

CITY OF PHILADELPHIA'S RESPONSE TO THE FINANCIAL CRISIS

Rebalancing Plan for FY09-FY13 Five Year Plan



Thursday November 6, 2008

TABLE OF CONTENTS

Introduction from Mayor Michael A. Nutter	3
Actions in Other Major Cities	6
The Unfolding Budget Crisis	7
How the Nutter Administration Closed the Gap	9
Budget Details	
Finance & Law.....	14
Mayor’s Office.....	15
Public Safety.....	17
Health and Opportunity.....	19
Transportation & Utilities.....	21
Economic Development.....	23
Administration & Technology.....	25
Appendices	
Appendix A: Library Locations.....	27
Appendix B: Pool Locations	28
Appendix C: Fire Ladder Locations	29
Appendix D: Fire Engine Locations.....	30
Appendix E: Timelines (separate document)	
Appendix F: Budget Summaries (separate document)	



November 6, 2008

My fellow Philadelphians,

In the last two months we have witnessed a financial crisis of unprecedented size, scale and suddenness.

Century old investment banks have collapsed. Most of the world's stock markets have lost a third to one half of their value. Ordinary Americans have lost life savings and significant values in their pension plans. Unemployment is on the rise and consumer confidence has plunged to its lowest level since measuring began.

Philadelphia's local economy has not been spared the troubles that are overwhelming the national and global economies. We started the fiscal year with a \$119 million surplus. Yet the dramatic decline in tax collections and the increase in pension costs mean that we are now facing a deficit of at least \$108.1 million this fiscal year and over \$1 billion for the life of the Five Year Plan.

Addressing this problem requires bold action and we have had to make some very tough decisions.

The scale of the challenge we face does not allow us to take anything off the table or to preserve any sacred cows. This is budget shortfall of enormous proportion, and because the economy many not recover quickly, we cannot afford to look for quick, one-time changes. We also rejected the approach of across the board cuts – they are inefficient, random and result in cutting resources where they are needed the most.

We have tried, as far as possible, to follow three guiding principles as we make adjustments to the FY09 Budget and Five Year Plan:

1. Preserve core services
2. Minimize the impact of any adjustments on our most vulnerable populations
3. Be mindful of the long-term financial and economic implications of our actions

With these principles in mind:

- There will be no police or fire layoffs, no reduction in emergency medical services and all fire stations will remain open
- All health centers, after school and summer programming for children, and all emergency, transitional and permanent supportive housing will be preserved
- All recreation centers will remain open
- Weekly residential trash collection and single-stream recycling will continue
- Measures to improve government performance and save money will continue, specifically PhillyStat and 311

We have already identified a wide range of efficiency savings across government and we will continue to do so. I have asked a Private Sector Task Force made up of the best and brightest business and management minds in the region to work with leaders of the municipal unions and City employees to find further cost-savings measures and more efficient ways to run government.

However, major adjustments need to be made and in order for us to address the situation everything needs to be on the table. The Administration undertook a full and comprehensive review of all departments and City operations. The result is an adjusted budget in which the burden of sacrifice is shared. Here are some examples:

- Increase collections from tax delinquents;
- Delay business and wage tax reductions until 2015 saving almost \$230 million;
- Eliminate approximately 220 filled positions, 600 unfilled, and 2,000 seasonal, part-time and contractual positions;
- Reduce overtime across government, including police overtime;
- Eliminate unfilled 200 police vacancies and cut 5 fire engine companies and 2 ladder companies;
- Close 11 libraries and eliminate Sunday hours at three regional libraries;
- Reduce FY09 increased funding by 50% for the Housing Trust Fund, Community College of Philadelphia, and the Cultural Fund;
- Eliminate limited residential street cleaning, snow removal on smaller streets, and dedicated leaf, bulk and tire collections;
- Impose salary cuts for Cabinet-level officials, Deputy Mayors, the Managing Director's Office and Mayor's Office staff, including myself; and
- Require five furlough days for certain exempt employees.

This process required that we make many tough choices, but I believe that the result is that we have maintained our smart investments. We remain committed to our core values of public safety, healthy neighborhoods, sustainable economic growth and improved educational opportunities for our children all delivered by a more efficient government operating with the highest ethical standards. We will pursue these goals with unshakeable determination but we also need to adjust to a new reality.

Government is going to look different and major cities all across the country are making significant changes in the way that they operate (see summary document on page 4). Core services will still be provided, but some government services will look different. However, even with these changes we are laying the foundation for the future and we will be ready and prepared to seize the opportunities that are presented after the current economic storm passes.

We will get through these tough times if we stand shoulder to shoulder and work together in partnership. A number of individuals and organizations have already stepped up to help us work through this problem and we have incorporated many of their suggestions. I would like to thank Council President Verna and all members of City Council, our municipal union leaders, and ordinary members of the public for their ideas on how we can save money and generate further efficiencies and revenues.

We all need to make sacrifices and to share responsibility as there is no guarantee that things will not get worse before they get better. The road ahead will absolutely be a rocky one. However if we work together as one city there is no reason why we cannot emerge on the other side as a stronger, more efficient government and as a prosperous, more successful Philadelphia.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael A. Nutter", with a stylized flourish at the end.

Michael A. Nutter
Mayor

Actions in Other Major Cities

The national and international financial crisis is having an impact across the United States and major cities are taking action to address large projected budget shortfalls.

New York City

- \$5.2 billion gap over next two years
- 2.5% across the board cuts in FY09 (\$500m), 5% for FY10 (\$1 billion) of \$59 billion total budget
- Rescind 7% property tax reduction
- Cut city's workforce by 3,000 – around 600 layoffs
- Biggest cuts projected for Department of Transportation, Fire Department, Department of Homeless Services, Parks Department
- Cancel new class of 1,000 police officers
- Reduce average library hours from six days to 5 ½ days a week
- 165,000 private sector jobs expected to be lost in the next 2 years (5% of employment)

Los Angeles

- \$406m FY09 shortfall (of \$7.1 billion budget)
- Already implemented furloughs, energy saving, fleet reduction, elimination of vacancies, and fee increases
- 2 plans: spending freeze vs. 9% (larger agencies) and 6% (smaller agencies) cuts across the board

Chicago

- \$469m FY09 shortfall (of \$3.25 billion budget)
- 1,080 City employees to be laid off; elimination of thousands of vacancies
- Raising fees to generate \$65m in revenues
- Spending \$20m of Midway Airport windfall annually

Phoenix

- \$250m FY09 shortfall (21% of \$1.2 billion general fund)
- Police, fire, parks and libraries could see cuts, ranging from 15 to 60 percent

San Diego

- \$43m FY09 shortfall (of \$1.2 billion general fund budget)
- 10% spending cuts

The Unfolding Budget Crisis

Background

The City of Philadelphia's budget cycle is based on a fiscal year beginning July 1 and ending June 30 of the following year. Each year the City must balance the upcoming annual and a five year budget plan. The most recent budget, for Fiscal Year 09 (FY09), and Five Year Plan, for FY09-FY13 (FYP), was completed and approved on June 17, 2008 by the Pennsylvania Intergovernmental Cooperation Authority (PICA) – the state authority responsible for oversight of the City of Philadelphia's budget. In balancing the annual and five year budgets, the City's finance and budget staff depend on national and international economic forecasts. This is because Philadelphia's local economy is guided, in large part, by national and international economic forces.

Jan – Feb 2008

The FY09 Budget and FY09-FY13 Five Year Plan anticipated that U.S. economic growth would slow in 2009 and increase modestly from 2010 through 2013. These assumptions were shared by the U.S. Congressional Budget Office,¹ the Federal Reserve's Federal Open Market Committee (FOMC)² and most economic forecasters in the United States.

In addition to the risk posed by a slowing national economy, the Administration also highlighted two additional risks to the FYP: 1) a volatile Business Privilege Tax, the receipts for which would not appear until the end of FY08³; and 2) lower pension fund earnings and difficulty in issuing the pension obligation bonds (POB) due to turmoil in the stock market.

April 2008

Shortly after the FYP was introduced, the Administration made adjustments to reflect deteriorating receipts in one major tax, the Real Estate Transfer Tax, and a one-year delay in issuing and achieving savings from the proposed POB. In April 2008 anticipated Real Estate Transfer Taxes receipts for FY08 were lowered by 6%, or \$12m, and by \$60m over the FYP, to reflect actual receipts through April 2008 and a growing concern regarding the decelerating pace of residential real estate sales in Philadelphia.

August – September 2008

In mid-August 2008, while Real Property, Sales, Parking and Amusement taxes came in at or above target budget levels and Wage taxes performed slightly below expectation, Business Privilege Tax receipts came in \$39.4m below the target of \$438.2m for FY08, a 9.1% drop. The size of this revenue contraction was significant, especially since the Administration had anticipated that growth for BPT revenues – after years of rapid increase - would be less than

¹ Congressional Budget Office, *“THE BUDGET AND ECONOMIC OUTLOOK: FISCAL YEARS 2008 TO 2018”*, January 2008, page 22

² Federal Reserve Board's Federal Open Market Committee on January 29th and 30th 2008 and reported on February 20th, 2008

³ “...because the BPT is volatile, and because an accurate projection of each year's fiscal results is not possible until the end of April, its year-to-year performance is difficult to predict. ... the possibility that the tax will weaken as the economy slows is one of the items that threatens to rapidly reduce the fund balance.” *Five-Year Financial and Strategic Plan for Fiscal Years 2009-13*, page 25.

1% in FY08. The severity of this revenue contraction alone reduced the revenue base over the FYP by \$300m.

With respect to the City's pension fund, the downturn in stock and equity markets through the end of FY08 resulted in an estimated \$150m increase in costs over five years and a 3.7% loss in the value of the assets held in the City's pension system; this was in sharp contrast to the 17% gain realized in FY07. In light of the volatility, anticipated POB savings were reduced at that time to reflect smaller anticipated savings and an additional one year delay in issuance, with savings scheduled to commence in FY11.

September 11, 2008

Mayor Nutter announced that the combined impact of just these two items – lower than budgeted Business Privilege Tax revenue and increased pension costs - would create a budget shortfall of at least \$450m over the FYP. The Mayor also stated at that time that the economic situation would likely get worse over the ensuing weeks and that the budget gap could be much larger.

September 11 – October 08, 2008

A series of unprecedented events occurred in the national and global financial markets (see timeline on page 6). Major corporations filed for bankruptcy or were taken over; the U.S. Congress passed a \$700 billion bail-out package; the Dow Jones Industrial Average sustained historic one-day decreases; and cities and states across the United States began taking dramatic action to address these financial challenges.

On October 8, 2008 Mayor Nutter reported that the City of Philadelphia was projecting a budget gap of between \$650m to \$850m over the FYP. Further losses in revenues were anticipated, based on 1st Quarter FY09 receipts. For example, at the end of September 2008, Real Estate Transfer tax collections were 8.7% lower than the budget estimate, while Sales tax collections were 1.8% lower than the budget estimate. The situation worsened considerably through mid-October: Real Estate Transfer tax collections were only at 1/3 of the FY09 budget estimate through October 20th.

Moving forward

Increasingly, the economic consensus suggests that the emerging economic contraction will be much more severe than captured in current forecasts. Based on this new consensus, we are estimating that FYP shortfall is over \$1 billion. This new projection creates an estimated \$108.1m shortfall for FY09, though this could still worsen, since the economic impact of the current credit turmoil is still uncertain.

In order to address the challenges described above the Administration has made adjustments to the FY09 Budget and the FYP to address the projected shortfall.

How the Nutter Administration will close the \$108.1m budget gap for FY09

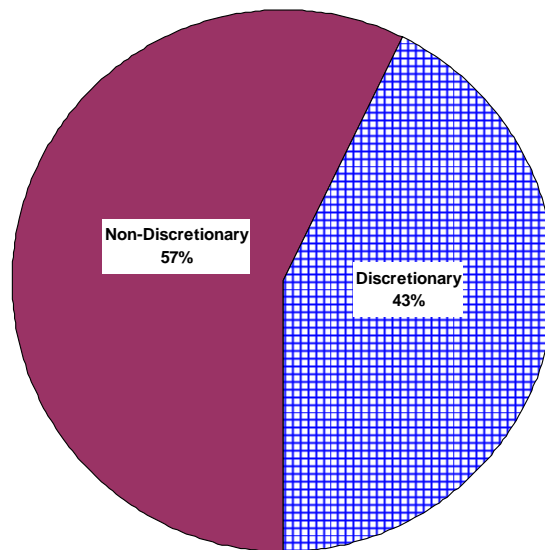
Given the unprecedented financial downturn in the national and global economy and its significant impact on Philadelphia's economy, the Administration is facing a budgetary crisis the City hasn't been faced with in well over a decade. The City of Philadelphia began the current fiscal year 2009 (from July 1, 2008 through June 30, 2009), with a \$219m positive fund balance. By the end of the fiscal year, the fund balance will have decreased \$217.1m, creating a \$108.1m budget shortfall that will have to be closed in approximately six months (from December/January through June 30, 2009).

However, as detailed in the charts below, only 43% of the City's budget is comprised of discretionary spending that can be cut.

Philadelphia's Adopted Budget for Fiscal Year 2009 \$4.03 Billion

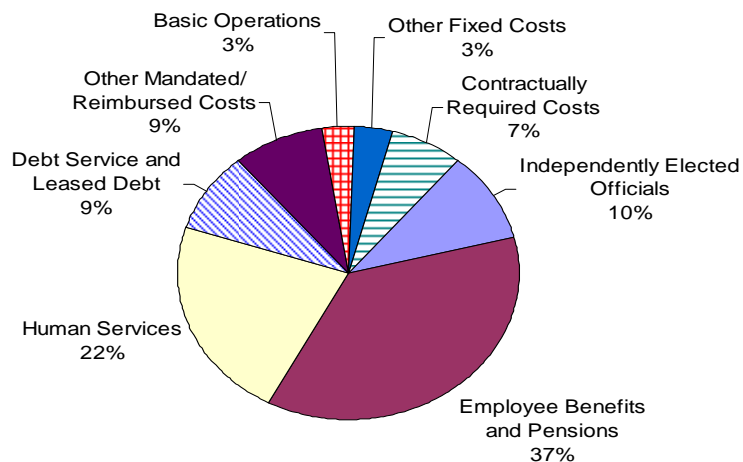
More than half of Philadelphia's \$4.03 billion budget is comprised of non-discretionary spending. Non-discretionary expenses include:

- Independently Elected Officials
- Employee Benefits and Pensions
- Human Services
- Debt Service and Leased Debt
- Other
- Mandated/Reimbursed Costs
- Basic Operations
- Other Fixed Costs
- Contractually Required Costs



The remaining \$1.7 billion is Philadelphia's discretionary budget. It is from this amount that we identified sufficient administrative and program efficiencies, revenue increases and department and program cuts to fill the \$108.1 million fiscal year 2009 budget shortfall.

**Philadelphia's Non-Discretionary Spending for
Fiscal Year 2009
\$2.3 billion**



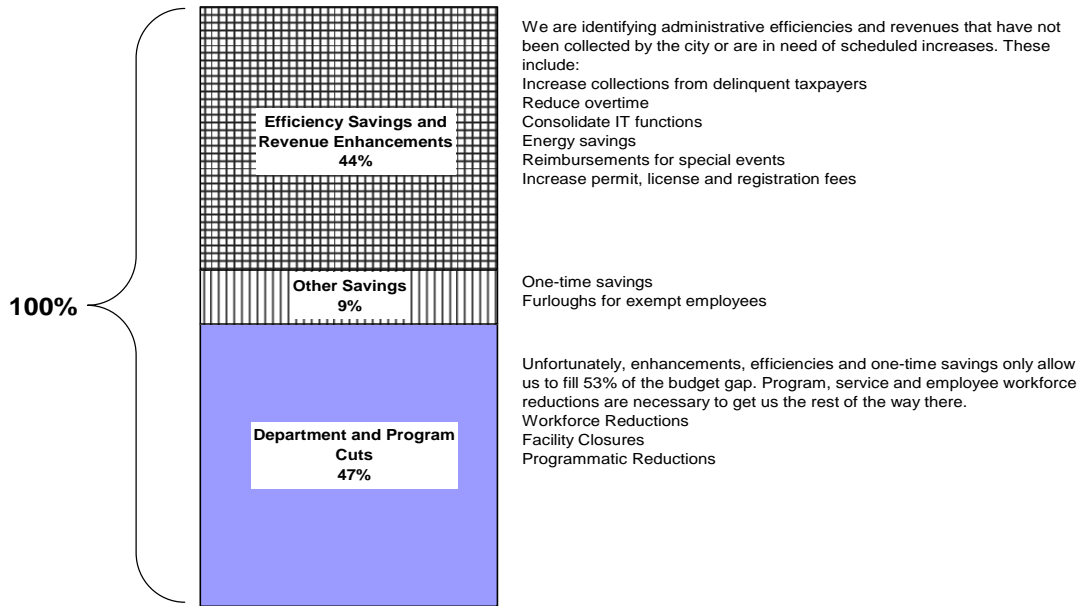
The unprecedented scope of this challenge requires unprecedented action. There are no one-time cuts or quick fixes to balance this year's budget alone, without considering the impact of these cuts on future budgets. Even in making reductions to services the Nutter Administration is laying the foundation for the future, preserving as far as possible those programs that are effective. The Administration has also taken the opportunity, in some cases, to adjust the level of city services from a level appropriate for a city with a population of two million – the City's population in the 1950s and 1960s – to the current population of approximately one million, four hundred thousand.

Guiding principles and process

Mayor Nutter made a commitment that everything would be on the table and that the City would take a good, hard look at all areas of the budget. The Administration followed three guiding principles as adjustments were made to the FY09 Budget and Five Year Plan:

1. Preserve Core Services
2. Minimize the impact of any adjustments on Philadelphia's most vulnerable populations
3. Be mindful of the long-term financial and economic implications of any action taken

The process was thoughtful, labor-intensive, and forced many difficult decisions.



- 1. Find efficiencies:** Ways to produce quality services at a lower cost were identified. Those programs and government services that could do the same, or more, with less were examined. For example, the Streets Department will save over \$1m dollars annually by using more energy efficient lighting and reducing electricity costs for streetlights. The Division of Technology will save over \$850,000 annually by consolidating the government’s IT infrastructure and centralizing operations. Most significantly, the Administration will reduce employee overtime across government, saving the city over \$18.5m annually.
- 2. Increase revenues:** The Administration has looked at ways city government can do a better job collecting the money it is owed as well as generating additional revenue. For example, the Revenue and Law Departments combined will generate at least \$8m annually in additional revenue by increasing enforcement of collections from delinquent taxpayers. The City will generate another \$5m by selling unused or underused city properties and will also begin seeking full reimbursement for the cost of services provided at special events. In addition, several departments will increase fees for permits, licenses and registrations in order to recoup the full cost of service, amounting to over \$3m annually.
- 3. Delay tax cuts:** The City’s tax reduction program began in FY96 as a way to improve Philadelphia’s economic competitiveness. The FY09-FY13 Five Year Plan included a continuation of the program: meaning that by FY13 the wage tax rate would have dropped to 3.6% for residents, 3.25% for nonresidents, the gross receipts portion of the business privilege tax would have been cut to 0.1%, and the net income rate would have dropped to 6.25%. Tax cuts for FY09 will be maintained and the portion of the wage tax reductions that are funded by state gaming revenues will continue, reducing wage tax

rates to 3.858% for residents and 3.4031% for nonresidents by FY13. However, in order to avoid harsher cuts in City services, the Administration will introduce legislation to suspend the City-funded tax cuts scheduled for FY10-FY14. This will save \$220m over the lifetime of the Five Year Plan. The Administration proposes to resume tax cuts in FY15 or sooner if economic conditions permit.

4. **New Investments and Initiatives:** Mayor Nutter's first budget address and Five Year Plan included a series of increased investments and new initiatives focused in six strategic areas: public safety; education; economic development; healthy and sustainable communities; customer service; and ethics. In light of the economic crisis and its impact on our city's finances, the Administration's signature initiatives were also vigorously reviewed and scrutinized, resulting in difficult – but unavoidable – reductions and delays. While the Administration remains committed to the establishment of the Office of Arts and Culture, the Cultural Fund will be increased by \$1m rather than \$2m in FY09. A \$15m increase to the Housing Trust Fund over the Five Year Plan will be reduced by half. Our \$4m increase to the Community College of Philadelphia this fiscal year must fall to \$2m, which still represents a \$2m increase over the FY08 Budget. We will delay the funding increase for Fairmount Park and fully reinstate that increase beginning in FY11. Although we must slightly reduce our new investment in YVRP, its proven effectiveness makes this expansion critical. Our sorely needed \$3m investment in the improvement of our health centers will remain. We still believe that investments in our efforts to streamline government will produce real results for our citizens and real savings for our city. Therefore, PhillyStat and 311 will remain on track. The Office of Sustainability will continue to spearhead efforts to find savings in energy and we will fulfill our commitment to single stream recycling which is not only reducing waste, but generating revenue. Our Office of Business Services will continue to work with and help grow small businesses across the City with a renewed emphasis on minority businesses.
5. **Reduce and eliminate programs:** Despite the savings and additional revenue described above, there remained a significant budget shortfall for FY09. As a result, the Administration is forced to make difficult decisions to reduce programs and services provided by city government.

After careful review, the Administration has identified a variety of service reductions. For example, the City will close 11 library branches, 6 indoor and 62 outdoor pools, and 3 ice rinks (private partnerships will be explored to keep these ice rinks open.) The Administration will also save over \$7m by reducing the size of our fleet and the number of new vehicles purchased. The Adolescent Violence Reduction Partnership (AVRP) program will also be eliminated as a result of the budget shortfall and lack of proven effectiveness, saving a total of over \$6.5m annually.

These and other program and service reductions have a significant impact on city staffing needs. Therefore, as a result of the budgetary crisis, some city employees will be laid off from their jobs. Approximately 220 full time filled positions, 600 full time unfilled, and 2,000 seasonal, part-time and contractual positions will be eliminated.

Despite these challenging financial circumstances, the Nutter Administration is committed to providing high-quality programs and services to Philadelphians. A wide range of

efficiency savings across government have already been identified. Mayor Nutter has asked a Private Sector Task Force made up of business and management executives from across the region to work with the City's municipal unions and City employees to find further cost-savings measures and more efficient ways to run government.

Philadelphia's budget crisis is a direct result of the national and international financial crisis that led Congress to pass and the President to sign a \$700 billion financial rescue package. But it is not just the big banks and insurance companies that need to be rescued. American cities and states - both Wall Street and Main Street – also need help. In the coming days, Mayor Nutter will outline a detailed proposal for how the Treasury Secretary could use his authority under the financial rescue package to provide immediate relief to Philadelphia and cities across the nation facing a similar situation. This is a national crisis and requires national solutions.

The Nutter Administration has made every effort to minimize the impact of city budget cuts on Philadelphians. Nonetheless, we are not able to close the \$108.1m shortfall without reducing city services and programs, as well as our own workforce.

Finance & Law

Departments:

City Solicitor, Finance, Budget, Revenue, Accounting, Administrative Review, Treasurer, Administrative Service Cluster, Pensions, and Risk Management.

The Office of Finance and Department of Revenue identified opportunities for improving revenue collections and fee and fine increases, and cracking down on delinquent taxpayers. In addition to these revenue generators, Finance and Law identified contracts that were not fully being utilized, or that could be reduced without significant impacts to the city's operations. Efficiencies were created by eliminating vacant positions. Finally, positions were identified for elimination that would have the least impact on operations.

Preserved Core Services

- Collecting, disbursing, allocating and accounting for the City's funds

Efficiency Savings include:

- Reduce overtime in the Department of Revenue and Accounting
- Achieve efficiencies in the Revenue Department Mailroom, including electronic filing of Business Privilege Tax returns
- Enhance damages recovery in Risk Management

Increased revenues include:

- **Revenue Department (\$5.35m)⁴**
 - Revenue generated by Revenue Department through increased audits, compliance, investigations, and increased tax collections
 - Match wage tax and business location against BPT payments
 - Tax fraud hotline
 - Change regulations to close tax loopholes
- **Law Department (\$2.85m)**
 - Increase delinquent collections through increased enforcement by Law and Revenue Departments: *A list of delinquent taxpayers will be published.*
- **Finance Department (\$800,000)**
 - Increased false alarms fines and fees: *Fees will increase for repeat and false alarm offenders and the number of repeat false alarms permitted will decrease from 3 to 2..*

Reductions and eliminations include:

- Eliminate 2 Destination Fellows: *Fellowship stipends are paid by the Finance Department.*
- Reduce equipment budget in the Finance Department
- Reduce contracts in Executive Division in the Finance Department
- Eliminate positions in Budget, Accounting, Office of Administrative Review, Administrative Service Center

⁴ Note all numbers are annualized: they represent savings/costs for the 12 months, not the remaining months, of FY09.

Mayor's Office

Included in this Section:

Office of the Mayor, Mayor's Education Office, Office of Arts, Culture and the Creative Economy, Office of Sustainability, Office of the Inspector General, Chief Integrity Officer, and City Representative. *Some of these offices are not included in the Mayor's Office budget, but are included in this section for organizational purposes.*

Office of the Mayor

- Eliminate 8 vacant positions
- Eliminate 5 filled positions
- Reduce salaries of some personnel by 3.75-5%

Mayor's Education Office

- Preserve education funding to the School District of Philadelphia \$38.5m: *In keeping with the State's mandate that the city may not reduce its tax effort in support of the public schools; the funding to the School District of Philadelphia is untouched in this deficit reduction process.*
- Reduce funding to Core Philly scholarship program by \$1m to \$1.5m: *This program was originally intended for City funding through FY08. A funding extension, granted as part of the FY09 budget, is being scaled back as a result of the economic crisis.*
- Provide smaller increase to Community College of Philadelphia: *The FY09 budget included a \$4m increase to the Community College of Philadelphia which is reduced to \$2m. This still represents a \$2m increase over the FY08 Budget.*
- Reduce contribution to the Philadelphia Youth Network: *The city's contribution to summer high school internships has been reduced from \$1m to \$500,000.*

Office of Arts, Culture and the Creative Economy

- Provide smaller increase to the Philadelphia Cultural Fund: *The \$4.2m budgeted for FY09 is being reduced to \$3.2m. This still represents a \$1m increase over the FY08 Budget.*
- Reduce contributions to arts institutions: *The City provides direct support to a small number of organizations where the building or land is city owned. These contributions represent only a part of the funding for these institutions.*
 - Philadelphia Museum of Art: *The FY09 budget of \$3m, which included a 20% increase over the FY08 allocation, is reduced by \$600,000.*
 - Atwater-Kent Museum and African American Museum by 20%

Office of the City Representative

- Reduce City contribution to arts contracts: *Reduce Avenue of the Arts, Greater Philadelphia Film Office, and Historic Philadelphia contracts by \$35,500 each.*
- Eliminate 2 vacant positions.

The re-established Office of Arts, Culture and the Creative Economy and the Office of the City Representative will work with the arts sector to help organizations and artists weather the storm and participate in important long-range planning efforts that will allow us to continue the progress of strengthening and promoting Philadelphia's extraordinary cultural assets.

Office of Sustainability

- Reduce Office of Sustainability budget: *The newly-established Mayor's Office of Sustainability had a start-up budget in FY09 of \$1.15m, of which \$465,000 has been raised through private and federal sources. Of the portion covered this year by the general fund, the budget was reduced by 10%, or over \$68,000.*

The Office remains on-track to produce Philadelphia's first Sustainability Framework by April 2009, which will lay out a detailed plan to make Philadelphia the greenest city in the U.S. by 2015. Many of these initiatives will lower future energy costs as well as lay the foundation for job and income growth in the emerging green economy. For example, the Office has proposed an energy savings strategy in City buildings and other facilities that would reduce energy consumption by 10%, or \$3-5m annually⁵. The Office is actively pursuing new funding opportunities, including the \$650m in new renewable energy and energy efficiency grants and loans being offered by the State through legislation passed this summer.

Office of the Inspector General (OIG) & Chief Integrity Officer (CIO)

The Inspector General's office will continue to root out fraud, corruption and misconduct in the city. The City's Chief Integrity Officer educates and responds to inquiries from City officials and employees and the public about such ethics issues as conflicts of interest, political activity, and handling of gifts and invitations. The OIG is exploring alternative funding sources for investigations and has generated savings in the general fund by reallocating the costs of investigations in certain departments to the appropriate enterprise fund or funding source outside of the general fund.

⁵ These savings are not incorporated in the FY09 Budget. With implementation of our energy reduction plan we anticipate realizing these savings in coming years.

Public Safety

Departments:

Police, Fire, Prisons, Emergency Management, Criminal Justice Coordinating Office, Mayor's Office for the Re-Entry of Ex-Offenders

Acknowledging the budget deficit caused public safety departments to examine core public safety services. It was recognized that over-reliance on overtime could no longer be sustained and, therefore, an attempt was made in each public safety department to better rationalize service delivery. In the Police Department, recognizing the goal of committing more officers to patrol, additional units will be collapsed and more officers will be put on the street. In the Fire Department, the number of engine and ladder companies will be reduced given the current number of people served in the City of Philadelphia. In Prisons, services are maintained in order to uphold the City's commitment to providing a safe environment for both inmates and staff. Reductions in programs, while painful, enable the City to maintain staffing levels central to the mission of public safety.

Every effort is made to capture potential revenues from groups which in the past paid nothing for public safety services funded by the taxpayers.

Preserved Core Services include:

- No Police or Fire layoffs and no facilities closed
- 200 redeployed police officers on street duty
- Maintain Emergency Medical Services units
- Continue Re-Entry Program
- Expand Youth Violence Reduction Partnership (YVRP) into one additional Police District (the 39th)
- No reductions in Prison System funding

Efficiency Savings include:

- Reduce Police overtime: *administrative overtime, arrest/investigative overtime (\$8m)*
- Reduce and re-organize staff in the Office of Emergency Management: *Core management, planning, operations, education and outreach functions for the Office of Emergency Management are preserved with reduced personnel (\$380,000).*
- Reduce non-patrol police fleet: *Fleet will be reduced by 50 non-patrol vehicles (\$693,000)*

Increased revenues include:

- Update Emergency Medical Services Fees: *Implement rate increases for basic life saving and advanced life saving services (\$1m in FY09; \$1.7m in FY10)*
- Collect reimbursement for Police overtime for special events (\$3m)
- Explore additional revenue generators, including:
 - Fees for false fire alarms
 - Insurance reimbursement for auto accidents
 - Improved collections for EMS services

Reductions and eliminations include:

- Leave Police vacancies unfilled & reduce overtime: 200 vacant positions will not be filled (\$8m). Overtime reductions for officers on patrol will result in savings of \$6m.
- Fire - Engines & Ladders: These services are currently covered through overtime; no layoffs will occur, response times will remain within national fire standards and **no fire houses will be closed** as a result of these reductions. These changes were made according to reduction in the number of structural fires, total average response patterns, the location of companies and the number of perimeter companies. Philadelphia will be equipped with 63 stations, 56 engine companies, and 27 ladder companies.
 - 5 Engines⁶
 - 2 Ladders
- Reduce Town Watch Integrated Services funding by 50%: Core Town Watch services are preserved but will occur with reduced staff. Grants previously administered by Town Watch will be discontinued. It is anticipated that this reduction will be offset by private fundraising and volunteer efforts.
- Provide a smaller increase to Youth Violence Reduction Partnership funding by 6%: In the original FY09 budget, YVRP received an increase of \$5m, this allocation will be reduced by 6%. Notwithstanding this reduction, YVRP will still receive a \$4.7m increase over FY08.
- Eliminate Adolescent Violence Reduction Partnership: Due to lack of referrals and lack of demonstrated effectiveness.

⁶ Specific engines and ladders included in appendix.

Health and Opportunity

Departments:

Behavioral Health, Public Health, Human Services, Free Library, Fairmount Park, Recreation, and Supportive Housing

The budget revisions preserve essential services for children and vulnerable families and adults while eliminating inefficiencies and reducing some services. Proven prevention programs and services to the most vulnerable were maintained while a comprehensive plan is being developed to realign City prevention programs to better keep children safe and increase school graduation rates. Decisions were also guided by analysis of the city's population—the distribution of children, individuals and families in poverty—and a desire to preserve geographic distribution of health and opportunity across the city.

Preserved Core Services include:

- All essential health services, including all 8 Health Centers, lead abatement, animal control and HIV/AIDS programs
- All state and federally mandated child protection and juvenile justice services
- After school and summer programming for children
- All Recreation Centers so children have a safe place to go, exercise and play in their immediate neighborhood
- A public library within 2 miles of anyone who now has one within 2 miles
- Fund 3 Bookmobiles in FY10
- All emergency housing and transitional and permanent supportive housing
- Additional emergency housing and shelter for 310 homeless adults in winter months

Efficiency Savings include:

- Reduce overtime by more than \$2m by changing shifts in Human Services and redeploying staff in Recreation.
- Classify correctly Recreation facilities⁷ and more efficiently deploy staff (\$688,000).
- Eliminate 6 non-essential positions in the Health Commissioner's office (\$958,000).
- Dispose of fallen trees and waste wood at no cost through new innovative partnership (\$90,000).

Increased Revenues include:

- Collect reimbursement for City services and facilities at all special events (\$1m).
- Update public health permit, license and fees to cover actual costs, including:
 - Update Medical Examiner fees for autopsy reports
 - Enforce dog licensing ordinance and collect license fee

⁷ Further details contained in the appendix.

Reductions and Eliminations include:

Human Services (\$2.5m for FY09 and \$5m for FY10)

- Reduce or eliminate prevention programs based on their cost-effectiveness and connection to the Department's core mission, including:
 - Eliminate the 4 remaining curfew centers due to high cost and low utilization.
 - Eliminate delinquency prevention programs with weakest evidence of effectiveness
 - Reduce Mural Arts Program funding by \$500,000
 - Reduce youth development programming by approximately \$600,000 while preserving programs demonstrating the greatest impact on high-risk youth

Free Library (\$8m)

- Close 11 of 54 libraries based on their proximity to other libraries, their use, number of children in neighborhood and facility condition.⁸
- Eliminate Sunday hours at the 3 Regional Libraries to maintain hours at all branch libraries. Central Library will be open 7-days a week.

Fairmount Park (\$3.1m)

- Delay funding increase for Fairmount Park and fully reinstate increase beginning in FY11.
- Reduce budget by mowing 12 times a year instead of 14 and reduce tree pruning and removal.
- Slate Environmental Education Division for elimination but look for partners to continue funding.

Recreation (\$2.6m for FY09 and \$8.1m for FY10)

- Close 68 of 81 pools this summer in order to keep all Recreation Centers open⁹. Keep open 11 outdoor pools, 2 indoor pools, 5 spray grounds and 52 sprinklers. The 13 pools will be kept open based on their location, usage, physical condition and size.
- Open 2 ice rinks but close the 3 other rinks unless private funding can be secured.
- Eliminate summer recreational aid positions and refer teens to other summer jobs
- Discontinue support for summer concert series at the Dell and eliminate \$355,000 contribution towards the Mummer's Parade.

Supportive Housing (\$1.3m)

- Close one 10-bed emergency housing site and absorb residents in another one.
- Reduce case management services at 10 emergency housing sites; reduce 5 contracts; and eliminate 3 contracts not directly related to core mission.

⁸ Specific locations of libraries and pools listed in appendix.

Transportation and Utilities

Departments:

Streets, Water and Airport. (*Only the Streets Department receives general funds. The Water Department and Airport are enterprise funds and do not receive general fund support.*)

The Streets Department will continue to provide essential services to our citizens including regular trash removal, maintaining our roadway system, and fostering public safety with our traffic and street lighting programs. The Department is focusing on these core services to maintain clean and safe neighborhoods, increase recycling, and foster a sustainable environment. The programs and services that are eliminated are not essential to the core mission of the Department and reductions were concentrated in seasonal and specialty services.

Preserved core services include:

- Regular and efficient trash removal
- Citywide, weekly single-stream recycling
- Winter snow removal on primary and secondary streets
- Designing, repairing, maintaining and improving Philadelphia's streets and infrastructure
- Effective street lighting and traffic engineering programs
- Preserve SEPTA subsidy (\$63.1m) to leverage State funds

Efficiency savings include:

- Reduce electricity costs (at least \$1m).
- Eliminate vacant positions.
- Right-size City's trash operation: *Reduce trash setout limits from 12 bags and 6 cans to 8 bags and 4 cans. The average household currently disposes of less than the permitted amount.*
- Restructure, combine and reassign duties: *For example, combine the Highway and Traffic counters in the Municipal Services Building to provide a one-stop shop for customers, and re-assign limited duty personnel to inventory control, freeing up full duty technicians for on-street assignments.*

Increased revenues include:

- \$1m from increased recycling and the implementation of weekly single-stream recycling in January 2009.
- Recover assessments for striking streets: *Charge developers and institutions appraised value for eliminating streets from the city's inventory (\$250,000).*
- Apply for federal reimbursement for trash removal associated with federally funded Summer Lunch Program (\$320,000).
- Update fees for construction-related street closures to cover costs (\$350,000)
- Require reimbursement for collection and cleaning associated with major special events (\$175,000)

Reductions and eliminations include:

- Eliminate FY09 \$10m increase for paving: *\$5m will be restored annually from FY11.*
- Eliminate bulk and tire collections and special collections for leaves: *Citizens will dispose of large items privately as in most other major cities. This year there will be one scheduled leaf pick-up instead of two, and next year bagged leaves left at the curb on regularly scheduled trash days will be collected. (\$1.175m)*
- Eliminate free trash pick-up for non-profit organizations and quasi-governmental agencies.
- Eliminate the limited residential street cleaning program: *Only 16.5% of the city's road network currently receive this service. (\$425,000)*
- Restructure the residential snow operations to avoid \$8m in costs over five years: *Eliminate snow clearance on tertiary streets with some exceptions as determined by weather conditions.*

Economic Development

Departments:

Commerce Department (which includes the Office of Business Services, Office of Neighborhood Services and the Office of Economic Opportunity), Licenses and Inspections, Office of Housing and Community Development, Planning Commission, and Historical Commission.

The City's economic development departments and agencies are responsible for business growth and support, ensuring safe practices and buildings through Licenses and Inspections, providing a clear, predictable and navigable planning and development process and promoting economic opportunity for small businesses and minorities. These departments and agencies are being streamlined to provide better service delivery. Adjustments made to the economic development budget in the light of the City's financial challenges will not impact the City's ability to provide a one-stop shop for businesses. Reductions are achieved through savings where services were being provided inefficiently, or where functions are not critical to the core mission of economic development in Philadelphia.

Preserved core services include:

- Supporting disadvantaged business owners through the Office of Economic Opportunity
- Comprehensive business development, outreach and support services
- Neighborhood economic development
- Inspection and demolition of dangerous and unsafe buildings
- Conducting reviews and inspections
- Issuing licenses and permits
- Affordable housing production and housing counseling
- Basic System Repairs program
- Planning Commission, Historical Commission and Zoning Code Commission maintained at current budget and staffing levels

Efficiency savings include:

- Decreases in overtime
- Reduce clerical staff due to technological upgrades
- Reassign plumbing inspection duties to appropriate building inspectors

Increased revenues include:

- Increase Housing License Inspection Fee from \$30 to \$50: *Last increased January 2003.*
- Increase Business Privilege License from \$250 to \$300: *Last increased January 2003.*
- Raise base fee on commercial building permits from \$100 to \$150
- Raise zoning permit fees 25% across the board
- Raise sign fees from \$100 to \$200: *Last increased 2000.*
- Institute Uniform Construction Code surcharge of \$3 per permit

Reductions and eliminations include:

Tax cuts

- Tax cuts for FY09 will be maintained and the portion of the wage tax reductions that are funded by state gaming revenues will continue. The Administration will introduce legislation to suspend the City-funded tax cuts scheduled for FY10-FY14. This will save almost \$230m over the lifetime of the Five Year Plan. The Administration will propose to resume tax cuts in FY15 or earlier if economic conditions allow.

Licenses and Inspections

- Eliminate Weights and Measures Unit: *This is a state function that the City has been fulfilling and we intend to terminate the current Memorandum of Understanding and transfer the function back to the state.*
- Reduce Street Vendor Enforcement Unit by 33% (8 positions) and eliminate 15 general support and administrative positions.
- Reduce Demolition funding by 10%: *This reduction, from an annual amount of \$8M to \$7.2M, will not affect demolition of the most imminently dangerous or unsafe buildings. Buildings scheduled for demolition are currently held in a queue. What this reduction means is that approximately 40 less demolitions will occur per year, out of a total of approximately 400 annually. This reduction in general fund money is being offset by a one-time Cultural Corridor Bond Fund of \$1.8m. This money will be used to demolish dangerous buildings within one block of pre-determined commercial corridors.*

Commerce (\$714,500)

- Reduce economic development contracts: *Contracts with International Visitors Council, Philadelphia Industrial Development Corporation, Schuylkill River Development Corporation, and miscellaneous unassigned funds.*

Office of Housing and Community Development (\$2m)

- Reduce Vacant Land Management Program by 50%: *The FY09 contract with the Pennsylvania Horticultural Society for vacant land management will be reduced to \$2m from \$4m. However, \$1m of previously unspent funds remain and this will go towards continued programming in FY09.*
- Provide smaller increase for Housing Trust Fund General Fund: *The original Five Year Plan contained a \$3m annual contribution to the Housing Trust Fund. This is being reduced to \$1.5m annually, still an increase over previous years.*

Administration & Technology

Departments:

Fleet Management, Procurement, Public Property, Records, Division of Technology, Human Resources, 311 and the Managing Director's Office.

The target budget reductions in the Administrative and Technology division are focused on improving customer service while reducing administrative costs and redundancy. Further efficiency measures will be realized in FY10 as a collaborative planning process has begun to re-engineer and redesign administrative functions.

Preserved Core Services include:

- Customer Service and Performance Management programs, including the 311 Contact Center and PhillyStat
- Neighborhood Services Division, including vacant lot cleaning and graffiti removal
- Maintenance and custodial work on City-owned buildings and leased properties
- Basic mandated Records services
- Human Resources

Efficiency Savings include:

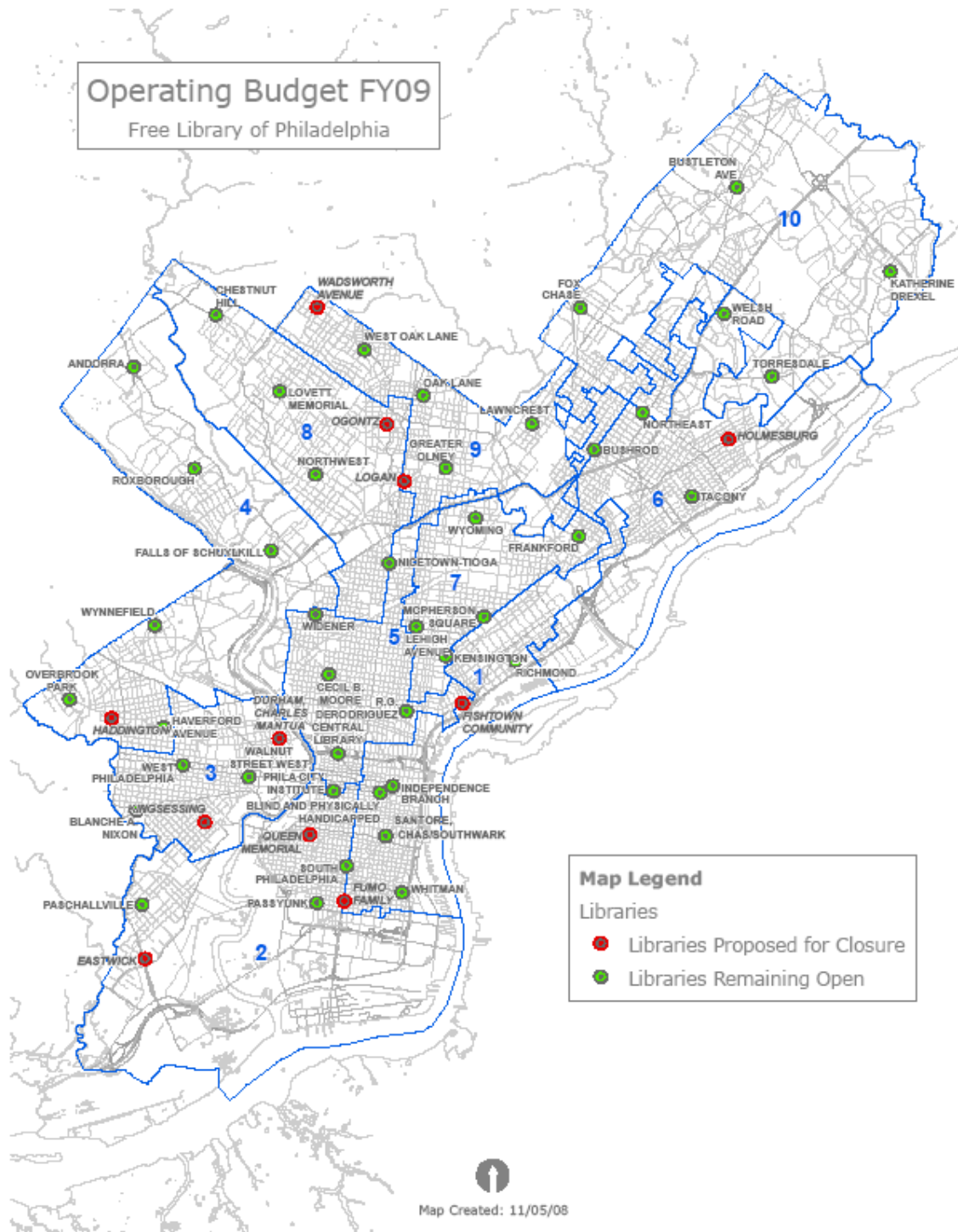
- Information Technology consolidation (\$850,000)
- Zoo water bill - Shift responsibility of Zoo water bill to Zoo to promote conservation of resources.
- Reduce telecommunications costs (\$1m)
- Reduce Public Property's HVAC maintenance services: switch to in-house provision of services (\$500,000)
- Overtime reductions for:
 - Fleet Management (\$1.5m)
 - Public Property (\$500,000)
 - Procurement
- Eliminate unfilled positions in:
 - Records (6)
 - Fleet Management (9)
 - Procurement (5)
- Capture funds from over-budgeted contracts/expenditures through Public Property (\$300,000)
- Public Property: Consolidation of Capital Program Office and Public Property – elimination of 12 staff positions (\$800,000)
- Reduction in the number of vehicles purchased by Fleet Management (\$7m)

Reductions and eliminations include:

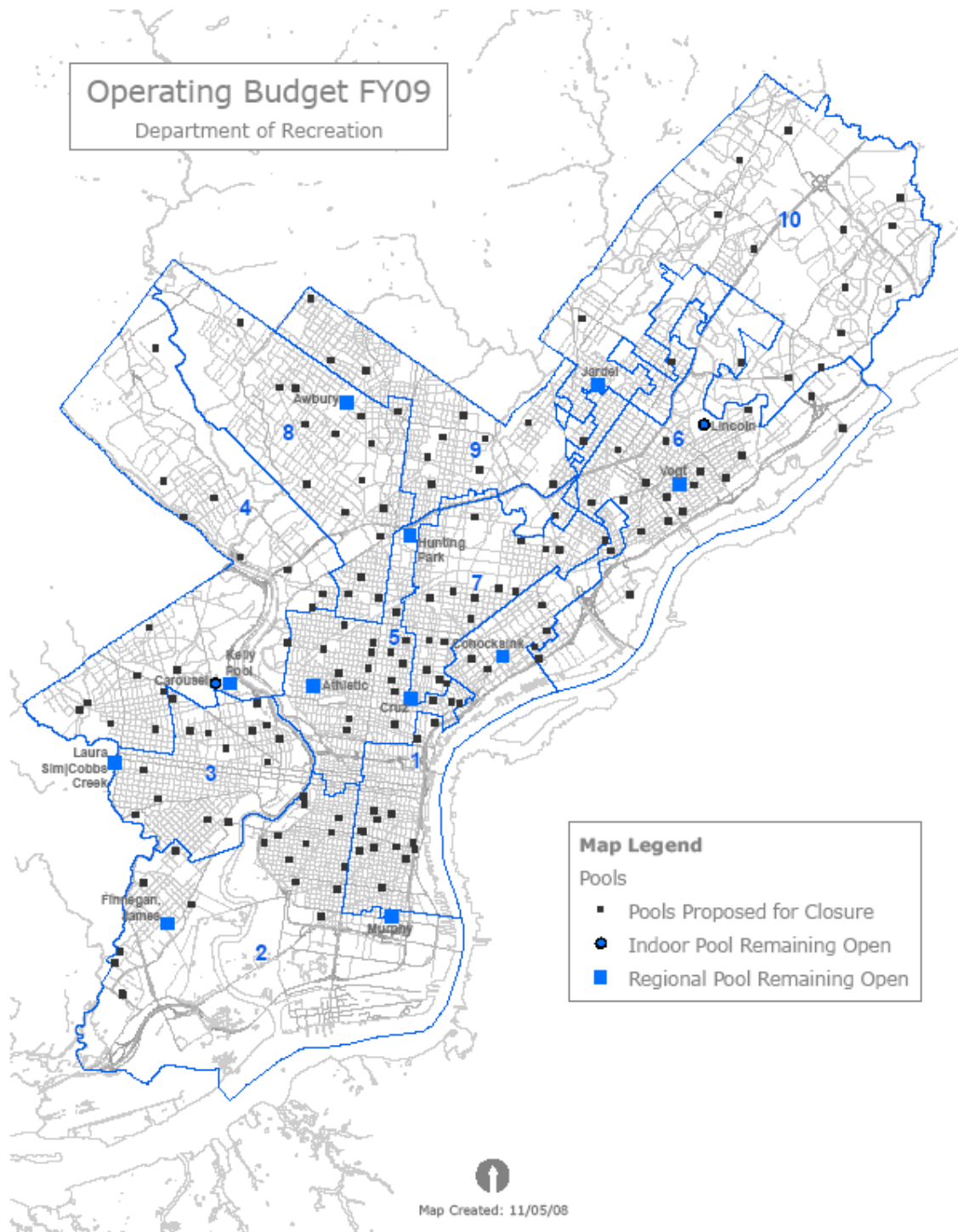
- Public Property: Contracts (\$78,000)
- Public Property: Renegotiate leases
 - Reduce Public Property Tri-Plex Contract (\$620,000)
 - Renegotiate leases (\$1m)

- Public Property: Shifting telecommunications costs to appropriate funds (Water and Aviation - \$311,000)
- Procurement positions (\$450,000)
- Eliminate positions and reduce salaries in the Managing Director's Office

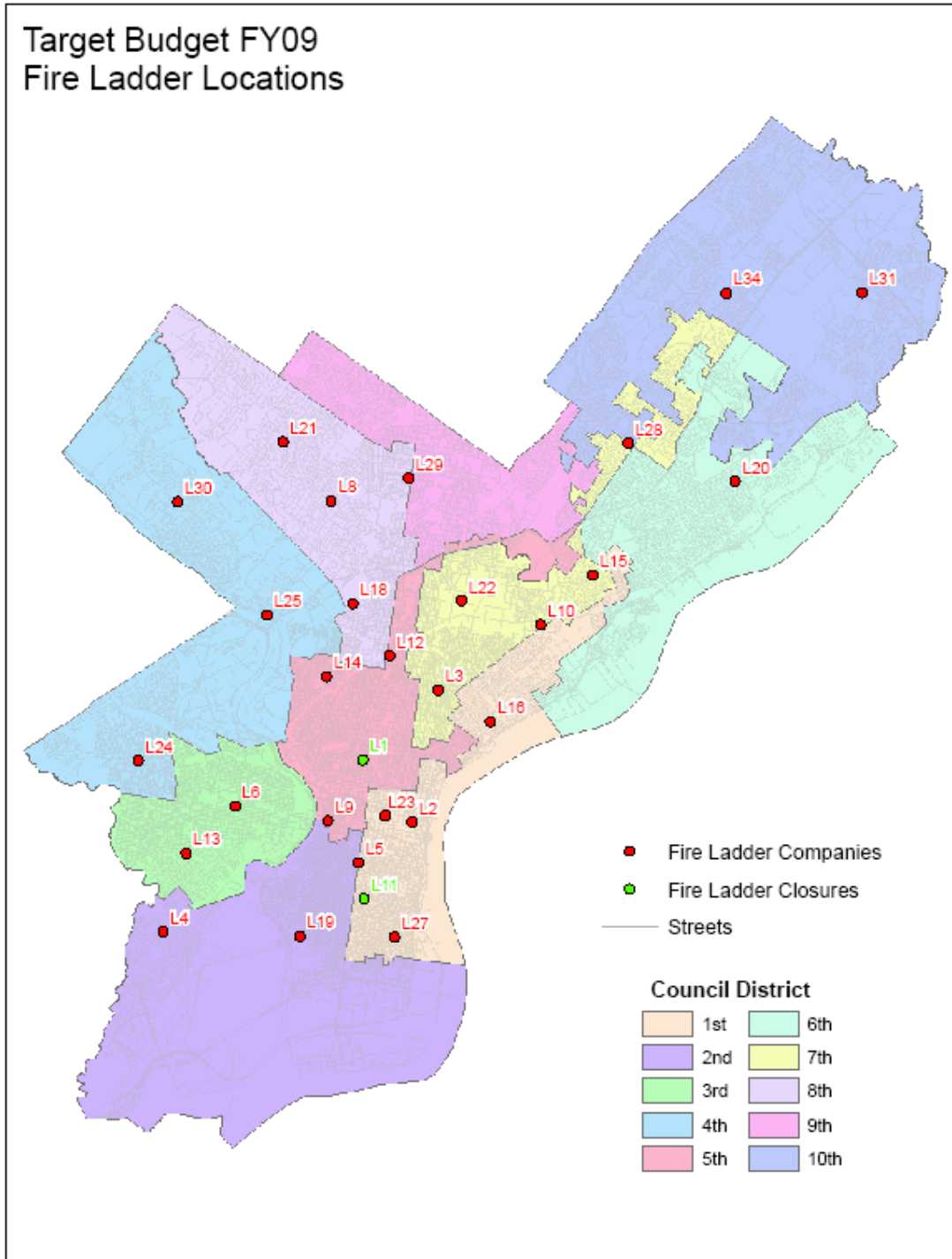
APPENDIX A: LIBRARY LOCATIONS



APPENDIX B: POOL LOCATIONS



APPENDIX C: FIRE LADDER LOCATIONS



APPENDIX D: FIRE ENGINE LOCATIONS

