

Testimony of Catherine Scott  
City Council 2012 Budget Hearing  
Wednesday, April 27, 2011

Good Afternoon President Verna and members of City Council. My name is Catherine Scott, and I am President of AFSCME District Council 47. Thank you for the opportunity to provide testimony concerning the proposed Fiscal Year 2012 budget and the 5 year plan. While I recognize that City Council does not vote on the 5 year plan, the Fiscal Year 2012 budget has been tied to the 5 year plan by Mayor Nutter and thus my testimony addresses both.

As I have stated in prior budget testimony, the budget is a document which lays out the priorities of the Administration and City Council. And while it is important to have a vision for the City, the allocation of money to fund Philadelphia's budget tells the story of what is really valued and what is not valued.

In prior years testimony I have suggested many ways to raise revenue. The Administration could more aggressively pursue Payments In Lieu of Taxes (PILOTs) from large non-profits who pay no real estate taxes on property they own, while at the same time partnering with State legislators from Western Pennsylvania who have introduced legislation to allow counties to make PILOTs mandatory.

However in the immediate future for this budget the Mayor could follow the example of the City of Boston which recently sent the major non-profits in Boston a tax assessment equal to 25% of what their property tax would be if their property were not tax exempt. The payment would still be voluntary but the innovative idea is to actually send a tax assessment bill to the non-profits. Boston Mayor Menina anticipates gradual annual increases to more than triple that revenue over a five year ramp up period. It is a mystery why Mayor Nutter continues to avoid addressing this potential increase in revenue.

In another area of the budget the administration is seeking to move the Department of Human Services from the General Fund to the Grants Revenue Fund to in its own words “add more transparency to the City’s finances...” I want to emphasize that the employees of DHS are permanent employees and not limited term grant employees and any such move in revenue allocation should not be seen as an opportunity for a back door move to change the employment status of any present or future employees of DHS.

However, this change has made it more difficult to track changes in the proposed budget. For instance, the category of Purchased Services (defined as contracts and leases) is approximately \$763 million or 22% of the FY 2012 general fund budget. This budget shows this category dropping approximately \$387 million or 34% from FY 2011. This appears to be a dramatic reduction in contracted services but it can be largely attributed to the move of DHS obligations to the Grant Revenue Fund. In fact, the summary of the Operating Budget indicates that Purchased Services is proposed to increase by 4.6% to nearly \$3.3 billion in FY 2012. Meanwhile, total employee compensation in the operating budget is scheduled to increase by 5.6% to approximately \$2.94 billion. So Purchased Services is actually a bigger portion of total operating budget expenditures than total personnel costs.

One must ask why is the Administration focusing on so called “transparency” in the DHS budget when it is increasing its reliance on contracted services where virtually no transparency exists. The ability to get detailed information about salaries and benefits paid to contractors, as well as administrative fees which are an additional cost, are almost impossible to obtain even with Right to Know requests. The failure to do a cost benefit analysis to see if work can be done as cheaply and efficiently by City employees is disgracefully missing. Even with persistent questioning by members of City Council, it can not be determined whether contract workers live in the City, pay real estate tax to the City, pay resident City wage tax, or pay City sales taxes, all issues which the administration emphasizes as important in its annual revenue projections. Our Union’s City employees pay these and other City taxes. Many of our members must complete financial disclosure forms. Contract staff doing the same work do not complete these forms. All of our members in locals working for the City are governed by political activity restrictions. Contracted staff are not bound by these rules. It is clear that contracting out makes no sense from a financial nor transparency perspective. This proposed budget takes the City further in the wrong direction when it plans to spend \$400 million more this year on contracted services than on its own employees. So I would like to issue a challenge to the Administration and City Council. Move a portion of the total requested allocation from Class 200 (purchase of service) to Class 100 (City employees). Our Union is confident that there are qualified City residents who can provide many of the services which are currently being purchased starting with the Philadelphia Department of Public Health.

But I have left the most egregious and insulting part of this Administration's proposed budget for my final comments. Page 5 of the Five Year financial plan lists two line items. The first is Reserve for Wage/Health benefit increases which shows zeros from Fiscal year 2010 through Fiscal Year 2016 and the second is Anticipated Workforce Savings where a \$25 million decrease is budgeted in Fiscal year 2011 and \$11,867,000 decrease per year is projected in Fiscal Year 2011 through Fiscal Year 2016. On page 27 of the Five Year Plan the Administration says and I quote "For AFSCME District Council 33 and District Council 47, the City seeks zero wage increases across the life of the contracts. The City is seeking similar Health and Welfare plan changes as awarded to the FOP, as well as hybrid pension plans for new members and increased contributions for existing members." Later the Administration states "As it is, however, the City has avoided costs over the past three years, since neither wages nor healthcare costs have risen for non-uniformed employees since 2008." "If the contracts with the City's non-uniformed employees exceed the amounts included in the 5 year plan, the Administration and Council will need to find other ways to balance the 5 year plan."

There is no doubt about the position of this Mayor. By asking you to approve this budget, he is asking you to approve a 5 year plan with no wage increase through Fiscal year 2016. That is an unprecedented and unacceptable 9 years of wage freezes from 2008 through 2016. To make this situation worse, Mayor Nutter is asking you to pass a budget calling for nearly \$12 million per year in lost wages for City employees. City Council needs to send a loud and clear message to the Mayor that you will not be a party to his irresponsible and contemptible behavior toward non-uniformed City employees. Our members have gone without raises for 3 years. They have

had significant payroll deduction increases in their health care costs. For the Mayor to tout these facts as a success of his is despicable. Many have been denied pay step increases which they were promised when they were hired. Many have been denied their longevity increases. Our members have lost millions in wages each year since 2009. And this Administration needs to get serious about finalizing the interest arbitration for Local 810 who are First Judicial District employees.

Further, our Union has worked with the City administration presenting revenue enhancing suggestions and saved the City hundreds of millions during these tough times. I am calling on City Council to refuse to pass a budget which allocates any workforce savings category or any statement of wage freezes or reductions.

This Mayor has failed miserably in one of his major responsibilities as the Chief Executive of the City. He has been incapable of bargaining fair and reasonable contracts with his employees. The measure of a man is determined by what he does, not by what he says. It is time for this administration to stop giving lip service to his respect for City employees and show his respect for City employees by negotiating a contract which recognizes that the economy is recovering, revenues are picking up and this City needs stability in its 5 year plan. City Council can send the Mayor a public message to get serious about negotiations and negotiate a fair contract. Show that you value City employees.

Thank you for the opportunity to present testimony today.

