



CITY OF PHILADELPHIA

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June 5, 2011

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Dear Chairman Archie and Members of the School Reform Commission:

Today, we find ourselves at a moment of extraordinary fiscal challenge. Our local and national economies are struggling to regain their strength, and all levels of government are witnessing severe budgetary problems.

At the heart of our form of government is a sacred trust between citizens and the officials in whom they place authority to invest our common wealth toward building a better future.

There is no more important area of investment than the education of our children as they prepare to assume roles of leadership and innovation in our city. We have a profound responsibility to provide them everything that we possibly can so that they can succeed.

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In recent weeks, students, parents, taxpayers, public school advocates and members of the Pennsylvania General Assembly have voiced deep concern about the Philadelphia School District's proposed allocation of resources – what is and is not funded and whether new efficiencies in one area might preserve vital educational services to children in another area.

There is no doubt that the District faces unprecedented fiscal challenges. The loss of almost \$400 million in state and federal dollars, combined with rapidly increasing costs in areas such as charter schools and pensions have led to a massive projected deficit.

The District has taken substantial and painful steps to address that massive gap, including well over half a billion dollars in cuts.

And in the wake of all this, I have had numerous meetings and discussions with members of the Philadelphia City Council who have raised grave concerns about fiscal and programmatic accountability. They have also offered valuable ideas related to improving efficiency and generating new revenue, ideas that I expect to incorporate in our strategies going forward.

Yet now, as both the Commonwealth of Pennsylvania and the City of Philadelphia – the School District's key funders – prepare to make critical decisions on their FY12 budgets, it's absolutely vital that we have total clarity and transparency about the fiscal and operational decision making at the School District.

This is all the more urgent with a range of legislative proposals to raise new revenues through either a proposed property tax increase or a tax on sugar-sweetened beverages now before City Council.

In the short term and long term, the City of Philadelphia must have a heightened level of accountability from and toward its educational partner, the School District of Philadelphia.

In order to have a meaningful discussion of what services we can and cannot provide, we must first have agreement on “the numbers,” the true costs of each service as well as how the District spends and proposes to spend its resources.

With last Friday's sudden and surprising announcement by the Superintendent that full-day kindergarten will be funded from Title 1 dollars for the coming school year, the need for vital information is even more urgent. While the abrupt nature of this action

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is noteworthy, of more concern is what the School District proposes to cut in order to balance the shift in Title 1 funding.

And so, as one of the School District's principal funders, I am formally requesting the School Reform Commission to direct the School District's Superintendent and staff to state firm commitments on how they will allocate funds if the City and/or Commonwealth choose to provide new funds beyond what is currently available.

The attached Chart No. 1 offers a series of funding scenarios depending on potential actions by the District's two chief funders.

For example, the School District's budget as adopted by the Commission last week assumes that the Commonwealth will provide an additional \$57 million in charter school funding. As you are aware, the General Assembly and Gov. Corbett have not yet included that funding in the state budget. Without that funding, what will the School District cut?

Should additional local funding be available, what will the School District restore? The chart sets out a range of alternative funding scenarios. In each case, I want the SRC to direct the District staff to provide clear statements and ordered priorities for what they propose to use additional funding.

With this information, the tough political decision making on funding and new revenue will be better informed both here and in Harrisburg.

But heightened accountability in the short and long term also requires a new level of financial and operational disclosure, and that must begin immediately.

To complete a thorough analysis of the financial and operational condition of the Philadelphia School District, I am also requesting that the School Reform Commission direct the School District to provide the following information and materials:

1. Financial Oversight:

A complete and detailed accounting of all funds, fund sources, program costs, salary, health benefits, pension liabilities, third-party vendor and professional service contracts, recent audits and financial statements and any other financial statements, reports or materials that detail the full and complete financial condition of the School District of Philadelphia, including any multi-year financial projections the district has developed.

2. Title 1 Funding:

A list of all programs funded by Title 1, their funding amounts and the eligibility criteria for Title 1 funding.

3. Programming:

Reports and documents related to evaluative criteria used to determine if various programs, pilot projects, initiatives, education innovations or policy changes which created Promise Academies, Renaissance Schools, Empowerment Schools, Accelerated Schools, Charter Schools or others are performing at, above or below anticipated performance levels. I also want to know when and how often performance evaluations are made for these and other education programs.

4. Facilities Issues:

All documents and studies related to the facilities master plan, the proposed school site closure list, decisions related to these areas and all reports generated by outside consultants.

5. Vendor Issues:

A list of all service providers with official name, contract amount, length of contract. The names of all consultants who are former school district employees.

And a list of all professional service contracts and the names of the principal or primary contract for each firm.

6. Personnel Issues:

A current organization chart and the proposed chart after anticipated administrative reductions with all departments and names of department heads with job titles and salaries.

A list of all personnel working at 440 North Broad Street or other buildings used for administrative, non-teaching services.

A list of all teachers and principals who are presently not actively assigned to a classroom or a school building to teach or lead a school.

And a list of all non-union, non-instructional employees whose compensation is \$90,000 or above.

For each individual in all of the above lists, the information must include name and job title, salary, union or non-union status, unit or department in which the employee works and start date of employment.

7. Senior Staff Issue:

A complete signed copy of all employment contracts, including those signed by the Superintendent and any Deputy Superintendents who may have contracts or any other personnel with employment contracts.

Included must be any attachments, side letters, amendments, extensions, exhibits and data or financial information related to bonuses, pension benefits, insurance policies, car allowances, memberships or any other current or future financial incentives or benefits.

A complete chart showing all dollars paid in salary, bonuses, pension contributions, car allowances or other monetary benefits provided to the Superintendent, any Deputy Superintendent or other department head or manager since that employee's start date.

A report detailing the performance evaluation system used to assess the Superintendent, Deputy Superintendents or any other high-level employee whose compensation or bonus is determined by evaluation criteria established by the SRC or by the Superintendent.

In addition, the actual results of any such evaluation used to determine whether such employee met or exceeded criteria in determining the award of bonus payments to each employee in the above chart.

8. Education Accountability Agreement:

In the future, the School District of Philadelphia and the City of Philadelphia must establish a much closer, daily, real-time, working relationship if we are to achieve new levels of success in preparing more children for college and post-secondary training opportunities and for productive lives in our growing economy.

And I also expect that Gov. Corbett, Secretary of Education Tomalis and I will be more active in our engagement with our respective appointees on the SRC as well as the entire SRC.

But to do our part here in Philadelphia, I believe we must formalize our working relationship through a signed agreement – an Education Accountability Agreement

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(EAA). What follows are many of the essential components of what such an agreement would comprise.

While it's important to note that the Mayor's Office has had monthly meetings with the Superintendent and bi-weekly meetings with the Deputy Superintendents and Chief Financial Officer, I am now asking that the SRC and its staff meet and engage in detailed discussions with the Mayor, his designee or a Deputy Mayor and other Administration officials at least monthly or more often if requested by the Mayor, his designee or a Deputy Mayor.

In addition, I am asking that the SRC direct the Superintendent and appropriate staff to meet with the Mayor, his designee or a Deputy Mayor, a member of the SRC and other Administration officials at least monthly or more often if requested by the Mayor, his designee or a Deputy Mayor to discuss education, finance, policy, programs, proposals, strategies, goal setting, safety or other matters that impact the education of students or the overall operations of the School District of Philadelphia.

Also, all documents, materials and briefings that are given to SRC members must be transmitted to the Mayor, his designee or a Deputy Mayor at the same time as they are transmitted to SRC members or as quickly as possible.

The Mayor, his designee or a Deputy Mayor shall be given the opportunity to express an opinion or seek information on any matter that the Superintendent or other staffer is to make as a recommendation to the SRC. The Mayor, his designee or Deputy Mayor shall have the same opportunity to be heard by the SRC on any matter prior to the SRC members taking a vote on such matter.

The Finance Director for the City of Philadelphia or his designee shall have the full authority, resources, cooperation and assistance to access, retrieve, examine and receive data or other information from the financial systems of the School District of Philadelphia at any time from any place without seeking permission from the SRC or the Superintendent or other employees at any time.

The Chief Financial Officer of the School District shall meet regularly with the City Finance Director or his designee at the Finance Director's discretion and shall provide regular updates with documents, statements and backup materials on the financial condition of the School District and shall share any analyses of the cost-saving measures, proposals or ideas and the evaluative materials used to make any determinations, judgments or decisions that affect programs or policies of the School District.

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The Mayor, his designee or a Deputy Mayor is authorized to meet with, discuss with or have on-going sessions with any SRC member or their staff and member of the School District's senior management team at any time or place without seeking permission from the SRC or the Superintendent.

The SRC will fully cooperate in any such meeting, discussion or session and the SRC shall direct the Superintendent and any and all of the Superintendent's staff to cooperate fully in any such meeting, discussion or session.

As a long-term strategy, the SRC must require of District administrators a detailed five-year plan where revenues, expenditures and basic assumptions are examined clearly and publicly, where the ramifications of decisions now are projected into the future and where all choices are subjected to a new fiscal rigor.

Specifically, the Superintendent and staff shall prepare for review and approval by the SRC and the City a document known as a School District Five Year Plan, which is similar in content and scope to the City of Philadelphia's Five Year Plan as submitted to PICA on an annual basis and provide all documentation and financial/operational materials to explain and justify such a Five Year Plan at the City Finance Director's request and such plan shall be prepared and completed at the same time as the School District of Philadelphia's budget.

In the months to come, my administration will work with the SRC and the School District staff on new instrumentalities that will bring our staffs closer together in the fiscal oversight of the School District.

But right now, it is absolutely critical that the members of the School Reform Commission make clear to School District staff the profound urgency that we all face as the clock ticks toward the end of the legislative sessions here in Philadelphia and in Harrisburg.

There is on the streets of Philadelphia a deep concern and feeling of uncertainty about what the School District has done and will do if granted additional funding to soften the sharp funding cuts that have been approved by the SRC. Now is the time for rapid response and a clearing of the air. We need facts and clear statements about what the District will do with any restoration of funds.

Like you, I see a critical need for additional resources for the School District of Philadelphia if it is going to maintain the educational progress of recent years. And I pledge to work with you toward these important goals.

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But, this week we must have critical information and a commitment to a new relationship. With that in mind, by noon on Thursday, June 9, we must have an approved and signed Education Accountability Agreement document, Section 8; a detailed response to Chart No. 1 and the information on Title 1 funding, Section 2.

And by noon on Wednesday, June 15, we must have information, documents and complete responses on issues highlighted in Sections 1, 3, 4, 5, 6 and 7 or a mutually agreed upon timetable for delivery of these materials and an explanation of why such materials may be delayed in their delivery by said date.

These deadlines are firm and must be met in order for the City and my Administration to move forward in our efforts to support the legislation for additional funding, which is pending in City Council, or for me to sign any legislation that may be approved by Council. This is a serious matter and I know you realize the gravity of my concerns. Thank you for your attention to these matters.

Sincerely,



Michael A. Nutter
Mayor

cc: Governor Tom Corbett
Secretary Ron Tomalis
Council President Anna C. Verna
Members of City Council
Clarence D. Armbrister, Chief of Staff
Rob Dubow, Director of Finance
Shelley Smith, City Solicitor
Lori Shorr, Chief Education Advisor to the Mayor
Arlene Ackerman, Superintendent

VARIOUS OPTIONS FOR FUNDING QUALITY EDUCATION

New Local Funding			Restored State Funding		SEPTA	Total Funding	Funding Above SD Budget (total funding minus \$57 million in State charter school funding in SD Budget)	ACTIONS SCHOOL DISTRICT WOULD TAKE -- LISTED IN PRIORITY ORDER	
PROPERTY TAX INCREASE	SUGAR SWEETENED BEVERAGE TAX	PARKING RATE INCREASE	ACCOUNTABILITY BLOCK GRANT	CHARTER SCHOOL FUNDING (as assumed in School District budget)	TRANSPASS DEAL				
OPTION 1 -- Parking Rate Increase, SEPTA deal, Accountability Block Grant	\$0	\$0	\$6,100,000	\$23,000,000	\$0	\$25,000,000	\$54,100,000	(\$2,900,000)	
OPTION 2a -- 10% increase in the property tax rate plus parking rate increase, SEPTA deal, accountability block grant and State charter school funding	\$95,000,000	\$0	\$6,100,000	\$23,000,000	\$57,000,000	\$25,000,000	\$206,100,000	\$149,100,000	
OPTION 2b -- 10% increase in the property tax rate plus parking rate increase, SEPTA deal, and accountability block grant, but no State charter school funding.	\$95,000,000	\$0	\$6,100,000	\$23,000,000	\$0	\$25,000,000	\$149,100,000	\$92,100,000	
OPTION 3a -- 2 cent sugar sweetened beverage tax effective October 1, 2011 plus parking rate increase, SEPTA deal, accountability block grant and state charter school funding, but no property tax increase.	\$0	\$60,000,000	\$6,100,000	\$23,000,000	\$57,000,000	\$25,000,000	\$171,100,000	\$114,100,000	
OPTION 3b -- 2 cent sugar sweetened beverage tax effective October 1, 2011 plus parking rate increase, SEPTA deal and accountability block grant and no State charter school funding. No property tax increase.	\$0	\$60,000,000	\$6,100,000	\$23,000,000	\$0	\$25,000,000	\$114,100,000	\$57,100,000	
OPTION 4a -- 3.5% property tax increase plus parking rate increase, SEPTA deal, accountability block grant and State charter school funding.	\$33,250,000	\$0	\$6,100,000	\$23,000,000	\$57,000,000	\$25,000,000	\$144,350,000	\$87,350,000	
OPTION 4b -- 3.5% property tax increase plus parking rate increase, SEPTA deal, and accountability block grant, but no State charter school funding.	\$33,250,000	\$0	\$6,100,000	\$23,000,000	\$0	\$25,000,000	\$87,350,000	\$30,350,000	

Each option assumes the following:

1. The Commonwealth restores \$23 million through the Accountability Block Grant.
2. The School District reaches a deal with SEPTA on funding of transpasses.
3. Parking tax rates will be increased.