Mental Health. The pilot stage will allow users to consolidate client records to one database and search for records across agencies, while providing review and data reporting and analysis features. The pilot stage also features the introduction of a common form, accessible by any pilot department, for a client to provide legally required consent for these agencies to share confidential information. If the pilot is successful, additional features and types of data and users will be added, as well as new agencies including the Public Health Department, Juvenile Justice System, Philadelphia Prison System, the Police Department, First Judicial District, and the School District of Philadelphia. The project, which has received technical assistance from Philadelphia Safe and Sound, will cost $2.5 million through FY03, and complete implementation would be finished by FY07 at an additional cost of $5.5 million from the City's capital budget.

Establish a Reliable and Efficient Technical Infrastructure to Support City Operations

- **Develop 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, which will resolve the multiple databases into one citywide database, is currently in the second of three phases. The second phase, which will be completed by the end of FY03, involves updating and combining all 5,500 land title registry maps from the Department of Records into a single seamless citywide digital parcel map and related database. The final phase of the project, which will be completed in FY05, will create a single parcel database that will function as the 'switchboard' to link the various address-based databases and unify them into one address system for all departments to use. This increase in accuracy will allow more departments to use GIS for their daily work, provide citizens access to precise maps on the Internet, and avoid the costs and foregone revenue that result from discrepancies between databases. The total project cost of the Unified Land Record System is estimated to be $1.7 million, which is being paid out of Neighborhood Transformation Initiative bond funds.

The second project managed by MOIS will update 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. MOIS estimates that 10 to 15 percent of this data has undergone a change since it was last captured for GIS in 1996. The City's GIS data will be updated in FY04 at a cost of $800,000 from the City's capital budget. Subsequent updates will occur every two years at a cost of $540,000 to the City's capital budget.

- **Expand fiber network between thirteen major City buildings.** The City has made significant progress in networking its buildings with leased lines. However, to meet the transmission capacity demands of the next generation of voice, data, video, imaging and graphics technologies, the City will need to migrate from leased lines to City-owned fiber among its major buildings. The next generation of technologies will require greater transmission bandwidth than the current leased lines can accommodate, due to factors such as:
  - Increased utilization of graphics-based (e.g., browser) applications rather than character-based (e.g., mainframe) applications. For example, while a number of City-wide applications, such as the City's financial accounting system, FAMIS, are still character-based, new applications and upgrades of existing applications will increasingly have graphical interfaces.
  - Increased utilization of mapping technology. As the Unified Land Records System and other map-based applications such as the Police Department's Compstat system are developed, the demands on bandwidth will increase.
  - Increased use of central processing capacity for applications ('thin client'). If the City adopts more of a 'thin client' network processing environment, where desktop PC users use an Internet browser to access programs and databases that actually run on central servers, this will increase the demand for bandwidth.

  Construction is expected to begin in FY04 at a cost of $2.8 million to link thirteen Center City buildings owned or leased by the City with fiber optic cable in order to improve bandwidth and eliminate lease costs.

- **Develop enterprise architecture standards and data framework.** The "architecture" of an information technology system, such as a financial accounting, human resources, billing, or work order management system, is the structure comprised by that system's hardware, software, and network infrastructure components, and the capabilities that result from the nature of those components. Elements of a system architecture include:
  - The type of network and client-server relationships;
  - The processing and storage capacity of the system;
  - The integration of different software applications within the system.

The City of Philadelphia as an enterprise contains numerous information technology systems that have often been developed in an ad hoc and uncoordinated manner. An enterprise architecture provides a framework to develop and implement systems in a more coordinated manner to ensure that these systems and databases will interface and work together as well as possible. This project would map the current infrastructure and information flows among City of Philadelphia systems, define a target architecture, and develop cost estimates and an implementation plan for reaching the target architecture. MOIS intends to begin the project with internal resources by the end of FY03 and will obtain a consultant to design the architecture in FY04, pending the availability of funding.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projected	FY04 Projected
Number of Help Desk/Operational Support Center phone calls	51,231	34,468	34,091	33,000	33,000	29,000
Number of Calls Resolved Immediately	N/A	N/A	833	1,000	2,000	3,000
Number of Trouble Tickets Created	14,592	10,334	7,684	9,000	11,500	11,750
Percent of Trouble Tickets Closed Within 5 Days	N/A	N/A	67%	83%	87%	94%
Number of Service Project Requests	1,375	1,862	2,845	3,000	2,500	3,500
Percent of Service Project Request Closed within 10 days	N/A	N/A	48%	83%	88%	86%
Number of PC Users	16,998	17,000	17,125	17,500	17,500	17,500
Number of e-Mail Users	13,495	13,500	13,715	11,141	11,141	11,054
Number of Outage Hours Across Departments	3,468	3,297	5,339	6,000	2,000	2,000
Number of System Outages	2,312	495	582	1,300	750	750

Number of Calls Resolved Immediately. MOIS began tracking this measure in FY02 following the adoption in October 2001 of a new 'Quick Call' policy. This policy is intended to increase the number of relatively simple Help Desk calls that are answered immediately by a live operator, resulting in lower wait times and less dispatch handling of calls.

Percent of Trouble Tickets Closed within 5 Days. The Department has been able to improve the percent of trouble tickets closed within five days through a variety of operational improvements and training for support center staff. The implementation of C-support software in FY02 improved MOIS' internal knowledge base by providing scripts to support center staff for common problems. Additionally, the Department has increased the amount of internal training provided to staff, enabling more efficient and timely responses to trouble tickets.

Number of Email Users. The number of e-mail users is dropping because MOIS no longer provides e-mail support to the First Judicial District, Philadelphia Prison System, Free Library, or the Airport Division of Commerce.

Number of System Outages. In FY03, the Department stopped counting outages created by human error, such as users unplugging their computers.

Five-Year Obligations Summary

Mayor's Office of Information Services

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	7,187,573	7,779,839	7,434,492	7,585,144	7,122,732	6,827,861	6,754,357	6,718,090
Class 200	5,418,138	5,342,552	5,058,012	5,081,562	4,954,523	4,830,660	4,830,660	4,830,660
Class 300/400	248,163	248,330	205,000	199,875	194,878	190,006	190,006	190,006
Class 500								
Class 700								
Class 800	93,614	93,614	93,614	93,614	0	0	0	0
Class 900								
TOTAL	12,947,488	13,464,335	12,791,118	12,960,195	12,272,132	11,848,527	11,775,023	11,738,756

City of Philadelphia
Five-Year Financial Plan

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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.** In May 2002, the Mayor and Police Commissioner initiated Operation Safe Streets, an innovative law enforcement and prevention approach designed to foster an improved quality of life with the reduction of drug sales and the crimes associated with them. Operation Safe Street's objectives are eliminating open-air street corner drug sales, disrupting the drug trade market, and discouraging drug customers from seeking to purchase narcotics in Philadelphia.

  The methods used in accomplishing this mission include:
  - Enforcing existing laws;
  - Aggressively patrolling drug plagued areas; and
  - Using traditional techniques of stationary posts, foot patrols, high profile bike and auto patrols, surveillance/arrests, buy/bust and reverse sting operations.

  Utilizing mapping technology, the Philadelphia Police Department has identified the most problematic drug corners throughout the 23 Police Districts based on crimes associated with gun violence; strongholds of drug traffickers; type of narcotics sold; and community complaints. By constructing maps of these drug-related crimes and targeted drug sales sites, and then overlaying them, the Department is able to illustrate the connection between crimes and drug sales, and demonstrate clear and distinct patterns linking drugs, violence, and weapons. Based on these analyses, the department and its narcotics bureau are able to develop strategies that stop illegal drug sales.

  Combating drug sales and the ancillary crimes associated with them requires an on-going comprehensive commitment of City resources. The Safe Streets Program will cost approximately $100 million from FY03 through FY07, and only $12.5 million each year thereafter. The City will fund this program through FY07 through $45 million in internal savings from the Police Department over the next five years, $25 million from forfeiture efforts and $30 million from local, state, federal, and other funding sources.

  As the Safe Streets initiative continues and succeeds in disrupting the open-air drug markets it will shift to a second phase. As outdoor drug sales diminish, this new phase will add an emphasis on indoor drug sales in order to attack the source of the remaining outdoor sales. The Narcotics Strike Force, which typically focuses on fighting the sales of drugs in the streets, will increasingly support the Narcotics Field Units, which are responsible for organized drug investigations, in their efforts to dismantle established drug organizations.

The arrest of a key individual in the drug organizations can contribute to shutting down five to ten outdoor drug corners.

The second phase of Safe Streets also involves a shift from the original stationary drug corner patrols to a more mobile and flexible police patrol that will utilize additional bike patrols to provide the same on-street presence at lower costs. In October 2001, the Narcotics Strike Force implemented deployed a nine-person bike squad to address the open-air drug sales and the accompanying violence on a citywide basis. This plan coupled the deployment of trained narcotics police officers with the mobility and stealth of bicycles. Their deployment is determined based on a regular analysis of shootings that have a drug nexus. This bike squad has been responsible for 903 narcotics arrests and 63 other arrests. Additionally, the squad has confiscated over $55,000 in U.S. currency.

In response to the success of the bike squad, the Department increased the squad's staffing by 60 additional officers, five sergeants and one lieutenant. These officers began their mobile patrol on January 3, 2003.

Along with the current bicycle staffing in the Narcotic Strike Force and the bicycle cross training of about 20 current Narcotic Strike Force officers including supervisors, the Strike Force will be capable of mobilizing a bicycle force of up to 100 officers, including supervisors. The unit will be able to regularly staff bike squads seven days a week from 8:00 AM to 2:00 AM with the ability to extend tours when necessary, and can work in tandem with other Strike Force bike squads, the marked Narcotic Strike Force vehicles or as separate entities to attack several areas at once depending on emerging conditions.

The initiative has been tremendously successful. Since the program began, murders have decreased by nearly 13 percent, Part I offenses are down by 14 percent, and overall crime has decreased by nine percent when compared to the same period of the previous year. In addition, the annual Citizen Satisfaction Survey showed record highs in satisfaction with the Police Department.

- **Anti-terrorism response preparation.** The Department has a leadership role in providing the framework for post 9/11 preparedness for the entire Philadelphia region. Within this context, the Police Commissioner formed the Bureau of Counter-Terrorism in 2002, absorbing the Detective Bureau's Organized Crime Unit as its foundation. This 76-member Bureau is developing new methods and initiatives to pursue counter-terrorism preparedness. These initiatives include strategic and tactical training, equipment purchase, inter-agency and regional cooperation and coordination, and community outreach. Examples of these initiatives, which are likely to cost about $10 million annually, include:

    - The Bureau is developing training in infectious disease awareness and prevention, as well as dealing with Ebola, Plague, and Small Pox exposure. This training, which will reflect changes in technical knowledge and personnel, will begin early this calendar year and will be conducted throughout the Department.
    - The Bureau sends representatives to meet daily with groups from business and civilian communities to provide instruction on topics such as taking security precautions,

conducting evacuations, general terror awareness, and overall strategies that deal with a post 9/11 world. During FY02, 150 of these meetings were held and the Bureau will conduct a similar amount of meetings during FY03. The outreach teams consist of one inspector, three captains, and one sergeant. Other Bureau representatives meet regularly with task forces such as the FBI's Joint Terrorism Task Force, the US Attorney's Anti-Terror Task Force and the US Coast Guard Task Force to keep current with the latest counter-terrorism strategies.

- The Bureau meets semi-monthly with the leadership of the counties surrounding Philadelphia to prepare and coordinate efforts and resources in the event of a possible terrorist incident. The working groups from these counties include professionals from police, fire, health, and military organizations working jointly to develop comprehensive plans to address problems associated with emergency planning. The end result of these meetings will be a formalized regional plan issued by the end of FY03.
- The Bureau investigates all suspected terror incidents or any incident that appears to have a terrorist connection. Normally, the Bureau investigates independently, but when circumstances require, it will work with other specialized departmental units or federal agencies.

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

- **Remove unregistered/uninsured vehicles through the Live Stop Program.** The Live Stop Program was implemented citywide on July 1, 2002. The program is designed to make Philadelphia's streets safer for drivers and pedestrians by enforcing the impoundment provision of the Pennsylvania Motor Vehicle Code. The law permits law enforcement officers to immobilize, tow and store vehicles of individuals driving without a proper operating license or registration.

  Live Stop appears to be having an impact. The number of accidents dropped about 4.5 percent from July 1, 2001 to November 30, 2001, before Live Stop started, to the same period in 2002. In addition, the number of live stops dropped from 10,188 in the first quarter of FY03 to 7,864 in the second quarter. Drivers who have their vehicle impounded because they cannot show a proper driver's license or registration must appear in Traffic Court and cannot reclaim their vehicle until they present the necessary documentation to operate a vehicle. Since most individuals who drive without a license also lack insurance, Live Stop will likely reduce the number of uninsured motorists on the road, and therefore reduce insurance rates for all Philadelphians. The Live Stop program is also contributing to a reduction in the number of abandoned vehicles that must be towed, since vehicles impounded through Live Stop would often otherwise become abandoned at some point. The number of abandoned vehicles towed is projected to drop from 54,000 in FY02 to 42,000 in FY03.

- **Use private citizens to contribute to safer communities.** In September 2002, Mayor Street announced a new Town Watch initiative - the Safe Streets Citizen Bike Patrol. With 100 bicycles donated by Citizens Bank, the Safe Streets Citizen Bike Patrol will become part of the City's extensive Town Watch Program (numbering about 560 groups) beginning in late

January to early February 2003. Volunteers for the Safe Streets Citizen Bike Patrol will be recruited from existing Town Watch groups and individuals interested in joining a Town Watch group. Each volunteer must pass a background check, complete one day of training, be at least 18 years old, commit four hours per week, and patrol in an area outside their neighborhood. It is expected that there will be at least 340 Citizen Bike Patrols on the streets of Philadelphia every day.

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

- **Manage police overtime.** While overtime is often an essential component of police work, the Department is taking steps to ensure that overtime is used as efficiently as possible. As a result, innovative steps are being taken to reduce court overtime, which exceeded $21 million in FY02, about 44 percent of all police overtime. In September 1999 a pilot program to reduce police overtime at preliminary hearings was introduced. The program reduced the number of officers required to testify in narcotics cases by permitting the primary or arresting officer to read into the court record the testimony of ancillary officers, eliminating the need to have those officers present in court. To date, the process has successfully survived all legal challenges.

  This pilot was expanded to all preliminary hearings in January 2002 and one police officer (or occasionally two) now provides testimony at preliminary hearings where there once were four. During the first ten months of this program there were 10,000 fewer court notices than there had been during the same ten months in the preceding year. Since court notices often result in police overtime, the reduction in the number of court notices will like reduce court overtime costs.

  Other initiatives related to reducing court overtime have recently been implemented or are in process. One initiative increased the staffing in the Court Liaison Unit by ten police officers. The officers' duties include reviewing investigative reports to determine and pinpoint which officers will be needed to attend court. The Court Liaison officers will also ensure that officers will be scheduled for day work on the days that they are required to report to court. The use of day work tour will reduce the overtime generated by an officer who may have been scheduled for an evening or night shift.

  A second initiative is to ensure that all court cases requiring a police officer's testimony are in courtrooms on the same floor. The Court administrators, in conjunction with the District Attorney's (DA) office are working to reduce the risk of a continuation or dismissal by making it easier to locate officers who may be needed in more than one courtroom on the same day.

  The Police Commissioner has committed to reducing the Department's overtime costs in FY03 and FY04 through the following:

  - Eliminating administrative overtime, which is projected to save $2.5 million annually;

- Discontinuing the assignment of an entire squad from the Narcotics Bureau on an overtime basis for the Safe Streets program, which is projected to save $1.7 million annually; and,
- Coordinating with the DA's office to try to provide at least 48 hours notice for court appearances. Advance notice will ensure that police officers are scheduled to work on the day of the court appearance and that the DA can avoid continuances due to an officer's unavailability.

In addition, on November 29, 2002 the Department assigned three full time captains to the task of overtime review. Under the supervision of the Deputy Commissioner of Administration and Training, these Captains will perform a complete review and analysis of court and non-court overtime. Each captain will be responsible for the review of a specific bureau – Narcotics, Detective and Patrol. Through their analyses, the Department will build a greater understanding of overtime expenditures and implement strategies to reduce them.

- **Develop the Police Integrated Information Network.** The development and implementation of a Police Integrated Information Network (PIIN) will give Department administrators and commanders access to a wide range of statistical data such as crime statistics and modus operandi, as well as officer integrity statistics. The completed system 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. Funding for the PIIN was secured with an $8.5 million Productivity Bank Loan. The $1.2 million IAB System will be completed by the beginning of FY04. A vendor has been selected for the Incident Reporting System component, which is expected to begin in January 2003 and be completed in 24 months.

- **Build a state-of-the-art forensics science laboratory**. Over the past few years, the Department's increased focus on combating the spread of illegal drugs combined with increased use of forensic science in securing convictions has increased the scrutiny of police lab results by defense attorneys and appellate courts. This heightened scrutiny has led police laboratories across the country to improve their operations, including equipment, security of evidence, air quality, protocols for testing evidence, and the credentials of lab personnel.

  The Philadelphia Police Department has responded by building a state-of-the-art Forensics Sciences Center. This building, to be located at the site of the former Wister School at 8th and Poplar Streets, is scheduled for completion in April 2003 at a cost of $11.2 million. The project has passed an environmental impact evaluation, and as a result the Department is nearing approval of a $700,000 grant for equipment and furnishings from the Pennsylvania Commission on Crime and Delinquency (PCCD) and a $291,000 grant from the Pennsylvania Department of Environmental Protection for landscaping.

Reduce Crime in Schools by Contributing to a Safe School Environment.

- **Reorganize the Department's school policing structure.** In an ongoing effort to reduce the incidence of crime in schools and their surrounding communities, the Police Commissioner appointed a Police Inspector to serve as the School Liaison Officer for the 2002-2003 school year. The Inspector will coordinate and implement the Department's school policing polices with all Police District Commanders. The District Commanders will work directly with the Principals of all schools in their respective Districts, and will appoint a subordinate administrative supervisor to act as the District's School Safety Officer. The School Liaison Officer, the Police District Commanders and their School Safety Officers will work as a team with the School District in an effort to create safe corridors; investigate truants; maximize school safety; and coordinate duties with the School Police.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Number of Homicides	306	299	318	320	316	316
Average Number of Police in On-Street Bureaus	5,916	6,070	5,986	5,882	5,890	5,690
Percent of Police in On-Street Bureaus	87.2%	87.7%	87.4%	87.2%	87.2%	86.8%
Number of Arrests	81,416	77,515	77,701	80,000	76,000	76,000
Priority Response Time (in min: sec)	06:45	06:11	06:07	06:08	06:07	06:07
Number of Abandoned Vehicles Towed	62,762	53,033	53,813	54,000	42,000	41,600
Number of Recovered Stolen Vehicles	13,975	14,175	13,306	13,800	12,500	12,500
Major Crime Statistics	100,264	95,170	90,149	97,000	87,407	87,407

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Arrests: The number of major crimes decreased by over 5 percent from FY01 to FY02, and is projected to decline by an additional 3 percent in FY03 and FY04 as well. According to the FBI Uniform Crime Report, Philadelphia is one of the few large cities where major crimes are still dropping, in large part due to the innovative methods of the Department and the impact of Operation Safe Streets. The decline in the number of crimes produces a corresponding drop in the number of arrests projected for FY03.

Number of Abandoned Vehicles Towed: The Live Stop Program is resulting in the impoundment of many vehicles that would otherwise become abandoned, leading to a reduction in the number of abandoned vehicles towed

Number of Recovered Stolen Vehicles: Vehicle theft has declined from 16,415 in FY00 to 14,703 in FY02. With the inception of Safe Streets, FY03 projections are even lower. With a projected decline in the number of stolen vehicles of 12 percent from FY00 to FY03, the number of vehicles recovered will also decline.

Five-Year Obligations Summary

Police

BUDGETED OBLIGATIONS	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
Class 100	438,440,643	420,140,904	470,591,803	468,105,412	442,358,287	441,115,306	443,250,329	442,487,431
Class 200	7,160,203	7,176,008	7,876,008	7,259,012	7,259,012	7,259,012	7,259,012	7,259,012
Class 300/400	7,872,432	7,634,765	7,534,765	7,634,765	7,482,070	7,482,070	7,482,070	7,482,070
Class 500								
Class 700								
Class 800	2,072,215	2,196,056	2,196,056	2,196,056	0	0	0	0
Class 900								
TOTAL	455,545,493	437,147,733	488,198,632	485,195,245	457,099,369	455,856,388	457,991,411	457,228,513

City of Philadelphia
Five-Year Financial Plan

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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

- Expand snow and ice removal operations. During FY03, the City's revised snow-fighting plan was implemented and, in response to a seven-inch snowstorm on December 5, 2002, the City plowed 2,265 miles of streets – the most in the City's history. Until FY01 the City did not plow tertiary side streets. The snow-fighting fleet now includes nearly 200 mostly smaller and more maneuverable vehicles, with an expanded fleet size of up to 700 vehicles accomplished by drawing from other departments and Office of Fleet Management reserves during severe winter storms. The Department has leased two snow-melting machines in FY03 for the third year in a row and will test these on smaller neighborhood streets. The snow-melting machines, leased for three months for a total of $119,970, will greatly expedite snow removal and significantly reduce the need to create large mounds of snow on street corners that impede traffic flow and parking. One snow-melter was used successfully to date in FY03 to prepare Veterans Stadium for an Eagles game. During FY03, the Department will also test the use of salt brine in neighborhoods in the Northeast and in northwest sections of the City, which are at higher elevations and tend to receive greater snowfall. Brine, a mix of salt and water, can be applied 12 to 18 hours in advance of a snowstorm and can melt up to two inches of snow and facilitate removal. It is more cost effective than the current salting process because the brine uses a much lower concentration of salt. For approximately $210,000, the Department purchased two brine units in FY02 to mix the salt and water, two brine storage tanks and eight smaller tanks that dispense the brine. These units were not fully evaluated in FY02 due to the mild winter and lack of snowfall.

- **Leverage federal and state funding to maximize infrastructure improvements.** The Department continues to work with its regional transportation partners, including the Pennsylvania Department of Transportation (PennDOT), SEPTA, and the Delaware Valley Regional Planning Commission (DVRPC), to maximize the use of federal and state funding for infrastructure upgrades in the City. Through its investment of $12.4 million in the following projects, the City will be able to leverage $97.9 million in federal and state funds for these repairs. The following table summarizes some of the Department's major projects through FY08.

Project	Description	Total Project Cost	City Share	Expected Completion Date
Market Street Elevated Train Reconstruction and Streetscape	Partnering with SEPTA, the Streets Department is designing the streetscape improvements along the Market Frankford Elevated Train line as part of the larger SEPTA construction project. Streetscape improvements will include sidewalk redesign/repair, improved street lighting and more modern traffic signals.	$4.25 million	$141,000	FY07
Avenue of the Arts/North Broad Street	The project will add new traffic signals, new streetlights, and banners at intersections along North Broad Street between City Hall and Somerset Street. Landscaping and streetscape improvements will be added at several major intersections.	$9.8 million	$1.2 million	FY04
South Street Bridge Replacement	The Streets Department has completed preliminary planning for the South Street Bridge over the Schuylkill River, and final design is beginning. The completed bridge will provide a vital link between Center City and West Philadelphia.	$55.3 million	$5.5 million	The final design should be completed by the end of FY05 with construction beginning in FY06 and ending in FY07.
Germantown Avenue in Chestnut Hill	The Streets Department has completed engineering for the Germantown Avenue Bridge, which will replace the existing deteriorated structure and permit the reopening of the currently closed northbound lane. Construction began in fall 2002.	$6.1 million	$815,000	Construction began in early FY03 and is expected to end in mid-FY04.
42nd Street Bridge	These three bridges in West Philadelphia will be replaced in order to provide vital access to the West Philadelphia Empowerment Zone and serve as a link to neighborhoods separated by Amtrak rail lines.	$1.7 Million	$697,000	The final design should be completed in late FY03 with construction beginning in early FY04 and ending in FY05.
41st Street Bridge	See above	$10.9 Million	$1.1 Million	Construction is expected to begin at the end of FY05.

Project	Description	Total Project Cost	City Share	Expected Completion Date
Project	Description	Total Project Cost	City Share	Expected Completion Date
40th Street over Amtrak	See above	$14.0 Million	$1.4 Million	Construction will be completed in FY06.
School House Lane	The project will rebuild the roadway from Henry Avenue to Ridge Avenue, including curb, sidewalk and lighting.	$5 million	$914,000	Construction will be complete in early FY04.
Lancaster Avenue	This project will modernize traffic signals from 52nd Street to 63rd Street. A second phase will address streetscape, sidewalks and landscaping.	$3.2 million	$600,000	Construction is anticipated to begin in FY05.

Improve Traffic Control

- **Participate in development of regional Intelligent Transportation Systems.** The Department is a major stakeholder, participant and technical advisor in the development of Philadelphia Regional Integrated Multi-modal Information Sharing (PRIMIS), the Delaware Valley's framework for sharing transportation information across jurisdictions and creating an Intelligent Transportation System (ITS). An ITS uses advanced technology in an integrated manner to disseminate information on travel conditions and improve transportation operations. ITS can help respond to a major traffic incident by transmitting up-to-date warnings, reports, and alternate route suggestions on variable message signs, highway advisory radio, the Internet, or other media, and by changing mass transit schedules or traffic signal timings on alternate street routes to accommodate increased volume. Due to the interconnected nature of regional transportation and the many transportation and public safety stakeholders involved from the tri-state area, the first phase of PRIMIS consists of inventorying the software, hardware, signal timing, and transportation infrastructure of the regional entities, and creating a dialogue on information sharing. The DVRPC is currently seeking grant funding for the second of three project phases, which would enable more regional entities to link to the I-95 Corridor Coalition's Information Exchange Network, a wide-area computer network that connects transportation management centers from Maine to Virginia.

  In addition to participation in PRIMIS, the Department is working on other aspects of ITS. The Department is currently working with Montgomery County to synchronize traffic signals across jurisdictional boundaries on I-76 alternate routes. Synchronizing the traffic signals will allow a more seamless response to delays or detours, matching signal timing to altered traffic flows across the jurisdictional boundaries, rather than the present system of inconsistent responses. By late FY03, the Department will install a priority control system on Girard Avenue that will give traffic priority to the SEPTA Route 15 trolley when trolley service resumes, and it is working on similar systems for other trolley routes. The Route 15 priority control system involving over 30 intersections was funded by SEPTA through a federal grant of $2 million. In FY04, the Department and PennDOT will begin upgrading signals on streets in the northeast section of the city to improve I-95 alternate routes for ITS re-routing. These signal upgrades will be completed with state funds.

- **Complete modernization of traffic signals.** The Department has been modernizing some of the City's oldest traffic signals at intersections in Center City and the Northeast. By the end of FY03, the Department will have modernized 454 intersections, and it will release bids for 162 more and begin work on the last section of Center City, the southeast quadrant. This capital project will cost over $20 million, 80 percent of which is covered through federal highway funding, with the remaining 20 percent split among PennDOT, the City, SEPTA, and other entities. Once a signal has been modernized, the Department is able to link it to the centralized control center, which was completed in FY01. The centralized control center allows the Department to modify traffic signal timing remotely, in order to improve traffic flow and alert the Department about needed repairs. For example, if there is a special event or a mid-day snow emergency requiring non-peak evacuation, the timing of the lights can be modified from the control center to move the traffic through more effectively. The Department anticipates that the Center City intersection upgrades will be completed by FY06.

Improve Refuse Collections and Enhance Streetscape Beautification and Cleaning Efforts

- **Test productivity incentive plan.** The Department is negotiating with District Council 33 to implement a financial incentive plan for improved refuse collection crew productivity that could result in overall cost savings to the City while maintaining high levels of service. The plan would lengthen refuse collection routes, allowing fewer crews to collect the same amount of trash. Workers on crews that completed their new, longer route by the end of their shift would be paid a cash bonus for increasing their productivity. Disposal tonnage tickets would be reviewed to verify these increases. The bonuses would be paid for through the savings from reductions in overtime and the number of crews. The Department projects that this plan could save the City $450,000 per year beginning in FY04.

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

- **Encourage recycling through education**. The Department began the first of a series of multi-media advertising campaigns in FY02, creating a consistent recycling promotion brand image through television, print, and radio ads. The Department intends to build on this brand in FY03 and FY04 by tailoring its message – that recycling is a responsibility of all community members, that it has environmental benefits, and that non-participation is punishable by law – to specific demographic groups and neighborhoods. Using demographic research, recycling participation statistics, and neighborhood outreach, the Department will develop targeted radio and print ads and direct outreach programs for specific neighborhoods and demographic groups that present the greatest upside for increased recycling participation. The goal of the educational campaign is to increase the FY02 residential recycling diversion rate of 5.5 percent to between 13 and 18 percent by the end of FY04. The multi-media and other educational outreach efforts are being funded by a $1.2 million grant from the PA Department of Environmental Protection.

- **Launch the Registered Recycler Program.** Prior to initiating the comprehensive multi-media advertising and outreach program in FY02, a series of focus groups were conducted to determine what would motivate Philadelphia's non-recyclers to participate in recycling. The threat of fines was cited as the biggest motivator, followed by opportunities for reward. The Department has developed a proposed reward program for residential recyclers with the anticipation that it will motivate additional residents to participate in the City's curbside recycling program. The Department has built a database including over 3,000 citizen addresses for the proposed Registered Recycler Program. Randomly selected households that properly prepare and set out their refuse and recycling will be awarded valuable prizes donated by private sector partners. Coca-Cola has committed $120,000 for FY03 and FY04 to support this program through prizes and a targeted media campaign, and it is assisting the Department in obtaining additional sponsors.
- **Expand the Partnership Recycling Program.** The Partnership Recycling Program allows community groups to operate twelve community participation centers around the city. The community participation centers collect non-traditional recycling materials such as corrugated cardboard and plastics on two Saturdays each month. The Department is seeking corporate partners to allow expansion of the program. Funding from corporate partners would be used to expand the number of community participation centers, publicize the program, and specifically target collection of plastics. While residents have indicated interest in recycling plastics, the Department has determined through extensive analysis that curbside collection of plastics would be cost-prohibitive. Expansion of the Partnership Recycling Program through corporate financial assistance could address citizen concerns and improve the City's diversion rate.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Original Projection	FY03 Current Projection	FY04 Projected
Street Resurfacing by City Crews (sq. yards)	2,656,020	2,329,978	1,780,912	1,800,000	1,800,000	1,800,000
Potholes						
Number Repaired	16,023	24,314	11,593	25,000	25,000	25,000
Response Time-Peak (days) Feb, March, Apr	3.6	3.2	3.7	4.0	4.0	4.0
Response Time-Off Peak (days)	3.9	3.2	3.9	4.0	4.0	4.0
Ditch Restorations						
Number Closed	7,400	6,248	7,294	7,500	7,500	7,000
Ditch Restoration Backlog	596	352	252	252	252	752
Percent Closed On-Time	93%	94%	94%	90%	90%	80%
Tons of Refuse Disposed	754,464	763,852	761,664	770,700	770,700	765,800
Percent of Refuse Collected by End of Shift	95%	95%	96%	99.9%	97%	97%
Household Recycling Collected (tons)	44,978	41,244	38,724	46,377	46,377	46,377
Percent of Recycling Collected on Time	97%	97%	99%	97%	97%	97%
Street Cleaning-Mechanical (miles)	82,998	N/A	82,601	83,000	83,000	83,000
Street Cleaning-Manual (miles)	13,962	7,983	7,080	5,500	5,500	5,500
Tons of Refuse per Sanitation Crew	13.72	13.94				
Linestriping (sq. ft.)	1,426,813	1,044,550	824,991	750,000	750,000	750,000
Street Crack Sealing (sq. ft.)	705,950	804,053	966,855	1,008,000	1,008,000	1,008,000
Citizen Survey: Percent Satisfied with Street Repair on City Roads	30.3%	27.5%	32.6%	34%	34%	35%
Citizen Survey: Percent Satisfied with Trash Collection	67.1%	63.1%	66.9%	68%	68%	70%
Citizen Survey: Percent Satisfied With Recycling Collection	80.5%	77.4%	77.4%	80%	80%	82%
Citizen Survey: Percent Satisfied with Street Cleaning	33.0%	36.5%	37.1%	38%	38%	40%

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

Five-Year Obligations Summaries

Streets

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	15,562,337	15,709,472	14,701,462	16,200,584	14,255,344	13,871,961	13,844,961	13,811,961
Class 200	12,977,618	13,269,626	13,685,626	12,563,485	12,222,248	11,916,692	11,916,692	11,916,692
Class 300/400	1,936,859	2,750,526	3,250,526	2,681,763	2,531,069	2,467,792	2,467,792	2,467,792
Class 500	6,033	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Class 700								
Class 800								
Class 900								
TOTAL	30,482,847	31,759,624	31,667,614	31,475,832	29,038,661	28,286,445	28,259,445	28,226,445

Streets – Sanitation

BUDGETED OBLIGATIONS	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
Class 100	46,119,600	46,792,308	45,752,244	45,938,050	43,697,169	41,886,891	40,902,290	40,669,304
Class 200	37,108,380	38,729,669	39,039,584	41,475,445	42,646,183	43,853,757	45,124,689	46,434,017
Class 300/400	1,546,993	1,550,379	1,550,379	1,511,620	1,444,352	1,408,243	1,408,243	1,408,243
Class 500	48,171	48,171	48,171	48,171	48,171	48,171	48,171	48,171
Class 700								
Class 800								
Class 900								
TOTAL	84,823,144	87,120,527	86,390,378	88,973,286	87,835,875	87,197,062	87,483,393	88,559,735

City of Philadelphia
Five-Year Financial Plan

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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 PWD operates three water plants treating an average of nearly 300 million gallons of Delaware and Schuylkill river water each day, three wastewater plants cleaning over 450 million gallons per day of sewage, a 73-acre biosolids recycling facility, a sophisticated testing laboratory, and a range of technical and administrative support services. In addition, the Department maintains 3,300 miles of water mains, 3,000 miles of sewers, 75,000 storm water inlets, over 27,500 fire hydrants, and extensive related infrastructure. The Water Revenue Bureau (WRB) of the Department of Revenue manages water and sewer billings and collections for the Water Department.

Organizational Objectives and Targeted Initiatives

Provide High Quality Drinking Water to Promote Public Health and Achieve all Regulatory Standards, While Ensuring a Reliable and Cost-Effective Water Supply

- **Participate in the EPA's voluntary partnership for safe water program**. Since January 1996, when the PWD voluntarily joined the national Partnership for Safe Water (a joint program of the U.S. Environmental Protection Agency (EPA) and the water industry), the PWD has committed itself to reduced "turbidity," an industry standard measure of water purity. In January 2002 regulatory requirements for turbidity were lower from 0.50 nephelometric turbidity units (ntu) to 0.30 ntu; the PWD consistently treats water to a level of turbidity that is considerably lower than the new Federal requirements and lower than the more stringent goals established in the Partnership for Safe Water (0.1 ntu). PWD is maintaining turbidity levels of .05-.06 ntu in FY03 and plans to maintain or improve upon those turbidity levels during FY04 to FY08.

  The PWD's goal during FY04 to FY08 is to achieve the Partnership's "Excellence in Water Treatment" (Phase IV) award for all three of its drinking water plants, in accordance with goals established in FY02. Utilities earning this award must demonstrate that they are among the few plants in the country obtaining the highest consistent level of plant performance possible. Phase IV is only awarded to those plants 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 quality goals. To meet this new goal the Department will focus on reducing slight increases in the filtered water turbidity that occurs exclusively during the back washing of the water filters at the water treatment plants. In order to meet its goal the Department must maintain turbidity levels less than .1 ntu 100 percent of the time. The Queen Lane Plant is expected to apply for the Phase IV award during FY04, the Belmont Plant is expected to follow in FY05, and the Baxter Plant in FY06. Before qualifying for the award, the Baxter Plant requires completion of capital modifications to its backwash system, which are expected to be completed by the end of FY03.

- **Conduct pilot plant research**. In January 2002 the EPA tightened water treatment requirements with the implementation of the Interim Enhanced Surface Water Treatment Rule (IESWTR), and the Stage I Disinfectant/Disinfection By-Product Rule (D/DBP). Key components of the IESWTR required that turbidity levels be reduced to less than .3 ntu, and the D/DBP required that total organic carbon removal be between 25- 35 percent at the three water treatment plants. The Water Department has been able to stay one step ahead of regulations such as these through the operation of a pilot plant research program since FY98. Research completed at the pilot plant on enhanced coagulation helped the Department comply with these new regulations, and in FY04 and FY05 studies on the optimization of chlorine application points will again aid the Department in meeting even more strenuous Disinfection By-Product rules that are expected in the future. Additional studies that will be undertaken during FY04 and FY05 include an international multi-utility study to further the understanding of the occurrence of manganese (Mn) in drinking water. Although Mn is currently undetectable in Philadelphia's drinking water, other proposed changes in the treatment process may produce a level of Mn that could be of aesthetic concern. In this study, total concentrations of Mn in finished water will be correlated with consumer acceptability since levels higher than Philadelphia's currently undetectable level may cause a taste and odor problem or perhaps water stains. In addition, the costs and benefits of implementing control strategies that reduce Mn to below the current regulatory level will be assessed. PWD personnel will be the lead investigators of this important study. Through the continuation of such advanced research, the Water Department can prepare to meet anticipated future regulatory mandates cost-effectively and ensure that it is positioned to continue to provide high quality drinking water for its customers.

- **Develop an on-line drinking water quality monitoring system.** The Water Department currently samples drinking water from 69 points throughout the City and collects 488 samples per month to assure the delivery of high quality potable water. In response to recently heightened security concerns, the PWD has begun implementing a real time water quality monitoring system at its water treatment facilities and at numerous points throughout the water distribution system. This system will be installed in three Phases. In Phase I, completed during FY02, on-line water quality monitoring equipment was installed at the Department's three water treatment plants. In Phase II, to take place during FY04, online monitoring equipment will be installed at 12 additional locations including reservoirs, wholesale customer interconnects, standpipes, and pumping stations. During FY05 through FY08, the Department intends to install an additional 57 monitoring points within the water distribution system for a total of 69 real-time monitoring points. The expected cost for the total installation of this system is $500,000.

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.** In FY03 the PWD completed source water assessments for the Schuylkill and Delaware River watersheds. Funded, in part, by a $500,000 grant from the Pennsylvania Department of Environmental Protection (PADEP), other participants included the Philadelphia Suburban Water Company (PSWC) and the Pennsylvania-American Water Company. Based upon these assessments, the PWD now understands the major issues within the watersheds, such as agricultural run-off up river from Philadelphia, that are threatening the quality of Philadelphia's drinking water supply. From FY04 through FY08, the PWD will use a new $200,000 grant from the PADEP to develop source water protection plans for the Schuylkill and Delaware Rivers. These plans, which will be delivered to PADEP in FY07 or FY08, will identify and prioritize source water protection programs and plans that will help to preserve the City of Philadelphia's drinking water supply.

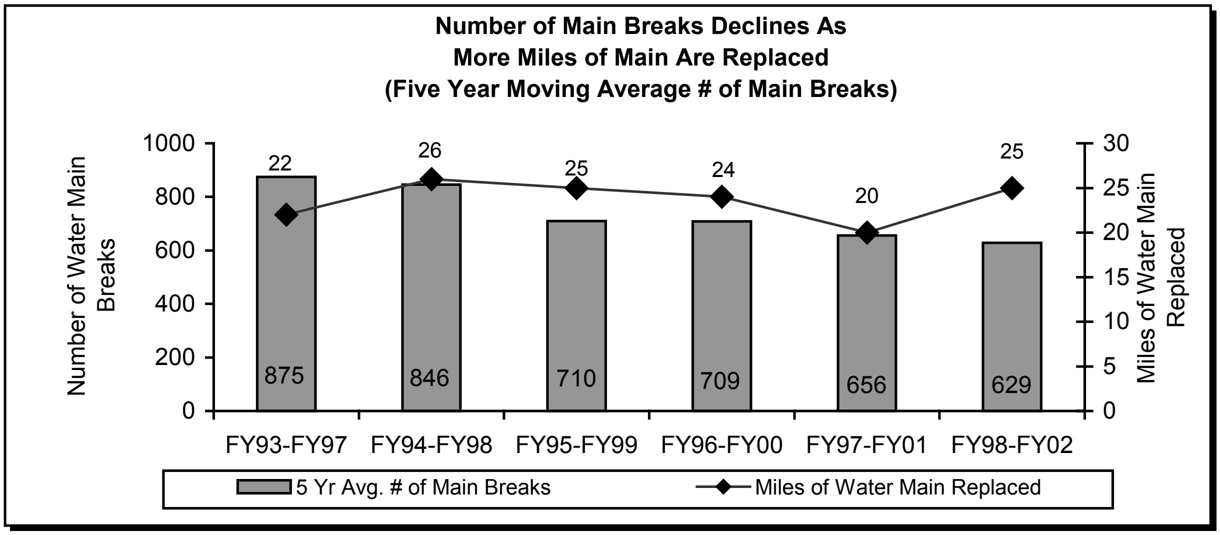
- **Early Warning System.** In FY03 the PWD received a $750,000 contract from the PADEP to build an early warning system for regional water supplies on the Schuylkill and Delaware Rivers. The Early Warning System is part of an overall statewide initiative to enhance the protection of the region's water supplies and rivers by July 2003. The goals of the system are to improve communication and notification between water suppliers and emergency agencies as well as provide tools and information to aid and enhance decision making during emergencies. Some of the features of the system include time of travel and dilution modeling for spills, mapping programs, and near real-time or real-time sharing of water quality data along the rivers. PWD was selected as the primary contractor for this project due to its efforts over the years prior to September 11th to spearhead the development of a regional early warning system. In FY04 and FY05 the PWD intends to monitor the performance of the system and determine if enhancements or modifications are necessary. Funding for enhancements will be sought from PADEP if required. More on-line monitoring instruments from additional water systems will be added to the system to provide greater spatial coverage as well as pilot the use of developing technologies for on-line contaminant monitoring. The system is being built as a sustainable communication network between participating water utilities and emergency response agencies along both rivers.

- **Implement a local Clean Streams Program.** Philadelphia has a rich network of streams and tributaries amounting to over 100 miles. When a storm water system or combined sewer overflows during extreme wet weather conditions, this overflow travels through streams and into our rivers. While the Department has already committed to stream bank restoration as part of its watershed approach to water supply protection, one of the most visibly distressing effects of overflows is the debris and floatables that remain in the stream bank. To address this problem and to beautify our local stream banks, the PWD intends to begin a Clean Stream Program in FY04. The program will include removal of debris and obstructions from stream banks, and the implementation of restoration projects at CSO and storm water outflows. The project will also eliminate potential health hazards by removing pools of water that may remain at the point where an outflow enters a stream. The cost for this program in FY04 will be $515,000, and will be implemented in concert with the Fairmount Park Commission's park restoration plans.

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 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. This effort has resulted in a reduction in the rolling five-year average for main breaks of 28 percent when comparing the period from FY93-FY97 to FY98-FY02. PWD also tracks the number of breaks experienced for each 1,000 miles of main using a 15-year moving average to smooth out the effect of weather variations. The PWD's 15-year moving average for 2002 was only 228 breaks for every 1,000 miles of main—the lowest total in over 45 years, and a level better than the national average of 240 to 270 breaks per 1,000 miles. Based upon the positive trends in water main breaks and in an attempt to optimize capital expenditures, in FY04 the Department intends to reduce its goal for water main replacement from 27 miles per year to 22. The lower level of water main replacement should free up roughly $3.5 million in capital money that can be used for other critical infrastructure needs. This is not expected to adversely effect water main breakage, but reflects the fact that many of the water mains in greatest need of replacement have been completed, and the systems overall integrity has improved. 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.



Source: Philadelphia Water Department

- **Improve capital and preventive maintenance program**. In FY02 the Water Department completed the first phase in the implementation of a comprehensive assessment program for its water, wastewater, and pumping facilities to proactively address future capital funding requirements. The program, called the Capital Facilities Assessment Program (CFAP) assesses future capital needs of each facility and complements the established maintenance program at each facility by instituting a framework for the periodic assessment of major infrastructure. 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. This planned assessment and capital investment program should reduce the number of expensive and disruptive emergency repairs. 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 by consulting engineers. In FY03 the Department decided to continue CFAP using in-house expertise. Experts from the American Society of Civil Engineering are training PWD personnel in condition assessment techniques. The Department intends to complete assessments of the Baxter water treatment plant and the Southwest Water Pollution Control Plant in FY04, and the Belmont water treatment plant in FY06.

- **Develop the Geographic Information System (GIS).** In FY03 the PWD contracted with a GIS consultant to complete the implementation of its GIS system. The consultant will convert data from engineering drawings and field surveys into a digital format for addition to the GIS database. During FY03 the data conversion is being piloted in the Queen Lane and Center City areas of Philadelphia. The pilots will verify the Department's plans for quality assurance and citywide conversion of water and sewer assets. In FY04 full conversion of assets will be undertaken with expected completion by FY05 at a cost of $9 million. The computer-based GIS system will spatially display PWD infrastructure, and link this information with operations and maintenance data in order to improve overall utility decision-making. 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 FY03 the Water Department initiated a pilot sewer assessment program to evaluate the condition of the Department's sewer systems infrastructure. This project includes the development of engineering criteria for the ranking and prioritization of potential sewer defects that will allow each section of sewer to be rated in terms of its need for repairs. During the pilot the Department determined that less cleaning is required for adequate assessment of sewer linings, and has increased the miles of sewer assessment from 150 to 200 and decreased the cleaning requirement. The pilot project, which includes training of PWD personnel, will be completed in FY04 at a cost of $6 million. After completion trained PWD personnel will continue assessments on an ongoing basis.

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**. The Water Department is implementing its first rate adjustments since 1995 during FY02, FY03, and FY04. The first two years of the approved three-year rate increase amounted to an increase of 2.8 percent in FY02, and 4.0 percent in FY03. In FY04 the planned rate increase will amount to 1.6 percent for average residential customers. As shown on the following table, in spite of this rate adjustment, PWD continues to provide services at the least expensive residential water and wastewater rates in the region. PWD's water rates continue to be less than half those charged by most neighboring investor-owned utilities. Commercial rates have had a larger increase than residential due to a reallocation of storm water costs based on actual land use in Philadelphia and the higher amount of storm water run-off from commercial properties. These rates have increased around 15 percent per year in FY02 and FY03 and a similar increase is expected in FY04.

2002 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	$20.30
Philadelphia Water Department	***$15.77***	***$16.66***

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).** The Department intends to investigate the potential for cost savings and operational efficiency that may be available through the use of contract operations at the BRC. Due to a changing regulatory requirement the Department anticipates that it may soon need to upgrade the existing BRC operations. The estimated capital cost for these upgrades is in the range of $60 million. The Department will determine the potential for cost savings and operational improvements resulting from contractor operations where the private contractor invests in capital improvements to the BRC and operates the new facilities with a significantly reduced workforce. Preliminary estimates by the Department indicate that cost savings of $2 million to $5 million per year may be achievable for the next 20 years. Requests for qualifications and proposals are planned for FY04. Proposal evaluations are planned for FY05, and potential vendor negotiations in FY06.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Millions of Gallons of Treated Water	100,762	93,930	98,818	97,455	100,795	99,276
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	1,395	1,832	1,313	1,560	1,560	1,517
Water Main Breaks Repaired	828	682	497	570	570	586
Avg. Time to Repair a Water Main Break (hrs.)	8.3	8.0	7.9	8.0	8.0	8.0
Percent of Hydrants Available	98.1%	97.6%	98.5%	99.0%	99.0%	99.0%
Number of Storm Drains Cleaned	91,250	95,796	91,853	96,806	96,806	93,711
Citizen Satisfaction Survey Results						
Percent Satisfied with Overall PWD Services	74.7%	71.3%	74.8%	76.0%	76.0%	78.0%
Percent Satisfied with Water Service Reliability	85.6%	86.5%	87.3%	88.0%	88.0%	90.0%
Percent Satisfied with Water Service Pressure	82.6%	81.5%	84.3%	86.0%	86.0%	88.0%
Percent Satisfied with Water Safety	74.0%	74.6%	73.2%	75.0%	75.0%	77.0%
Percent Satisfied with Water Taste and Odor	62.6%	63.7%	61.4%	63.0%	63.0%	65.0%
Percent Satisfied with Water Overall Quality	72.2%	72.2%	70.2%	72.0%	72.0%	74.0%

<u>Miles of Pipeline Surveyed for Leaks.</u> In FY01, the crew size for leak detection was changed from 3 persons to 2, which allowed the Department to increase the number of crews. This resulted in additional miles of pipeline surveyed. In FY02, responsibilities for these crews were expanded to notify customers of leaks and conduct more extensive leak surveys. This reduced the survey miles back to 1,313 but overall productivity has increased.

PROJECTED REVENUE AND REVENUE REQUIREMENTS

(in thousands of dollars)

Line No.		Fiscal Year Ending June 30 2003	2004	2005	2006	2007	2008
	OPERATING REVENUE						
1	Water Service - Existing Rates	127,954	129,210	128,918	128,260	127,603	126,945
2	Wastewater Service - Existing Rates	240,813	241,582	242,252	241,147	239,973	238,942
3	Total Service Revenue - Existing Rates	368,767	370,792	371,170	369,407	367,576	365,887
	Additional Service Revenue Required:						
	Year / Percent Increase / Months Effective						
4	FY 2003 / 0.0% / 12	0	0	0	0	0	0
5	FY 2004 / 7.0% / 12		25,955	25,982	25,858	25,730	25,612
6	FY 2005 / 6.0% / 12			23,829	23,716	23,598	23,490
7	FY 2006 / 6.0% / 12				25,139	25,014	24,899
8	FY 2007 / 6.0% / 12					26,515	26,393
9	FY 2008 / 6.0% / 12						27,977
10	Total Additional Service Revenue Required	0	25,955	49,811	74,713	100,857	128,371
11	Total Water and Wastewater Service Revenue	368,767	396,747	420,981	444,120	468,433	494,258
12	Transfer From (To) Rate Stabilization Fund	41,469	32,586	26,153	14,538	9,039	2,092
	Other Income (a)						
13	Other Operating Revenue	21,440	21,398	21,355	21,313	21,269	21,227
14	Construction Fund Interest Income	5,216	5,934	6,760	4,354	5,042	5,714
15	Debt Reserve Fund Interest Income	1,035	439	703	703	988	1,279
16	Operating Fund Interest Income	1,571	1,604	1,622	1,663	1,677	1,688
17	Rate Stabilization Interest Income	3,490	2,362	1,467	848	489	319
18	Revenues	442,988	461,070	479,041	487,539	506,937	526,577
	OPERATING EXPENSE						
19	Water & Wastewater Operations	203,512	210,735	216,941	223,319	229,873	236,614
20	Direct Interdepartmental Charges	47,224	48,938	50,346	51,794	53,285	54,819
21	Total Operating Expense	250,736	259,673	267,287	275,113	283,158	291,433
22	NET REVENUES AFTER OPERATIONS	192,252	201,397	211,754	212,426	223,779	235,144
	DEBT SERVICE						
	Senior Debt Service						
	Revenue Bonds						
23	Outstanding Bonds (b)	159,825	158,845	158,876	159,436	159,436	159,446
24	Pennvest Parity Bonds	384	384	384	384	384	384
25	Projected Future Bonds (c)		8,601	17,201	17,201	26,662	36,123
26	Total Senior Debt Service	160,209	167,830	176,461	177,021	186,482	195,953
27	Total Senior Debt Service Coverage	1.20 x	1.20 x	1.20 x	1.20 x	1.20 x	1.20 x
	Subordinate Debt Service						
28	Pennvest Subordinate Bonds	1,227	1,227	1,227	1,227	1,227	1,227
29	Total Debt Service on Bonds	161,436	169,057	177,688	178,248	187,709	197,180
30	CAPITAL ACCOUNT DEPOSIT	16,287	16,645	17,003	17,361	17,719	18,077
31	TOTAL COVERAGE (L22/(L29+L30)	1.08 x	1.08 x	1.08 x	1.08 x	1.08 x	1.09 x
	RESIDUAL FUND						
32	Beginning of Year Balance (d)	5,600	20,299	1,078	1,123	915	1,235
33	Interest Income	170	85	0	0	0	0
	Deposits						
34	End of Year Revenue Fund Balance	14,529	15,695	17,045	16,792	18,321	19,835
35	Deposit for Transfer to City General Fund (e)	4,138	4,994	4,994	4,994	4,994	4,994
	Less						
36	Transfer to Construction Fund	0	35,000	17,000	17,000	18,000	20,000
37	Transfer to City General Fund	4,138	4,994	4,994	4,994	4,994	4,994
38	End of Year Balance	20,299	1,078	1,123	915	1,235	1,070
	RATE STABILIZATION FUND						
39	Beginning of Year Balance	135,309	93,840	61,254	35,101	20,563	11,524
40	Deposit From (To) Revenue Fund	(41,469)	(32,586)	(26,153)	(14,538)	(9,039)	(2,092)
41	End of Year Balance	93,840	61,254	35,101	20,563	11,524	9,432

(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) Recognizes a fiscal year 2003 beginning balance of $20,600,000 less an estimated $15,000,000 to defease bonds in fiscal year 2003.
(e) Transfer of interest earnings from the Bond Reserve Account must first go to the Residual Fund as shown in Line 37 to satisfy the requirements for the Transfer to the City General Fund, with the balance included in Line 15 going to the Revenue Fund.

City of Philadelphia

Five-Year Financial Plan

Citizen Services:

Comprehensive and Coordinated Social Services

Citizen Services
Comprehensive and Coordinated Social Services

Overview

The Division of Social Services within the Managing Director's Office was created in FY00 by Mayor John Street to improve the quality of social services provided to the residents of Philadelphia. Included in the Division of Social Services (DSS) are: the Department of Public Health (DPH), including the Behavioral Health System (BHS) and Mental Retardation Services (MRS); the Department of Human Services (DHS); the Philadelphia Prison System (PPS); the Department of Recreation and Adult Services (Office of Emergency Shelter and Services and Riverview Home). In addition, the following Commissions and Offices work closely with DSS: the Mayor's Office of Community Services; the Mayor's Commission on Aging; the Mayor's Commission on Disabilities; the Mayor's Office of Health and Fitness; the Mayor's Office of Faith-Based Initiatives; and Philadelphia Safe and Sound.

Organizational Objectives and Targeted Initiatives

Improve Efficiency in Service Delivery

- **Provide integrated services.** DSS strives to provide services that meet the needs of families without duplication and with a high degree of coordination. If one or more individuals in a family receive services from more than one social service department, there will be multiple workers involved. In some of those incidents, one worker may not be aware of another's involvement and will develop a service/treatment plan that does not incorporate or, in the worst case, contradicts the service/treatment plan developed by another social service entity. To minimize these incidents, the City is developing an integrated system of service delivery to ensure that services are provided without duplication and with a high degree of coordination among departments.

  An essential component of delivering integrated services is an integrated database system. Currently, each social services department has its own data system that operates independently, making it difficult to obtain all the information needed to effectively serve an individual or family. An integrated database system will allow workers to access relevant client data from all involved city systems so that they have the complete information necessary to provide appropriate and comprehensive services.

  The first phase of the Integrated Data Information System (IDIS) was implemented in January 2003. This pilot phase involves 125 users from Adult Services, the Children and Youth Division of the Department of Human Services, Community Behavioral Health, the Coordinating Office of Drug and Alcohol Abuse Programs (CODAAP), and the Office of Mental Health. The pilot stage will allow users to consolidate client records to one database and search for records across agencies, while providing review and data reporting and analysis features. The pilot stage also features the introduction of a common form, accessible by any pilot department, for a client to provide legally required consent for these agencies to share confidential information. If the pilot is successful, additional features and types of data and users will be added, as well as new agencies including the Public Health Department, Juvenile Justice System, Philadelphia Prison System, the Police Department, First Judicial District, and the School District of Philadelphia. The project, which has received technical assistance from Philadelphia Safe and Sound, will cost $2.5 million through FY03, and complete implementation would be finished by FY07 at an additional cost of $5.5 million.

When completed, the worker will be able, with appropriate client consent, to access IDIS to see if the client or a family member is already receiving social services. The integrated database will also notify workers when certain critical events occur in a client's life. This information will be invaluable in assisting workers to effectively work with clients and to ensure that services are delivered in a coordinated way. The integration of direct support services and data are long-term investments in systems change and will be rolled out in phases as the model is developed, reviewed and refined over the course of several years.

- **Enhance the effectiveness of services through cross-departmental coordination and cross-city collaboration.** Departing from the common practice of departmental segregation in service delivery, DSS has rolled out several cross-departmental initiatives in FY01, FY02 and FY03 to enhance the effectiveness of services. Specific projects in FY04 include the collaborative efforts of Adult Services and DHS, with support from DPH and the Office of Housing and Community Development, to develop the Philadelphia Housing Support Center, which will serve clients of Adult Services and DHS with housing problems (discussed in greater detail in the Adult Services section); a joint venture between BHS and DHS to provide behavioral health services to dependent and delinquent children and youth under DHS' care (discussed in greater detail in the BHS section); and a multi-departmental collaboration among four City departments and the Housing agencies to abate lead in lead contaminated homes (discussed in greater detail in the DPH and Adult Services section).

  DSS and the School District of Philadelphia have identified four major areas for collaboration where improved outcomes for children and youth served by both systems can be accomplished: early childhood development, truancy prevention and intervention, student supports (physical and behavioral health services) and after-school programs. The focus of this collaboration is to identify cross-systems initiatives that can result in improved outcomes and/or cost savings in each of these areas. DSS and the School District have collaborated to offer education, screening and treatment for chlamydia and gonorrhea in all of the Philadelphia high schools by Spring 2003. The City and the School District have also jointly applied to the Commonwealth for $5.5 million in funding for 21st Century Learning Centers, which would provide academic, cultural, recreational and youth development activities for school-aged youth during non-school hours. Other collaborative efforts include ensuring appropriate behavioral health supports for children in grades K-4 and reducing truancy through parent truant officers.

Increase Accountability in Service Delivery

- **Institute a system of continual improvement.** DSS' Quality Management Unit (QMU) provides direction, oversight, and technical assistance to departments to help build their capacity to answer the question "Are the services that are being provided making a difference in the lives of consumers?" The success of a social program or service is determined by the extent to which programs and services result in achieving positive changes in the lives of the people they serve. In FY03, social service departments used a self-assessment process to identify their strengths and their challenges in the collection, analysis and use of performance data to achieve the outcomes that they and the service recipients desire. For example, Juvenile Justice Services (JJS) in DHS reviewed and analyzed data to look at the troubling trend of increases in the rate of critical incidents (actions that are serious in nature and affect everyday operations of the living units) at the Youth Study Center. The data revealed that while the population is decreasing, the youth that are currently detained are those who have committed more serious offenses and are more difficult to control. While more serious offenders are detained at the Youth Study Center, JJS also looked at the data for other possible explanations. JJS found that many of the incidents were occurring during a particular shift. As a result, JJS is working to modify staff deployment, while continuing to look at additional data to identify other possible explanations for the trend.

In the second half of FY03 and in FY04, departments will implement the action plans they have developed based upon the self-assessment results. In FY04, the Director of Social Services and QMU will continue quarterly performance review meetings with the departments to evaluate data trends and the use of performance data to improve services and results. QMU will continue to work with departments to refine performance measures and further improve the quality of data collected and analyzed to increase departments' capability for evidence-based decision-making. The goal is to use the performance data to assess, and as needed, modify programs and policies.

- **Institute performance-based contracting accountability systems**. DSS has begun a multi-year initiative to implement a system of performance-based contracting in order to ensure that contractors are providing services that meet the established standards and result in desired consumer outcomes. During the second half of FY03 and in FY04, departments, using the results of self-assessments described above, will work to enhance their contract decision-making and monitoring practices. QMU will provide direction, consultation and training to support this work. A partnership between the City and its many providers is critical to the success of those who receive services. Enhancement of information systems to support performance measurement will be another significant area of focus.

- **Use geographical information system (GIS) mapping to target resources.** On behalf of DSS, Philadelphia Safe and Sound has developed a digital, interactive mapping system that allows for the review of data on a regular basis for the purpose of strategic social service programming and policy planning. Data from DPH, DHS, Police, the Philadelphia School District, Census 2000 and the Neighborhood Transformation Initiative has been obtained, catalogued, geo-coded, aggregated and mapped. This information identifies the level of need and resources on a neighborhood level and assists decision makers in the deployment of City resources for program development. GIS mapping has been used to identify locations for Children Investment Strategy programs, Sexually Transmitted Diseases testing, NTI neighborhoods and to improve immunization rates in targeted neighborhoods. More specifically, DPH is using GIS mapping to increase the number of two-year olds who are appropriately immunized by targeting the neighborhoods with low immunization rates and directing resources to them. The City spent $75,463 in FY02 and $95,200 in FY03 on the development and maintenance of GIS mapping. Efforts in FY04 will focus on the continual updating of data and a wider use of GIS mapping by departments to identify need and target resources, with $132,850 allocated for FY04.

Invest in the Well-Being of Children and Families

- **Children's Investment Strategy (CIS).** Philadelphia is home to approximately 260,000 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 outcome indicators for children and youth, as indicated in the *Children's Report Card 2002.* The Report Card tracks childhood health, safety and positive development indicators so 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 outcome indicators for children and youth include expanding after-school and youth development opportunities during non-school hours and redirecting more resources to DHS' prevention services to strengthen the relationship between parents and children.

  In FY03, a total of $60.4 million in new or redirected dollars has been targeted for youth development and prevention programs under CIS. Of this amount, $45.9 million was used for the expansion of youth development programs which 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) 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 was 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 are the federal government through TANF and the Commonwealth through the Human Services Development Fund. The City's FY04 budget includes an additional $30 million from TANF for the expansion of youth development and family support services, contingent upon the Commonwealth's approval of DHS' needs based budget. It is the goal of CIS to provide non-school hour programs to 100,000 youth by 2005.

  – <u>After School and Youth Development Programs</u>. Research has shown that the hours between 2 PM and 8 PM are the peak times for youth to commit crimes or to become victims of crime, use drugs and alcohol, and engage in other negative behaviors. The Mayor, along with public and private partners, has identified after-school and youth development activities provided during non-school hours, such as life skills training, mentoring and academic enrichment programs, as a primary vehicle for improving outcomes for school-aged youth. While the long-term strategy is to help rebuild the capacity of neighborhoods to support their children, the initial focus has been on developing and expanding programs offered during non-school hours.

Various City agencies provide after-school programs or drop in centers for youth during non-school hours. The Philadelphia Free Library provides homework assistance, computer literacy, library skills and enrichment activities to 85,000 school-age children and teens in all of its 55 library branches through LEAP. The Police Department runs 23 Police Athletic League centers that provide safe havens for 27,000 children between the ages 6 and 18 so that they can play and learn. The Recreation Department operates after-school programs in 130 Recreation Centers with an average monthly attendance of 2,800 youths. Through the family centers, truancy-related programs, delinquency programs and programs targeted toward 12-18 year olds, prior to CIS, DHS annually served 2,800 children.

Since the inception of CIS, under the leadership of Philadelphia Safe and Sound, after-school and youth development programs have expanded to serve an additional 25,465 children and youth. Philadelphia Safe and Sound is also ensuring that all after-school and youth development programs adhere to standards of quality and best practice. In particular, Philadelphia Safe and Sound is working with the Recreation Department to help bring their after-school programs to state standards, making them eligible for licensing (discussed in greater detail in the Recreation section).

– Beacon Schools. From the inception of CIS, the leadership has articulated the importance of building strong partnerships between the City's public schools and its after-school programs, as a long-term strategy for improving school attendance and performance. The Beacon Model, based on a successful New York City program, calls for the development of school-based community centers as a strategy for rebuilding communities of support for children, youth and their families in urban neighborhoods. Drawing in the neighborhoods as partners, Beacon Schools remain open seven days a week until 9 PM and serve as "one-stop shopping" centers, offering a vast array of programs and services such as employment and training activities, educational assistance and enrichment, and arts, cultural and sports activities. The City opened 11 Beacon Schools serving approximately 1,000 youth and their families in FY02. During FY03, an additional nine Beacon Schools will open for a total of 20 Beacon Schools having the capacity to serve 6,000 youths, their families and community members citywide. Each Beacon School costs approximately $400,000 in grant funds and serves approximately 300 youths and their families. An additional 20 Beacon Schools, for a total of 40, will occur in FY04, contingent upon the receipt of state funding.

- **Enlist the help of faith-based organizations to provide services to Philadelphia's residents.** The Mayor's Office of Faith-Based Initiatives (MOFI) was created in FY01 and works to build coalitions and collaborations with faith-based organizations. In FY03, in a partnership with the Philadelphia Workforce Investment Board, MOFI launched Project ECHO (Empowering Communities to Help Others), which aims to connect newly released ex-offenders with faith-based and community-based organizations to help them successfully reintegrate into the community. Faith-based organizations will help ex-offenders successfully navigate the job market by connecting them to CareerLink, a one-stop job center for employers and potential employees. A one-time grant of $100,000 will be used to train 200 volunteers from 100 faith-based and community-based organizations to provide job-related mentoring to 100 pre-release and 100 ex-offenders, building the foundation to sustain the program in FY04. Strawberry Mansion, Olney and Southwest Philadelphia have been targeted for this initiative.

Beginning in FY03 and continuing into FY04, MOFI will also link the faith community with resources of the health community, both private and public, to increase the faith community's capacity to provide access points for positive health information and care. In particular, this initiative will receive assistance from Health Partners, several pharmaceutical companies and DPH to increase awareness of sexual health issues, cardio-respiratory health and diabetes care/prevention.

- **Improve the health of Philadelphia residents through the promotion of health and fitness**. The Mayor's Office of Health and Fitness (MOHF) continues to develop and implement innovative initiatives to improve public awareness of the importance of healthy lifestyles. One result of these efforts was an improved ranking from the "fattest and most unfit" in 2000 to number four in 2002. MOHF implemented such programs as "See What You Can Be," a community-based initiative that targets groups at risk for poor health (hypertension and diabetes) and educates them about healthier lifestyle choices; "Health Trip," another program which educates and encourages people to adopt positive lifestyle behaviors; and "Lifestyle Makeovers," a two week overnight program that teaches diabetes management and other healthy lifestyle options. In FY03, MOHF also successfully launched a "Health Trip" for City employees to help them adopt healthier lifestyles. Efforts in FY04 will be focused on engaging approximately 10,000 people in the "Health Trip" which will achieve the critical mass needed for sustainability of Philadelphia's health initiatives. MOHF will work with the local faith community and community centers to establish at least five "Health Trip Clubs" in various parts of the City, with the first "Health Trip Club" slated to be established in Southwest Philadelphia. Other potential areas of interest are South Philadelphia, West Philadelphia, the Germantown area and North Philadelphia. MOHF is anticipating $500,000 in funding from various private sources and the federal Department of Health and Human Services to fund its programs and outreach efforts.

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), the Philadelphia Housing Support Center (PHSC), the HIV Planning Council, 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 (DHS), the Behavioral Health System (BHS), and the Philadelphia Housing Authority. The Division of Social Services is responsible for overall policy development and interagency coordination of adult services.

Organizational Objectives and Targeted Initiatives

End Chronic Homelessness in Ten Years

- **Implement the New Keys program to support those most resistant to traditional street outreach methods.** Philadelphia's increased efforts over the past four years to provide the resources needed to re-house and support persons experiencing street homelessness have been very successful. There remain, however, approximately 150 persons still living on the streets for whom those efforts have not worked – persons who have serious mental illness as well as chronic substance abusers. An innovative approach used in New York City and Washington, DC has shown that immediate access to independent permanent housing in the community, paired with a team of treatment staff who go wherever the individual is living to assist them with basic living as well as mental health and substance abuse treatment, is successful in keeping this population in stable housing. In FY04 Adult Services and the Department of Public Health, along with non-profit partners, will begin the New Keys project – outreach, housing, and intensive support services and treatment for up to 70 people over three years. The services of New Keys are funded through a three-year, $1.8 million grant from the U.S. Department of Health and Human Services (DHHS), while the housing subsidies are funded through a three-year, $700,000 grant from the U.S. Department of Housing and Urban Development (HUD). This combination of services dollars from DHSS and housing dollars from HUD is consistent with the federal government's new approach to ending chronic homelessness and ensuring access to mainstream-funded resources for those who are homeless.

- **Develop a low-demand alternative to emergency shelter that employs innovative approaches to ending chronic homelessness.** In addition to those who live on the streets, chronic homelessness is experienced by individuals who cycle through emergency shelter repeatedly without ever staying long enough to engage in supportive services. Many of these individuals have untreated drug or alcohol abuse problems that negatively affect their ability to regain stability and permanent housing. This segment of the homeless population is not well served by traditional emergency shelter that requires abstinence from drugs or alcohol and offers traditional case management supports for those who choose treatment. In FY04 Adult Services will research best practices and options, and seek federal support for a low-demand alternative to emergency shelter that will provide the environment for alternative approaches to encourage persons with drug or alcohol addictions to engage in treatment and ultimately become permanently housed. This initiative will be a partnership between Adult Services and Community Behavioral Health, the source of the treatment services that this population needs. It is expected that the competition for the federal funding to support this project will begin prior to the start of FY04.

Prevent Homelessness and Divert Households from Emergency Shelter Whenever Possible

- **Collaborate with DHS to develop new supportive housing options for youth aging out of foster care.** Youth who are aging out of the foster care system are an extremely vulnerable population. Research has shown that, among families with low incomes, prior foster care experience is more prevalent in those who are homeless versus those who are in stable housing. Through the creation of the Achieving Independence Center in FY03, DHS is working to bolster its support of the nearly 200 youth in Philadelphia who age out of foster care each year – young adults who often need support through their first years of independence to ensure that they avoid homelessness in their adult lives. In a multi-year initiative, Adult Services is partnering with DHS and investigating how many of these youth are in need of housing supports to avoid homelessness, what programs would provide that support, and what funding is available to implement those programs. Locally available resources include funding through DHS and the Philadelphia Housing Authority, while possible federal resources include McKinney Act and Runaway and Homeless Youth Act funds.

- **Develop resources to assist in accessing market-rate housing for "housing-ready" households who seek emergency shelter.** Approximately five percent of OESS' shelter bed resources are being used by persons with entitlement income and demonstrated financial ability to sustain themselves in housing. This equates to 130 people at any one time, or nearly $665,000 per year for emergency shelter, for individuals who can sustain themselves in housing. As part of an overall strategy to redesign OESS' intake, eligibility determination, and assessment processes, this initiative will facilitate diversions from shelter or assist in shortening the length of stay for persons in shelter who have the means to sustain themselves in housing. In FY03 OESS will create and maintain a database of housing resources available to serve this population and make it available to OESS staff in early FY04 as an additional case management tool. One of the VISTA volunteers assigned to OESS will research and identify these resources, compile and construct the database, and provide access to designated staff. OESS staff will assume ongoing maintenance of the database, which will require a minimal time commitment. It is expected that 25 percent of this population will be diverted annually using this resource, allowing OESS to avoid spending the nearly $167,000 it would cost for approximately 35 beds per year.

Provide temporary housing to households while the lead hazards in their home are abated. The Health Department works to prevent childhood lead poisoning by abating lead hazards in homes where children are at high risk of elevated blood lead levels. If alternative housing arrangements are made for the family, then the process is safer – the children are not present while the work is being done – and faster, allowing for more families to be assisted with the same dollars. Adult Services has partnered with the Health Department to manage the housing arrangements for the families, placing them in short-term in apartments for anywhere from three days to two weeks. This initiative became fully operational mid-calendar year 2002, and in FY03 is projected to assist about 115 households. It will be refined in FY04 and assist approximately 200 households. Grant funding of $300,000 has been secured from the Commonwealth for the purpose of lead relocations.

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

- **Develop a short-term rental assistance program to provide more immediate access to permanent housing for households awaiting a subsidy.** Families residing in emergency shelter and transitional housing often experience a delay of several months between the time that they apply for a rental subsidy for permanent housing, and their receipt of that subsidy. In FY04 Adult Services will explore ways to bridge that gap in time so that a household can move into permanent housing faster, reducing or avoiding an emergency shelter stay or a foster care placement. Options to achieve this include a short-term rental assistance program that provides stop-gap housing assistance and the opportunity for social services providers, through the Housing Support Center, which is described in more detail later in this chapter, to make a permanent housing plan more quickly for the household involved. The people served by Adult Services would benefit greatly by moving to a permanent home more quickly, by reuniting with their children faster, or by avoiding a foster care placement. The biggest benefit to Adult Services and DHS is the cost savings associated with reducing or eliminating shelter stays or foster care placements.

- **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.** Effective resource management should be based on accurate information about the needs of the population requesting services, the availability of resources and gaps in the service system, and the ability to provide efficient and quality services within that service system. Through a three-year, approximately $500,000 federal grant, matched with a commitment of $318,300 in City funding, the Office of Emergency Shelter and Services will implement a new Homeless Management Information System in a multi-year process beginning in FY04. It is expected that the new system will enable OESS to provide more timely case management services, 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.

- **Open "Bright Spaces" for infants and toddlers in all family shelters.** The City of Philadelphia is committed to ensuring that there are age-appropriate and interactive play spaces for young children in its family shelters, to encourage the development of critical 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 fourteen OESS family shelters. Philadelphia is the first city in the nation to undertake such an initiative. Two Bright Spaces were opened mid-FY03 and Adult Services will open the remainder throughout FY04 and into early FY05. In addition to being a place for young children to develop, play, and interact with other children, these areas will provide a stimulating environment for parents to interact with their young children. Adult Services provides staff support to ensure that the collaboration is effective, that the Bright Spaces are being used to their potential, and that they are coordinated with other children's services provided at the shelters.

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

- **Partner with the Behavioral Health System to more effectively secure drug and alcohol assessment and treatment for clients.** In order for Adult Services to effectively assist the households it serves, partnerships with other City departments are required. For clients who have drug or alcohol treatment needs, the best way to meet those needs is by ensuring that they are referred to the Behavioral Health System for assessment and treatment. FY04 will be the first year of a new collaboration with these City agencies in which OESS will have a referral system in place and will have shelter-based case management services coordinated with the treatment services provided through the Behavioral Health System. Adult Services is committing approximately $300,000 to this new effort in FY04 to support random drug testing in all emergency shelters and referrals for assessment and treatment, based on the results of those tests, to the Behavioral Health System.

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

- **Increase access to existing supportive housing programs and ensure appropriate use of those programs.** In FY04 the Philadelphia Housing Support Center (PHSC) will become operational as a one-stop-center for access to supportive housing resources for clients of Adult Services and the Department of Human Services; particularly children leaving foster care when they reach adulthood. The Center will be created by reorganizing existing resources in the two departments, thereby providing the Center with $1.4 million in the FY04 budget. Connections will be established with non-city funded supportive transitional and permanent housing resources. Approximately ten agencies in Philadelphia that provide hundreds of units of supportive housing do not have ongoing financial support from the City and have intake procedures that are not linked to those of Adult Services or DHS. Cooperative relationships will be developed with these agencies so that applicants who come through the PHSC and are connected to services provided by OESS or DHS will receive priority in the referral process; the intake process for these programs will be streamlined; and the PHSC will conduct regular reviews of the placements made in these programs to ensure appropriate use of these resources. The process of conducting regular reviews will initially be applied to the transitional and permanent supportive housing resources directly available to OESS and DHS. Those households who are no longer in need of the level of supports that their housing placement provides will be assisted in moving to more appropriate, permanent housing so that someone else with more intense service needs can benefit from that placement. Both initiatives are intended to increase the efficiency of the continuum of care.

- **Phase Out Riverview Home for the Aged and Provide Funding for Alternate Care**. Riverview is a temporary residential care facility for the elderly and disabled located on the Delaware River in Northeast Philadelphia. Riverview's goal is to stabilize residents in a protective environment so that they can eventually return to a lower level of care, such as an independent or assisted community living arrangement. Despite its mission, a large percent of residents is never discharged and Riverview has become more of a nursing home than a temporary facility. In order to ensure that the City attains its goal of providing appropriate care in the community, the City will shift its funding for Riverview to more appropriate full-time supportive situations. By FY08, all of the City's funding will go towards care in the community and Riverview Home will be closed. The Plan assumes that this gradual shift will allow for careful planning for resident care. It is projected that the City's costs will be reduced by approximately $5.4 million from FY05 through FY08.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Homeless Services / OESS						
Average Daily Number of Emergency Shelter Beds	2,097	2,105	2,009	1,800	2,019	2,083
Number of Placements into Transitional Housing	526	637	615	425	425	500
Number of Placements into Permanent Housing	329	1	268	171	396	480
Number of Enrollees in Employment and Training Programs	315	391	502	450	430	70
Number of Employment and Training Participants Placed in Jobs	150	167	157	341	200	26
Riverview						
Average Daily Census	226	208	226	250	252	240
Admissions	142	128	191	254	254	200
Re-admissions w/in one year of discharge	13	15	22	10	17	10
% of Total Admissions	6%	7%	12%	4%	7%	5%
Discharges	142	142	155	n/a	187	150

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 continued poor economy and a winter more harsh than last year's has resulted in a higher demand for beds than originally projected for FY03. Demand in FY04 is expected to continue at this higher level.

Number of Placements into Permanent Housing. Adult Services' partnership with the Philadelphia Housing Authority has led to a marked increase in the number of placements into permanent housing. This is expected to continue in FY04 at its current rate.

Number of Enrollees in Employment and Training Programs/Employment and Training Participants Placed in Jobs. The FY04 numbers reflect participants in the Ready, Willing and Able (RWA) program. Due to unacceptable outcomes from many of its Employment and Training programs, OESS will suspend these programs in FY04 and work with providers to improve the success rate of these programs before making further investments. RWA is a 12 - 14 month program for 70 individuals, which started in FY03. New enrollees in FY04 are expected to be low due to low turnover in the program.

Riverview Average Daily Census. Riverview is expected to be even more successful at assisting residents in obtaining entitlement income and securing alternative, more appropriate housing. For this reason, the average daily census is projected to decrease as residents' stays are shortened.

Five-Year Obligations Summary

Office of Emergency Shelter and Services

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	3,075,834	3,138,509	3,138,509	3,173,471	2,753,079	2,602,116	2,562,620	2,562,620
Class 200	11,670,885	13,897,112	13,456,331	12,219,923	11,914,425	11,616,564	11,616,564	11,616,564
Class 300/400	156,058	162,999	154,849	150,978	144,112	140,510	140,510	140,510
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	14,902,777	17,198,620	16,749,689	15,544,372	14,811,616	14,359,189	14,319,693	14,319,693

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

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

Protect Children from Abuse/Neglect and Maintain Them at Home, Whenever Possible.

- **Continue expansion of efforts aimed at preventing abuse, neglect and delinquency**. The Department of Human Services (DHS) has for many years supported a variety of community-based services aimed at preventing out of home care and supporting families. This has been done primarily through Services to Children in their Own Homes (SCOH). With the exception of SCOH services, until the last several years the proportion of DHS resources dedicated to other voluntary community-based services was relatively small. In late 2000, DHS established the Division of Community-Based Prevention Services (DCBPS) to develop and support a continuum of services in collaboration with other public and private agencies ranging from primary prevention programs to more intensive, home-based services.

  The division designs and develops flexible, individualized responses to the needs of families reported to the Department for child abuse or neglect which is not substantiated, and where imminent risk to the child is considered low. The services are offered on a voluntary basis and are community-and home-based. The division also develops stronger service links to families whose children are already in out of home care to ensure the child's well being and to support achievement of the permanency goals for the child (family reunification, adoption, permanent legal custodianship).

  In FY00, the Department allocated $14.4 million to prevention efforts; in FY03, those expenditures have reached $56 million. This allocation is budgeted at close to $90 million in FY04, largely from increases in federal Temporary Assistance to Needy Families (TANF) funding that will be concentrated on intensive in-home services for families at high risk of abuse and neglect; case management services; parenting education programs; truancy prevention services, and after school and youth development programs. Diversion of appropriate families to these services is intended to reduce the use of SCOH and foster care services by at least 20 percent by FY05. In addition to this prevention investment, the Department continues to spend approximately $25 million annually on Services to Children in their Own Homes (SCOH). Because of federal caps on TANF funding, it is likely that the amounts available from TANF will remain at FY04 levels at least through FY08.

  These new investments are being made in programs and strategies that have demonstrable effectiveness in the prevention of involvement in the child welfare system. To track the impact of these expanded programs, DHS (working with the Division of Social Services, Philadelphia Safe and Sound and a variety of researchers) is developing clear, measurable performance standards for prevention programs and a more robust performance monitoring system. This emphasis on accountability will help the City determine whether these new prevention dollars are being invested in ways that produce measurable reductions in abuse, neglect and delinquency.

These diversion efforts are expected to reach 3,000 families in FY03, not including an additional 3,000 families to be served through traditional SCOH services. In addition, approximately 15,000 families will receive a variety of other diversion and permanency-support services, such as after-school and youth development programs, delinquency prevention programs, and specialized home visiting services. In FY04, the Department's Quality Assurance function will continue to work with DCBPS to measure accomplishments.

Ensure Permanency for Children in their Living Situations and Continuity of Family Relationships.

- **Increase use of Community Family Centers.** There are 19 DHS Community Family Centers located throughout the city that offer a host of services to families. Services include: case management and monitoring; parenting education and support; links to family therapy, counseling, respite and other health and social services; after-school and other youth development programs. The goals of the family center network are to: provide community-based services that will avert formal involvement in the child welfare system; serve families seeking reunification with their children who are in DHS custody and serve foster families, kinship care families, adoptive families and families participating in the Subsidized Permanent Legal Custodianship program. Links to these services are arranged by DHS. Approximately 3,500 of the 10,567 families served by Community Family Centers in FY02 were referred by DHS for assistance in achieving permanency goals for the children involved.

  By FY04, the Department expects to divert up to 20 percent of families reported for abuse and neglect from SCOH or out of home care to alternative community services through family centers. This initiative (including parenting and special services components) will cost approximately $10.5 million in FY03, with an increase of $1.5 million planned for FY04.

- **Expand delinquency prevention programs**. DHS seeks to address the service needs of chronically-truant youth, first-time offending youth with minor charges who are diverted by the District Attorney from formal adjudication in Family Court, and other youth whom DHS has identified as being at highest risk for delinquency. Effective October 2002, families of chronically truant youth who have open cases with DHS are being offered participation in delinquency prevention programs upon meeting certain eligibility criteria. Depending on the individual situation, DHS case managers or the court refer such youth to any of five diversion programs throughout the city. Core components of these programs include: academic assistance; counseling; community service activities; physical and behavioral health supports; life skills, job readiness and employment training; cultural enrichment activities; victim and community awareness education and physical activities. Approximately 600 youth will be served in these programs over an eight-month period in FY03 at a cost of $4 million. An expansion to 800 youth is planned for FY04, with an additional investment of $2 million.

Enhance Families' Capacity to Provide for their Children's Needs.

- **Expand community-based parenting skills enhancement programs.** The goals of the Department's parenting initiative are prevention of maltreatment by parents who have been reported for abuse or neglect but do not meet "accept for service" standards; reunification for families whose children have been removed from the home; and stabilization of families with adopted children. As part of that initiative, the Parent Action Network (PAN) seeks to enhance parent-child relationships by reinforcing supportive behavior of parents and changing non-productive or harmful behavior. PAN operates 23 support groups for parents of children in DHS custody to assist them in preparing for reunification, as well as specialized groups for adoptive parents and incarcerated caregivers. In addition, over 70 community-based organizations provide neighborhood-based parenting education programs designed for families receiving SCOH services, foster parents, kinship caregivers, and caregivers at high risk—such as parents with behavioral health problems and teen parents. Over 4,000 families will be served in these programs in FY03 at a cost of $5 million, with an expansion to 5,750 families and $7.6 million in FY04.

- **Provide school-based case management services to additional schools.** School-based case management services provide a continuum of supportive services to children whose behavior problems interfere with their ability to learn or put them at risk of more intensive problems. Through early intervention this program strives to alleviate or decrease the intensity of problems and facilitate the academic achievement of the children served. In FY03, this service is available to youth at 161 public schools, by referral through the individual school's Comprehensive Student Assistance Program, serving over 3,000 youth at a cost of $4.6 million. In FY04, the service will be available in all public schools, serving 5,000 youth at an additional cost of $3 million.

  A full evaluation of this project is underway. Preliminary data indicates that over 60 percent of youth who otherwise would have been referred for behavioral health evaluations and services have been diverted to other, community-based services. Similarly, in schools where the target population for services is youth being considered for special education services, more than 70 percent of these youth have not needed such programs because other appropriate services were provided. There is a wealth of evidence nationally that school-based case management services are the most effective intervention in the management of student behavior resulting from family crises or behavioral health issues.

- **Provide intensive services for compromised caregivers.** DHS uses a number of home visiting models to provide services to new mothers who are at high risk of neglecting or abusing their children, mothers who are in behavioral health or substance abuse treatment, and families in which one or more parent has mental retardation. These services include a crisis nursery that provides temporary child care for caregivers who need respite or are temporarily unable to care for their children.

In FY03, the *nurse-family partnership* home visiting program for first time, low-income mothers will serve 400 young women, with an investment of approximately $2.1 million. In FY 04 an additional 200 women will be served, with an additional $1million in funding.

The intensive program for *mothers who have mental retardation*, and who need specialized services in order to prevent their children from being removed from their care, will serve 50 families in FY03, with $360,000. A total of 75 families will be served through this program in FY04, for a total expenditure of $500,000.

A home visiting program for *substance abusing women in treatment*, which includes services for their children, will serve 200 families (approximately 600 children) in FY03, with $2 million of prevention funds. In FY04 the total number of families served will reach 300 (800 children) for $3 million.

Intensify Services to Reunite Families in the Early Stages of Out-of-Home Care—or Execute an Alternative Permanent Plan as Safely and Quickly as Possible

- **Support the needs of children with behavioral health issues through restructuring of treatment foster care.** DHS recognized the need for an interim residential step for children with a history of serious behavior problems. In the past, if children were in a foster home and exhibiting dangerous behavior they would be moved to a residential treatment center. If they already had made the move to such treatment and completed it, most foster parents were afraid to provide care for them upon discharge. The Department's response has been to work with a team of experts to create treatment foster care (sometimes referred to as therapeutic foster care). These foster families are better trained, equipped and supported to provide care to children with serious emotional and behavioral problems, and if necessary, can call on mobile treatment teams that will visit their homes to assess situations and respond appropriately.

- **Intensify reunification efforts for youth in delinquent placements through an Aftercare Improvement project**. Thirty five percent of delinquent youth returning to the community from residential care re-enter placement within 12 months. In order to reduce this percent, the City established the Aftercare Improvement Project in FY03 to help the Philadelphia juvenile justice system more effectively meet the needs of offenders returning to their communities from residential placement. DHS currently has contracts with three agencies to provide aftercare services to help youth make the transition from the close supervision of residential placement to the openness of the community. Ideally, aftercare services act as an extension of the steps initiated in the institution and build on progress made there. Continuation of services, supervision and support in the community—where success or failure ultimately is measured—is essential to long-term positive changes. Providers of aftercare services, as well as stakeholders such as Family Court, Juvenile Probation, the School District, the District Attorney's Office, child advocates, and the behavioral health system have given their unequivocal commitment to developing a plan for precisely who will assume responsibility for different aspects of aftercare services. The group anticipates completing a plan by March 1, 2003.

The project is being conducted at no cost to the City and is being aided through a partnership with the University of Pennsylvania's Fels Institute of Government, which received a $1,000,000 grant from the Pennsylvania Office of Community and Economic Development for this purpose. The project's effectiveness will be measured by subsequent rates of re-entry into placement, and costs to serve and supervise delinquent youth.

- **Improve the quality and effectiveness of day treatment services for delinquent youth.** Day treatment programs for delinquent youth are intended to be an alternative to institutionalization, providing youth with intensive services in the community. While remaining at home, youth attend a full day or after-school programs intended to foster positive development and reduce recidivism. Recent data indicate that poor attendance and low program completion rates plague day treatment programs. Despite having contracts with 12 different providers of day treatment services, the Department witnessed an increase in institutional care. Costs grew by nearly $20 million, from $35.5 million in FY98 to $55 million in FY02. In the face of the growing concern about the programs' poor results the Department commissioned a study of its day treatment services in January 2002. The study entailed visits to each program and meetings with management level and line staff. Interviews focused mostly on program operations; relationships and involvement with families; community service and involvement; relationships with DHS and Family Court; and other agency relationships. The authors of the study made several recommendations that will serve as guidelines for DHS to work with provider agencies to improve service quality and effectiveness.

  In December 2002, DHS met with its largest provider of day treatment services and provided technical assistance about the program's design as it relates to characteristics of the clients it serves. As a result, several program modifications are being made, such as longer program hours, an updated educational curriculum and changes in the criteria for accepting youth into the program. DHS will review the program designs of its other day treatment providers and offer technical assistance as needed. (It is likely that these program design reviews will extend to providers beyond the day treatment category). At the same time, the Department will issue an RFP by February 2003 with clearer, more specific standards and performance expectations from providers wanting to operate day treatment programs in FY04 and beyond. The Department expects that by making these improvements it can provide an alternative to institutional care that is less costly and more effective in meeting the needs of youth, their families and their communities. This initiative will cost $9.6 million in FY03 to serve 623 youths and $10.6 million in FY04 to serve 675 youths.

- **Reduce out-of-state placements.** Research suggests that many juvenile offenders have weak ties to family, school and community and that treatment should focus on improving and strengthening those ties. Yet many of Philadelphia's delinquent youth, especially those with special needs, are sent to facilities hundreds and sometimes thousands of miles away from those three important components because there is a lack of local and in-state resources to meet those needs. The Department has made some progress in decreasing its reliance on out-of-state facilities for delinquent youth, reducing the number of youth in such residences from 179 in FY00 to 124 at the end of FY02, but the numbers rose to 133 in the first quarter of

FY02. Youth sent out-of-state usually are those who have the most severe emotional and behavioral problems and have been prescribed treatment in a "residential treatment facility" (RTF). Pennsylvania RTFs often historically rejected delinquent youth that fit this description because regulations prohibited them from having locked units. The Commonwealth Office of Medical Assistance Programs (OMAP) did, however, allow use of Medicaid funds for Pennsylvania youth in locked facilities in other states. In October 2002, OMAP issued a bulletin changing that policy and it now allows for locked RTFs in Pennsylvania. DHS and Community Behavioral Health, which is responsible for approving medically necessary treatment, can now seek to build capacity within local RTFs to serve delinquent youth with serious emotional and behavioral problems.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projection
Children and Youth Division						
Child Protective Services (abuse) reports[1]	4,467	4,557	4,635	4,830	5,184	5,798
General Protective Services (neglect) reports[1]	8,421	9,829	10,160	10,587	11,722	13,524
Total Children Receiving Services	23,335	23,293	22,900	23,700	23,500	23,500
Total Children Receiving Non-Placement Services	12,510	12,276	11,498	11,800	11,900	11,250
Total Children in Placement	7,979	7,765	7,786	7,500	7,650	7,500
Children in Institutional Placements	1,604	1,466	1,415	1,375	1,375	1,350
Children in Care More Than Two Years	4,164	4,149	4,024	4,000	4,000	3,975
Adoptions Finalized[2]	650	469	472[2]	550	550	750
Adoption Subsidies[2]	2,846	3,252	3,616[3]	4,350	4,150	4,750
Juvenile Justice Services						
Youth Study Center Admissions	6,016	6,206	6,007	6,046	5,850	5,900
Youth Study Center (YSC) Average Daily Population[3]	142	119	112	115	95	90
Average Number of Delinquent Youth in Placement	1,217	1,233	1,326	1,323	1,311	1,290
Average Number of Delinquent Youth Served In-Home	1,436	1,539	1,327	1,558	1,550	1,520
Average Number of Delinquent Youth Placed Out-of-State	179	143	124	120	133	120
% of youth who remain arrest free six months after discharge from a delinquency program	65%	67%	68%	70%	65%	70%
Community-Based Prevention Services						
Children enrolled in after-school and positive youth development programs[4]	N/A	N/A	3,832	4,400	8,750	8,750
Parents/caregivers participating in parenting education/support groups	N/A	N/A	978	4,000	4,000	5,750
Families diverted by DHS from SCOH or placement to community-based case management services	N/A	N/A	267	1,500	1,500	3,500
Youth diverted from adjudication to delinquency prevention programs	N/A	N/A	1,386	600	600	800
Youth receiving social services related to Truancy Court petitions	N/A	N/A	2,864	3,500	2,750	3,750

[1] The number of Child Protective Services (abuse) and General Protective Service (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] Compliance with the Adoption and Safe Families Act (ASFA) and the new DHHS regulations are expected to contribute to the increases in the numbers of Adoptions Finalized and Adoption Subsidies.
[3] The population in the Youth Study Center has declined in recent years as a result of joint DHS – Family Court Initiatives that contributed to shorter lengths of stay and a decline in the total number of youth ordered to be held in detention.
[4] Includes children enrolled in Beacon Schools and other programs supported by the Children's Investment Strategy.

Five-Year Obligations Summary

Human Services

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	76,623,843	83,893,990	80,550,121	85,139,969	82,300,333	81,222,636	79,983,877	78,395,696
Class 200	390,652,702	438,952,003	457,097,414	508,261,561	509,314,341	509,323,341	509,672,841	510,354,401
Class 300/400	6,211,833	7,534,735	6,884,921	5,882,504	5,697,554	5,684,054	5,649,554	5,589,554
Class 500	37,555	63,801	63,801	64,376	64,376	64,376	64,376	64,376
Class 700								
Class 800								
Class 900								
TOTAL	473,525,933	530,444,529	544,596,257	599,348,410	597,376,604	596,294,407	595,370,648	594,404,027

City of Philadelphia
Five-Year Financial Plan

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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.

Organizational Objectives and Targeted Initiatives

Provide a Safe and Orderly Environment for Inmates and Staff

- **Maintain operational and physical plant standards and comply with PPS policies and procedures.** In FY01 and FY02, the City negotiated Settlement Agreements to terminate decades of Federal and Commonwealth Court oversight of population issues and conditions of confinement within the PPS arising from *Harris v. the City of Philadelphia* (1982) and *Jackson v. Hendrick* (1972). As part of the *Jackson* Settlement Agreement in June 2002, the City set aside $2 million 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. These efforts are designed to reduce inmate recidivism. Through November 2003, the City will use consultants selected by the *Harris* and *Jackson* Courts to monitor compliance with a wide array of policies and procedures relative to facility maintenance and environmental issues, social services, medical and behavioral health services, use of force, and special management units. Following such monitoring by the consultants, the City and the PPS will continue to monitor compliance with PPS policies and procedures as well as operational and physical plant standards.

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, which include placing carefully selected pretrial defendants charged with certain offenses on electronic monitoring, using the earned-time/good-time program to reduce length of stay, and using Philadelphia Treatment Court, established in March 2002 to address quality-of-life crimes by sentencing persons charged with low-level offenses to community service or behavioral 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 and to lower inmate recidivism.

  To improve quality of life in Philadelphia, in May 2002, Mayor John Street implemented Operation Safe Streets, which involves a partnership among law enforcement, social and health services, the clergy, prisons, 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. From FY98 to FY02, the number of prison admissions increased by an average of 8.3 percent per year. Following the implementation of Operation Safe Streets, the number of prison admissions began to decline, and with 16,581 admissions through December 31, 2002, prison admissions are down 6.9 percent compared to the first half of FY02, when there were 17,810 admissions. As a result of declining admissions, for the first time since the admissions moratorium was lifted the growth in the inmate population has stabilized. The PPS had projected that the inmate census would grow by 387 inmates from 7,637 in FY02 to 8,024 through the first half of FY03. With an average inmate census of 7,901 through December 31, 2002, growth in the inmate population is 31.8 percent lower than projected.

To accommodate the prison population during the first half of FY03, the City housed 424 inmates at the George W. Hill Correctional Facility in Delaware County, PA, in addition to leasing three other facilities within Philadelphia that housed a combined total of 469 additional inmates. If the prison population continues to stabilize, the construction and renovation initiatives listed later in this chapter will allow the City to reduce the number of inmates housed in leased facilities in late FY03 or early FY04.

- **Evaluate and enhance inmate programs in order 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. By lowering the recidivism rate, the City potentially could reduce future incarceration costs. Using $75,000 of the *Jackson v. Hendrick* Settlement Agreement funds, 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. This one-year evaluation began in November 2002, and changes will be implemented as improvements are identified. The consultant will assist the PPS in developing outcome goals and indicators, which the PPS staff will use to evaluate inmate programs and to enhance their effectiveness in reducing recidivism. The consultant also will produce marketing materials, such as a brochure that will describe the benefits of employing work-release inmates and ex-offenders, to help the PPS recruit business and community partners in order to expand employment opportunities for work-release participants and former offenders.

- **Bolster Pennypack House School educational services.** About 1,500 inmates enroll each year in the Pennypack House School, operated by the School District of Philadelphia. The Pennypack House School is open to all inmates, and juveniles incarcerated within the PPS must attend high-school or other grade-appropriate classes. Using an FY03 Title I grant of $120,000, the Pennypack House School added a Saturday program providing reading and math remediation to about 24 juveniles, a Saturday art enrichment program for gifted and motivated students, and after-school programs to provide additional reading instruction to female juveniles and to assist advanced students in meeting high-school graduation requirements. The grant award will fund a full-time specialist to tutor juveniles in reading, English, and language arts. It also will add bilingual GED instruction to the adult evening program, making bilingual instruction available during day and evening hours. These changes will bolster educational services for all students, especially juveniles and Spanish-speaking individuals, and are intended to increase the number of GEDs and high-school diplomas awarded from an initial projection of 199 to 215 in FY03 and up to 240 in FY04.

- **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. Independent evaluations comparing FIR participants to non-participants have shown that offenders who complete at least six months of treatment are 66 percent less likely to recidivate within two years and 44 percent less likely to recidivate within four years of release from prison. In addition, these studies have shown that longer participation yields reduced rates of recidivism. The number of clients diverted to FIR increased by 23.4 percent from 1,561 in FY01 to 1,926 in FY02, and duration of treatment increased from an average of six months in FY01 to seven months in FY02, potentially reducing recidivism rates even further. By diverting clients from prison during FY02, the FIR program saved 411,059 prison days, which would have cost taxpayers $30.77 million. Reductions in rearrest and reconviction, based on crime prevented, saved millions more in costs associated with criminal proceedings and incarceration. 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. Projections for the number of inmates diverted to the FIR program are 2,348 for FY03 and 2,395 for FY04. Based on current incarceration costs and projections for the number of inmate days saved (see Key Performance Measurements), by continuing to divert offenders from prison, this program will avoid $71.39 million in prison expenditures over the next two years.

- **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, is projected to serve an average monthly total of 850 participants in FY03, with that average increasing to 950 in FY04 as two staff vacancies are filled and the program is expanded to serve 28 additional women upon the transfer of the women's therapeutic community from Philadelphia Industrial Correctional Center to the new Women's Detention Facility. In addition, the PPS is assessing the possibility of expanding the number of OPTIONS slots at the Detention Center in FY03 or FY04, contingent on identifying appropriate program space.

- **Implement ARAMARK food-service vocational training program.** In cooperation with ARAMARK Correctional Services, Inc., the PPS will implement a new food-service vocational training program by April 2003. The initial program design will train 80 inmates per year in a 90-day course. Participants will receive two hours of classroom instruction and six hours of on-the-job training daily in culinary safety and sanitation, food and pastry preparation, and dining operations. Upon successful completion of the 90-day course, trainees will receive an ARAMARK course completion certificate and will have the opportunity to test for both ServSafe national accreditation and certification in food handling from the Philadelphia Department of Public Health. The program will cost $47,400 per year, with the first year paid from the *Jackson v. Hendrick* Settlement Agreement funds. Subsequently, the City will attempt to obtain state grant funding to support the program. The vocational training program will include post-release assistance to help graduates find employment. This service will be provided by ARAMARK's staffing center at no cost to the City or to the participants. ARAMARK's staffing center partners with nonprofit organizations, which will assist graduates with day-care needs, education, and transportation services. Similar to the other vocational training programs operated within the PPS, this program will be designed to reduce recidivism by helping inmates to secure and maintain gainful employment.

Provide Secure Correctional Facilities that Promote Community Safety

- The construction and renovation initiatives listed below will add 824 permanent beds to the PPS' capacity while maintaining current housing space and bolstering security.

  - **Complete construction of the Women's Detention Facility and PPS Multipurpose Building.** Although the growth in the male inmate population stabilized somewhat during the first half of FY03, the number of females incarcerated grew by 8.8 percent from 804 in FY02 to 875 through the first half of FY03. The continuing spike 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 $42 million 768-bed Women's Detention Facility (WDF) on the PPS campus. Scheduled to open July 1, 2003, 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 late FY04 or early 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.

  - **Complete Curran-Fromhold Correctional Facility (CFCF) multi-occupancy room plumbing and security renovations.** There are four rooms on each of the 32 pods at CFCF that were intended for use as staff offices, multipurpose rooms, or storage space. These rooms are more than double the size of the regular cells at CFCF. As the inmate population has increased, the PPS has been forced to use the rooms to house inmates, with up to six inmates in each room for a maximum of 12 additional inmates on each 32-

bed housing tier. As part of the Settlement Agreement in Harris v. City of Philadelphia, the City is spending $2.5 million to install plumbing and to upgrade security in the multi-occupancy rooms by February 2003. Security renovations include performing electrical and telephone line renovations, upgrading locks, and installing alarms in the multi-occupancy rooms at CFCF. As of December 31, 2002, the project was on schedule with 26 of the pods having been completed.

– **Complete House of Correction renovations.** As part of the Settlement Agreement in the Harris v. City of Philadelphia case, the House of Correction is undergoing a $7 million renovation project, which began May 31, 2002, and is scheduled for completion by September 30, 2003. Renovations include improvements to the facility's electrical system and lighting as well as installation of new windows, a temperature control system, an exhaust system, central laundry facilities and sinks, and repair of all doors, gates, and door locks. These renovations will improve operational, security, and health and safety conditions while extending the useful life of the 76-year-old facility.

Ensure Humane Conditions and Appropriate Physical and Behavioral Health Care

- **Improve operational and cost-efficiency of food services.** With the implementation of a new food-service agreement during FY01, the per-meal price was reduced to $1.04 from $1.25 under the previous agreement without sacrificing food quality. Due to an increase in the Consumer Price Index, the meal price was raised to $1.07 in May 2002. Based on an annualized projection of 7.4 million meals and required medical and juvenile snacks, the cost savings are estimated to be almost $1.5 million annually over the four-year contract. The PPS is continuing phased implementation of a pre-plating system, begun in June 2001 and targeted for completion in FY03, in which meals will be prepared and pre-plated at the PPS food production facility for transport to the other PPS facilities where they will be reheated and served. During FY02, the food-service vendor equipped the individual PPS facilities with the rethermalization ovens and mobile warmer carts necessary to reheat and serve pre-plated meals. The project will be implemented in FY03 following the completion of renovations to the Food Production Facility in the spring of 2003, which will include replacing the floor of the one-acre Food Production Facility in addition to replacing steam lines serving the rethermalization equipment. These renovations will cost about $765,000. To further improve the operational and cost-efficiency of food services, on October 14, 2002, the City began using the PPS Food Production Facility to produce meals for residents of the Riverview Home. Meals are prepared by the PPS food-service vendor and are then transported to Riverview, where they are reheated and served. Using existing food production resources already in place at the PPS, this interagency cooperation is expected to save the City an additional $571,000 over the next five years through greater economies of scale.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Average daily inmate census	6,793	7,121	7,637	8,112	8,039	8,039
Escapes/walk-aways						
From confinement (including erroneous discharges) (1)	0	2	3	0	2	0
From trustee status (2)	2	0	2	0	0	0
From work release program (3)	25	32	55	45	45	45
Inmates participating in work-release program (Average monthly total)	179	257	378	375	375	375
Inmates participating in vocational training (4)						
Jewish Employment & Vocational Service	1,724	1,914	1,619	2,502	1,803	1,020
Cambria Employment Project	N/A	N/A	91	728	728	728
ARAMARK food service	N/A	N/A	N/A	80	20	80
Inmates receiving diplomas						
GED (5)	264	254	237	184	200	225
High school	11	11	5	15	15	15
Inmates participating in substance abuse treatment						
In-house OPTIONS program (Average monthly total) (6)	726	829	818	925	850	950
Community-based Forensic Intensive Recovery program	1,312	1,561	1,926	2,253	2,348	2,395
Inmate days saved						
Forensic Intensive Recovery (FIR)	248,569	287,849	411,059	454,060	467,565	486,096
Earned-time/Good-time	38,418	40,404	51,783	45,500	45,500	47,000
Millions of dollars saved from (7)						
FIR inmate discharges	$19.267	$21.646	$30.772	$33.991	$35.002	$36.389
Earned-time/Good-time case discharges	$2.978	$3.038	$3.876	$3.406	$3.406	$3.518

(1) Escapes/Walk-aways from Confinement. All three of the inmates who escaped from custody during FY02 have been captured. One is back in PPS custody. The remaining two are incarcerated in other jurisdictions and will be extradited to Philadelphia when their other cases are settled. Both of the inmates who escaped during FY03 are back in PPS custody.

(2) Escapes/Walk-aways from Trustee Status. Both of the trustees who absconded during FY02 were captured and were returned to PPS custody.

(3) Escapes/Walk-aways from Work-release. About 90 percent of participants are court ordered to participate in the work-release program, and about 10 percent are court approved upon recommendation by the PPS. Inmate participation in the work-release program increased by 133.3 percent from FY98 to FY02 while walk-aways from the program increased 103.7 percent. Of the 55 participants who walked away from the work-release program during FY02, through January 18, 2003, 47 have been captured and have been returned to PPS custody.

(4) Inmates Participating in Vocational Training. The duration of JEVS training programs will be lengthened effective July 1, 2003, in an effort to foster post-release job placement and recidivism reduction. Most 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. This will result in fewer participants in FY04. The number of participants in fy03 was lower than projected because negotiations stalled the implementation of the food service vocational training program until late in the fiscal year.

(5) Inmates Receiving Diplomas. The Pennypack House School and the PLATO computer-based inmate education unit provide GED preparation to inmates. The 8.7 percent reduction in the number of GEDs awarded from FY01 to FY02 may be attributed to the implementation of more stringent testing standards effective January 1, 2002, and extended leave by one of the four PLATO instructors.

(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 the Detention Center and the Women's Detention Facility in FY03 and FY04.

(7) Millions of Dollars Saved from FIR Inmate Discharges and Earned-time/Good-time Case Discharges. The FY03 and FY04 projections are based on the FY02 per diem, $74.86.

Five-Year Obligations Summary

Prisons

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	90,972,576	94,143,078	95,944,168	97,863,315	94,332,967	91,343,934	90,673,179	90,444,722
Class 200	59,292,347	64,913,655	71,690,656	79,890,424	84,912,458	90,245,010	98,505,157	105,345,248
Class 300/400	4,172,937	4,660,615	4,660,615	4,544,100	4,409,962	4,299,713	4,299,713	4,299,713
Class 500	996,861	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757
Class 700								
Class 800								
Class 900								
TOTAL	155,434,721	164,744,105	173,322,196	183,324,596	184,682,145	186,915,413	194,504,806	201,116,440

City of Philadelphia

Five-Year Financial Plan

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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 Chlamydia and Gonorrhea Initiative to all public high schools**. The incidence of Chlamydia and Gonorrhea among adolescents is at epidemic proportion in Philadelphia. The Department's response to this epidemic is to increase public awareness by launching a screening and treatment initiative at locations that afford easy access to adolescents and young adults, as well as raise the awareness of medical practitioners across the city. Starting in FY02, the Department began screening at two public high schools and of the 1,219 tests performed, 11 percent were found positive for Gonorrhea, Chlamydia or both and treated. Three additional high schools have been added in FY03. Starting in January 2003, the Department is aggressively expanding this program of voluntary, confidential on-site screening for students at all 42 public high schools in the city, coupled with appropriate treatment arrangements. The goal is to screen, identify and treat those asymptomatic infected students, and ultimately to eliminate the Chlamydia/Gonorrhea epidemic. The total cost of expanding the screenings to all schools is $642,000, of which $262,000 will be supported through grant funds.

- **Improve public health emergency response capacity**. The Department of Public Health's emergency response capacity and capability has recently been expanded, particularly with regard to bioterrorism response preparedness. The Department is the lead emergency response agency, working in conjunction with the Fire Department, Police Department and the Office of Emergency Management. The combined agency Rapid Assessment Team strategy successfully responded to over 1,200 suspicious powder incidents in 2001. In order to ensure the public health infrastructure is equipped to respond to bioterrorism events and other public health emergencies, the Federal Homeland Security legislation recently provided the City of Philadelphia with $1.4 million in additional resources. The money will be used to enhance the public health infrastructure, improve surveillance and provide 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 targeting the core primary providers in areas with rates below the 90 percent goal. The Division of Disease Control now has more than 90 percent of the 336 immunization providers reporting to the immunization registry, KIDS. The registry is used to identify pockets of need where the immunization rate is low. In FY02, the Department employed a neighborhood mapping strategy to identify the neighborhoods with the lowest rates: zip codes 19122 (60 percent), 19126 (62 percent) and 19145 (52 percent). Community outreach was enhanced and staff worked with pediatricians in the neighborhoods to insure patients were receiving appropriate and timely immunizations. Outreach efforts included home visits to households where children were thought to be lacking in required immunizations by City outreach workers. These efforts resulted in increases of 12 to14 percent in each zip code. This activity, coupled with increasing the awareness of the medical practitioner community will be the principal strategy of the Department to achieve the goal of having 90 percent of children age appropriately immunized. Currently more than one-half of the City's zip codes have immunizations rates in excess of 80 percent; with four of these exceeding 90 percent.

Assure Safe and Healthy Working and Living Conditions.

- **Provide effective 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 is 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 began operation on August 28, 2002. In addition to providing the public health and public safety components of animal control, the new agency will focus on increasing adoption of animals, conducting responsible pet ownership campaigns and increasing animal license sales. The total number of animals handled annually by the new agency is projected to be 30,000.

- **New childhood lead poisoning intervention initiatives**. An aggressive shift was made in childhood lead poisoning services in April 2002. At that time, there was a backlog of 1,400 housing units awaiting lead hazard reduction services with an additional 500 units in need of abatement being reported each year. The Department only had the capacity to abate 150 houses a year, resulting in an annual increase to the backlog of 350 housing units. From February 2002-April 2002, the Department visited and evaluated the 1,400 backlogged properties and found that 200 properties were either in compliance, vacant or demolished. In April 2002, the Department helped create the Lead Abatement Strike Team (LAST), to coordinate the activities of nine previously unrelated City and state agencies and ensure the swift, coordinated provision of health, social, relocation and legal services needed to accomplish timely lead hazard reduction. The Health Department also identified an additional $1.5 million from existing departmental resources and expanded its own hazard reduction staff from one team to three teams, and hired five certified contractors with up to eight teams to perform lead removal work. In May 2002, the remaining 1,200 backlogged properties were referred to the Law Department and the City began initiating action against private landlords who refuse to conduct needed lead hazard reduction and informing tenants of their rights to withhold rent from non-compliant landlords. In November 2002, the Law

Department joined with the Court of Common Pleas to create "Lead Court," to facilitate the adjudication of enforcement action brought against property owners where a lead-poisoned child is involved.

Between April and December 2002, 302 housing units received lead hazard reduction services, of which 94 abatements were performed by City crews or contractors. During the same period in 2001, 104 units received reduction services, of which only 28 were performed by City crews or contractors. All newly identified housing units in need of lead hazard reduction since the inception of this program are currently in an active status awaiting either case management, basic systems repair before lead hazard reduction can take place or enforcement. The combined impact of the expanded lead hazard reduction capacity in the Department, LAST and Lead Court is that not a single housing unit has been added to the backlog, and the backlog that stood at 1,400 units in April 2002 has declined to 976 as of January 2003.

Provide Quality Treatment for Health Problems

- **Help obtain insurance coverage for a larger percent of Health Center patients**. Since FY00, 64 percent of patient visits to City health care centers (representing approximately 68 percent of patients) have been by patients who did not have insurance and the costs have been fully absorbed by the City. Many of the patients are, in fact, eligible for coverage but are not informed about the benefits available to them. In an effort to dramatically increase the number of patients who receive some sort of health coverage, in FY02 the Health Department placed six benefit counselors within Health Care Centers to assist patients with Medical Assistance, Adult Basic, Private HMO and Children's Health Insurance Program enrollment. In FY03, the Health Department expanded the initiative by including an additional 48 full, part time and volunteer staff to support the enrollment and education effort. A video and promotional materials have been created, the patient sign-in process has been redesigned and a database to track patient insurance information was developed. The Department estimates that this initiative will reduce the number of uninsured visits to 50 percent by FY04 and to 30 percent by FY08. The total cost of this enrollment initiative, including staffing costs, publicity materials and leasing of verification units is approximately $172,000, of which $70,900 comes from the General Fund. The Plan includes just under $21.5 million in new revenues from this initiative through FY08.

Key Performance Measures: DPH

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Infant Mortality Rate: Deaths/1,000 [1]	12.3	11.9	10.3	10.0	10.0	9.6
% of Women Who Receive Inadequate Prenatal Care	7.1%	6.6%	6.7%	6.1%	6.5%	6.6%
Number of Screenings for Lead Toxicity [2]	31,661	40,427	39,629	40,000	40,000	42,000
Incidence of Vaccine-Preventable Disease Among Children < 15[3]	54	15	18	30	45	29
New Cases of Infectious Gonorrhea [4]	7,638	8,358	7,989	8,850	8,850	8,500
Surveillance, Evaluation, Follow-Up-New TB Cases/Suspects	291	285	236	225	225	225
New Reported AIDS Cases [5]	1,039	1,137	1,160	1,112	1,112	1,123
Food Complaints Investigated	3,051	3,221	3,068	3,000	3,000	3,000
Average Interval Between Food Establishment Inspections (Months) [6]	17.7	17.2	18.5	19.5	19.5	16.7
Facility Closures of at Least Four Hours Caused by Maintenance Problems	0	0	0	1	1	1
Post-Mortem Examinations	2,443	2,626	2,514	2,568	2,568	2,568
% of All Homicides Having Final Examiner's Report Completed Within 8 Weeks	73%	75%	75%	85%	78%	85%
Nursing Home Census (Average)	428	434	431	431	436	435
District Health Centers						
Total Patient Visits	321,768	340,747	342,742	341,658	341,658	344,000
Uninsured	205,288	219,100	218,327	197,132	202,766	172,000
Percent of Visits	64%	64%	64%	58%	59%	50%
Pharmacy Prescriptions	470,821	517,662	553,075	560,000	560,000	580,000
Percent of Appointments Made for Within 3 Weeks of Request	72%	70%	70%	70%	70%	73%
Percent of Evening Sessions Available [7]	84%	80%	89%	95%	90%	100%
Air Quality [8]						
Percent of Days with Good Air Quality	82%	83%	75%	81%	70%	51%
Percent of Days with Moderate Air Quality	14%	14%	23%	15%	24%	44%
Percent of Days with Unhealthful Air Quality	4%	3%	2%	4%	6%	5%

[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 FY02 covers 2000 and FY01 covers 1999.

[2] Lead screenings. The increase in the number of screenings in FY01 reflects more accurate reporting from labs and not a change in program or real increase.

[3] Incidence of vaccine-preventable diseases. The diseases originally included in this count were measles, diphtheria, poliomyelitis, rubella, and tetanus. Starting in FY02, Pertussis and Hepatitus B were included; the FY00 and 01 numbers were restated to include the additional diseases.

[4] New cases of gonorrhea. The increase in gonorrhea cases since FY00 is a result of more sensitive testing and not necessarily an increase in the number of outbreaks.

[5] New Reported AIDS Cases. Reported on one-year time lag.

[6] Intervals between food establishment inspections. During FY03, sanitarians are implementing the newly developed handheld computerized reporting system (FEIMS). As a result of the new technology, potential technical problems associated with first-time use of complex equipment, and staff training, it is expected that the food establishment inspection interval will increase temporarily. It is expected that by the end of FY04 the interval will decrease to 16.7 months.

[7] Percent of evening sessions available. The renovations at the Health Care Centers will be completed in FY03 and will result in a resumption of full capacity.

[8] Air Quality. Starting in FY04, Air Management Services will incorporate a more stringent ozone standard adopted by the US EPA. The new standard is reflected in the Air Quality service measures and does not represent a deterioration of Philadelphia's air quality.

Five-Year Obligations Summary

Public Health

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	41,214,456	43,023,163	42,774,949	43,667,443	40,154,434	38,061,615	36,969,378	36,531,825
Class 200	68,498,438	73,117,841	73,019,808	71,194,313	69,414,455	67,679,094	67,679,094	67,679,094
Class 300/400	3,863,944	4,238,863	4,145,476	4,421,839	4,232,477	4,126,665	4,122,571	4,122,571
Class 500	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Class 700								
Class 800	1,713,031	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Class 900								
TOTAL	115,329,869	122,519,867	122,080,233	121,423,595	115,941,366	112,007,374	110,911,043	110,473,490

Department of Public Health

Behavioral Health System

Mission

The mission of the Behavioral Health System (BHS) is to help consumers receive coordinated and effective mental health and drug and alcohol treatment services. The three core entities are the Coordinating Office for Drug and Alcohol Abuse Programs, the Office of Mental Health and Community Behavioral Health.

Organizational Objectives and Targeted Initiatives

Provide High Quality Behavioral Health Services to Children with Mental Health and Substance Abuse Problems

- **Integrate with the Department of Human Services (DHS) to provide behavioral health services to children**. BHS and DHS have begun to develop a blueprint for integration that will be implemented in February 2003 for improved services to dependent and delinquent children and youth. The co-location of BHS staff within DHS is improving the early identification of those children and families who may currently receive behavioral health services, who have a history of treatment or who have never had services but may need them. Coordination will result in more timely access to appropriate behavioral health treatment, as well as other needed services to families who are able to care for their children with some assistance. When necessary, BHS staff assists in the admission of children to more appropriate residential treatment programs and provides close management of the care provided. They work closely together relative to discharge planning, ensuring that necessary supports are in place so that family reunification or integration back into the community is effective. BHS has assumed responsibility for admissions to residential treatment facilities (RTFs) for all children and youth under the care of DHS. This includes reviewing medical necessity and conducting reviews to ensure that appropriate treatment is being provided. BHS/DHS integration efforts also include joint rate setting, joint monitoring of provider agencies and joint resource development. These efforts are aimed at developing an array of services that do not now exist to support children, youth and families. This joint planning is expected to free up $3 million per year of City and grant funds for re-investment in needed programs for children and youth.

- **Improve behavioral health services to children by expanding the Student Assistance Program (SAP) to all 90 middle and high schools**. Although SAP services have been provided to middle and high schools in Philadelphia since 1990, not all schools have had access to these services. The goal of SAP is to conduct assessments on children who exhibit barriers to learning that may indicate mild to severe emotional and/or substance use issues. SAP liaisons consult with school teams regarding behavioral issues, assist with crisis intervention and link children and families to treatment resources. Six agencies conduct mental health or drug and alcohol assessments in 57 schools. With a $500,000 Safe and Drug Free Schools grant from the School District of Philadelphia, BHS will expand SAP services to all 90 middle and high schools. As of January 2003, 30 percent more assessments and consultations will occur during the remainder of this school year. The anticipated outcomes are a decrease in barriers to student learning and improved school climate. Providers have been directed to develop training for school staff to improve their understanding of behavioral health issues. The overall goal of this expansion is to ensure that the behavioral health needs of children in Philadelphia schools are met. This will be aided by a continued collaborative relationship with school personnel and by improved coordination of mental health and drug and alcohol services.

- **Improve services to children through the development of a Children's Crisis Response Center to replace the existing Psychiatric Emergency Service**. BHS will develop a Children's Behavioral Health Crisis Response Center (CCRC). By July 2003 the CCRC will replace the current children's Psychiatric Emergency Service (PES), in existence since 1991. The PES was designed to serve primarily children with mental health needs only. It provides 24-hour access to children's psychiatric emergency services—including evaluation, stabilization, referral for follow-up treatment, and if necessary, inpatient hospitalization. The number of children needing emergency psychiatric evaluations increased from 1,538 in FY98 to 2,871 in FY01. As volume has increased, the ability of the PES to allow children to stay for appropriate periods of time has been more limited.

  The CCRC will be designed to meet the needs of children with serious mental illness, drug and alcohol issues, and those co-existing disorders. It is expected to provide services to all Philadelphia residents from a single location. The CCRC will be a children's psychiatric emergency room providing triage, crisis intervention, stabilization and connection to follow-up care.

- **School-based behavioral health services**. The BHS School-based Behavioral Health Rehabilitation Services prototype model was implemented in FY03 in six schools. Six teams of behavioral health clinicians and workers are deployed full-time in Turner, Harrington, Cook-Wissahickon, Bache-Martin, Kelly and Ferguson schools. The teams are capable of serving 21 children in need of intensive behavioral health services including evaluation, clinical intervention, behavioral management and family support.

  A second School-based Behavioral Health Rehabilitation Services program provides flexible behavioral health services to children in a fully integrated special education and behavioral health classroom. This program run at Bartram Middle School provides care to 30 youth drawn from elementary and middle schools in the South Academic Area. Preliminary outcome data from the initial period of implementation, September 2002 through December 2002, indicate that children have shown significant improvement in their behavior and classroom functioning.

  In FY03, $4 million of HealthChoices funding was used in for School-based Behavioral Health Rehabilitation Services. The Behavioral Health System will conduct a detailed analysis of outcome data to determine next steps for the programs. Should the programs prove to be effective, $5.5 million has been earmarked for FY04.

- **Reduce unnecessary hospitalizations of children through development of a Children's Crisis Stabilization Unit (CSU).** Of the 2,800 children seen each year in the Children's Psychiatric Emergency Service, more than half are hospitalized following their visit. The PES estimates that at least 40 percent of those who come in for treatment do not have psychotic or suicidal symptoms. These children often exhibit disruptive behavior and marked conflict with family members or peers. They may present with aggressive behaviors and threats of self-harm that often can be treated in settings less restrictive than a long-term inpatient unit. Many hospitalizations would not be necessary if other alternatives were available.

  BHS is planning a 10-bed short-term stabilization unit for children with severe emotional or behavioral disturbances who do not require long-term inpatient care. The unit will serve about 450 children per year. It is expected that within five days the child will return to his/her residence. In circumstances where this is not possible due to abuse and/or neglect, DHS will take responsibility for immediate out-of-home care. DHS will conduct follow-up visits for those children to ensure their continued safety. Other children who are not the responsibility of DHS will receive follow-up visits through an outpatient service that works intensively with families. The unit is expected to be operational by September 2003.

Improve the Coordination of Services for Adults with Serious Mental Illness and Co-Occurring Conditions

- **Increase efficiency of case management services by integrating resource coordination and intensive case management into a single service--Targeted Case Management—at 13 provider agencies.** BHS will expand the Targeted Case Management model to all 13 Intensive Case Management (ICM) Programs. These programs are to replace the existing ICM and Resource Coordination services by July 2006. The Targeted Case Management (TCM) model represents a significant improvement in the way services are organized, monitored and delivered. In the TCM model, consumers will be able to receive various levels of case management within the same case management team as their needs dictate. The model also enhances case management through the addition of psychiatrists, nurses and drug and alcohol specialists to the program. The service emphasizes a behavioral health approach that serves people with a broad range of co-occurring mental health and substance abuse needs.

  The new TCM service requires a higher level of provider accountability, with an outcomes-based approach that also measures progress toward improved continuity of care. Expectations include achievement of state outcome measures, reduction of Crisis Response Center visits and improved consumer and family satisfaction. Results of four pilot projects have shown that this approach results in more efficient, better-coordinated services and an increased likelihood that consumers will receive the right service at the right time.

Improve the Coordination of Services for People with Co-Occurring Mental Health and Substance Abuse Problem.

- **Improve efficiency in the development and monitoring of Behavioral Health Services through the integration of the Office of Mental Health (OMH) and the Coordinating Office for Drug and Alcohol Abuse Programs (CODAAP).** Most consumers who are seen by the Behavioral Health System have co-occurring mental health and substance abuse disorders. Consumers who seek mental health services often do not receive help for substance abuse, and visa versa. This service segregation increases the chances for drug/alcohol relapse and exacerbation of psychiatric symptoms. The integration of these two City offices will improve BHS' ability to serve the needs of consumers with co-occurring disorders (mental heath and substance abuse problems), while continuing to serve the needs of those who experience either serious mental illness or substance abuse problems.

  Administrative and financial policies and operations will be better aligned to support the delivery of a comprehensive and clinically appropriate array of services to those with co-occurring disorders. Standards for evaluation of program content, process and clinical outcomes will be developed to assure that consumers receive the appropriate services to meet their full array of needs and experience positive outcomes for an enhanced quality of life.

Reduce Criminal Recidivism by Improving Prison Diversion

- **Divert offenders to behavioral health treatment**. BHS will expand its efforts to provide behavioral health treatment as an alternative to incarceration for those under criminal justice supervision. Approximately 2,300 individuals per year are diverted or receive early parole from the Philadelphia Prison System (PPS) into community-based behavioral health treatment. A new program will be implemented to divert offenders to behavioral health treatment earlier in the criminal justice process, resulting in reductions in admissions to PPS. This program expansion will be funded through re-direction of existing state grant funds. Planning and start-up will take place in FY03, with full operation reached in FY04, at which time a projected 125 offenders will be in treatment in lieu of incarceration. This will result in a savings of 22,812 prison days. These efforts are consistent with the objectives established by Operation Safe Streets, in that prevention, rehabilitation and treatment are the desired outcomes rather than incarceration for persons whose offenses are secondary to their substance abuse.

Mental Retardation Services

Mission

The mission of Mental Retardation Services (MRS) is 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 a systems level and at an individual level.

Organizational Objectives and Targeted Initiatives

Ensure High Service Quality and Greater Provider Accountabilit.

- **Implement the statewide initiative "Transforming the Mental Retardation System" and create a new Supports Coordination system.** Over the last decade, the Commonwealth—as most states—has relied increasingly on federal Medicaid funds to support the provision of community-based services to persons with mental retardation. (With the downsizing or closing of many large institutions for people with mental retardation over the past two decades, federal funding that would have covered institutional care has been made available for community-based services through waivers to Medicaid institutional care rules). A significant proportion of current MR programs—and all new programs—are supported through a combination of state and federal Medicaid funding and are subject to the accompanying regulations. In FY99, a federal audit found that access to home and community-based services under the waiver in Pennsylvania varied from county to county with respect to availability, choice of provider, type and quality. The Health Care Financing Administration (now the Center for Medicaid and Medicare Services) directed the Commonwealth to standardize business processes to ensure consistency of compliance with waiver requirements across the state. These requirements include assuring the health and safety of waiver-funded service recipients and improving the quality of their services. In response to these findings, the Department of Public Welfare (DPW) initiated a *Transformation* project in FY00 to standardize client and business management processes and to measure program effectiveness.

  - Most of Phase 1 of the Transformation was completed by June 30, 2002. It established statewide standards and practices with regard to incident reporting and investigation, assessment of individual health risks, and systematic and independent assessment of client satisfaction with services.

  - A statewide, web-based automated system—the Home and Community Services Information System (HCSIS)—will standardize the collection and storage of information. This system will be implemented in four phases through FY04 and will be beneficial for Philadelphia. In replacing current county-developed reporting systems, HCSIS will maintain information in three broad categories: quality management, delivery and management of services, and financial management and controls. The cost of this project will be borne by the Commonwealth.

- Phase 2, being implemented in FY03, focuses on Supports Coordination (also known as case management), including an individual support plan and budget for clients. It includes other related supports coordination functions, such as service planning and monitoring, and uses web-based technology to maintain all relevant information. Over time, the Commonwealth system will provide a mechanism for billing, therefore eliminating the need and cost for a separate local billing system. Phase 2 also includes a central waiting list management system and a provider web-based Services and Supports Directory.

- Phase 3, beginning in FY04, will focus on financial management processes including fee-for-service reimbursement, invoicing through a statewide system, and paying providers through the local office. The financial management processes are still under development.

- **Identify the waiting list for mental retardation services in Philadelphia and increase services to people living with their families through the Person/ Family Directed Support Waiver.** As of December 1, 2002, the City's "waiting list" for mental retardation services included more than 3,000 children and adults. Although this number has been relatively constant over time, there is thought to be a greater level of need than has been identified. These individuals may live with parents and receive no services, or may receive minimal services and need a greater level of assistance. The size of the Philadelphia waiting list is expected to remain the same or increase as additional individuals are identified at a rate greater than new services are funded and developed. A standardized statewide waiting list is being developed through the new Home and Community Services Information System (HCSIS) and is to be used for planning purposes. Philadelphia will update its waiting list information during FY03 and FY04 to ensure its accuracy and completeness. This may result in the identification of a greater number of people in need of services.

  FY03 is the third year of the Commonwealth's five-year initiative to reduce the statewide waiting list by providing funds for expanded services. MRS will continue to identify and prioritize those individual situations that constitute "emergency" and "critical" need, as defined and required by the Commonwealth, based on the availability of funding. Since April 2000 MRS has enrolled approximately 800 individuals with mental retardation into the Person/Family Directed Support (Medicaid) Waiver that allows families to receive needed in-home services within a cap of $21,125. This strategy offers an option enables individuals to remain in their family homes and costs less than out-of-home care. (The amount of new FY04 funding or the availability of current funding will not be known until the release of the Commonwealth's budget).

  People with mental retardation often require long-term support. Because mental retardation services in Pennsylvania are not an entitlement, it is imperative that MRS continue to develop more outcome-based and cost-effective services that can assist a greater number of individuals and their families to maintain home-based living arrangements, thereby avoiding emergencies and higher cost services, and serving more people.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual[1]	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Behavioral Health Rehabilitation Services (BHRS)						
% of BHRS consumers who receive inpatient services subsequent to BHRS	N/A	N/A	5.1%	N/A	2.7%	2.56%
% of consumers who keep appointments for continuing care within 5 days of discharge from Residential Rehabilitation	N/A	N/A	10.3%	N/A	12.1%	12.7%
Detoxification						
% of consumers who keep appointments for continuing care within 5 days of discharge from Detoxification	N/A	N/A	36%	N/A	32.1%	33.7%
Psychiatric Inpatient						
% of consumers who keep appointments for continuing care within 5 days of discharge from psychiatric inpatient	N/A	N/A	22.5%	N/A	45.4%	47.67%
Crisis Evaluation and Triage						
% of consumers who keep appointments for continuing care within 5 days of discharge from crisis evaluation and triage	N/A	N/A	78.3%	N/A	81.6%	81.6%
Forensic Intensive Recovery (FIR)						
# of treatment admissions	1,312	1,561	1,926	2,253	2,348	2,395
# of prison days saved by having clients in treatment	248,569	287,849	411,059	454,060	467,565	486,096
CODAAP Housing Initiative (CHI)						
% of available housing slots filled	N/A	89%	87%	85%	87%	85%
Mental Retardation Services						
Early Intervention - # served in year	3,192	3,396	3,808	1,764	3,500	3,900
# Receiving Community Integrated Employment services	N/A	1,057	1,065	881	1,150	1,150

[1] FY02 Actual Figures reflect three-quarter year data as new outcomes data collection began at the beginning of the second quarter of FY02. This does not apply to Mental Retardation Services and FIR. FY00, FY01 data does not exist and is reflected as N/A.

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 over 50 types of programs at safe, attractive, well-maintained facilities. The Department also manages Veterans Stadium and various public parks and squares.

Organizational Objectives and Targeted Initiatives

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

- **Expand the number and type of visual and performing arts courses provided to children and adults.** The Department plans to offer new and improved visual and performing arts courses to keep participants excited and challenged, and maximize the use of recreation facilities. Art classes provide people with an alternative to athletic programs as well as "something to show" for their efforts. The Department began offering increased training for visual and performing arts staff for the Department's Summer Art Camp in FY03, which also provided the Department with more trained art instructors for the FY03 winter season programs. The Department will continue offering "train the trainer" sessions during FY03, to provide employees and volunteers with the tools needed to lead arts and crafts and performing arts workshops in FY04. In FY03, the Department plans to offer a total of 95 performing arts and 70 visual arts programs, serving 10,600 participants. In FY04, the Department estimates that it will offer a total of 110 performing arts and 70 visual arts programs, and serve 11,100 participants. The costs of the "train the trainer" sessions are minimal.

  The Department is also using cultural programming as an educational tool, specifically to inform children about fire prevention. Through a partnership with the Philadelphia Fire Department, the Performing Arts Office coordinates the production and presentation of original plays with fire prevention as the central theme at each of the ten Recreation district sites. At the culminating Fire Prevention Festival to be held in August, one representative play from each of the ten districts will participate in a competition. This program takes place each summer from June through August and reached 2,000 children at 50 recreation centers in FY03. In FY04, the program is projected to reach 2,500 children at 60 recreation centers.

- **Maintain operations for teen centers.** In an effort to address the problem of youth violence, the Department secured a $250,000 grant for the opening of two "teen centers" in Rivera and McVeigh recreation centers in FY02. In FY03, additional grant funding was awarded to Recreation for the opening of two more teen centers--one in Kingsessing and one at Francis Meyers at a total cost of $250,000. The grant also provided $140,000 in funding for the second year of operations for the teen centers at Rivera and McVeigh. The teen centers were created to provide non-school hour recreational and social programming opportunities for high-risk and previously adjudicated youth and to complement the Youth

Violence Reduction Project (YVRP). The YVRP is a multi-agency initiative aimed at reducing youth homicides (ages 7-24) through a dual-pronged approach of increased surveillance and support, including job training and placements, treatment, and educational opportunities. The YVRP is currently operating in the 12^{th} and 25^{th} Police Districts with plans for gradual expansion citywide. The teen centers were placed in areas with a high incidence of juvenile crimes; in 2001, 6.1 percent of all city juvenile arrests were in District 12 and 9.8 percent were in District 25. Prior to opening the first teen centers, data was collected from the Philadelphia Police Department, Philadelphia Safe and Sound, and informal community interviews in the target areas to identify program needs for this age group. The types of programs requested included dances, movie nights, social trips to sporting and cultural events, photography and ceramics classes, video games, and a dedicated meeting place for unstructured socializing. The Recreation Department is providing all of these programs at the teen centers. Participation is voluntary and participants are recruited through youth forums and agencies such as the DHS Division of Juvenile Justice Services, the Juvenile Probation Office, the Police Department, and the Philadelphia Anti-Drug/ Anti-Violence Network. The number of youth registered at the four teen centers is projected to reach 1,300 in FY03 and is projected to grow by 250 new registrants each year thereafter through FY08. The Department anticipates reduced involvement in the criminal justice system on the part of the local youth that participate in teen center activities. The Department will continue to apply for government and private grants to maintain operations for the four teen centers and to increase the number of centers.

- **Develop a Recreation Department Directory that provides program descriptions, locations and general information.** In FY03, Recreation plans to release its first directory to highlight program offerings and activities for all ages in the City's 156 recreation facilities. Currently, programs are advertised through neighborhood newspapers, press releases, the Department website, program fliers, seasonal camp brochures, and word-of-mouth. A comprehensive directory will provide program descriptions and schedules and will encourage broader participation at the Department's facilities. The directory will be distributed at recreation facilities and elementary schools and will be available for download on the City's website. The estimated cost for the design and printing of 200,000 brochures is $95,000. The Department will seek sponsorship funding to assist with design and printing costs of the Directory in FY03.

Ensure that Recreation and Park Facilities are Fully Operational and Well-Maintained

- **Assume operation of former Fairmount Park pools and recreation centers.** In an effort to properly align service responsibilities and facilities with core missions and departmental expertise, beginning in FY04 the Recreation Department will assume operation of three pools and six recreation centers currently under the control of the Fairmount Park Commission. These facilities have historically been operated by the Fairmount Park Commission due to their location within Fairmount Park grounds, but spurred by the Fairmount Park Strategic Plan process, it became apparent that these facilities would be more appropriately operated by the Recreation Department. These pools and recreation centers will be added to the Recreation Department's existing inventory of 79 outdoor pools and 156 recreation centers and will be operated consistent with the standards for programming, maintenance and overall quality that the Department has steadily implemented throughout its facilities.

- **Improve maintenance services.** In order to best maintain safe, clean facilities that encourage public participation and lengthen the life of recreation facilities and the equipment, the Recreation Department designed a custodial procedures manual in FY03. The purpose of the manual is to develop standard levels of care for the 156 fully staffed recreation centers that the Department maintains throughout the city. The manual fully details the methods and procedures for maintaining facilities by type, size, and service level to ensure that each facility receives the proper level of care. In FY03, 70 percent of the facilities met standard levels and by FY04, the Department expects to reach 90 percent. The Department will continue to improve methods for meeting the standards for recreation facility care and projects that 100 percent of facilities will meet standard levels within the next five years. The manual also serves as an excellent training tool for orienting new employees to the Department.

- **Develop a Strategic Action Master Plan for the Recreation Department**. In FY04, the Recreation Department's goal is to obtain private funding to develop a new Strategic Action Master Plan (SAMP) that will define goals, initiatives, and strategies for recreation facilities and programs over a five-year period. The SAMP will focus on the physical condition and use of recreation facilities, community issues, and management and organization of the Recreation Department. The Department anticipates the planning process for Recreation to begin during the strategic planning that is being developed for the Fairmount Park system. The current Recreation SAMP was completed in 1995 and has assisted the Department in qualifying for $3 million in capital grants for recreation facilities. The SAMP will be paid for with private funds.

- **Provide for the safety of the public and recreation employees.** In order to maintain public safety, the Recreation Department developed a Playground Safety Program in FY02 to meet the national safety standards and guidelines in accordance with the American Society for Testing and Materials and the National Park and Recreation Association. Each year, the Department will send five employees to the National Playground Safety Institute to be certified as inspectors at a cost of $2,000 per employee. The three-year certification authorizes employees to perform routine inspections on equipment to ensure compliance. The certified inspectors will inspect all Recreation facilities at least once per year. As part of this initiative, the Department is developing requirements contracts with IPEMA (International Play Equipment Manufacturers Association) certified companies to retrofit damaged or vandalized play equipment. The requirements contracts will provide for quick access to replacement parts that are needed for playground equipment. Repairs done in a timely manner will reduce the likelihood of injuries occurring on playground areas each year. The cost of the contract is $60,000. In addition, the FY04 budget includes $60,000 for play equipment improvements.

Provide Safe and Supportive After-School Environments for Children

- **Provide instructional programming at Recreational and Educational Computer Sites (RECS) Program.** RECS facilities are computer labs that offer Internet access and website instruction geared to the city's youth. In FY03, there will be RECS labs operating in 11 recreation facilities—Kingsessing, Simons, Rivera, Shepard, Feltonville, Martin Luther King, Hawthorne, Marian Anderson, Carousel House, Thomas Eakins House, and Atwater Kent Museum. In FY03, instructional programming was added to the Internet access at Carousel House, Feltonville, Kingsessing, Rivera, Simons, and Shepard. The program offerings include computer literacy, programs for the visually impaired, senior computer classes, robotics, after-school programs, and mural arts design. Future plans and goals for the RECS Program include the establishment of a sustainable staffing model and the development of a computer maintenance plan to address problems as well as preventative maintenance. The cost to open a RECS facility is approximately $94,000 per site, which includes donations of equipment and software from technology companies and funding from corporate foundations.

- **Continue quality improvements to the After-School Program.** The Recreation Department will be offering state licensed after-school programs at six recreation centers in FY04. Three sites, Simons, Christy, and Tarken, received licenses in FY03 and will soon be accepting families eligible for state subsidized after-school care. With the assistance of state subsidies, eligible families may be able to reduce their fees for after-school services and Recreation will be able to offset some costs of the program. Revenue for FY03 is estimated at $28,000 (eight weeks of the school year) and for FY04, $226,800 (36 weeks of the school year). In order to secure a license, a program site must meet all of the health and safety standards required by the Commonwealth of Pennsylvania. These standards also include appropriate staff/child ratios, and specific education and training requirements for staff. The other three sites, Hawthorne, Dendy, and Max Myers, are currently undergoing physical plant improvements to meet state requirements. The estimated cost for the physical plant improvements for all six sites is $60,000 primarily from the Recreation Department's capital budget. The Department anticipates receiving licenses for these sites by the end of FY03. Currently, there are 113 children attending the after-school program at the six sites--full capacity enrollment is 162. Recreation will identify four additional after-school sites for state licensing in FY04.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Total program attendance: Athletic [1]	515,384	588,111	554,653	560,000	560,000	565,000
Total program attendance: Cultural [1]	106,384	115,910	70,148	70,000	70,000	70,000
After-school program attendance (average monthly) [2]	3,175	3,515	2,567	2,800	2,800	2,800
Pools attendance [3]	1,974,574	2,050,000	1,624,741	1,900,000	1,900,000	1,950,000
Ice Rink attendance [4]	69,400	70,000	51,006	68,500	68,500	69,000
Special Events participants [1]	N/A	45,011	63,006	72,000	72,000	73,500
Mural Arts Program participants	192	819	1,007	1,000	1,125	1,125
Number of murals completed	107	154	164	100	140	140
% of centers in compliance with recreation standards	N/A	N/A	61%	65%	65%	65%
% of centers providing programmed usage in at least 60% of operating hours	N/A	N/A	73%	97%	97%	100%
% of programs that maintain monthly participation rates of at least 70% of registered participants	N/A	N/A	86%	83%	83%	83%
Citizen Survey: Percent satisfied with neighborhood recreation services	43.8%	49.6%	46%	47%	47%	48%
Citizen Survey: Percent satisfied with neighborhood recreation center (of those who visited)	85.6%	75.2%	77%	78%	78%	79%
Citizen Survey: Percent satisfied with after-school program (of those who participated)	88.1%	86.1%	90%	90%	90%	91%

[1] In FY02, the Recreation Department modified the method for counting participants; participants in "one time" athletic and cultural events are now counted in special events instead of in the program attendance counts.
[2] Lower attendance numbers reflected for the after-school program after FY01 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.
[3] Decrease in attendance at pools in FY02 was due to repairs made at two pools, causing them to open in August, and due to an early closure due to a mechanical problem.
[4] Decrease in ice rink attendance in FY02 was due to warmer winter weather, which depresses ice skating participation, and due to a repair-shortened season at one rink.

Five-Year Obligations Summary

Recreation

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	29,138,748	30,203,837	30,220,472	32,694,425	30,477,907	30,169,094	29,660,510	29,583,192
Class 200	2,241,407	2,156,891	2,156,891	2,196,891	2,132,456	2,132,456	2,132,456	2,132,456
Class 300/400	1,375,888	1,306,682	1,290,047	1,350,047	1,213,521	1,213,521	1,213,521	1,213,521
Class 500	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Class 700								
Class 800								
Class 900								
TOTAL	34,256,043	35,167,410	35,167,410	37,741,363	35,323,884	35,015,071	34,506,487	34,429,169

Recreation – Stadium

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	1,177,892	1,203,677	1,203,677	1,238,035	0	0	0	0
Class 200	3,273,635	3,324,112	3,090,196	3,050,196	0	0	0	0
Class 300/400	249,913	350,533	350,533	290,533	0	0	0	0
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	4,701,440	4,878,322	4,644,406	4,578,764	0	0	0	0

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:

- **Fixed fuel prices**. At the end of FY02, OFM entered into a one-year trial program in which the price per-gallon for diesel and unleaded fuel was fixed. In the past, the terms of the contract allowed the vendor to change prices weekly, based on Oil Price Information Service (OPIS) benchmarked prices. While the weekly changes ensured prices remained current, it made price forecasting and budgeting very difficult. OFM was forced to set-aside funds budgeted for new vehicles and vehicle parts, to ensure that the weekly changes in prices did not result in cost overruns. With fuel prices currently at higher levels than last year, when OFM locked in its rate, it appears that this initiative will result in a savings of over $200,000 in FY03. OFM plans to enter into a similar fixed-price contract again in FY04.

- **Shop consolidation**. During the end of FY02 and early FY03, Fleet Management closed two repair facilities, one at 7th and Pattison and the other at Delaware and Spring Garden. The two facilities, which primarily repaired the Streets Department Sanitation Division vehicles, were replaced with a larger, better-equipped repair facility at 61st and Essington. The new facility is also a sanitation depot, where sanitation vehicles and materials are stored, which helps OFM to better coordinate maintenance and repairs. The consolidation allowed OFM to reduce the amount of supervision that was devoted to the other two facilities. As a result, Fleet has been able to eliminate four supervisor positions at a savings of over approximately $150,000 per year.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Total Number Of Vehicles In The Fleet[1]	5,920	5,931	6,057	5,999	6,100	6,040
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	8%	10%	9%	9%	9%	10%
Fleet Downtime – District Radio Patrol Cars	8%	10%	10%	10%	11%	11%
Fleet Downtime – Curbside Compactors	19%	19%	21%	21%	21%	21%
Fleet Downtime – Medic Units	13%	12%	12%	12%	13%	13%
Fuel Cost Per Gallon – Unleaded	$0.92	$1.06	$0.79	$0.82	$0.81	$0.81
Fuel Cost Per Gallon – Diesel	$0.88	$1.01	$0.75	$0.74	$0.75	$0.75

[1] During FY02 the number of vehicles in the fleet increased primarily because of the purchase of 46 Police sedans that had previously been leased and because of the acquisition of vehicles for the City's lot cleaning program.

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***; ***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:

- **Reduce expenditures**. The Law Department is pursuing a number of efforts to reduce both its operating expenditures as well as the City's indemnity budget. In the past, the Law Department sent work to private law firms when caseloads grew, subject expertise was needed or there was a conflict of interest. In FY03 the Department is working to manage more cases internally and build internal expertise, in areas like environmental litigation, so that the need for outside legal counsel is reduced. The Department spent $7.4 million in contracted services in FY02 and projects to reduce that amount to $4.8 million in FY03 and $4.7 million in FY04. At the same time, the Department has managed its personnel expenditures by keeping general fund staffing below its FY02 level of 234 (the staffing level was 197 as of January 17, 2003), despite the larger attorney caseloads, and by using the Mayor's Honors Program to attract recent top notch law school graduates at lower salaries instead of routinely recruiting more senior attorneys at higher salaries from law firms.

  The Department is also managing indemnity costs through regular settlement programs with the Federal and Common Pleas Courts. The Federal Mediation Program was launched in May 2002, when 20 cases were brought before a Federal judge and 17 were successfully mediated. In August 2002, a similar mediation program took place with a Common Pleas judge and nine out of ten cases were closed. During FY03 and FY04, an inventory of open cases will be conducted every six months and appropriate cases will be sent for mediation in both courts in order to avoid costly trials, lawyer fees, awards and verdicts. Indemnity costs were $30 million in FY02 and are projected to be $28.5 million in FY03.

- **Increase the Neighborhood Transformation Initiative (NTI) Unit's activity**. The NTI Unit was formed in FY02 to manage code enforcement, housing and community development, empowerment zone and real estate matters. During FY03 the Unit will develop a program to expedite code enforcement cases. In FY02, it took an average of 600 days to close 133 cases. In FY03, the Department projects to close 400 cases in an average of 350 days.

  The NTI Unit will continue to work for local and state legislative changes to facilitate the removal of blight and in FY03 and FY04 will pursue legislation for the consolidation of housing agencies and for a possible receivership program to bring recalcitrant landlords into compliance with City codes. The Department helped secure a successful legislative change in October 2002 when the Governor signed Act 94, which expanded the definition of a "blighted" property and allowed a redevelopment authority to acquire additional abandoned properties in "spot takings." The Act also reduced the statute of limitations to challenge the amount of compensation offered by a redevelopment authority for condemned properties. During FY03, the Department will propose changes to the Philadelphia Code to ensure consistency with the changes in the state law.

- **Eliminate backlog of lead poison cases**. In the City of Philadelphia, approximately 11 percent of the 110,000 children under the age of six have hazardous levels of lead in their blood. When a child's screening uncovers a high level of lead, the Department of Public Health issues a citation to the property owner for the abatement of the lead. As of the beginning of FY03, there was a backlog of 1,200 cases in which the property owner failed to comply. To address this backlog, the Health and Human Services Unit of the Law Department, in conjunction with the Court of Common Pleas, the Childhood Lead Poisoning Prevention Program and the Department of Public Health, created a dedicated "Lead Court" in early November 2002. The Law Department initiates action against private landlords who refuse to conduct needed lead hazard reduction and informs tenants of their rights to withhold rent from non-compliant landlords. The HHS Unit has dedicated one full time attorney to the effort and deploys its seven other attorneys to cover hearings as needed. The Unit had filed 500 actions and litigated 400 cases as of the end of December 2002, and plans to address the remaining backlog as well as the 30 to 60 new cases identified each month (for which abatement intervention is required) by the end of the fiscal year. The total cost in FY03 to clear the backlog is projected to be approximately $98,600, primarily made up of staff overtime and subpoena service costs.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Collection of Delinquent Taxes, Fines, and Fees ($)	100,640,931	102,855,931	123,910,382	106,000,000	125,000,000	125,000,000
# of New Suits Filed Against City	1,582	1,659	1,577	1,640	1,600	1,600
# of Cases Closed	1,743	2,015	1,818	1,980	1,600	1,600
# of Cases Closed Without Payment by City	1,004	1,302	1,020	1,109	896	896
% Closed Without Payment	69.7%	64.6%	56.1%	56.0%	56.0%	56.0%
Total Cost for Closed Cases ($)	28,882,785	30,217,884	30,045,987	30,020,875	28,477,993	28,400,000
Average Cost per Case Closed (with and without payment) ($)	16,550	14,996	16,527	15,162	17,799	17,750

Municipal Energy Office

The Municipal Energy Office (MEO) was established to manage energy use in City facilities. The organizational objectives for the Office are to: ***reduce energy use in city facilities***; ***reduce the unit costs of energy***; and ***develop and promote sustainable energy strategies.*** Targeted initiatives include:

- **NTI support initiatives.** MEO, working with the Capital Program Office, arranged for Philadelphia University's Engineering and Design Studio to test and apply a low-cost insulation material to newly exposed party walls. These party walls create heating and cooling problems for residents adjacent to mid-block demolition. The insulation consists of an innovative sprayed-on reclaimed cellulose-based material encapsulated with a foamed polymer. The project, supported by over $100,000 in grant funds and $25,000 from the City, provides a number of benefits including: a substantial improvement in long-term energy efficiency in the affected housing units; the development of an energy-saving material with substantial reused or sustainable agricultural content; a material application process that is considered a new skill for personnel; potential revenue-sharing opportunities for the City if the product becomes commercialized; and the sharing of product and process innovations with other urban areas. The development phase will occur in FY03 and the pilot application of the insulation is expected to be complete in the first half of FY04.

- **High performance green buildings**. MEO is leading an initiative to construct energy efficient buildings through participation in the Leadership in Energy & Environmental Design (LEED) program, founded by the U.S. Green Building Council. Buildings that meet certain standards, including improved air quality, reduced storm water run off and energy efficiencies, can be certified as LEED buildings. Currently, three LEED buildings are either under construction or in design: 1) a comprehensive renovation project for the Police Forensic Science Center (PFSC); 2) new construction for the Walnut West Library; and 3) new construction for the Widener Library. As a result of the energy efficiencies, annual energy savings for PFSC are expected to be $35,000 and for Walnut West, $10,000. All will have low annual energy costs compared with the City's existing buildings and buildings designed to meet current minimum building code standards.

- **Utility cost reduction incentives.** The City operates a centrally managed utility invoice and payment system for approximately 1,500 electricity, gas and steam accounts and managers do not have access to information about their utilities costs. This lack of information makes it difficult for facility managers to reduce utility costs through better building management practices. In FY03, MEO will develop an automated energy cost baseline information and measurement tool that will enable facility managers to compare current facility performance with historical average performance. MEO is also evaluating strategies for awarding financial incentives to departments that reduce their energy use below baseline targets. It is anticipated that the facility performance information will be made available to facility managers in FY03 and the incentive program will start in FY04.

Key Performance Measurements

Utility Cost	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Avg Annual Cost kWh	$0.083	$0.079	$0.081	$0.082	$0.082	$0.083
Avg Annual Cost per Sq. Ft.[1]	$2.11	$2.28	$2.08	$2.23	$2.22	$2.24

[1]For FY01, a colder than normal winter and high gas prices contributed to the higher average cost per square foot. In FY02, the winter was unusually warm and gas prices were lower. MEO forecasts a normal winter in FY03 and FY04, but that gas prices will be higher. Electricity prices and usage are relatively stable.

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***.

- **Improve workforce planning process**. The Personnel Department leads a city-wide workforce planning process intended to reduce the duration of vacancies and improve the use of recruiting and selection resources. While successes have been achieved in reducing the time taken between initial recruitment and candidate availability for hire, the number of unplanned workforce requests remains close to 40 percent of all workforce requests. A project team was convened in FY03 to analyze newly collected data, review the existing process and recommend changes that will benefit hiring departments and support better planning in the future. One possible modification is to implement six-month cycles for workforce plans, so departments do not have to wait an entire year to modify their plans. The Department expects that process modifications, which will begin in FY04, will reduce the percentage of unplanned requests in FY04 to 28 percent.

- **Provide managers with skills to optimize performance of workers**. Stresses on the City's finances, and the impending increase in retirements among the workforce because of the DROP have made it even more critical to manage the City's human resources wisely. To support this goal, in December 2002 the Personnel Department instituted a mandatory training program for supervisors and managers in employee performance management. The Performance Excellence program emphasizes clear communication of work expectations, and continuous counseling and feedback so that employees understand what they need to do to be successful. This clarity will help improve employee productivity and managerial capacity. All supervisors are expected to attend the training by December 2003.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Percent of Workforce Requests that are Unplanned	38.7%	39.9%	38%	38%	38%	28%
Number of Hiring Lists Due	661	616	560	500	500	500
Percent of Hiring Lists Produced on-Time or Early	92%	96%	93%	95%	96%	96%
Number of Design Recommendations Due	300	418	387	500	500	500
Job Design Recommendations Produced on Time or Early	96%	100%	100%	96%	96%	96%
Percent of Critical Job Classes with Active Hiring Lists	100%	92%	95%	100%	100%	100%
Average Number of Days Between Exam Announcement and Hiring List Establishment	75	76	85	70	70	70

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:

- **311 Constituent Contact Center.** The City will consolidate the eight existing department call centers into a unified Citywide call intake and service delivery constituent contact center. A citywide three digit telephone number (311) as a single number for all city services will be established, using a constituent service request (CSR) software application for all call center desktops. In addition to making it simpler for constituents to access City government, the 311 system will allow the City to streamline processing and workflow activities for all departments, resulting in long-term financial savings. Savings will be generated through the elimination of duplicate call centers, department-specific software applications, and eventually call center service representatives. Start-up costs are estimated to be $540,000 and annual operating costs for a 24-hour contact center with 40 agents are estimated to be $1.4 million. The Plan includes $4.8 million in savings over five years from this initiative.

- **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, like 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. During FY04, the City plans to consolidate the maintenance of nearly all of the City's facilities under the Department of Public Property. The preventative maintenance and repairs required for the different facilities are fairly universal. The consolidation will allow for a more efficient and rapid deployment of workers, who can concentrate on all facilities within a certain area and eliminate traveling from one part of the city to another, which will result in more thorough maintenance. Consolidation will also allow for at least a 10 percent reduction in the number of maintenance workers required by FY05, saving an estimated $1.18 million. The consolidation will also include materials and supplies, resulting in economies from larger purchases and fewer storage facilities.

- **Municipal fiber optic network.** The Department spends approximately $3 million annually for City Net, a privately leased fiber optic network from Verizon. City Net 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 currently leased. Starting in FY06, the City will be able to reduce the annual cost of City Net by 35 percent ($1.05 million), as well as receive greater network bandwidth in all downtown municipal locations.

- **Consolidate stores operation.** The Department currently maintains two warehouse facilities, one for the Communications Division at 11th and Reed Streets and one for the Facilities Management division in the basement of City Hall. The Department plans to consolidate the two materials and inventory shops and move both into a new facility at 13th and Wood Streets, which will provide superior space, parking and a sizable loading dock. The Department will also be able to achieve a 50 percent reduction in warehouse staff, from four to two, as a result of the consolidation, saving $64,000 in personnel costs.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Building Services Division:						
Work Order Requests Generated[1]	11,504	12,054	9,638	12,000	12,000	13,000
Work Order Requests Completed	11,783	11,592	8,051	11,000	11,000	12,000
Contracted Services:						
Work Order Requests Generated	22,355	21,800	25,702	28,800	28,800	28,800
Work Order Requests Completed	N/A	N/A	24,654	27,360	25,920	26,496
Communications Division:						
Switchboard Calls Received	1,369,985	1,505,826	1,495,000	1,480,000	1,450,000	1,440,000
Percent of Calls Answered	92%	86%	85%	90%	89%	90%
# of Communication Work Order Requests	10,595	11,727	10,127	11,040	13,057	12,000
# of Communication Work Orders Completed	10,037	11,308	8,764	9,936	11,841	11,400

[1] The number of work order requests generated in the building service division is expected to increase because the division will be responsible for additional facilities in FY04.

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. Records 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:

- **Convert land record information into electronic format.** During FY03, Records will convert all historical deed and mortgage indices of land records, from 1999 to the present, into electronic format. As a result, rather than having to pull multiple reels of microfilm on reader-printer equipment, customers can retrieve all requested index information through a computer terminal. Over the next three years, the Department also plans to convert all historic microfilmed land record information, dating from 1998 back to the 1700's, into electronic format. This conversion will cost approximately $5 million. Further, by FY05, the Department plans to deploy this application over the Internet, so citizens can retrieve information without leaving their homes. The final deployment onto the web is estimated to cost $620,000. Both projects will be funded with increased revenues generated from higher recording fees that went into effect in FY03 with the approval of City Council.

- **Provide map information on the Internet.** The Department is converting all paper map parcel data into electronic format, a process that also requires updating information and resolving address discrepancies. Prior to the conversion, maps were all hand-drawn and any parcel change required a laborious redrawing of a map. Once the parcel data is available electronically, parcel changes can be made immediately and the series of historical changes on a given parcel can also be accessed and viewed through an overlay. By the middle of FY04, the Department plans to install an Internet map application for accessing map data. The total cost for the project is estimated to be $220,000.

- **Automate Records Management.** Over the next two years, Records will be upgrading its Record Management System to the latest system release, allowing the Department to track inactive records in the Records Storage Center via a database. Currently, to track down inactive records that are in storage, Record Storage Center staff must review paper lists, a process that is very inefficient and labor-intensive. The upgrade will also allow departments to place requests for new transfers to storage on-line and will alert the Records Department when a record series reached the end of its respective life cycle and should be destroyed. The cost to implement, including the new software and conversion of data, will be approximately $145,000.

- **Implement amended Pennsylvania Right to Know Act.** The Pennsylvania Right to Know Act was amended by the General Assembly for the first time in 45 years to expand citizens' rights to access public records and create new and stricter requirements for complying with information requests. The amendments, which became effective December 26, 2002, now require the City to determine whether a record requested is a public record and respond within five business days. The Act previously lacked a specific deadline for responses, defining the deadline broadly as a "reasonable" amount of time. Now, lack of a response within five days is equivalent to denying the request. Even if the City responds that it requires additional time to duplicate the requested documents, due to storage in remote locations, the need for legal review of the documents, or other reasons, the City ultimately only has 35 business days to furnish the document. If denied explicitly or by lack of a timely response, the requester can appeal to the head of the City Department possessing the document, who has thirty days to respond, and then may further appeal to the Court of Common Pleas, exposing the City and its workers to potential fines. The amendments create a new pressure on City departments to review and respond to requests in a timely manner and to show a good faith effort in locating documents. The Right to Know Act applies to all City departments but it will place a particular demand on the Records Department due to its basic responsibility as manager of municipal records. The Law Department has distributed policy and procedure guidelines and templates to departments to use in implementing the amended Act.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Number of Documents Recorded	193,972	179,665	198,352	189,374	189,374	189,374
Number of Scanned Images of Recorded Documents[1]	664,712	1,099,702	1,439,086	1,261,851	1,261,851	1,350,469
Turnaround Time on Recorded Documents (days)	3	2	2	2	2	2
Document Recording Fees/Taxes collected	$95,758,101	$95,648,841	109,303,607	81,634,966	128,794,632	107,423,120
# of Archives/Records Center Reference Services	17,659	17,138	16,739	16,668	17,855	17,855
Records Center Materials Handled (cubic feet)	6,424	10,571	9,726	10,539	9,000	9,000
Police Accident Reports Copied	48,961	48,776	54,890	51,549	51,549	53,220
# Central Duplicating Services Provided	32,188,719	32,985,156	32,561,569	31,542,227	31,542,227	31,542,227

[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.

Five-Year Obligations Summaries

Fleet Management

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	17,833,173	18,312,016	16,911,184	17,167,789	16,391,765	15,838,581	15,635,896	15,496,477
Class 200	4,502,647	4,500,000	4,300,000	4,192,500	4,087,688	3,985,495	3,985,495	3,985,495
Class 300/400	16,089,582	15,604,616	15,684,616	15,292,501	14,611,984	14,246,684	14,246,684	14,246,684
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	38,425,402	38,416,632	36,895,800	36,652,789	35,091,436	34,070,761	33,868,076	33,728,657

Fleet Management – Vehicle Purchases

BUDGETED OBLIGATIONS	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
Class 100								
Class 200								
Class 300/400	17,416,601	12,000,000	11,000,000	10,700,000	10,432,500	10,171,688	10,171,688	10,171,688
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	17,416,601	12,000,000	11,000,000	10,700,000	10,432,500	10,171,688	10,171,688	10,171,688

Law

BUDGETED OBLIGATIONS	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
Class 100	9,959,891	10,231,541	10,231,541	10,396,156	9,878,017	9,475,124	9,411,830	9,350,978
Class 200	7,426,651	6,696,908	5,317,887	5,184,940	5,055,316	4,928,933	4,928,933	4,928,933
Class 300/400	272,541	291,403	291,403	284,118	277,015	270,090	270,090	270,090
Class 500								
Class 700								
Class 800	360,562	360,562	360,562	0	0	0	0	0
Class 900								
TOTAL	18,019,645	17,580,414	16,201,393	15,865,214	15,210,349	14,674,147	14,610,853	14,550,001

Personnel

BUDGETED OBLIGATIONS	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
Class 100	4,117,047	4,213,877	4,213,877	4,405,592	4,000,344	3,882,930	3,666,402	3,666,402
Class 200	700,373	564,238	564,238	550,132	536,379	522,969	522,969	522,969
Class 300/400	68,459	70,160	70,160	68,406	66,696	65,028	65,028	65,028
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	4,885,879	4,848,275	4,848,275	5,024,131	4,603,418	4,470,928	4,254,400	4,254,400

Public Property

BUDGETED OBLIGATIONS	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
Class 100	9,153,397	9,348,398	9,348,398	10,146,919	9,588,964	9,226,362	9,049,640	9,049,640
Class 200	22,989,038	21,226,152	20,318,422	23,009,306	23,251,363	23,755,888	24,362,011	25,034,693
Class 300/400	1,003,168	1,035,053	1,035,053	1,009,177	964,268	944,983	944,983	944,983
Class 500								
Class 700								
Class 800	20,921,564	14,000,000	13,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Class 900								
TOTAL	54,067,167	45,609,603	43,701,873	48,165,401	47,804,595	47,927,233	48,356,634	49,029,316

Public Property – SEPTA Subsidy

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100								
Class 200	57,138,048	64,229,000	60,158,000	56,523,925	55,389,477	55,686,415	57,466,415	59,578,415
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	57,138,048	64,229,000	60,158,000	56,523,925	55,389,477	55,686,415	57,466,415	59,578,415

Public Property – Space Rentals

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100								
Class 200	14,207,559	14,538,714	13,811,778	14,515,541	14,553,389	14,583,196	14,975,758	15,378,134
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	14,207,559	14,538,714	13,811,778	14,515,541	14,553,389	14,583,196	14,975,758	15,378,134

Public Property – Utilities

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100								
Class 200	25,859,388	27,290,000	27,220,000	27,475,500	27,188,362	27,610,403	29,190,403	30,290,403
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	25,859,388	27,290,000	27,220,000	27,475,500	27,188,362	27,610,403	29,190,403	30,290,403

Public Property – Telecommunications

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100								
Class 200	14,005,486	15,725,000	15,725,000	12,748,125	14,086,922	13,905,249	14,881,249	15,434,249
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	14,005,486	15,725,000	15,725,000	12,748,125	14,086,922	13,905,249	14,881,249	15,434,249

Records

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	3,216,317	3,331,502	3,331,502	3,383,643	3,158,932	3,051,180	3,016,351	2,999,237
Class 200	733,767	746,415	1,734,940	3,156,084	3,495,845	3,097,079	3,075,480	3,411,974
Class 300/400	213,204	215,121	371,121	635,843	199,947	484,948	530,948	194,948
Class 500	770	1,456	1,456	1,456	1,456	1,456	1,456	1,456
Class 700								
Class 800	1,129,515	1,129,515	1,129,515	1,129,515	1,129,515	0	0	0
Class 900								
TOTAL	5,293,573	5,424,009	6,568,534	8,306,540	7,985,695	6,634,663	6,624,235	6,607,615

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 still-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 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 management and productivity initiatives that 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.

- 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 outlooks for the School District and 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 twelfth 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***.

- In June 1999 the Government Accounting Standards Board (GASB) issued Statement 34, which contained new standards for the governmental reporting of financial activity. In October 2002 the Accounting Bureau presented to City Council and the Mayor its first Statement 34-compliant report, which utilizes the full-accrual method of accounting, including the capitalization and depreciation of fixed assets and infrastructure.

- In February 2000 the Accounting Bureau commenced use of its data warehouse, which stores a wealth of financial information that is readily accessible to all City departments. Over 200 licensed users throughout the government have the ability to recall data and perform analysis online in a variety of comparison formats, a vast improvement over the Customer Information Communication System (CICS), which is still used by many municipalities throughout the nation. In FY04 and FY05 the data warehouse will be expanded to incorporate information on payroll and fringe benefits. In addition, a system enhancement in FY04 will enable the Accounting Bureau to respond to requests from departments for ad hoc accounting reports within a day, improving the ability to perform financial and budgetary analyses Citywide.

- During FY03 and FY04, Accounting, in conjunction with the Procurement Department, will upgrade the City's Financial Accounting and Management Information System (FAMIS) and its mainframe purchasing application, ADPICS. Enhancements will offer vendors the ability to submit invoices electronically and enable the Bureau to reduce the time required for the posting and processing of payments, including automated-clearinghouse fund transfers.

- As a precursor to the more comprehensive effort to improve vendor relations, in October 2002 the Bureau implemented an automated Vendor Information Payment System (VIPS) that allows City contractors to inquire by phone about the status of their payments. The system, which is updated nightly, is available 24 hours a day.

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 due to the City*** and ***reducing internal collection costs***.

- During FY03 OAR has continued its collaborative efforts begun in FY01 with the First Judicial District to increase traffic-fine collections. In order to reduce the large backlog of fines that had been delinquent since 1992, in October 2000 OAR began mailing outstanding fine collection notices to individuals violating their payment plan agreements. Between July 2001 and December 2002 the City collected over $2.3 million in delinquent payments. Of the total collections, $1.2 million was over and above the delinquent payment plan collections, reflecting OAR's initiative beginning last August to locate individuals who had provided false addresses at the time of their traffic violations. By the end of December, new collection notices had been mailed to the correct addresses of more than 9,000 violators, representing approximately 29,500 violations and $5.6 million in fines.

- In January 2002 the responsibility for administrative hearings on code violations, consisting largely of trash and other property-based infractions as well as public-conduct violations and excessive false alarms, was transferred from the Bureau of Administrative Adjudication (BAA) to OAR's Masters Unit, which in the past had only handled appeals of water bills, reserved residential parking for the disabled, and tax matters. With the number of citations increasing as a result of more stringent code enforcement related to the Administration's Neighborhood Transformation Initiative (NTI), this change has reduced the waiting time for a code-violation hearing from as many as six months to two and one-half months for most infractions, and to two to three weeks for false-alarm fine hearings, while allowing BAA hearing examiners to concentrate solely on parking tickets.

- In July 2002 the City expanded its Live Stop program from four police districts to a citywide implementation, pursuant to Pennsylvania law that allows motor vehicles to be impounded when operated by individuals who do not possess valid registrations or driver's licenses, or who have at least $250 in unpaid traffic fines. To have their vehicles released, owners must either pay the full amount of all outstanding traffic and parking fines or agree to a payment arrangement. Since the July expansion, over 17,000 cars have been impounded and 6,000 released, generating $3.1 million in collected traffic fines and revenues resulting from the sale of unclaimed vehicles, and approximately $1.9 million in parking fines. With the anticipated impoundment of over 1,000 vehicles weekly, a 25 percent reclamation rate is projected to result in $5 million of new traffic-related revenue by the end of FY03, with a total of $13 million by FY08, which reflects an anticipated drop-off from the initial enforcement year.

The City, on average, collects an additional $90 in unpaid parking tickets prior to each impounded vehicle's release. The Philadelphia Parking Authority expects that approximately $2.5 million will be collected annually now that Live Stop has expanded throughout the entire city, resulting in an additional $12.5 million over the next five years.

- In December 2002 the Administration transmitted legislation to City Council to increase parking fines. The new rates would mean that fines would be higher than the rates charged by private parking lots, which would deter motorists from using on-street metered parking for extended periods. In addition to curtailing violations, raising fines to a level equivalent to the median of the 12 largest American cities is expected to improve parking availability in Center City from a current vacancy rate of less than ten percent to 12 percent in FY04, a difference of 300 parking spaces per day. If approved by City Council, the higher fines are projected to yield an additional $6 million to $8 million annually.

  To defray the City's administrative costs of collections, in FY04 OAR will add a $3.00 monthly surcharge for those traffic and parking fines paid on an installment basis. This is estimated to increase revenue by $500,000 per year.

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 objectives are ***to ensure that the City's debt offerings mitigate risks to the taxpayer*** and ***to protect the financial assets of the City.***

- During FY03 the City anticipates issuing approximately $1.7 billion in general obligation bonds and other related debt, $974.3 million of which had been issued by the end of December 2002 (including $125 million for PGW), and approximately $300 million of which will be issued out of the General Fund. Though it does not impact the General Fund, 25 percent of debt issuance in FY03 will be on behalf of Philadelphia hospitals, including approximately $309 million for the Children's Hospital of Pennsylvania (CHOP) for new facilities. During the next several years, debt will also be issued on behalf of the Water Department ($250 million in FY04) and PGW ($125 million again in FY05) to fund capital improvements.

- In FY02 and FY03 the City Treasurer's Office, in conjunction with the Office of the Director of Finance, executed several alternative financing transactions to take advantage of low interest rates. In FY02 the Treasurer's Office, along with the Division of Aviation, executed a "swaption," an agreement that allows the City to acquire an up-front payment in exchange for the option to swap payment streams at a later specified date. Aviation's swaption generated an up-front payment to the Division of $6.5 million, which translates into a present value savings of 3.45 percent. In FY03 the City Treasurer's Office also executed a swaption agreement for the Water Department, which produced an up-front payment of almost $29 million, generating a present value savings of 6.50 percent.

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 FY02 MBEC began reviewing the City's largest contracts for public works, professional services, and purchases of services, supplies, and equipment to determine whether DBE participation levels are consistent with participation objectives. In cases where participation is below the goal, MBEC continues to assist contracting departments and prime vendors in identifying obstacles to and opportunities for greater DBE involvement. Through December 2002, none of the reviewed contracts were determined to be in danger of noncompliance, however, monitoring will continue throughout the life of the contracts to ensure participation objectives are reached.

- In its FY02 annual report MBEC for the first time included detailed information on participation in small-order and miscellaneous professional-services purchases (those under $13,000). That year, approximately three percent of the $13 million spent for small purchases went to DBE-certified vendors. In FY04, after completing its second year of data collection and analysis, MBEC will work with City departments to develop reasonable goals to improve participation in this area.

- New U.S. Department of Transportation rules require states to implement a unified M/W-DBE certification process by March 2003. In FY03 MBEC participated with other Pennsylvania certification agencies to develop the standards for the Commonwealth of Pennsylvania. Those standards have already been accepted by the state and now await federal approval, at which time MBEC will be required to update its database to ensure compliance. Once the new standards are in place, a comprehensive database of certifications will be created and managed by the Pennsylvania Department of Transportation, eliminating duplication of effort and creating greater opportunities for disadvantaged businesses in Philadelphia and elsewhere in the state.

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***.

- The Board maintains a diverse and balanced investment portfolio. In FY02 42.5 percent of investments were made in domestic stocks, 15 percent in international stocks, 30 percent in global fixed income, five percent in tactical allocation, and 7.5 percent in alternative investments. In July 2002 the Board slightly modified its allocation for FY03 and FY04 by transferring three percent of its invested funds from domestic stocks to an opportunity fund, which assists smaller investment companies.

  As a result of the recent global economic downturn, the City experienced negative investment returns in FY01 and FY02 of -6.0 and -5.23 percent, respectively. During the first half of FY03 the City saw a –5.5 percent return. The Board's investments in global fixed income, however, have allowed it to cushion its portfolio against more substantial losses.

  The weakness in the stock market could be devastating for the City's finances. The pension fund assumes that it will earn nine percent annually. When the fund fails to meet its earnings assumption, the City must increase the size of its pension contribution to compensate for the lower than anticipated returns on investments. As a result, when, as was the case in each of FY01 and FY02, the pension fund has a negative return of over five percent, the City's contribution must increase by an amount sufficient to compensate for a 14 percent loss compared to anticipated earnings (the five percent loss plus the nine percent assumed earnings rate). According to information supplied by the City's actuary, under the City's current funding policy, the losses suffered in FY01 and FY02 would require the City to more than double its contribution to the pension fund from the $151 million contributed in FY02 to over $347 million in FY08. The $347 million payment that would be required in FY08 would consume more general fund dollars than any City department except for the Police Department and the Department of Human Services. Even the $196 million increase in the size of the City's contribution from FY02 to FY08 would be larger, for example, than the size of the Fire Department's projected FY08 budget.

  In order to avoid the clearly devastating impact that using the City's current funding policy would have on the City's finances, the Board will change its funding policy and pay only the legally required Minimum Municipal Obligation (MMO). While paying the MMO will mean that the City will amortize its unfunded pension liability more slowly, it will also mean that the City's total pension fund payments from FY04 through FY08 will be about $245 million lower than they would be under the City's current policy. Even paying the MMO, however, will require that the City's pension fund contributions be $129 million higher over the course of the Plan than they were in the five years covered by the FY03-FY07 Plan.

- In FY02 the Board identified more than 150 pension payments that had been issued to deceased beneficiaries, totaling approximately $800,000. To remedy the situation, the Board stopped payment on uncashed checks and corrected its database to prevent future payments to those individuals. Since July 2002 the Board has recovered $317,000, referred 17 cases of suspected fraud to the District Attorney's Office, and instituted a new policy to suspend payments on pension checks not cashed within 60 days of issuance.

- In December 2002 the Board increased the number of financial planning workshops for City employees and retirees. While in the past the Board had offered only in-house seminars on pension benefits, it now offers free, two-day sessions twice a month on a variety of subjects, such as estate planning, Social Security, wills, and the emotional impact of retiring.

- By the end of FY03 the Board will have significantly expanded the information available on its website. In addition to general interest items such as the Municipal Employee Retirement Code, descriptions of the City's retirement plans, and seminar schedules, new features will permit City employees to download disability applications and obtain pension estimates.

- The Board continues to evaluate the Deferred Retirement Option Plan (DROP), which is more than halfway through its four-year test period and has over 3,200 employees enrolled, including 763 who must retire by October 2003 and another 749 who must retire by October 2004. Preliminary estimates by the City's actuaries indicates that DROP increased the pension fund's costs during the test period due in part to the original assumption that returns on pension fund investments would exceed the 4.5 percent interest paid on the deferred pension payments held in escrow (an estimated $14 million over the four years). In addition, employees entering DROP have been enrolling an average of two years sooner than they retired before DROP began. In June 2003 the Board will assess DROP to determine the extent to which it actually has served its original purpose, whether it has actually increased the pension fund's costs, whether it should be continued and, if so, in what form.

Procurement

The Procurement Department is responsible for the purchasing of all goods and services, including construction projects and 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***.

- Beginning in January 2003 the Department will limit the solicitation of bids for all purchases of less than $13,000 to small businesses, which received approximately ten percent of all such orders in FY02. During the first half of FY03 the Department began updating its files to identify those vendors that have been certified by MBEC and registered with the U.S. Small Business Administration in order to solicit them along with others as prospective bidders in FY04 for an estimated 1,300 small purchases worth a projected $5 million.

- **Implement Strategic Marketing Partnerships**. In FY03, the City plans to embark on a strategic marketing initiative, seeking business partnerships with private companies as a means of providing new revenue. These partnerships can take a variety of forms. One type of partnership is for exclusive product rights. Exclusive product rights involve the payment of a license fee in return of exclusive use of a product, such as a soft drink, vehicle, or type of equipment. The City of San Diego currently has exclusive product right agreements for soft drinks, mobile phone service, and heart defibrillators. Other types of partnerships can include sponsorship of special events or public facilities or the sale of advertising on City space. In addition, the City will prepare for the expiration in mid-FY04 of its twelve-year old contract for street furniture, which provides the City with advertising revenue from bus shelters and other street fixtures. Some departments such as Recreation have been successful in recent years in gaining sponsorship and grant revenue from corporations. The City intends to build on this success by taking a comprehensive yet tasteful approach that capitalizes on the opportunities available for an enterprise of the City's scale. The Plan includes an additional $12 million in revenues through FY08 as a result of strategic marketing efforts.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Supplies & Equipment						
Number of SSE contracts completed	702	812	743	750	750	700
Total dollar amount of contracts	110,381,040	95,818,590	134,250,740	134,450,740	134,450,740	120,000,000
Processing time (days) from receipt of requisition to bid award	140	131	117	120	120	120
Processing time (days) from request to posting of purchase order (existing requirements contract)	7	5	5	5	5	5
Processing time (days) from bid award to contract conformance	N/A	N/A	70	60	60	60
Number of small-order purchases	1,439	1,524	1,315	1,350	1,350	1,300
Total dollar amount of small-order purchases	4,340,633	5,263,306	4,999,982	5,200,000	5,200,000	5,000,000
Public Works						
Number of public-works awards made	355	272	250	250	250	275
Total dollar amount of public-works contracts	255,685,534	199,509,578	210,213,722	154,000,000	154,000,000	220,000,000
Processing time (days) from bid initiation to award	91	85	87	77	77	77
Processing time (days) from bid award to contract conformance	64	71	63	70	70	70

Revenue

The Department of Revenue collects revenue on behalf of the City and the School District of Philadelphia. It also plays a key role in analyzing and forecasting those revenues. Its organizational objectives include ***maximizing tax revenues, streamlining the tax-return process,*** and ***enhancing taxpayer service***.

- In early FY04 the Revenue Department will convert 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 finished, in FY04 the Department will work with the Mayor's Office of Information Services (MOIS) to develop a plan to modernize the City's current TIPS mainframe architecture. Newer technology will allow the Department to gather data from all pertinent City databases and identify property owners who should be paying multiple taxes, including levies on business revenue, a capability the City's legacy mainframe system does not possess.

- In an effort led by Councilwoman Reynolds-Brown and with the Administration's support, City Council and the Pennsylvania General Assembly both passed legislation in 2002 that will simplify the BPT filing process for new businesses in Philadelphia. Beginning with FY03 tax returns, new businesses no longer need to file two separate BPT returns for two different years on the same date – a confusing process that resulted in improper filing by approximately half of the City's 10,000 new businesses each year.

- Starting in FY03, the Revenue Department will implement a one-year real estate tax deferral program for all property owners whose residential assessments by the Board of Revision of Taxes increased in excess of 15 percent from the prior year assessment. During the year, the Department will establish regulations and procedures for the rollout of an on-going Real Property Tax Deferral Program as defined in Bill Number 020579, introduced by Councilman Rizzo, which would allow homeowners who meet certain financial guidelines to defer increases in their tax bill of over 15 percent until their homes change ownership. Both the interim and permanent deferral programs require the Department to modify its taxpayer databases to flag eligible taxpayers, develop enrollment and other informational materials and adjust the process for tracking payments of enrolled taxpayers.

- The Department offers a variety of downloadable forms on its website to facilitate taxpayer service, such as tax-return forms and tax-account applications. In January 2003 the site began offering the electronic submission of a single application form for both a business-privilege license issued by the Department of Licenses and Inspections and a business-tax account number issued by Revenue.

  The Department also anticipates launching an online tax-filing capability for the wage-tax reconciliation and school income tax in time for their respective filing deadlines of February 28, 2003 and April 15, 2003, with the Department's website featuring a printable transmittal sheet which can be used for mailing payments due the City. During FY04 forms for all of the other City taxes will be available for electronic completion, with full electronic filing for each tax becoming available in subsequent years of this Plan.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Number of Walk-in Taxpayers Served [1]	45,418	47,558	42,018	45,000	47,500	50,000
Average Waiting Time for Walk-In Customers (minutes:seconds)	11:24	18:29	10:06	15:00	18:30	20:00
Number of Incoming Calls	387,508	466,858	426,544	425,000	475,000	500,000
Response Rate for Incoming Calls (percent of calls answered)	77%	76%	72%	70%	69%	65%
Ratio of Returned Mail to Outgoing Mail	8.6%	6.9%	4.3%	5.3%	4.4%	4.4%
Value of Audit Assessments (in thousands of dollars) [2]	$9,782	$19,123	$11,009	$11,000	$15,000	$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.

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 reduce the number of injured-on-duty and workers' compensation claims annually, from an estimated 4,950 in FY03 to a projected 4,750 claims in FY04. As the costs of medical services related to workers' compensation escalate, the Division is also partnering with medical and claims professionals to enhance the positive performance of the Employee Disability Program and limit the City's growth in claims cost, estimated at $9.6 million in both FY03 and FY04, almost $3 million more than in FY02. As part of the effort, the City issued a request for proposals in FY03 for claims administration, medical case-management, and vocational services, including training and job placement assistance for previously disabled employees re-entering the workforce in a new capacity. With vendor selection and project initiation expected by the end of FY03, the Division estimates that by FY07 the number of workdays lost as a result of injuries, which in FY03 is projected to be 20,000 days, will be reduced by 10 percent.

- Through the use of "wrap-up" programs, the City has been able to reduce insurance costs that vendors pass on to the City by more than $13 million since FY93 when the programs began. This success led to the inclusion of additional contractors in FY03, including those involved in the extensive efforts to demolish dangerous buildings in blighted areas throughout the City as part of the Street Administration's NTI efforts. Risk Management projects that the NTI wrap-up alone will enable the City to save up to $5 million in insurance costs over the next five years. In addition to cost-savings, insurance wrap-ups also increase participation opportunities for small and disadvantaged contractors, who cannot afford the high cost of coverage.

- In FY03 Risk Management attended MBEC workshops and NTI bid sessions 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. In FY03, 49 vendors in Philadelphia enrolled in the program, nine of them received surety-bonding commitments through December 2002, and five submitted bids for City contracts. The Division anticipates that 75 more vendors will enroll next fiscal year, with another 125 in FY05, which is expected to result in 50 bids from participants between FY04 and FY06.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Workers' Compensation Recipients Number of Employees Receiving Total Disability Benefits	495	470	458	460	460	460
Average Number of Employees on "Limited Duty" Injured-on-Duty Status	275	265	264	265	265	265
Number of No-Duty Days	20,347	20,729	19,133	20,000	20,000	20,000
Workers' Compensation-related Revenues Subrogation / Supersedeas[1]	$501,915	$500,000	1,560,651	$500,000	$750,000	$750,000
New Service Connected Disability Pensions Granted[2]	24	30	52	50	50	50

[1] 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.

[2] 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.

Water Revenue Bureau

The Water Revenue Bureau is responsible for the reading, billing and collection of water and sewer accounts on behalf of the Philadelphia Water Department. The Bureau's organizational objectives include ***providing accurate reporting of water use***, ***increasing the collection of revenues for the Water Department***, and ***providing high-quality customer service by responding to customer needs***.

- In September 2001 the City increased water and sewer rates by approximately 2.8 percent for small or residential meters and between ten and 15 percent for large meters, generating an estimated $19 million in additional FY02 revenues. This was the first time since 1995 that rate adjustments were made. In FY03 residential meter rates were increased another four percent with large-meter charges increasing between ten and 15 percent. The final rate adjustment will occur in FY04, when residential rates are scheduled to increase an additional 1.5 percent, and large meters between ten and 15 percent again. As a result, the Bureau projects that total revenues will increase approximately $26 million in FY03 and $14 million in FY04, with collections continuing to grow on average four percent a year during the life of the Plan.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
Percent of Customers Who Pay on Time (within 31 days)	57.5%	60.7%	59.2%	62.0%	62.0%	62.0%
Number of Walk-In Customers Served	72,899	66,276	71,359	64,300	69,200	69,400
Walk-In Customer Average Wait Time	9:41	6:39	4:05	7:30	4:17	4:38
Number of Incoming Telephone Calls [1]	418,776	426,557	474,195	436,544	436,544	438,577
Response Rate For Incoming Telephone Calls	84.0%	83.0%	78.4%	85.0%	85.0%	80.0%
Citizen Survey: Percent Satisfied Water and Sewer Billings and Collections	69.4%	66.9%	70.0%	72.0%	72.0%	74.0%
Percent of Bills Based on Actual Reads [2]	86.5%	80.0%	84.3%	83.0%	84.0%	85.0%

[1] The increase in calls received in FY02, FY03, and projected for FY04 is due to the stormwater rate increase. 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.

[2.] 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.

Five-Year Obligations Summaries

City Treasurer

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	719,440	822,738	775,533	789,571	769,832	734,111	734,111	734,111
Class 200	91,052	93,125	93,125	90,797	88,527	86,314	86,314	86,314
Class 300/400	22,274	28,233	28,233	27,527	26,839	26,168	26,168	26,168
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	832,766	944,096	896,891	907,896	885,198	846,593	846,593	846,593

Procurement

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	3,089,212	3,166,692	3,166,692	3,218,037	3,030,347	2,954,588	2,903,370	2,903,370
Class 200	2,217,518	1,863,012	1,613,012	1,572,687	1,533,370	1,495,035	1,495,035	1,495,035
Class 300/400	125,639	128,650	120,732	117,714	114,771	111,902	111,902	111,902
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	5,432,369	5,158,354	4,900,436	4,908,437	4,678,487	4,561,525	4,510,307	4,510,307

Revenue

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	12,879,817	13,039,112	12,587,157	13,329,906	11,482,084	10,782,879	10,153,940	10,052,576
Class 200	4,016,438	4,056,387	4,167,568	4,063,379	3,961,794	3,862,749	3,862,749	3,862,749
Class 300/400	804,931	846,487	804,162	784,058	764,457	745,345	745,345	745,345
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	17,701,186	17,941,986	17,558,887	18,177,343	16,208,334	15,390,974	14,762,035	14,660,671

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 over $110 million in FY03, 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, and control court expenses.

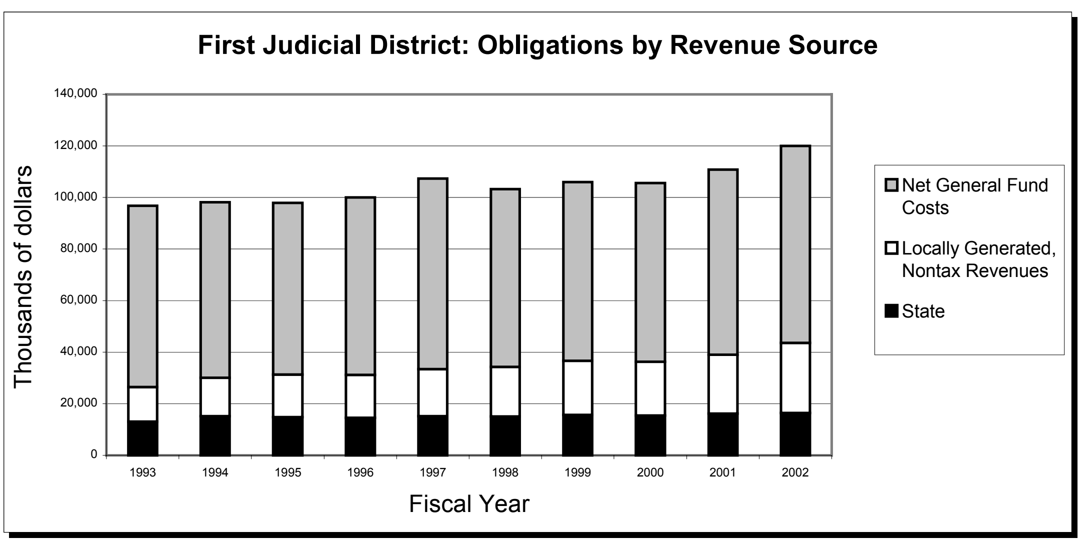
The City today provides funding for Philadelphia's judicial system only because the General Assembly continues to ignore the Pennsylvania Supreme Court's 1987 decision (*Allegheny I)* directed the state to assume responsibility for their funding. In July 1996, after nine years of inaction by the General 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–eighteen 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 16 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 $22.5 million, or 23.2 percent, between FY93 and FY04.

Not only has the City been forced to fund the FJD, contrary to Supreme Court decisions, but it also has been called upon to contribute more in locally generated, nontax revenues (that is, its share of court costs, fees, charges and fines) over time while state support has essentially not changed. So while the state's contribution to court operations rose from $13.1 million in FY93 to only $16.4 million in FY02 (pursuant to a decades-old reimbursement formula), City funding more than doubled, from nearly $13.4 million to over $27.1 million.



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 ($25.0 million in FY02 and an estimated $26.7 million in FY03); utilities and operating expenses in buildings occupied by the courts ($5.8 million in FY02); procurement advertising ($253,403); and vehicle fuel and maintenance ($128,929). When these items, totaling $31.2 million for FY02, are considered, the courts actually cost the City $151.3 million last fiscal year. Accompanying these annual costs are periodic expenditures through the City's capital program ($8.9 million since FY95, with another $2.6 million budgeted in FY03) 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 FJDP 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 FY01 amounted to over $38.1 million. Moreover, the reported annual surpluses were growing, with more than $21 million reported in just FY99 through FY01. Even with the accrual of this handsome 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. 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. During the first half of FY03, the City has disbursed $11.6 million for this purpose, with another $1.7 million to be deposited in the AOPC's account on April 1, 2003. To date, these payments have totaled $125.6 million, with no detailed accounting to the City by the AOPC of how the money has been spent.

During the last several fiscal years, the courts began to accumulate more City dollars from another, unexpected 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.

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 $20.0 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.

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 five 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 $8 million in FY04.

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 is defending itself, seeks 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.

As noted above, the Supreme Court's 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

	FY 02 Actual	FY 03 Adopted Budget	FY 03 Current Target	FY 04	FY 05	FY 06	FY 07	FY 08
BUDGETED OBLIGATIONS								
Class 100	79,929,443	84,305,260	84,305,260	87,147,557	83,257,955	82,079,544	80,964,336	80,680,408
Class 200	21,329,660	23,410,025	23,410,025	22,907,319	22,907,319	22,907,319	22,907,319	22,907,319
Class 300/400	2,357,148	2,357,148	2,357,148	2,605,760	2,605,760	2,605,760	2,605,760	2,605,760
Class 500								
Class 700								
Class 800	17,325,362							
Class 900								
TOTAL	120,941,613	110,072,433	110,072,433	112,660,636	108,771,034	107,592,623	106,477,415	106,193,487

City of Philadelphia
Five-Year Financial Plan

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Capital Program

Capital Program

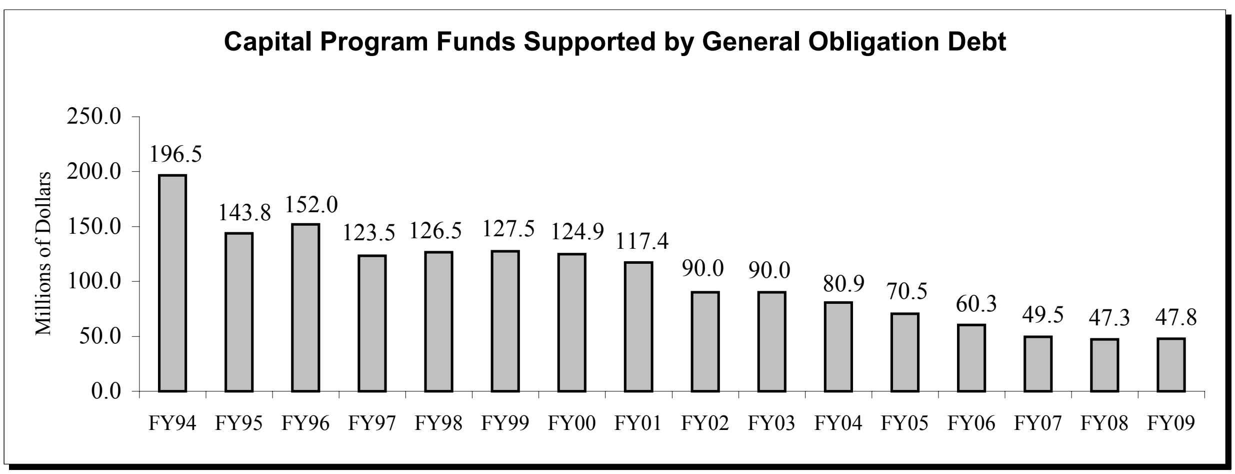
Mission

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.

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

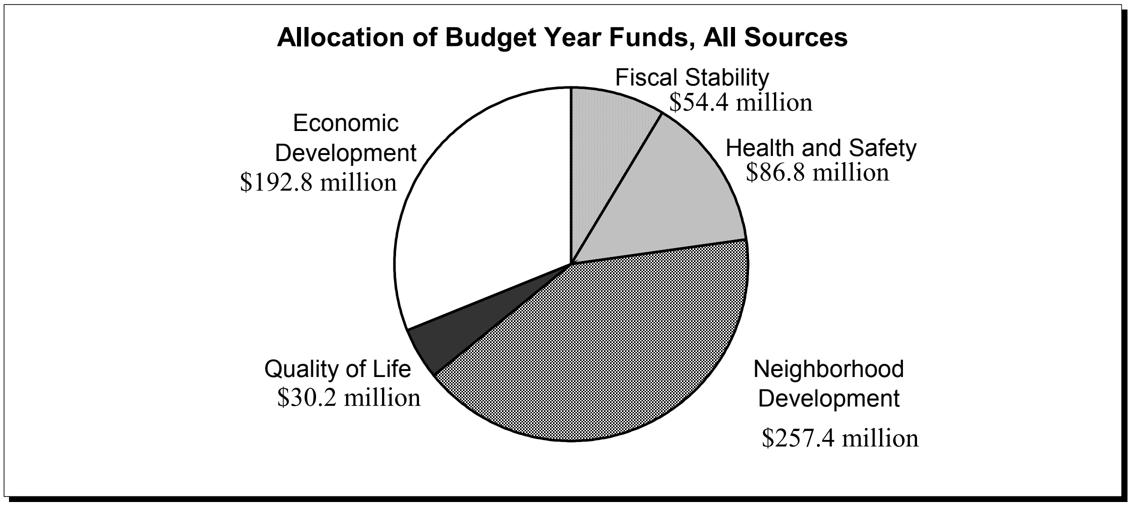
- **Implement the Fiscal Year 2004 Capital Budget.** The proposed Capital Budget, the first year of the Capital Program, totals $621.6 million of which $80.9 million, or 13 percent, is to be funded through new City tax-supported debt financing. City self-sustaining sources, primarily from airport leases and Water Department revenues, account for 43 percent of the proposed budget-year spending, while federal and state grants cover over one-third of the budget at 35 percent. Two percent of the budget's funding comes from private sources, with another three percent from Other Governments and Agencies, and four percent from prior year tax-supported funding. The chart below shows the Capital Program funds supported by General Obligation debt for the Capital Program from FY94 through the proposed FY09 budget.



* Funding for FY93 and 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 FY02, the City's remaining debt capacity was $133.9 million. That margin only increases when debt is retired or the assessed value of real estate increases.

While the City must sharply limit future issuance of general obligation debt it must also continue to fund a capital program. Therefore, the City is considering the following options as ways to maintain a capital program through the term of this Five-Year Plan: paying for some capital projects on a cash basis through the General Operating Fund, paying down debt if operating funds are available, and using authorities to issue debt.



Source: Philadelphia City Planning Commission

The projects in the FY04-FY09 Capital Program are categorized by the Mayor's five priorities: neighborhood transformation, quality of life, economic development, fiscal health, and health and safety.

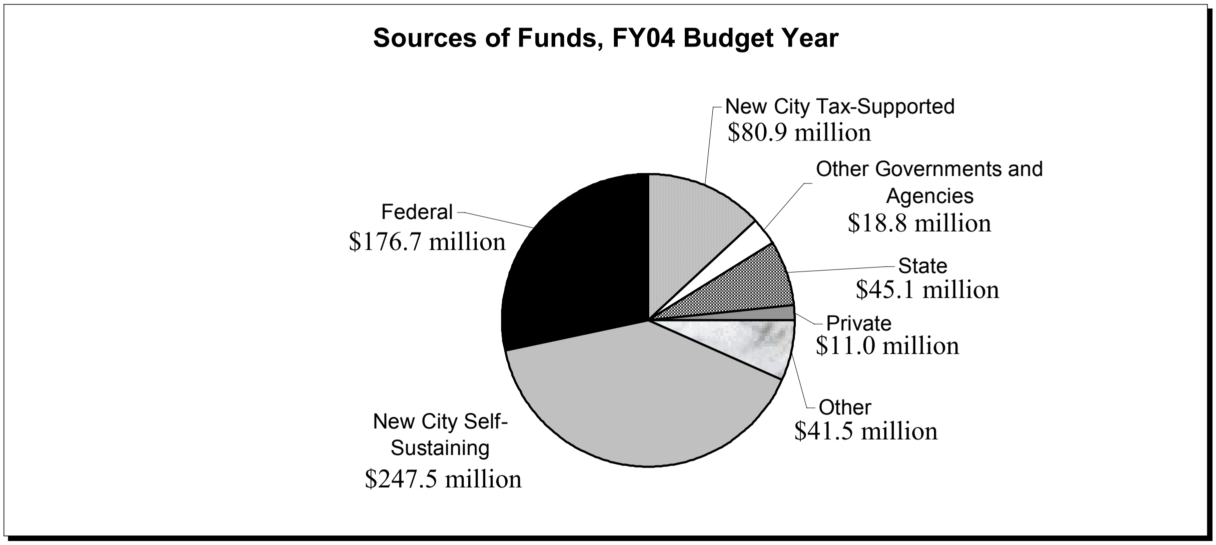
Neighborhood Transformation projects directly support the Mayor's Neighborhood Transformation Initiative (NTI) through the renewal of community facilities, including libraries, park facilities, police and fire stations, and site improvements in support of neighborhood housing and commercial revitalization programs. Transit stations and other SEPTA facilities, street resurfacing, street signage improvements and traffic signals, and replacement of water and sewer mains are also funded through the Capital Program. In addition, over $13 million will be dedicated to improvements to playgrounds, ballfields, courts, swimming pools and other Recreation Department facilities, as well as for the rehabilitation of roofs, and heating and safety systems at various recreation centers. The City will continue to assess neighborhood infrastructure to ensure that the Capital Program will most effectively support efforts of the NTI.

Q*uality of Life* projects improve conditions at facilities, such as City Hall, the Art Museum and the Philadelphia Zoo. Included in the infrastructure renewal projects is an ongoing major restoration of City Hall. The City will continue to make improvements to the structural condition of City Hall's roof, elevator, life safety systems and the building's exterior. The Capital Program includes $5 million in FY04 for City Hall renewal, part of an additional planned investment of $26 million through FY09. The Capital Program also includes $2.2 million in FY04 for the Art Museum and over $1.5 million of City tax-supported funds for the Zoo.

The biggest component in the *Economic Development* area is the expansion and upgrade of Philadelphia International Airport. In FY04, the Philadelphia International Airport's capital program, which does not impact the City's debt incurring capacity, will be $177.2 million, of which $140.3 million is funded through airport leases. The FY04 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 enable government service to be provided more efficiently. The multi-year expansion and enhancement of the City's Center City fiber-optic ring, a $2.8 Million project, will replace the current ring that is leased from Verizon, and beginning in FY06, will save the City $2 million over the life of the Plan. An $8 million Integrated Data Information System is being developed for the City's Social Service agencies (for more details, see the Social Services Division chapter of this Plan). Improvements to the Computer Aided Dispatching System in the Police and Fire Departments will enhance the allocation and dispatching of emergency vehicles.

The Capital Program also provides investment in *Health and Safety* facilities, including improvements to the City's water treatment and wastewater treatment plants; construction of a Police Forensic Laboratory; and life safety systems. As a result 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. Major improvements will be implemented to provide controlled access for vehicles and pedestrians to the buildings, and monitoring and screening for the employees and visitors of these government buildings. In the first half of FY04, the City will make security improvements to the Municipal Services Building and One Parkway, which will include increasing security cameras and card readers throughout the buildings, as well as securing areas that the public can easily access. Security improvements at City Hall will occur across 15 projects that began in FY03 with securing of a tunnel underneath the northeast corner of the building and adding bollards around the perimeter of City Hall to prevent unauthorized vehicles from parking near the building. Additional, security improvements are expected to occur throughout City Hall through FY04. In addition, the City's continuing rehabilitation of the fire and intrusion alarm systems in the City's recreation facilities will receive $400,000 in capital funding in FY04 and is programmed to receive $1.9 million through FY09. A new state-of-the-art Juvenile Justice Center is in the planning stages. The City expects to fund this project through an authority and receive full reimbursement on the debt service from the state. The facility, which will include housing for 150 youths, will house medical, educational, and recreation facilities, as well as several court components (i.e., hearing rooms, intake and probation functions). The goal of this project is to provide an atmosphere where youths feel safe and trust the adults who care for them while learning that in any setting or situation, they will be held responsible for their actions.



Source: Philadelphia City Planning Commission

- **Ongoing completion of Pennsylvania Intergovernmental Cooperation Authority (PICA) projects.** PICA issued capital bonds in 1992, 1993 and 1994 to fund the City's Capital Budget. Some of the projects originally intended for funding by PICA were either completed under budget, cancelled or funded by other sources. As a result, in FY02 there were approximately $29 million of PICA funds available to be redirected for other projects. With PICA's approval, the City reprogrammed these funds for the following seven projects:

Department/Agency	Project	Estimated Cost
Art Museum	Building Improvements	$3,204,000
Fairmount Park	Manayunk Canal Restoration	$2,060,000
Free Library	Central Library Renovations	$600,000
Police Department	Wister School Conversion	$9,000,000
Philadelphia Prison System	House of Corrections Cell Block Renovations	$7,000,000
Public Property	City Hall Renovations	$3,942,000
Public Property	Family Court Phase II Renovations	$3,500,000

In addition, in FY02, PICA approved the City's request to use $14 million in funds to complete funding of the new $49 million Women's Detention Facility, which is scheduled to be completed at the end of FY03.

The City has earmarked all current PICA funds (original PICA programmed funds and reprogrammed PICA funds) for capital projects. However, upon complete encumbrance of PICA funds, the City can access PICA interest earnings to fund additional capital projects.

City of Philadelphia
Five-Year Financial Plan

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Appendices

City of Philadelphia
Five-Year Financial Plan

Appendix I

Enterprise Funds

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.

Airline Industry: National and Local

The airline industry continues to struggle. Even before 9/11, the airline industry was entering a cyclical downturn and since then, the nation's overall economy has forced the industry to downsize. As competition by low-fare carriers increased, major carriers were forced to reduce costs and eliminate surplus seat capacity. Over 80,000 employees were laid off or furloughed nationwide during from September 2001 to October 2002. In 2001, only one (Southwest Airline) of the nation's major airlines was profitable. Overall U.S. airlines posted $7.7 billion in net operating losses in 2001. Two of the nation's largest airlines, United and US Airways, have filed for bankruptcy protection. Smaller airlines, such as National, Midway and Vanguard, have gone out of business.

Philadelphia, ranked the 19th busiest airport in the country, has outperformed the industry nationwide. Traffic nationally was down 14 percent between October 2001 and November 2002 while PHL passenger activity decreased only 3.9 percent. The bankruptcy filing of US Airways on August 11, 2002 caused concern since US Airways operates almost 400 daily flights, or 65 percent of aircraft operations at PHL. To protect its interests, the City has closely monitored the bankruptcy proceedings. The City Solicitor's Office was successful in having PHL added as an ex-officio member of the creditors committee. US Airways has announced its intention to come out of bankruptcy in March 2003.

Organizational Objectives and Targeted Initiatives

Continue Provide a Safe and Secure Environment to Inspire Passenger and Community Confidence

- **Implement new security measures.** On November 19, 2001, the President of the United States signed the Aviation and Transportation Security Act (ATSA) into law, which established the new Transportation Security Administration (TSA) within the Department of Transportation. The Airport works closely with the TSA, which is charged with providing security for the traveling public and all commercial transportation. One of the TSA's initial mandates was the development and implementation of an Explosive Detection System (EDS) to ensure 100 percent of checked baggage is screened in existing facilities. The complete installation of an in-line EDS will cost PHL approximately $80 million to $100 million and require a significant capital investment to reconfigure the terminals appropriately; no source of funds has been identified to date. Through the end of 2002, the TSA has hired nearly 1,000 federal employees in Philadelphia to provide security at every checkpoint and at ticket counters as well as to perform security tests of checked baggage. Previously, each airline was responsible for hiring and managing the security checkpoint operation in each terminal.

- **Coordinate with Federal Aviation Administration (FAA) on technological advances**. FAA guidelines for reduced visibility in poor weather prevent the use of two runways that are not separated by at least 4,300 feet. Because PHL's runways are only 3,000 feet apart, in reduced visibility the Airport had been forced to use one runway and airlines incur additional costs of $40 million to $50 million a year as a result of delays. In September 2002, PHL joined a small number of airports using the Precision Runway Monitor (PRM) system. The system allows dual approaches by aircraft during inclement weather. The PRM equipment allows Philadelphia to continue using two of its runways, even in reduced visibility and eliminate costly delays.

  On November 17 2002, PHL became the largest U.S airport to receive the standard terminal automation replacement system (STARS) – the new FAA standard equipment used in air traffic control towers. Although seven smaller airports have used STARS, Philadelphia was the first major airport system to use the $1.3 billion system. Upon complete rollout, 74 airports will have this tool.

Expand Airport Facilities to Ensure Adequate Capacity to Meet Demand for Air Travel

- **Maintain existing Capital Program funding**. Unlike some other U.S. airports, PHL did not need to defer or reduce its capital program because of the 9/11 terror attacks or to the recent economic turmoil in the airline industry. A summary of projects brought to or near completion since September 2001 include:

  - New International Terminal – opening in April 2003, the $500 million 13-gate 800,000 square foot international facility will provide vital new capacity and expedited processing of international passengers through the federal inspection services.
  - Terminal D expansion – completed in the fall 2002, four new gates along with expanded ticketing and bag claim space were added.
  - Garages E/F and Garage A expansion – completed in the fall 2002 by the Philadelphia Parking Authority, the additional 5,000 garage spaces will meet terminal parking requirements through 2010.
  - Aircraft De-Icing Station – this $53 million state of the art project commenced service in December 2002. The seven position de-icing pad is strategically located near the entrance to the primary runway, which will reduce ramp congestion during inclement weather.
  - Aircraft Rescue and Fire Fighting Training Facility – the new $10 million facility was initiated during PHL's biannual Emergency Preparedness Exercise (EPEX) drill in October 2002.

- **Expand Terminal E.** Early in 2003, the Airport will begin expansion of Terminal E. This project will build an additional four gates at the end of Concourse E as well as add 49,700 square feet for holdrooms, concession areas, restrooms and operations offices. In addition, expansion in the ticketing area will add 11,700 square feet for ticket counters, baggage make-up space and airline offices. Improvements to the baggage claim building include an additional 5,000 square foot bag claim carousel. This project is a key element to the Airport's efforts to attract additional service and/or low fare carriers to PHL. The Airport anticipates the Terminal E construction to be completed in September 2004 at a total cost of $30 million.

- **Master Plan: Assess airfield expansion options.** During the Airport Master Plan process, which was completed in 2002, the Airport sought to identify facility improvement needs over the next 10 to 20 years, including the airfield, terminal area, landside features, access, and airport support facilities. The Master Plan has identified two viable airfield expansion alternatives. The first option, known as the Parallel Alternative, would add one 10,000-foot long runway, extend the airport's two shorter runways to allow for greater aircraft utility and reconfigure the airport's present 10,500-foot runway. The second option, designated the Diagonal Alternative, would require the construction of up to four new parallel runways positioned diagonally across the existing airfield. The City will conduct the necessary analysis of its options and have public debate as part of the Federal environmental review process by Spring 2003. Implementation of the selected airfield expansion option will likely begin in mid-2004.

- **Master Plan: Expedite Environmental Impact Study (EIS)**. The Airport has been designated by the U.S. Department of Transportation (DOT) to receive streamlined environmental review under a presidential executive order. PHL expansion was the only airport-related project on the list of seven transportation projects included in the presidential directive. PHL is one of the most delayed airports in the nation and increasing airfield capacity will reduce flight delays in the entire eastern half of the United States. Under previous procedures, an EIS would take four or five years. The goal under this program is to cut this time frame in half.

- **Pursue PNE land development.** In FY00 the Airport initiated a PNE development plan that has produced two successful projects to date: the Flyers Skate Zone and TJ Maxx warehouse distribution center, both in August 2001. The airport currently has three additional parcels in various states of development. Quaker City Institute of Aviation, an airframe and power-plant school, signed an agreement with the Division of Aviation for the lease of 4.1 acres of ground located at Grant Avenue and Academy Road. Under the agreement, Quaker City (now known as the Aviation Institute of Maintenance) constructed a $2 million administrative and classroom facility for their school that opened September 2002. The Airport is in the process of negotiating a ground lease agreement with ACE American Insurance Company for the construction and operation of a $2 million corporate hangar facility to be located on the main ramp adjacent to the Northeast Philadelphia Airport's administrative offices. The Airport also signed a ground lease agreement with Washington Savings Bank in November 2002 for approximately 4.5 acres of land located at the corner of

Norcom and Comly Road. The site will be used for the approximately $2.4 million development of a Washington Savings Bank and corporate headquarters.

- **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. In November 2002, the Airport acquired 8400 Executive Avenue from Sara Lee Corporation. This acquisition consisted of approximately 8 acres and a 108,000 square foot USDA certified food-processing plant that was leased to Mrs. Ressler's Foods immediately upon acquisition. The Airport currently has two parcels being considered for acquisition: a 16-acre parcel adjacent to the Airport Employee Parking Lot on Bartram Ave. and a 21-acre former VIACOM site in Tinicum Township to use as a runway safety area.

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**. Promoting airline competition through the introduction of low fare carriers to the Philadelphia market remains a high priority for PHL. The introduction of service by AirTran in June 2001 (initially in Terminal F and designated to occupy expanded facilities in Terminal D) is a paradigm for the Airport to follow in attracting other low fare carriers to PHL in the near future. A new marketing consultant will be re-visiting low fare carriers during 2003 to promote the Philadelphia market as convenient and profitable.

- **Increase the number of destination options.** In FY03 PHL implemented an aggressive air service and marketing plan in order to attract at least one new international destination and increase the number of domestic city pairs. Starting in May 2003, US Airways will initiate service for the first time ever to Shannon and Dublin. In December 2002, US Airways added new Caribbean service to St. Kitts and Grenada. Two additional Caribbean destinations are being pursued by US Airways for spring 2003 initiation (pending foreign government approval). In terms of domestic service, AirTran will increase daily departures from 10 to 12 including new service to Ft. Myers (February 2003) and a fourth daily flight to Orlando (March 2003).

- **Expand retail development.** The airport's concession program grossed $80.9 in FY02. With the increase of 23,000 square feet of concession space in the new international terminal, PHL anticipates gross concession revenue to reach $85.8 million in FY04. With the addition of new tenants such as McDonalds, Starbucks and Swatch, the number of retail and food concessions at the airport will total 162. The Airport's concession program includes national name brands and local Philadelphia products, all at competitive street-level prices with an emphasis on quality. PHL was honored for its high-quality concessions program by capturing the coveted Richard A. Griesbach Overall Award of Excellence for its concessions program in 2002.

- **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 expires in June 2006. This agreement 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 leases have eliminated granting exclusive-use rights and are made on 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. A working group was established in late 2002 to prepare the Airport's new use and lease agreement proposal and will focus on the gate usage issue. It is anticipated a draft document will be completed by the end of FY04.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Target Projection	FY03 Current Projection	FY04 Projected
# of Enplaning (departing) Passengers	11,968,349	12,652,900	11,715,114	13,140,000	12,774,000	12,775,000
Total # of Aircraft Operations[1] (PHL)	480,893	484,101	456,879	500,000	475,000	475,000
Total # of Aircraft Operations (PNE)	177,741	173,077	133,684	150,000	150,000	150,000
Air Cargo[2] Activity (in tons)	652,526	622,593	576,265	662,000	606,000	606,000
Number of Aircraft Gates	65	103	103	124	120	124
Gross Concession Development Program revenue	76,280,000	79,114,000	80,938,000	83,366,000	83,666,000	85,800,000

[1] An aircraft operation is either a takeoff or landing
[2] Airfreight and mail combined

AVIATION FUND
FIVE YEAR PLAN FINANCIAL PLAN
FISCAL YEARS 2004 - 2008
ALL DEPARTMENTS

		FY 2003 Estimate	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues							
	Category						
	Locally Generated Non-Tax Revenues	$239,010,000	$284,835,000	$286,317,000	$290,136,000	$286,654,000	$288,877,000
	Passenger Facilities Charges (PFC's)	24,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
	Revenue from Other Governments	3,000,000	3,075,000	3,152,000	3,231,000	3,312,000	3,395,000
	Revenue from Other City Funds	450,000	450,000	464,000	478,000	492,000	507,000
Total Revenue, All Sources		$266,460,000	$313,360,000	$314,933,000	$318,845,000	$315,458,000	$317,779,000
Obligations							
Class	Description						
100	Personal Services	$70,880,000	$80,699,000	$82,716,000	$84,784,000	$86,904,000	$89,077,000
200	Purchase of Services	78,079,000	93,500,000	$94,903,000	$96,327,000	$97,772,000	$99,239,000
300	Materials and Supplies	8,799,000	9,163,000	$9,300,000	$9,440,000	$9,582,000	$9,726,000
400	Equipment	6,967,000	8,971,000	$9,106,000	$9,243,000	$9,382,000	$9,523,000
500	Contributions, Indemnities and Taxes	1,454,000	1,785,000	1,433,000	1,444,000	1,456,000	918,000
700	Debt Service	92,988,000	114,815,000	114,684,000	111,693,000	104,322,000	104,326,000
800	Payments to Other Funds						
	Payments to General Fund	3,528,000	3,211,000	3,307,000	3,406,000	3,508,000	3,613,000
	Payments to Water Fund	725,000	761,000	784,000	808,000	832,000	857,000
	Payments to Capital Fund	6,000,000	12,000,000	5,000,000	5,000,000	5,000,000	5,000,000
	Total - Payments to Other Funds	10,253,000	15,972,000	9,091,000	9,214,000	9,340,000	9,470,000
900	Advances and Other Misc. Payments	500,000	500,000	500,000	500,000	0	0
Total Obligations, All Departments		$269,920,000	$325,405,000	$321,733,000	$322,645,000	$318,758,000	$322,279,000
Fund Balance from Prior Year		23,405,000	24,745,000	$17,500,000	$15,500,000	$16,500,000	$18,000,000
Commitments Canceled - Net		4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,500,000
Ending Fund Balance		$24,745,000	$17,500,000	$15,500,000	$16,500,000	$18,000,000	$18,000,000

Philadelphia Gas Works

As the largest municipally owned natural gas utility in the nation, Philadelphia Gas Works (PGW) maintains a distribution system of approximately 6,000 miles of service lines and distribution mains and serves approximately 519,000 customers. The utility also operates facilities for the liquefaction, storage, and vaporization of natural gas 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 1973 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. But the agreement also vests the Philadelphia Gas Commission (PGC), composed of the independently elected City Controller, two mayoral appointees, and two members of City Council, with the responsibility for approval of PFMC 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.

Addressing the Crises at PGW

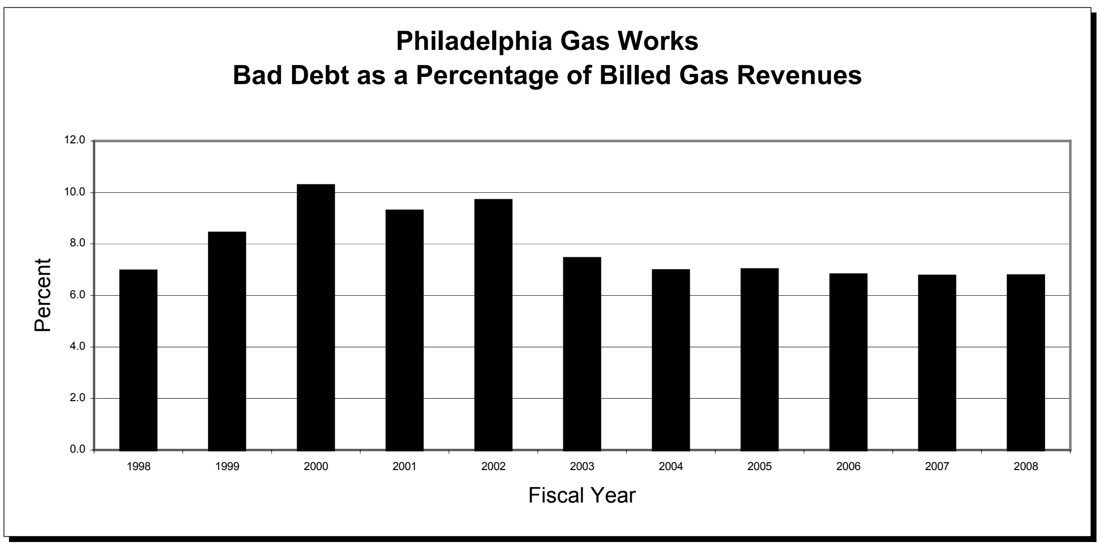
Since 1998, PGW has been buffeted by an almost overwhelming array of managerial, operational, regulatory and financial crises. As Philadelphia's population shrunk from two million in 1970 to 1.5 million in 2000, its remaining residents became poorer and more elderly. As a result, a large proportion of PGW customers routinely have difficulty paying their bills, while others who can pay enter into and later abandon payment arrangements, counting on a statutory moratorium on terminations to keep them on the system through the heating season. 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 PGC had not permitted the company 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 onerous labor contract that covered three-quarters of the company's workforce; an organizational culture of entitlement that was inconsistent with sound fiduciary principles ; and a state law that brought PGW under the ratemaking, regulatory authority of the Pennsylvania Public Utility Commission (PUC) in July 2000.

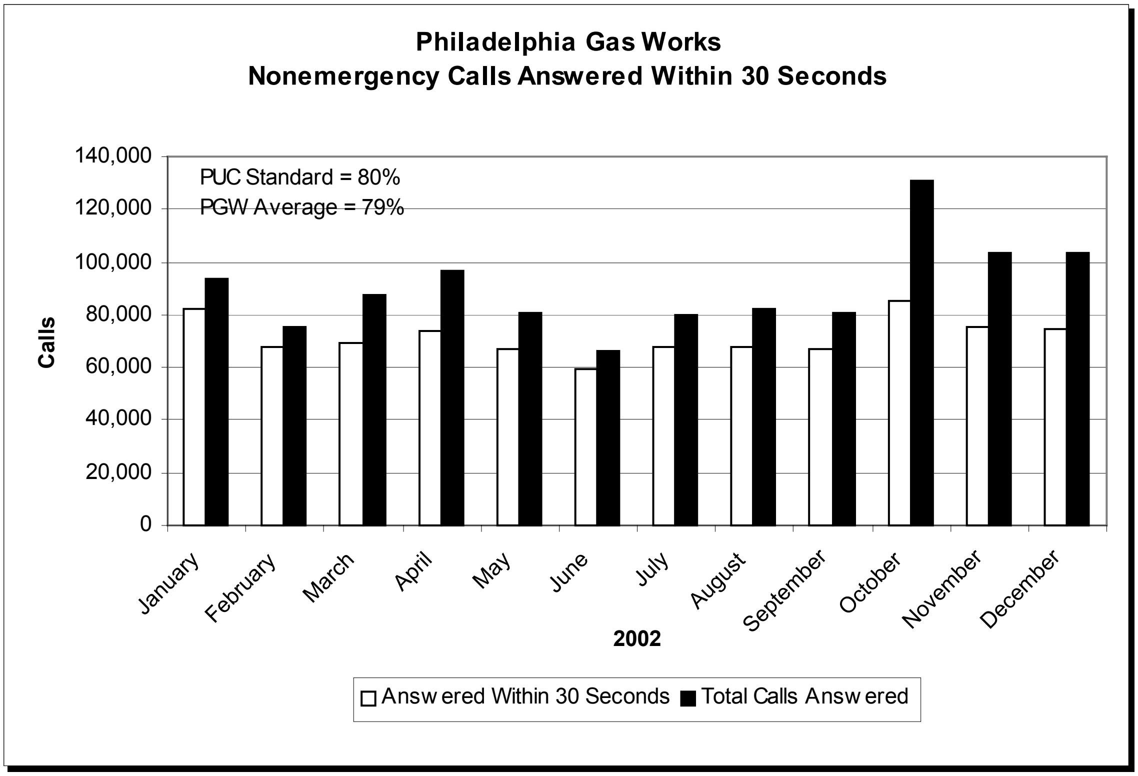
Although progress has been incremental and sometimes subject to forces outside the utility's control, PGW's management team, headed by a new permanent chief executive officer, has achieved a dramatic turnaround. Among the highlights of PGW's achievements in financial and operational stability:

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.



Operational Improvements. PGW achieved those savings while addressing a number of major operational 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 generates about 150 errors per day, which is well within industry standards. The company expanded its collection operations and reduced its net receivables by $29.5 million during FY02. It also lowered bad debt as a percentage of billed gas revenues by 28.1 percent, from a peak of 10.3 percent at the end of FY00 to an estimated 7.4 percent by the end of FY03, a level it expects to maintain. PGW has also made significant strides in customer service. In 1999 customers calling PGW waited on average 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-to-80 percent of all nonemergency 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.



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.

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, which, once fully operational, will allow the company to liquefy and store natural gas year-round, allowing it to market liquefaction and related services to other companies.

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 or simply take advantage of the winter moratorium on service termination to leave past bills unpaid and ignore new ones.

When Standard and Poor's removed PGW from "CreditWatch," it nonetheless maintained its "negative outlook" on the bonds because of "uncertainty regarding a long-term strategic plan." With the myriad crises at PGW under control, permanent management in place, and an excellent new working relationship with the PUC, the utility's financial condition and statutory responsibilities to citizens pose significantly less risk to the City's finances now than at any time in recent years. Senior PGW managers are finally able to look beyond the company's day-to-day operations for strategic opportunities to lower costs further and raise new revenues in order to ensure the company's continued fiscal health.

Indicative of its shift from managing by crisis, PGW has been reorganizing its operational and administrative functions to meet both current and future demands. In early fall of 2002, the utility contracted with a private vendor for payroll services as a replacement for its 25-year old mainframe system that was increasingly difficult to support, had a high risk of failure and could not be modified sufficiently to comply with changes in federal, state and local tax laws and the terms of the 2001 labor contract. This initiative is projected to save the company at least $2.5 million during the next five years and has presented PGW with an opportunity to reassess and redesign its approach to internal information-technology services.

PGW has also consolidated its field-services and distribution divisions into one organizational unit under a senior executive. This merger integrates the workforce of 380 employees who had primarily responded to customer calls and the 460 who had principally built and repaired the gas system, particularly as they share many of the same skills and had been performing many of the same duties in different situations. The goal of this reorganization is to maximize the company's existing engineering and construction resources in order to improve customer service and assume the additional workload generated by the state's safety and reliability requirements without significant additional costs.

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

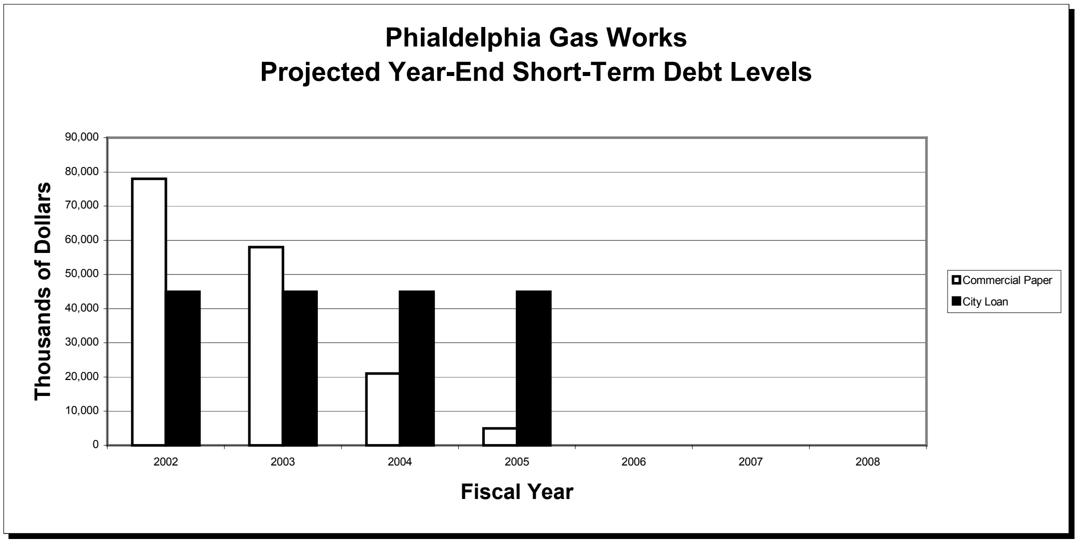
Restructuring. In addition to rate regulation by the PUC, the Gas Choice Act requires that PGW allow its retail customers to choose their natural gas suppliers beginning on September 1, 2003. The implementation of customer choice, known as "restructuring," means that the company must "unbundle" its rates, charging separately for gas supply and for gas-transportation services, and institute mechanisms for customers to buy gas from other companies, even as it continues to serve as a regulated gas-distribution monopoly and supplier of last resort. (Based on the experience of surrounding local distribution companies, however, it is unlikely that most customers will actually switch suppliers in the next few years.)

Restructuring will also prevent PGW from supporting its social programs through the mix of base rates and gas-cost rates used to fund them now. To address this, the company in its restructuring plan filed with the PUC on July 1, 2002 proposed a tariff that incorporates a new "universal service charge" through which it would recover those costs.

Significantly, restructuring will require that PGW either begin by September 1, 2003 to meet standards for customer service, safety and reliability as in defined the Pennsylvania Public Utility Code or justify why it cannot or will not. The cost of customer choice and code compliance will be borne by ratepayers through a "restructuring surcharge" that will be established each year but should only result in a marginal increase to the typical residential customer's annual charges, beginning with the 2003-2004 heating season.

In its July 2002 PUC filing, PGW estimated potential initial restructuring expenses at $9.5 million (through FY04) and nearly $6.1 million annually thereafter, or $32.9 million over the life of this Plan. The greatest costs will be generated by the need to modify BCCS 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 accidents PGW reported in the last 30 years has resulted from such leaks.

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 FY02, 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. In its restructuring plan, PGW proposed to limit the latter benefit after September 1, 2003 to new customers who can demonstrate financial need.



One especially positive fiscal development this year was PGW's decision to eliminate its dependence on short-term borrowing by FY05 in order to decrease its borrowing costs, improve its balance sheet, and lower its risk profile. This ambitious plan requires that PGW repay the $45 million City loan by August 2006 and reduce its outstanding short-term, commercial-paper issuance debt, a financing mechanism that the utility intends to use only when necessary to purchase gas during the winter when revenue ebbs because of of overdue customer payments.

Capital Investments. Among the concerns raised in Standard and Poor's 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, rating agency Moody's Investors Service changed its outlook on PGW from negative to stable.)

As part of this capital program, PGW has accelerated the reduction of its cast-iron pipeline. The utility reduced its inventory by 21.4 miles in FY02, with another 23.6 miles expected 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 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 $15 million per year in cost savings, added revenues, or both, the sources of which have yet to be determined, for FY06 through FY08. Forecasts also assume that annual FY04-FY08 bad-debt levels stabilize at between $44 million and $49 million annually, down from $54 million to $68 million during FY00-FY02. 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.

Faced with uncertainty about PGW's long-term ability to remain financially feasible, the City continues to consider alternatives to the current operation, such as third-party management or an outright sale. Potential obstacles to selling the utility, however, include the costs associated with refinancing PGW's tax-exempt debt; liabilities from activities of PGW while it was owned by the City; and PGW's existing pension and retirement obligations that alone could run into the hundreds of millions of dollars.

City of Philadelphia

Five-Year Financial Plan

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Appendix II

Long-Term Obligations

SINKING FUND COMMISSION
GENERAL FUND OPERATING BUDGET -- ESTIMATES
FISCALY YEARS 2004 TO 2008

DESCRIPTION	2004	2005	2006	2007	2008
200 Purchase of Services					
200 Long Term Leases	79,933,505	84,585,320	85,128,620	88,320,161	79,274,789
700 Debt Service					
701 Total Interest on City Debt LT	46,613,898	44,201,553	42,677,263	47,686,524	46,413,405
702 Total Principal on City Debt LT	50,256,330	35,066,689	24,435,000	33,665,000	38,315,000
703 Interest on City Debt Short Term	10,750,000	11,250,000	11,250,000	11,250,000	11,250,000
704 Sinking Fund Reserve Payments	3,371,704	3,369,731	3,370,731	3,375,281	3,372,481
705 Commitment 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	113,091,932	95,987,973	83,832,994	98,076,805	101,450,886
Total All Classes	193,025,437	180,573,293	168,961,614	186,396,966	180,725,675

City of Philadelphia
Five-Year Financial Plan

Appendix III
Other Statutory Requirements
General Fund

CITY OF PHILADELPHIA	SUMMARY OF OPERATIONS
FY2004-2008 Five Year Financial Plan	FISCAL YEARS 2002 TO 2008
	(Amounts in Thousands)

FUND

General

NO.	ITEM	F.Y. 2002 Actual	F.Y. 2003 Estimate	F.Y. 2004 Estimate	F.Y. 2005 Estimate	F.Y. 2006 Estimate	F.Y. 2007 Estimate	F.Y. 2008 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	1,945,440	1,951,891	1,981,849	2,013,093	2,052,279	2,095,425	2,139,513
2	Locally Generated Non-Tax Revenues	209,112	212,921	210,819	211,318	212,549	213,844	215,199
3	Revenue from Other Governments	687,712	926,119	933,838	947,344	967,640	1,026,060	1,000,591
4	Sub-Total (1) + (2) + (3)	**2,842,264**	**3,090,931**	**3,126,506**	**3,171,755**	**3,232,468**	**3,335,329**	**3,355,303**
5	Revenue from Other Funds of City	24,619	24,035	25,313	25,743	26,183	26,634	27,087
6	Total - Revenue (4) + (5)	2,866,883	3,114,966	3,151,819	3,197,498	3,258,651	3,361,963	3,382,390
7	Revenues Forgone	0	0	0	0	0	0	0
8	**Total Revenue and Other Sources (6)+(7)**	**2,866,883**	**3,114,966**	**3,151,819**	**3,197,498**	**3,258,651**	**3,361,963**	**3,382,390**
	OBLIGATIONS/APPROPRIATIONS							
9	Personal Services	1,187,249	1,246,765	1,284,069	1,210,759	1,194,593	1,188,372	1,183,753
10	Personal Services-Employee Benefits	486,875	547,400	573,433	646,668	709,834	777,583	832,237
11	**Sub-Total Employee Compensation**	**1,674,124**	**1,794,165**	**1,857,502**	**1,857,427**	**1,904,427**	**1,965,955**	**2,015,990**
12	Purchase of Services	920,495	1,030,543	1,076,795	1,079,480	1,083,889	1,102,274	1,107,236
13	Materials, Supplies and Equipment	79,955	77,326	76,100	72,850	72,046	72,053	71,657
14	Contributions, Indemnities, and Taxes	123,784	93,973	95,796	94,261	94,229	94,970	95,728
15	Debt Service	101,816	107,287	113,092	95,988	83,833	98,077	101,451
16	Capital Budget Financing	0	0	0	0	0	0	0
17	Advances and Miscellaneous Payments	30,303	32,378	31,995	31,626	31,282	36,905	36,584
18	Sub-Total (11 thru 17)	2,930,477	3,135,672	3,251,280	3,231,632	3,269,706	3,370,234	3,428,646
19	Payments to Other Funds	50,658	27,160	28,163	25,842	24,329	24,329	24,329
20	Future Government Efficiencies	**0**	**0**	**0**	**(12,000)**	**(12,000)**	**(12,000)**	**(12,000)**
21	Rightsizing Facilities	**0**	**0**	**0**	**(4,000)**	**(4,000)**	**(4,000)**	**(4,000)**
22	Administrative Cluster Organization	**0**	**0**	**0**	**(7,600)**	**(8,300)**	**(9,100)**	**(10,200)**
23	**Total - Obligations (18+19+20+21+22)**	**2,981,135**	**3,162,832**	**3,279,443**	**3,233,874**	**3,269,735**	**3,369,463**	**3,426,775**
24	Oper.Surplus (Deficit) for Fiscal Year (8-23)	(114,252)	(47,866)	(127,624)	(36,376)	(11,084)	(7,500)	(44,385)
25	Prior Year Adjustments:							
26	Revenue Adjustments	0	0	0	0	0	0	0
27	Other Adjustments	23,268	25,000	25,000	25,000	25,000	25,000	25,000
28	Funding For Future Obligations	0	0	0	0	0	0	0
29	Total Prior Year Adjustments	23,268	25,000	25,000	25,000	25,000	25,000	25,000
30	**Adjusted Oper. Surplus/(Deficit) (24+29)**	**(90,984)**	**(22,866)**	**(102,624)**	**(11,376)**	**13,916**	**17,500**	**(19,385)**
	OPERATIONS IN RESPECT TO							
	PRIOR FISCAL YEARS							
	Fund Balance Available for Appropriation							
31	June 30 of Prior Fiscal Year	230,009	139,025	116,159	13,535	2,159	16,075	33,575
32	Residual Equity Transfer	-	-	-	-	-	-	-
33	Fund Balance Available for Appropriation							
	June 30 (30)+(31) + (33)	**139,025**	**116,159**	**13,535**	**2,159**	**16,075**	**33,575**	**14,190**

City of Philadelphia
General Fund
FY 2004 -2008 Five Year Financial Plan
Summary by Class

	Actual FY 02	Budgeted FY 03	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08
BUDGETED OBLIGATIONS								
Class 100 - Wages / Benefits	1,674,123,571	1,725,262,490	1,794,165,294	1,857,501,688	1,857,426,483	1,904,427,274	1,965,955,182	2,015,990,143
Class 200 - Contracts / Leases	920,494,449	1,013,726,826	1,030,542,552	1,076,795,545	1,079,479,766	1,083,888,822	1,102,274,028	1,107,236,187
Class 300/400 - Supplies / Equipment	79,955,022	79,611,416	77,326,493	76,099,562	72,850,000	72,045,531	72,052,937	71,656,937
Class 500 - Indemnities / Contributions	123,784,400	95,517,300	93,972,442	95,795,983	94,260,839	94,229,450	94,969,759	95,727,395
Class 700 - Debt Service	101,815,840	111,537,034	107,287,033	113,091,932	95,987,973	83,832,994	98,076,805	101,450,886
Class 800 - Payments to Other Funds	50,658,402	27,451,934	27,159,934	28,163,290	25,842,638	24,329,000	24,329,000	24,329,000
Class 900 - Advances / Misc. Paymts.	30,302,900	32,378,000	32,378,000	31,995,000	31,626,000	31,282,000	36,905,000	36,584,000
TOTAL	2,981,134,584	3,085,485,000	3,162,831,748	3,279,443,000	3,257,473,698	3,294,035,071	3,394,562,711	3,452,974,548

City of Philadelphia
FY 2004 - 2008 Five Year Financial Plan
General Fund
Summary by Department

Department	Actual FY 02	Budgeted FY 03	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08
Art Museum Subsidy	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
Atwater Kent Museum Subsidy	264,462	249,289	287,915	292,867	285,720	278,748	278,748	278,748
Auditing Department (City Controller's Office)	7,065,369	7,501,595	7,501,595	7,951,479	7,699,479	7,699,479	7,699,479	7,699,479
Board of Building Standards	97,374	118,951	118,951	121,054	118,028	115,077	115,077	115,077
Board of L & I Review	168,890	210,481	210,481	212,927	207,604	202,414	202,414	202,414
Board of Revision of Taxes	7,379,259	7,753,506	7,753,506	8,194,597	7,256,433	6,975,942	6,925,874	6,900,540
Camp William Penn	334,555	329,013	312,562	311,411	303,642	296,068	296,068	296,068
Capital Program Office	2,244,468	2,412,269	2,291,656	2,420,264	2,256,082	2,215,930	2,215,930	2,215,930
City Commissioners	8,246,284	8,187,093	8,187,093	8,312,553	8,039,553	8,039,553	8,039,553	8,039,553
City Council	12,412,724	13,575,441	14,575,441	15,330,332	15,078,332	15,078,332	15,078,332	15,078,332
City Planning Commission	2,741,454	3,308,712	3,143,276	3,221,879	2,934,374	2,861,015	2,786,949	2,786,949
Commerce Department	5,896,294	5,011,088	4,760,534	4,745,800	4,664,655	4,585,539	4,585,539	4,585,539
Commerce Department-Economic Stimulus	5,000,000	5,000,000	4,750,000	4,631,250	4,515,469	4,402,582	4,402,582	4,402,582
City Treasurer	832,766	944,096	896,891	907,896	885,198	846,593	846,593	846,593
Civic Center	244,185	287,364	272,996	271,426	264,640	258,024	258,024	258,024
Civil Service Commission	149,970	161,652	161,652	164,385	160,275	156,268	156,268	156,268
Clerk of Quarter Sessions	4,236,891	4,379,889	4,574,889	4,947,697	4,537,355	4,423,921	4,423,921	4,423,921
Community College Subsidy	21,767,924	22,067,924	22,067,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924
Convention Center Subsidy	30,302,900	32,378,000	32,378,000	31,995,000	31,626,000	31,282,000	36,905,000	36,584,000
Debt Service (Sinking Fund)	148,578,401	202,709,395	195,299,814	193,025,437	180,573,293	168,961,614	186,396,966	180,725,675
District Attorney	28,413,012	28,845,917	29,525,129	30,868,562	30,259,562	29,875,439	29,875,439	29,875,439
Emergency Relief Expenses	0	0	0	0	0	0	0	0
Fairmount Park Commission	13,416,439	14,334,196	14,065,765	14,301,976	14,037,728	13,997,025	13,886,956	13,862,062
Finance Department	21,314,004	16,938,724	16,438,724	15,772,636	15,137,459	14,759,022	14,632,701	14,573,005
Finance - Contib. School Dist./Tax Cuts	60,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
Finance - Employee Benefits	486,874,583	528,100,000	547,400,000	576,100,000	646,668,000	709,834,000	777,583,000	832,237,000
Fire Department	154,553,131	157,559,617	161,237,172	175,233,242	166,211,590	166,379,221	166,468,274	166,428,640
First Judicial District	120,941,613	110,072,433	110,072,433	112,660,636	108,771,034	107,592,623	106,477,415	106,193,487
Fleet Management Office	38,425,402	38,416,632	36,895,800	36,652,789	35,091,436	34,070,761	33,868,076	33,728,657
Fleet Mgmt. - Vehicle Purchase	17,416,601	12,000,000	11,000,000	10,700,000	10,432,500	10,171,688	10,171,688	10,171,688
Free Library	34,178,508	36,139,499	35,957,170	38,281,893	36,563,284	36,148,042	35,875,211	35,761,531
Hero Scholarship Awards	2,400	36,575	36,575	35,661	34,769	33,900	33,900	33,900
Historical Commission	242,973	259,815	262,211	265,619	258,978	252,504	252,504	252,504
Human Relations Commission	2,123,735	2,270,211	2,189,700	2,279,873	2,103,523	2,050,935	2,026,001	2,000,867
Human Services Department	473,525,933	530,444,529	544,596,257	599,348,410	597,376,604	596,294,407	595,370,648	594,404,027
Indemnities	30,045,987	30,020,875	28,519,831	29,921,804	28,408,911	28,399,216	29,139,525	29,897,161
Labor Relations, Mayor's Office of	500,707	589,694	560,209	532,764	519,445	506,458	506,458	506,458
Law Department	18,019,645	17,580,414	16,201,393	15,865,214	15,210,349	14,674,147	14,610,853	14,550,001
Legal Svcs. (incl. Defenders Assoc.)	29,312,664	30,747,832	30,871,824	31,611,759	31,940,956	32,064,503	32,064,503	32,064,503
Licenses and Inspections Department	21,286,740	20,808,023	20,808,023	24,194,862	18,903,037	18,130,006	17,622,537	17,291,207
Licenses and Inspections - Demolitions	22,060,188	2,000,000	2,000,000	0	0	0	0	0
Managing Director's Office	15,722,158	15,464,463	16,691,240	15,958,717	15,263,924	14,758,228	14,630,177	14,630,177
Mayor's Office	4,372,989	4,618,425	4,487,504	3,783,406	3,661,941	3,570,512	3,543,512	3,543,512
Mayor's Office of Community Services	621,076	811,987	771,388	780,133	760,629	741,614	741,614	741,614
Mayor - Scholarships	199,495	200,000	200,000	200,000	200,000	200,000	200,000	200,000

City of Philadelphia
FY 2004 - 2008 Five Year Financial Plan
General Fund
Summary by Department

Department	Actual FY 02	Budgeted FY 03	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08
Mayor's Office of Information Services	12,947,488	13,464,335	12,791,118	12,960,196	12,272,132	11,848,527	11,775,023	11,738,756
Office of Housing & Community Develop.	4,038,333	1,866,630	1,773,299	1,740,735	1,697,216	1,654,786	1,654,786	1,654,786
Office of Emergency Services	14,902,777	17,198,620	16,749,689	15,544,372	14,811,616	14,359,189	14,319,693	14,319,693
Personnel Department	4,885,879	4,848,275	4,848,275	5,024,131	4,603,418	4,470,928	4,254,400	4,254,400
Police Department	455,545,493	437,147,733	488,198,632	485,195,245	457,099,369	455,856,388	457,991,411	457,228,513
Prisons System	155,434,721	164,744,105	173,322,196	183,324,596	184,682,145	186,915,413	194,504,806	201,116,440
Procurement Department	5,432,369	5,158,354	4,900,436	4,908,437	4,678,487	4,561,525	4,510,307	4,510,307
Public Health Department	115,329,869	122,519,867	122,080,233	121,423,595	115,941,366	112,007,374	110,911,043	110,473,490
Public Property Department	54,067,167	45,609,603	43,701,873	48,165,401	47,804,595	47,927,233	48,356,634	49,029,316
Public Property - SEPTA Subsidy	57,138,048	64,229,000	60,158,000	56,523,925	55,389,477	55,686,415	57,466,415	59,578,415
Public Property - Space Rentals	14,207,559	14,538,714	13,811,778	14,515,541	14,553,389	14,583,196	14,975,758	15,378,134
Public Property - Utilities	25,859,388	27,290,000	27,220,000	27,475,500	27,188,362	27,610,403	29,190,403	30,290,403
Public Property - Telecommunications	14,005,486	15,725,000	15,725,000	12,748,125	14,086,922	13,905,249	14,881,249	15,434,249
Records	5,293,573	5,424,009	6,568,534	8,306,540	7,985,695	6,634,663	6,624,235	6,607,615
Recreation Department	34,256,043	35,167,410	35,167,410	37,741,363	35,323,884	35,015,071	34,506,487	34,429,169
Recreation - Stadium Complex	4,701,440	4,878,322	4,644,406	4,578,764	0	0	0	0
Refunds	18,654	876,272	832,458	854,365	833,006	812,181	812,181	812,181
Register of Wills	2,922,630	2,875,292	2,995,292	3,074,952	2,854,753	2,783,384	2,783,384	2,783,384
Revenue Department	17,701,186	17,941,986	17,558,887	18,177,343	16,208,334	15,390,974	14,762,035	14,660,671
Sheriff's Office	12,758,106	12,245,955	13,045,955	13,475,759	12,929,759	12,929,759	12,929,759	12,929,759
Streets Department	30,482,847	31,759,624	31,667,614	31,475,832	29,038,661	28,286,445	28,259,445	28,226,445
Streets - Sanitation Division	84,823,144	87,120,527	86,390,378	88,973,286	87,835,875	87,197,062	87,483,393	88,559,735
Tax Reform Commission	0	0	375,000	375,000	0	0	0	0
Witness Fees	161,627	235,775	223,986	229,881	224,134	218,531	218,531	218,531
Zoning Board of Adjustments	436,604	523,973	497,774	503,987	491,387	479,103	479,103	479,103
Total	2,981,134,584	3,085,485,000	3,162,831,748	3,279,443,000	3,257,473,699	3,294,035,072	3,394,562,712	3,452,974,549

City of Philadelphia
FY 2004 -2008 Five Year Financial Plan
General Fund
Estimated Fringe Benefit Allocation

	Actual FY 02	Budgeted FY 03	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08
Unemployment Compensation	1,361,229	1,800,000	2,700,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Employee Disability	31,724,847	36,000,000	35,800,000	36,600,000	39,100,000	39,100,000	39,600,000	39,600,000
Pension	150,985,227	155,200,000	155,200,000	156,000,000	195,800,000	230,300,000	267,000,000	287,200,000
Pension Obligation Bonds	45,597,133	55,600,000	55,600,000	58,900,000	68,000,000	72,300,000	76,600,000	80,800,000
FICA	57,401,563	59,200,000	59,700,000	62,200,000	64,100,000	66,000,000	67,800,000	69,700,000
Health / Medical	187,580,361	207,600,000	225,900,000	244,833,000	264,568,000	286,934,000	311,183,000	339,437,000
Group Life	6,919,395	7,100,000	7,000,000	7,100,000	7,200,000	7,300,000	7,400,000	7,500,000
Group Legal	4,245,337	4,400,000	4,300,000	4,300,000	4,400,000	4,400,000	4,500,000	4,500,000
Tool Allowance	63,200	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Flex Cash Payments	996,291	1,100,000	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL	486,874,583	528,100,000	547,400,000	573,433,000	646,668,000	709,834,000	777,583,000	832,237,000

City of Philadelphia
FY 2004 -2008 Five Year Financial Plan
General Fund
Estimated Fringe Benefit Allocation

	Actual FY 02	Budgeted FY 03	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08
Unemployment Compensation	1,361,229	1,800,000	2,700,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Employee Disability	31,724,847	36,000,000	35,800,000	36,600,000	39,100,000	39,100,000	39,600,000	39,600,000
Pension	150,985,227	155,200,000	155,200,000	156,000,000	195,800,000	230,300,000	267,000,000	287,200,000
Pension Obligation Bonds	45,597,133	55,600,000	55,600,000	58,900,000	68,000,000	72,300,000	76,600,000	80,800,000
FICA	57,401,563	59,200,000	59,700,000	62,200,000	64,100,000	66,000,000	67,800,000	69,700,000
Health / Medical	187,580,361	207,600,000	225,900,000	244,833,000	264,568,000	286,934,000	311,183,000	339,437,000
Group Life	6,919,395	7,100,000	7,000,000	7,100,000	7,200,000	7,300,000	7,400,000	7,500,000
Group Legal	4,245,337	4,400,000	4,300,000	4,300,000	4,400,000	4,400,000	4,500,000	4,500,000
Tool Allowance	63,200	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Flex Cash Payments	996,291	1,100,000	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL	486,874,583	528,100,000	547,400,000	573,433,000	646,668,000	709,834,000	777,583,000	832,237,000

City of Philadelphia
Fiscal Year 2004 Operating Budget
FY 2004-2008 Five Year Plan
General Fund Full-Time Positions

Department	FY 2003 Adopted Budget	FY 2004 Proposed	FY 2005 Proposed	FY 2006 Proposed	FY 2007 Proposed	FY 2008 Proposed
Atwater Kent Museum	6	6	6	6	6	6
Auditing	131	132	132	132	132	132
Board of Building Standards	2	2	2	2	2	2
Board of L & I Review	3	3	3	3	3	3
Bd. of Revision of Taxes	143	141	131	126	125	124
Camp William Penn	3	4	4	4	4	4
Capital Program Office	22	22	22	22	22	22
City Commissioners	101	101	101	101	101	101
City Council	226	226	226	226	226	226
City Planning Commission	61	61	61	61	61	61
City Rep. / Commerce	31	27	27	27	27	27
City Treasurer	17	15	15	15	15	15
Civic Center	3	3	3	3	3	3
Civil Service Commission	3	3	3	3	3	3
Clerk of Quarter Sessions	126	126	126	126	126	126
District Attorney - Total	479	464	464	464	464	464
Civilian	*454*	*442*	*442*	*442*	*442*	*442*
Uniformed	*25*	*22*	*22*	*22*	*22*	*22*
Fairmount Park	225	219	211	211	211	211
Finance	171	151	151	151	151	151
Fire	2,518	2,519	2,518	2,518	2,518	2,518
Civilian	*131*	*131*	*130*	*130*	*130*	*130*
Uniformed	*2,387*	*2,388*	*2,388*	*2,388*	*2,388*	*2,388*
First Judicial District	2,060	2,082	2,082	2,082	2,082	2,082
Fleet Management	408	355	355	355	355	355
Free Library	746	738	728	713	705	701
Historical Commission	5	5	5	5	5	5
Human Relations Commission	45	45	45	45	45	45
Human Services	1,943	1,950	1,896	1,872	1,847	1,831
Labor Relations	10	8	8	8	8	8
Law	214	207	202	198	197	196
Licenses & Inspections	433	391	378	362	355	349
Managing Director	112	92	92	92	92	92
Mayor	67	48	48	47	46	46
Mayor's Office of Community Serv.	22	20	20	20	20	20
Mayor's Office of Information Serv.	139	125	117	112	111	110
Office of Emergency Shelter Serv.	72	68	68	68	68	68
Office of Housing & Comm. Dev.	7	6	6	6	6	6
Personnel	90	90	85	84	84	84
Police	7,907	7,843	7,843	7,842	7,842	7,842
Civilian	*998*	*933*	*933*	*932*	*932*	*932*
Uniformed	*6,909*	*6,910*	*6,910*	*6,910*	*6,910*	*6,910*
Prisons	2,202	2,102	2,102	2,102	2,102	2,102
Procurement	77	76	72	72	72	72
Public Health	886	834	825	813	808	807
Public Property	219	236	236	236	236	236
Records	90	87	85	83	80	80
Recreation	593	593	556	556	556	556
Register of Wills	70	70	70	70	70	70
Revenue	316	267	239	224	210	208
Sheriff	267	267	267	267	267	267
Streets	742	667	640	626	619	617
Streets - Sanitation	1,453	1,376	1,279	1,227	1,204	1,198
Zoning Board of Adjustment	6	6	6	6	6	6
SUBTOTAL GENERAL FUND	**25,472**	**24,879**	**24,561**	**24,394**	**24,298**	**24,258**
Administrative Cluster Reorganization			**(250)**	**(300)**	**(350)**	**(400)**
TOTAL GENERAL FUND	**25,472**	**24,879**	**24,311**	**24,094**	**23,948**	**23,858**

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 FY2003**

FY 2003

Actuals through December 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	6.9	5.3	4.7	4.9	3.7	5.8	23.9	218.6	58.2	15.6	5.2	3.9	356.6			(6.9)	349.7
City, PICA Wage, E, NP	106.3	111.9	97.1	112.7	100.7	102.7	118.3	125.6	102.2	118.1	118.4	105.8	1,320.0			7.3	1,327.3
Tax to PICA	(22.4)	(23.8)	(20.8)	(24.3)	(21.4)	(19.5)	(28.4)	(26.4)	(20.6)	(29.5)	(27.2)	(21.2)	(285.6)			(2.5)	(288.1)
Wage, Earnings, NP Tax	83.9	88.1	76.3	88.4	79.3	83.2	89.9	99.2	81.5	88.6	91.2	84.7	1,034.4			4.8	1,039.3
Realty Transfer Tax	9.6	7.3	7.9	12.7	7.5	7.3	7.7	7.8	6.6	9.1	7.7	7.8	99.0			(20.1)	78.9
Sales Tax	8.6	9.2	9.9	8.3	10.2	6.6	10.7	10.9	8.9	8.8	9.5	9.2	110.8			1.7	112.5
Business Privilege Tax	6.0	6.1	8.4	5.5	1.2	(0.1)	8.6	4.0	23.4	192.6	36.3	4.6	296.6			2.6	299.2
Other Taxes	1.1	6.1	9.4	5.3	3.6	3.4	5.8	4.3	5.5	4.0	4.2	2.0	54.5			(2.6)	51.9
Locally Generated Non-tax	23.9	19.3	13.0	19.2	15.7	11.5	19.4	17.1	17.1	17.8	18.3	20.5	212.9			(14.0)	198.9
Other Governments--CY	29.5	1.8	5.9	85.3	0.3	3.5	49.2	62.8	4.3	121.9	4.3	44.1	412.9	125.4		21.3	559.6
Other Governments--PY			8.3	37.4	8.8	20.6	37.6	37.5	21.9	0.3	0.3	1.1	173.8	1.1		(80.7)	94.2
Other Governments	29.5	1.8	14.2	122.7	9.1	24.1	86.8	100.3	26.2	122.2	4.6	45.2	586.7	126.5		(59.4)	653.8
PICA Debt Service	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(4.1)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(3.6)	(72.7)			(0.5)	(73.2)
PICA City Account	17.4	23.8	19.0	25.9	20.3	22.4	19.5	28.4	26.4	20.6	27.5	27.2	278.5	7.1		2.5	288.1
Other Governments-PICA	10.9	17.3	12.5	19.4	13.8	18.3	13.0	21.9	19.9	14.1	21.0	23.6	205.8	7.1		2.0	214.9
Interfund Transfers		0.5	0.6	0.6	0.5	0.1	0.6	0.4	0.5	0.6	0.4	19.2	24.0			0.6	24.6
Total Current Revenue	180.4	161.0	156.9	287.0	144.6	160.2	266.4	484.6	247.7	473.4	198.3	220.8	2,981.3	133.6		(91.3)	3,023.7
Collection of 6-30-02/Govt.	50.3	45.1											95.4				
Other Fund Balance Adj.												1.0	1.0				
Non-revenue receipts						1.5				(1.5)			0.0				
Non-budget items	6.7											(4.0)	2.7				
TOTAL CASH RECEIPTS	237.4	206.1	156.9	287.0	144.6	161.7	266.4	484.6	247.7	471.9	198.3	217.8	3,080.4				

	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	76.9	97.2	93.9	130.6	97.9	100.7	103.0	92.7	90.5	127.8	90.6	87.8	1,189.6	54.4	2.8	(49.6)	1,197.2
Employee Benefits	22.2	28.0	30.4	26.8	32.2	21.8	32.9	27.5	27.7	27.9	28.4	27.7	333.5	0.8	2.2	(19.2)	317.3
Pension	158.9	(1.0)	(1.2)	21.0	(1.0)	2.5	4.4	(1.0)	26.2	(1.0)	(1.1)	(2.9)	203.8	7.1		(0.1)	210.8
Purchase of Services	3.2	68.1	62.0	121.4	65.3	63.6	103.9	65.6	73.5	88.8	82.7	59.9	858.0	31.1	141.4	(16.8)	1,013.7
Materials, Equipment	1.3	5.5	7.3	4.1	3.6	3.6	3.6	4.3	4.6	2.6	5.7	3.8	50.0	2.6	24.6	2.3	79.6
Contributions, Indemnities	8.8	3.1	9.1	2.6	1.1	1.7	2.9	4.6	20.8	3.6	24.3	8.4	91.0	3.0	0.0	1.5	95.5
Debt Service-Short Term	0.7											10.8	11.5			0.5	12.0
Debt Service-Long Term		18.0			15.9	0.1			20.3		38.7	2.8	95.8			3.7	99.5
Interfund Charges	0.6											26.5	27.1			0.4	27.5
Advances, Subsidies		32.4											32.4			0.0	32.4
Current Year Appropriation	272.6	251.3	201.5	306.5	215.0	194.0	250.8	193.7	263.6	249.7	269.3	224.7	2,892.7	99.0	171.1	(77.3)	3,085.5
Prior Year Encumbrances	43.2	29.1	18.1	10.0	11.7	6.6	7.7	5.1	4.8	5.3	3.5	3.3	148.4	0.2	12.4	21.0	182.1
														99.3	183.5		
Prior Year Vouchers Payable	68.0	8.1	4.0	2.4	1.1								83.6				
TOTAL DISBURSEMENTS	383.8	288.5	223.6	318.9	227.8	200.6	258.5	198.8	268.5	255.0	272.8	228.0	3,124.7				
Excess (Def) of Receipts over Disbursements	(146.4)	(82.4)	(66.7)	(31.9)	(83.2)	(38.9)	8.0	285.8	(20.7)	216.9	(74.5)	(10.2)	(44.3)				
Opening Balance	191.7	345.3	262.9	196.2	164.3	81.1	42.2	50.2	336.0	315.2	532.2	157.7	191.7				
TRANS	300.0										(300.0)		0.0				
CLOSING BALANCE	345.3	262.9	196.2	164.3	81.1	42.2	50.2	336.0	315.2	532.2	157.7	147.4	147.4				

OFFICE OF THE DIRECTOR OF FINANCE
CASH FLOW PROJECTIONS
CONSOLIDATED CASH--ALL FUNDS--FY2003

FY 2003

(Amounts in $millions)

	I----------- Actual						I----------- Estimate					
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	345.3	262.9	196.2	164.3	81.1	42.2	50.2	336.0	315.2	532.2	157.7	147.4
Grants Revenue	105.6	19.5	9.7	36.7	32.2	13.2	15.0	15.0	15.0	15.0	15.0	5.0
Community Development	(14.4)	(7.6)	(5.0)	3.1	7.9	1.9	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	0.0
Vehicle Rental Tax	8.1	8.5	9.0	9.3	9.3	9.7	10.1	10.4	10.8	5.1	5.5	5.8
Other Funds	14.7	18.2	14.8	13.9	13.9	11.5	12.0	12.0	12.0	12.0	12.0	12.0
TOTAL OPERATING FUNDS	459.3	301.5	224.7	227.3	144.4	78.5	83.3	369.4	349.0	560.3	186.2	170.2
Capital Improvement	84.3	69.2	60.0	44.2	34.5	29.6	20.6	11.6	244.6	235.6	226.6	217.6
Industrial & Commercial Dev.	6.9	6.9	7.1	7.1	6.9	6.9	6.5	6.5	6.5	6.5	6.5	6.5
TOTAL CAPITAL FUNDS	91.2	76.1	67.1	51.3	41.4	36.5	27.1	18.1	251.1	242.1	233.1	224.1
TOTAL FUND EQUITY	550.5	377.6	291.8	278.6	185.8	115.0	110.4	387.5	600.1	802.4	419.3	394.3

CASH FLOW PROJECTIONS **OFFICE OF THE DIRECTOR OF FINANCE**

EQUITY IN CON CASH **GENERAL FUND FY2004**

FY 2004

(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	7.1	5.4	4.8	5.0	3.8	5.9	32.5	233.5	41.5	15.9	5.3	4.0	364.6			0.0	364.6
City, PICA Wage, E, NP	109.0	114.8	99.6	115.6	103.3	105.4	121.4	128.9	104.8	121.2	121.5	108.6	1,354.0			0.0	1,354.0
Tax to PICA	(23.2)	(24.6)	(21.5)	(25.2)	(22.1)	(20.2)	(29.4)	(27.3)	(21.4)	(30.5)	(28.2)	(21.9)	(295.6)			0.0	(295.6)
Wage, Earnings, NP Tax	85.9	90.2	78.1	90.5	81.2	85.2	92.0	101.6	83.4	90.7	93.3	86.7	1,058.5			0.0	1,058.6
Realty Transfer Tax	9.0	6.9	7.4	11.9	7.0	6.9	7.2	7.4	6.2	8.5	7.3	7.4	93.0			0.0	93.0
Sales Tax	8.8	9.4	10.2	8.5	10.5	6.8	10.9	11.1	9.1	9.0	9.8	9.5	113.6			0.0	113.6
Business Privilege Tax	6.0	6.1	8.4	5.5	4.2	2.9	8.6	4.0	23.3	186.4	36.3	4.6	296.3			0.0	296.3
Other Taxes	1.1	6.3	9.6	5.4	3.7	3.5	5.9	4.4	5.6	4.1	4.3	2.0	55.9			0.0	55.9
Locally Generated Non-tax	23.7	19.1	12.9	19.0	15.5	11.4	19.3	17.0	16.9	17.7	18.1	20.3	210.8			0.0	210.8
Other Governments--CY	27.0	1.6	5.4	78.0	0.3	3.2	45.0	57.4	3.9	111.4	3.9	40.3	377.5	114.6		0.0	492.1
Other Governments--PY	0.0	0.0	10.8	48.5	11.4	26.7	48.8	48.6	28.4	0.4	0.4	1.4	225.5	1.4		0.0	226.9
Other Governments	27.0	1.6	16.2	126.5	11.7	29.9	93.8	106.1	32.3	111.8	4.3	41.7	602.9	116.1		0.0	719.0
PICA Debt Service	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(4.1)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(3.6)	(73.2)			0.0	(73.2)
PICA City Account	14.1	23.2	24.6	21.5	25.2	22.1	20.2	29.4	27.3	21.4	30.5	21.9	281.5	7.2		0.0	288.6
Other Governments-PICA	7.5	16.6	18.1	15.0	18.6	18.0	13.6	22.9	20.8	14.8	24.0	18.3	208.3	7.2		0.0	215.4
Interfund Transfers	0.0	0.4	0.3	0.5	0.4	0.5	0.3	0.4	0.5	0.4	0.4	20.4	24.5			0.0	24.5
Total Current Revenue	176.0	162.0	165.9	287.8	156.6	170.9	284.1	508.3	239.8	459.3	202.9	214.8	3,028.4	123.2		0.0	3,151.8
Collection of 6-30-03/Govt.	71.1	63.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	134.8	0.0			
Other Fund Balance Adj.												1.0	1.0				
Non-revenue receipts						1.5				(1.5)			0.0				
Non-budget items	4.0											(4.0)	0.0				
TOTAL CASH RECEIPTS	251.1	225.7	165.9	287.8	156.6	172.4	284.1	508.3	239.8	457.8	202.9	211.8	3,164.2				

	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	79.2	100.1	96.7	134.5	100.8	103.7	106.1	95.5	93.2	131.6	93.3	90.4	1,225.2	56.0	2.9	0.0	1,284.1
Employee Benefits	23.7	29.8	32.4	28.6	34.3	23.2	35.1	29.3	29.5	29.7	30.3	29.5	355.3	0.9	2.3	0.0	358.5
Pension	161.9	(1.0)	(1.2)	21.4	(1.0)	2.5	4.5	(1.0)	26.7	(1.0)	(1.1)	(3.0)	207.7	7.2		0.0	214.9
Purchase of Services	3.3	71.2	64.8	126.9	68.3	66.5	108.7	68.6	76.8	92.8	86.4	62.6	897.0	32.5	147.8	0.0	1,077.3
Materials, Equipment	1.3	5.4	7.2	4.0	3.5	3.5	3.6	4.2	4.5	2.5	5.6	3.8	49.2	2.6	24.3	0.0	76.1
Contributions, Indemnities	9.0	3.2	9.3	2.7	1.1	1.7	3.0	4.7	21.4	3.7	24.9	8.6	93.2	3.1	0.0	0.0	96.3
Debt Service-Short Term	1.0											12.0	13.0			0.0	13.0
Debt Service-Long Term	0.0	18.8	0.0	0.0	16.6	0.1	0.0	0.0	21.2	0.0	40.4	2.9	100.1			0.0	100.1
Interfund Charges	0.6											27.5	28.1			0.0	28.1
Advances, Subsidies		32.0						0.0					32.0				32.0
Current Year Appropriation	280.0	259.5	209.2	318.1	223.6	201.4	260.8	201.3	273.3	259.4	279.8	234.3	3,000.8	102.3	177.3	0.0	3,280.4
Prior Year Encumbrances	43.5	29.3	18.2	10.1	11.8	6.6	7.7	5.2	4.9	3.8	4.2	4.5	149.8	0.2	12.5	21.0	183.5
														102.5	189.8		
Prior Year Vouchers Payable	80.7	9.6	4.7	2.8	1.3								99.2				
TOTAL DISBURSEMENTS	404.3	298.5	232.2	331.0	236.7	208.0	268.6	206.4	278.2	263.2	284.0	238.8	3,249.8				
Excess (Def) of Receipts																	
over Disbursements	(153.2)	(72.8)	(66.3)	(43.2)	(80.1)	(35.6)	15.5	301.9	(38.4)	194.6	(81.1)	(26.9)	(85.6)				
Opening Balance	147.4	334.3	261.5	195.2	152.1	71.9	36.3	51.8	353.7	315.3	509.8	428.8	147.4				
TRANS	340.0											(340.0)	0.0				
CLOSING BALANCE	334.3	261.5	195.2	152.1	71.9	36.3	51.8	353.7	315.3	509.8	428.8	61.8	61.8				

OFFICE OF THE DIRECTOR OF FINANCE
CASH FLOW PROJECTIONS
CONSOLIDATED CASH--ALL FUNDS--FY2004

FY 2004

(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	334.3	261.5	195.2	152.1	71.9	36.3	51.8	353.7	315.3	509.8	428.8	61.8
Grants Revenue	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	5.0
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	6.2	6.5	6.9	7.2	7.6	7.9	8.3	8.6	2.0	2.3	2.7	3.0
Other Funds	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
TOTAL OPERATING FUNDS	358.4	286.0	220.1	177.3	97.5	62.2	78.1	380.3	335.2	530.1	449.4	81.8
Capital Improvement	208.6	199.6	190.6	181.6	172.6	163.6	154.6	145.6	136.6	127.6	118.6	109.6
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	215.1	206.1	197.1	188.1	179.1	170.1	161.1	152.1	143.1	134.1	125.1	116.1
TOTAL FUND EQUITY	573.5	492.1	417.2	365.4	276.6	232.3	239.2	532.4	478.3	664.2	574.5	197.9

City of Philadelphia

Five-Year Financial Plan

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Appendix V

Base Obligation Methodology

City of Philadelphia
Principal General Fund Obligation Growth Assumptions
FY 2004-2008 Five Year Financial Plan

		FY 04	FY 05	FY 06	FY 07	FY 08
Class 100	**Personal Services**					
	Civilian Wages	3.0% (a)	0.0%	0.0%	0.0%	0.0%
	Uniform Wages	3.5% (b)	0.0%	0.0%	0.0%	0.0%
	Employee Benefits					
	Unemployment Comp.	-11.1%	0.0%	0.0%	0.0%	0.0%
	Employee Disability	2.2%	6.8%	0.0%	1.3%	0.0%
	Pension	0.5%	25.5%	17.6%	15.9%	7.6%
	Pension Obligation Bond.	5.9%	15.5%	6.3%	5.9%	5.5%
	FICA	4.2%	3.1%	3.0%	2.7%	2.8%
	Health/Medical	9.6%	9.0%	9.0%	9.0%	9.0%
	Group Life	1.4%	1.4%	1.4%	1.4%	1.4%
	Group Legal	0.0%	2.3%	0.0%	2.3%	0.0%
	Tool Allowance	0.0%	0.0%	0.0%	0.0%	0.0%
	Flex Cash Payments	0.0%	0.0%	0.0%	0.0%	0.0%
Class 200	**Purchase of Services**	-2.5%	-2.5%	-2.5%	0.0%	0.0%
Class 3/400	**Materials, Supplies & Equipment**	-2.5%	-2.5%	-2.5%	0.0%	0.0%
Class 500	**Contributions, Indemnities & Taxes**	0.0%	0.0%	0.0%	0.0%	0.0%
Class 700	**Debt Service**	**See Schedule of Long Term Obligations (Appendix II)**				
Class 800	**Payments to Other Funds**	0.0%	0.0%	0.0%	0.0%	0.0%
Class 900	**Advances & Misc. Payments**	5.2%	-1.2%	-1.1%	-1.1%	-1.0%

(a) Three percent effective 7/01/03. Year 4 of a four year contract.
(b) Three and one half percent effective 7/01/03. Year 2 of a two year contract for Police.

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

City of Philadelphia

Five-Year Financial Plan

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Appendix VI

Capital Budget

		2004 $ x 000
ART MUSEUM		
Museum Facilities		
1.	PHILADELPHIA MUSEUM OF ART - PERELMAN BUILDING RENOVATIONS	1,232 1,232 CN
2.	PHILADELPHIA MUSEUM OF ART - BUILDING REHABILITATION	1,000 1,000 CN
TOTALS - ART MUSEUM		2,232 2,232 CN

		2004 $ x 000
CAPITAL PROGRAM OFFICE		
Capital Program Office		
3.	CAPITAL PROGRAM ADMINISTRATION DESIGN AND ENGINEERING	6,907 6,907 CN
4.	IMPROVEMENTS TO FACILITIES	1,650 650 CR 1,000 CA
5.	CITYWIDE ENVIRONMENTAL REMEDIATION	600 600 CN
6.	RECREATION FACILITIES ASSESSMENT STUDY	377 377 CA
7.	CITYWIDE ACCESSIBILITY MODIFICATIONS	100 100 CN
TOTALS - CAPITAL PROGRAM OFFICE		9,634 7,607 CN 650 CR 1,377 CA

COMMERCE DEPARTMENT

Philadelphia international Airport

		2004 $ x 000
8.	AIRPORT SECURITY PROGRAM	100,000 100,000 XN
9.	AIRFIELD CAPACITY ENHANCEMENT PROGRAM	20,000 5,000 XN 15,000 FB
10.	RECONSTRUCTION OF TERMINAL D-E APRON	14,000 3,500 XN 10,500 FB
11.	AIRPORT EXPANSION PROGRAM	12,000 12,000 XN
12.	TAXIWAY J AND CARGO CITY RAMP RECONSTRUCTION	7,000 1,750 XN 5,250 FB
13.	IMPROVEMENTS TO EXISTING FACILITIES	6,000 6,000 XN
14.	TERMINAL A RENOVATIONS	5,000 5,000 XN
15.	NOISE COMPATIBILITY PROGRAM	3,200 800 XN 2,400 FB
16.	RUNWAY 17-35 EXTENSION	3,000 1,500 XN 1,500 FB
17.	GROUND TRANSPORTATION FACILITY IMPROVEMENTS	2,500 2,500 XN
18.	FACILITY MANAGEMENT SYSTEM	2,000 500 XN 1,500 FB
19.	DOA MAINTENANCE CENTER	1,500 1,500 XN
20.	RUNWAY 9R/27L RESURFACING	1,000 250 XN 750 FB
TOTALS - PHILADELPHIA INTERNATIONAL AIRPORT		177,200 140,300 XN 36,900 FB

COMMERCE DEPARTMENT

Northeast Philadelphia Airport

		2004 $ x 000
24.	TAXIWAY EXPANSION PROGRAM	2,000 100 XN 1,800 FB 100 SB
25.	IMPROVEMENTS TO EXISTING FACILITIES	400 400 XN
26.	SIDEWALK IMPROVEMENTS	250 250 XN
TOTALS - NORTHEAST PHILADELPHIA AIRPORT		2,650 750 XN 1,800 FB 100 SB

COMMERCE DEPARTMENT

Waterfront Development

		2004 $ x 000
28.	PENN'S LANDING IMPROVEMENTS	1,050 1,050 CN
29.	SCHUYLKILL RIVER TRAIL IMPROVEMENTS	1,000 500 CN 500 SB
TOTALS - WATERFRONT DEVELOPMENT		2,050 1,550 CN 500 SB

Commerce Department

Economic Development

		2004 $ x 000
30.	PIDC Land Bank - Acquisition and Improvements	5,000 5,000 Z
31.	PIDC Land Bank - Improvements and Administration	5,000 5,000 Z
32.	Convention Center Expansion	2,000 2,000 CA
33.	Enterprise/Empowerment Zone Improvements	250 250 CN
34.	Neighborhood Industrial Districts - Improvements and Administration	150 150 CN
35.	Avenue of the Arts	40 40 CN
TOTAL - ECONOMIC DEVELOPMENT		12,440 440 CN 2,000 CA 10,000 Z

	2004 $ x 000
COMMERCE DEPARTMENT	
Commercial Development	
37. NEIGHBORHOOD COMMERCIAL CENTERS - SITE IMPROVEMENTS	1,000 1,000 CN
TOTAL - COMMERCIAL DEVELOPMENT	1,000 1,000 CN
TOTAL - COMMERCE DEPARTMENT	195,340 2,990 CN 2,000 CA 141,050 XN 10,000 Z 38,700 FB 600 SB

		2004 $ x 000
OFFICE OF EMERGENCY SHELTERS AND SERVICES		
Family Care Facilities		
38.	OESS RENOVATIONS	500 500 CN
TOTALS - OFFICE OF EMERGENCY SHELTER & SERVICES		500 500 CN

FAIRMOUNT PARK COMMISSION

Park Facilities

		2004 $ x 000
39.	FACILITY IMPROVEMENTS	1,250 900 CN 350 SB
40.	HISTORIC BUILDING IMPROVEMENTS	785 785 CN
41.	ROADWAYS, FOOTWAYS, AND PARKING	655 655 CN
42.	BUILDING IMPROVEMENTS	500 500 CN
43.	PARKLAND - SITE IMPROVEMENTS	425 425 CN
44.	PARK AND STREET TREES	300 300 CN
45.	ATHLETIC AND PLAY AREA IMPROVEMENTS	175 175 CN
TOTALS - FAIRMOUNT PARK COMMISSION		4,090 3,740 CN 350 SB

		2004 $ x 000
FIRE DEPARTMENT		
Fire Facilities		
46.	FIRE DEPARTMENT INTERIOR AND EXTERIOR RENOVATIONS	3,450 1,450 CN 2,000 FB
47.	FIRE DEPARTMENT COMPUTER SYSTEM IMPROVEMENTS	375 375 CR
TOTALS - FIRE DEPARTMENT		3,825 1,450 CN 375 CR 2,000 FB

		2004 $ x 000
OFFICE OF FLEET MANAGEMENT		
Fleet Management Facilities		
48.	FUEL TANK REPLACEMENT	600 200 CN 400 SB
49.	FLEET MANAGEMENT FACILITIES	40 40 CN
TOTALS - OFFICE OF FLEET MANAGEMENT		640 240 CN 400 SB

		2004 $ x 000
FREE LIBRARY OF PHILADELPHIA		
Library Facilities		
50.	BRANCH REPLACEMENT AND RECONSTRUCTION	1,380 1,380 CN
51.	BRANCH LIBRARY IMPROVEMENTS	550 550 CN
52.	BRANCH LIBRARIES - MAJOR RENOVATIONS	300 300 CN
53.	CENTRAL LIBRARY RENOVATIONS	200 200 CN
TOTALS - FREE LIBRARY OF PHILADELPHIA		2,430 2,430 CN

HEALTH DEPARTMENT

Health Care Facilities

		2004 $ x 000
54.	EQUIPMENT AND RENOVATIONS - PHILADELPHIA NURSING HOME	1,900 1,900 CR
55.	HEALTH DEPARTMENT EQUIPMENT AND REPAIRS	1,000 1,000 CR
56.	HEALTH FACILITY RENOVATIONS	790 790 CN
57.	MEDICAL EXAMINER'S OFFICE	350 350 CN
58.	HEALTH ADMINISTRATION BUILDING	200 200 CN
TOTALS - HEALTH DEPARTMENT		4,240 1,340 CN 2,900 CR

		2004 $ x 000
DEPARTMENT OF HUMAN SERVICES		
Aging Services		
59.	RIVERVIEW HOME RENOVATIONS	650 650 CN
TOTALS - AGING SERVICES		650 650 CN

		2004 $ x 000
DEPARTMENT OF HUMAN SERVICES		
Youth Study Center		
60.	NEW YOUTH STUDY CENTER	18,000 18,000 TB
TOTALS - YOUTH STUDY CENTER		18,000 18,000 TB
TOTALS - DEPARTMENT OF HUMAN SERVICES		18,650 650 CN 18,000 TB

MANAGING DIRECTOR'S OFFICE

Citywide Facilities

		2004 $ x 000
61.	CITYWIDE FACILITIES	4,040 4,040 CN
62.	INTEGRATED DATA INFORMATION SYSTEM	1,500 1,500 CN
63.	GREEN LIGHTS LIGHTING UPGRADES	250 250 CN
64.	ENERGY STAR BUILDING UPGRADES	250 250 CN
TOTALS - MANAGING DIRECTOR'S OFFICE		6,040 6,040 CN

MAYOR'S OFFICE OF INFORMATION SERVICES

Mayor's Office of Information Services

		2004 $ x 000
65.	DIGITAL ORTHOPHOTOGRAPHY, PLANIMETRIC, AND TOPOGRAPHIC DATA	800 800 CN
66.	INTEGRATED LIBRARY SYSTEMS	644 644 CN
TOTALS - MAYOR'S OFFICE OF INFORMATION SERVICES		1,444 1,444 CN

		2004 $ x 000
POLICE DEPARTMENT		
Police Facilities		
67.	COMPUTER AND COMMUNICATION SYSTEM IMPROVEMENTS	2,200 2,200 CR
68.	POLICE DEPARTMENT INTERIOR AND EXTERIOR IMPROVEMENTS	1,100 1,100 CN
TOTALS - POLICE DEPARTMENT		3,300 1,100 CN 2,200 CR

		2004 $ x 000
PHILADELPHIA PRISONS		
Prison Facilities		
69.	PRISON SYSTEM - RENOVATIONS	2,450 2,450 CN
TOTALS - PHILADELPHIA PRISONS		2,450 2,450 CN

DEPARTMENT OF PUBLIC PROPERTY

Buildings and Facilities

		2004 $ x 000
70.	CITY HALL	5,000 5,000 CN
71.	FAMILY COURT	1,500 1,500 CN
72.	TRIPLEX FACILITY IMPROVEMENTS	525 231 CN 294 CA
73.	BUILDINGS AND FACILITIES IMPROVEMENTS	25 25 CN
TOTALS - BUILDINGS AND FACILITIES		7,050 6,756 CN 294 CA

		2004 $ x 000
DEPARTMENT OF PUBLIC PROPERTY		
Communications		
74.	COMMUNICATIONS IMPROVEMENTS	2,800 2,800 CN
TOTALS - COMMUNICATIONS		2,800 2,800 CN

		2004 $ x 000
DEPARTMENT OF PUBLIC PROPERTY		
Transit Facilities		
75.	SEPTA BRIDGE, TRACK, SIGNAL, AND INFRASTRUCTURE IMPROVEMENTS	127,343 4,209 CN 88,842 FO 33,615 SO 677 TO
76.	SEPTA STATION AND PARKING IMPROVEMENTS	24,300 789 CN 19,440 FO 4,050 SO 21 TO
77.	SEPTA VEHICLE/EQUIPMENT ACQUISTION AND IMPROVEMENT PROGRAM	16,150 388 CN 12,000 FO 3,612 SO 150 TO
78.	TRANSIT FACILITIES IMPROVEMENTS	4,276 93 CN 1,500 CA 2,220 FB 463 SB
TOTALS - TRANSIT FACILITIES		172,069 5,479 CN 1,500 CA 2,220 FB 120,282 FO 463 SB 41,277 SO 848 TO
TOTALS - DEPARTMENT OF PUBLIC PROPERTY		181,919 15,035 CN 1,794 CA 2,220 FB 120,282 FO 463 SB 41,277 SO 848 TO

		2004 $ x 000
RECREATION DEPARTMENT		
Sports and Cultural Facilities		
80.	CULTURAL FACILITY IMPROVEMENTS	1,650 550 CN 100 CA 1,000 PB
TOTALS - SPORTS AND CULTURAL FACILITIES		1,650 550 CN 100 CA 1,000 PB

		2004 $ x 000
RECREATION DEPARTMENT		
Play Facilities		
81.	IMPROVEMENTS TO EXISTING RECREATION FACILITIES	10,500 10,500 CN
82.	GRANT FUNDED RECREATION IMPROVEMENTS	2,000 1,000 CN 1,000 SB
83.	ICE RINK RENOVATIONS	500 500 CN
84.	IMPROVEMENTS TO EXISTING RECREATION FACILITIES - SWIMMING POOLS	500 500 CN
85.	IMPROVEMENTS TO EXISTING RECREATION FACILITIES - LIFE SAFETY SYSTEMS	400 400 CN
86.	IMPROVEMENTS TO EXISTING RECREATION FACILITIES - INFRASTRUCTURE	200 200 CN
TOTALS - PLAY FACILITIES		14,100 13,100 CN 1,000 SB
TOTALS - DEPARTMENT OF RECREATION		15,750 13,650 CN 100 CA 1,000 SB 1,000 PB

		2004 $ x 000
STREETS DEPARTMENT		
Streets and Highways		
87.	RECONSTRUCTION/RESURFACING OF STREETS	12,000 12,000 CN
88.	FEDERAL AID HIGHWAY PROGRAM	8,750 1,910 CN 6,440 FB 400 SB
89.	BRIDGE RECONSTRUCTION AND IMPROVEMENTS	4,350 385 CN 3,346 FB 619 SB
90.	CENTER CITY TRAFFIC SIGNALS - PHASE 2	3,200 3,200 FB
91.	TRAFFIC CONTROL	1,100 1,100 CN
92.	CONVERTING TO LED SIGNAL INDICATIONS	750 225 CR 525 FB
93.	STREETS DEPARTMENT SUPPORT FACILITIES	400 400 CN
94.	REPLACING LED SIGNAL INDICATIONS	375 375 CR
95.	SCHOOL/PEDESTRIAN CROSSING SIGNS AND SIGNALS	300 300 CN
TOTALS - CITY STREETS AND HIGHWAYS		31,225 16,095 CN 600 CR 13,511 FB 1,019 SB

		2004 $ x 000
STREETS DEPARTMENT		
Sanitation Facilities		
99.	MODERNIZATION OF SANITATION FACILITIES	395 395 CN
TOTALS - SANITATION FACILITIES		395 395 CN
TOTALS DEPARTMENT OF STREETS		31,620 16,490 CN 600 CR 13,511 FB 1,019 SB

		2004 $ x 000
WATER DEPARTMENT		
Water and Sewer Facilities		
100.	IMPROVEMENTS TO TREATMENT FACILITIES	50,000 39,995 XN 10,005 XR
101.	COLLECTOR SYSTEM	24,010 23,500 XN 500 XR 10 PB
102.	CONVEYANCE SYSTEM	21,630 21,120 XN 500 XR 10 PB
103.	ENGINEERING AND ADMINISTRATION	18,987 17,514 XN 1,473 XR
104.	STORM FLOOD RELIEF/COMBINED SEWER OVERFLOW	4,000 4,000 XN
105.	VEHICLES	4,000 4,000 XR
106.	LARGE METER REPLACEMENT	300 300 XN
TOTALS WATER DEPARTMENT		122,927 106,429 XN 16,478 XR 20 PB

		2004 $ x 000
ZOOLOGICAL GARDEN		
Zoo Facilities		
107.	PHILADELPHIA ZOO FACILITY AND INFRASTRUCTURE IMPROVEMENTS	11,555 1,560 CN 9,995 PB
TOTALS - ZOOLOGICAL GARDEN		11,555 1,560 CN 9,995 PB