

MAYOR'S BUDGET ADDRESS
MARCH 14, 2013

Good morning Council President Darrell Clarke, Council leadership, members of the City Council and my fellow Philadelphians.

In the last five years, together, we have weathered crises, managed through hard times and set a foundation for a stronger, more diverse and prosperous City. And a growing Philadelphia, 9,000 new citizens, according to the latest Census Bureau report.

Today, I want to talk about our future, not our past.

But through it all, we have depended on the resilience of our great citizens and on the dedication and hard-work of our public employees: like John Elfrey, Deputy Managing Director for the Office of Transportation and Public Utilities.

John Elfrey is the 2013 recipient of the Richardson Dilworth Award for Distinguished Public Service. A true professional, John has spent almost three decades serving the City of Philadelphia. Please recognize John, who represents the many City employees committed to good government and excellent service.

Before I go any further, I know many of you here today are City employees with serious concerns. I have nothing but the deepest respect for the thousands of public employees who work on behalf of 1.5 million Philadelphians.

You want a fair contract and so do I. But a fair contract must balance the interests of both hard working taxpayers and dedicated City employees.

Investing in public employees requires reasonable pay increases and health care benefits, but we must also have work rule changes including overtime

reform and the authority to better manage our workforce with an alternative to just layoffs – not working for one day and coming back is better than not working at all.

We must also address the budget reality of a City Pension Fund that is only half funded and is taking more and more public resources that could be spent on citizen services or tax relief.

The pension changes we have proposed in contract negotiations will help preserve the health of the fund for the sake of current and future employees upon their retirement. Let me note here that we will soon announce a broker who will guide us through the process of the potential PGW sales and be paid only if a sale is completed. If that happens, the money we receive will largely go to shore up our employees' pension fund.

Today, I can tell you that even though we still have serious challenges, the City's fiscal health is improving. We are projecting roughly a 3-percent increase in overall tax receipts.

The proposed FY14 General Fund budget has \$99 million in added expenditures, the overwhelming majority of which goes toward employee costs, including \$69 million in new spending related to employee pensions and salary increases for Police officers.

Separately and unrelated to these new expenditures, I am planning to set aside \$26 million of fund balance in the FY14 budget for future labor obligations to District Councils 33 and 47, Local 22 of the Firefighters Union and Deputy Sheriffs. Over the Five Year Plan, this set aside is an \$84 million commitment.

I respect the collective bargaining process, and my goal is to have multi-year contracts with all of you, including pay raises and needed reforms that respect your work and that the taxpayers can afford.

This morning, my proposed FY14 budget makes smart investments in services to our citizens, provides support for city employees and improves our vital infrastructure. This budget is a turning point to a brighter future for Philadelphia.

At the heart of this budget is a reform that Philadelphia property owners have been denied for decades. This City has operated under a broken property assessment system that no one could understand and, for too long, it has hurt countless taxpayers.

But together, we fixed that.

Philadelphia now has the property tax system we deserve – a system that is fair, accurate, transparent, understandable and equitable. The Actual Value Initiative, AVI, brings assessment credibility to a growing City.

The City's new Office of Property Assessment has completed a comprehensive reassessment of all real property in Philadelphia. During this process, OPA determined the market value for all taxable properties in the City, using the best practices of the assessment industry.

The result is that the total taxable property in Philadelphia has increased in value from \$36 billion to more than \$98 billion.

As I've said many times before, I am proposing to collect no more current property tax revenue next year than the city has budgeted for this year – in total we'll collect almost \$1.2 billion, with 54 percent going to the Philadelphia School District and the rest to the City.

To do that, we must dramatically reduce the property tax rate from the current 9.771 percent to a level that will bring in about \$1.2 billion in revenue.

And so today, I am recommending to City Council a tax rate of 1.3204 percent.

As Philadelphians apply this proposed tax rate to their new assessment notices, some will see their taxes decrease, some will see them increase modestly and others may see substantial increases.

To moderate the impact, therefore, I am calling for a series of relief measures targeted at both homeowners and those facing potentially significant increases.

Specifically, I believe we need a Homestead Exemption that benefits all homeowners AND we are proposing up to \$30 million in relief funds aimed at severely impacted property owners. This relief funding is in addition to other City and State relief programs already available to low-income and older Philadelphians. In our proposed budget, we have called for a Homestead Exemption set at \$15,000.

My goal is to maintain the lowest possible tax rate for every Philadelphian while still making provisions for targeted relief to those who will need it, such as long-term, low-income homeowners living in gentrifying neighborhoods and small business property owners in our neighborhoods.

Setting a low tax rate for all and designing relief measures for the most in need is a delicate balancing act. I look forward to working with City Council in the budget process to find that right balance.

And I fully realize that during the course of the budget process many ideas and proposed rates will be discussed and that the rate proposed today may change, but we have to start somewhere.

I also want you to know that I am not satisfied at all with our current efforts to collect taxes and fees owed to the City. It's not fair to taxpayers who pay and pay while others don't or won't.

Last month, we launched a new, multi-faceted Delinquent Tax Collection Strategy.

Technology upgrades will help the Revenue Department to target tax delinquents based on a variety of factors and to determine what methods are most effective to get payment. We will also need support in City Council and the Pennsylvania General Assembly as we pursue new legal authority to collect what is owed and deter future non-payment.

To significantly increase revenue collection, we are establishing a Chief Revenue Collections Officer who will oversee all City collection efforts and craft more efficient methods for collecting revenue. This recommendation came from the FTI Consulting report released last month.

Obviously, when we do a better job collecting taxes, the Philadelphia School District, which is squarely confronting massive fiscal challenges, will have more resources to educate our children.

Last week, Superintendent Hite and the School Reform Commission made the hard decision to close 23 schools. After a substantial budget shortfall in 2012, the District is taking vital steps toward financial stability with school closures and other cuts.

But the District alone can't solve this problem. As you all know our Administration and City Council have increased funding for schools two years in a row. Now, we need additional support from the State.

I will be lobbying in Harrisburg for critical education reforms – an increase in the basic education subsidy, a funding stream similar to the charter reimbursement and the adoption of a weighted student funding formula. We are not asking for any special treatment from the state. We are asking that Pennsylvania live up to its Constitutional responsibility to provide our children with “a thorough and efficient education.”

Let me return to the school closures issues: it was the tough but proper decision. Now, District students and their parents need our help through the transition

process. We need to ensure that young people have safe routes to and from their schools.

And I assure you that City government will work with the School District to expand Safe Corridors. At the receiving schools, the City and School District will coordinate efforts to create a positive, blended culture to build a safe, welcoming environment in every school for every student. Students and teachers must be safe in their schools.

As you know, a vibrant City demands a range of investments in our neighborhoods. Our proposed budget does just that.

- Over the next two years, we will invest \$5 million to modernize our Free Library branches. We expect to be able to match this investment with support from philanthropic partners.
- We will invest an additional \$1 million to expand branch library hours to benefit young people, job seekers and seniors. This would include fully funding the LEAP after-school program.
- We are also investing \$624,000 in our KeySPOT public computer centers to continue offering internet access and education classes and computer tutorials to Philadelphians.
- And to ensure that the Community College of Philadelphia is a viable higher education option for our young people, adult learners and returning students alike, we will invest an additional \$1 million in CCP in the coming year to help off-set rising tuition costs.

We are also improving the way we maintain and renovate City buildings.

We will hire a total of 30 new employees to the Department of Public Property over this year and next to revitalize police and fire stations and other City building maintenance.

And with a full year of funding, we will deploy 40 employees to the Department of Parks and Recreation facility maintenance team to maintain pools, parks, playgrounds and recreational buildings and to undertake small capital projects.

A more efficient and less costly government must invest in new technology and systems to develop 21st century best practices.

The Department of Revenue, for example, uses 20 year-old computer and software systems, placing revenue collection efforts at a clear disadvantage. We will modernize our systems as we go after tax deadbeats.

I will be looking more closely at implementing many of the common sense, cost-saving recommendations from the FTI report. We hope to capture more than \$63 million in savings and increased collections during the Five Year Plan.

In addition to the AVI reform, we are calling for more tax reduction in the next fiscal year in support of job and business growth. Beginning July 1st, we will restart the Wage Tax reductions that had to be suspended during the recession. I am sending legislation to City Council that will set annual Wage Tax reductions through Fiscal Year 18.

Paired with the business tax reforms passed by City Council, including abolishing fees for the commercial activity license starting this July, it's clear that we are encouraging businesses to make the smart choice, to start here, stay here and grow here.

To be a great city we must be an increasingly safe city, and we will be making investments in public safety to advance this critical goal.

We will spend \$2.1 million in FY14 to make improvements to fire houses across the City. And we're allocating \$4.7 million for new self-contained breathing apparatus, air bottles and 35 new Jaws of Life.

In January, the Philadelphia Fire Academy graduated a class of 148 Fire Cadets and 21 Fire Service Paramedics. In June, 160 cadets in two more classes will start their training and finish in November.

Finally, violent crime has declined during the first half of the current fiscal year, showing that our community policing model and increased police presence in high crime areas is working. But clearly, we have much more to do.

During FY14, the Philadelphia Police Department will hire more police officers to maintain a sworn strength of 6,525. With these new boots on the ground and under the impressive leadership of Commissioner Charles Ramsey, we will make Philadelphia a safer city, working in partnership with neighborhood community groups and using our stronger safety surveillance system.

And, as I announced last year, we will continue our plans for the renovation of 4601 Market Street into a state-of-the-art police headquarters. Co-located at the new Police Headquarters will be the City Morgue and the offices of the Health Center at 500 S. Broad.

Co-location will enable us to sell three valuable properties while strengthening the neighborhood of West Philly and creating new jobs.

My vision for Philadelphia has remained the same: we need to reduce poverty and crime; we need more middle class jobs and better educated workers to fill them; we need to invest in people and our neighborhoods; we need to be innovative. We must do these things to secure our future.

Today, we are spending tax dollars on the health and wellness of our citizens, on libraries and recreation centers, on playgrounds and parks, on public safety,

on creating an environment that fosters economic development instead of stifling it. We are moving forward, working in partnership.

This progress has been slow and occasionally painful but today with this budget, I believe we have turned the page on the last few years. We will continue to make progress on our goals for today and the future.

Thank You.