

## Legislation Text

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August 20, 2009

### **TO THE PRESIDENT AND MEMBERS OF THE COUNCIL OF THE CITY OF PHILADELPHIA:**

In accordance with the August 18, 2009 letter from PICA, I am transmitting herewith for the consideration of your Honorable Body a revised Five Year Plan and the following resolution:

#### **“A RESOLUTION**

Providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2010 through 2014, and incorporating proposed changes with respect to Fiscal Year 2009, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3, 1992 (Bill No. 1563-A), by and between the City and the Authority.”

This revised Fiscal Year 2010-2014 financial plan details the cuts the City will need to implement without approval of HB 1828, the state measure containing authorization of a 1% increase in the local sales tax for five years and changes to the City's pension payments. These two fiscal tools would provide the City with \$230 million in savings and new revenue in FY10 and a total of \$700 million over the life of our five-year plan.

Unfortunately, HB 1828 has not been enacted within the timeframe established by PICA. Therefore, PICA has disapproved our plan and requested submission of a revised plan which details how the City will fill this gap.

I never thought that I would have to submit a plan this devastating to the City and region.

This revised plan will require eliminating nearly 1000 police and 200 fire positions, reducing trash collection from weekly to twice a month, ceasing operations at two health centers and closing entire service departments, including Parks, Recreation, Libraries, Planning and Commerce. In total, more than 3000 positions will be cut. In addition, the City will cease funding the Court system.

At a rally in the City Hall Courtyard on July 30<sup>th</sup> I said, “It is my hope that we do not need to implement these cuts ....” Likewise, I know from my conversations with you and the members of Council, that this is not a plan you wish to approve or implement.

However, our fiscal oversight authority has acted and we must comply.

Madame President, you and the members of Council have been steadfast partners as we worked to responsibly manage our City through the worst worldwide economic crisis in decades. Beginning nearly one year ago, I briefed Council and held a press conference on September 11, 2008 at which I stated that “Unless the City of Philadelphia takes prompt action, we're facing tax revenue losses and increased pension costs of at least \$450 million. These changes impact the current city budget and have increasingly dire consequences over the next

five years.” I also indicated that “everything was on the table” as we worked together to responsibly manage the City’s finances.

In November 2008, we took unprecedented actions in the middle of the fiscal year to re-balance our budget and five-year plan. These mid-year cost containment and revenue enhancement measures totaled \$1 billion over the life of our plan. Reductions were made throughout the government including suspending wage and business tax cuts and eliminating over 800 full-time and 2000 part-time positions.

Unfortunately, these actions were not sufficient to keep pace with the downward spiral in the national economy. By the spring of 2009, as we worked to craft a responsible Fiscal Year 2010 budget, we were faced with the daunting task of closing another \$1.4 billion hole in our five-year plan. We engaged in a very public and inclusive budget process engaging citizens across the City by holding budget workshops, convening evening hearings in neighborhood locations, and having kitchen table conversations.

Once again, by working together, we reached agreement on a FY10 budget and five-year plan which contains more belt-tightening measures, enhanced efficiencies, and additional fees on Philadelphia residents and businesses. It also relies on critically important actions by the Commonwealth: a temporary 1% sales tax increase for 5 years; changes to our pension amortization period; and, and a deferral of a portion of the City’s pension payments.

Since the passage of our budget on May 21<sup>st</sup>, I have personally been to Harrisburg eleven times and I have met with close to 150 members of the General Assembly seeking approval of these state authorizations. And, I fully understand that the State is dealing with its own serious budget crisis. Mindful of this, it is important to underscore that the state approvals we seek have no fiscal impact on the State’s budget. They do not cost the State one dime.

On July 21<sup>st</sup>, PICA approved our budget and five-year plan unanimously with the following contingency:

*If the State Legislature should fail to grant the authorities requested by the City to increase the Sales Tax rate and change certain Pension Fund calculations by August 15<sup>th</sup>, the Plan will be deemed disapproved and the City shall be required to submit a revised plan within fifteen days.*

Unfortunately, as we all know, the legislation was not enacted by August 15<sup>th</sup> and, on August 18<sup>th</sup> PICA met and issued a letter stating that our Plan is disapproved and that a revised Plan must be submitted by August 31<sup>st</sup>.

Pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council (Bill No. 1563-A of 1992), prior to submitting a revised plan to PICA, the Mayor submits the revised plan to Council for approval by resolution. The Agreement also provides that Council can approve or disapprove the resolution and that if Council takes no action within 10 days the resolution is deemed approved. In addition, if the Mayor requests, the Council President may waive the requirement that City Council approve the resolution.

Since time is of the essence, I am requesting, in accordance with the provisions of Bill No. 1563-A of 1992, that you consider waiving the requirement for Council approval. This will expedite the delivery of the Plan to PICA. In order to implement the Revised Plan, actions must begin immediately to initiate the process for personnel lay-offs, canceling vendor contracts, and ceasing programs at facilities in order to effectuate the savings needed to have a balanced budget and five-year plan. We will also immediately conduct the necessary studies to identify the specific units or locations impacted by Fire Department and Health Department funding reductions.

The City cannot spend money it does not have. We must continue to manage the taxpayer's dollars responsibly. I respectfully request your continued support.

Sincerely,  
Michael A. Nutter  
Mayor