

A CALL FOR SHARED SACRIFICE Nov. 6, 2008

Good afternoon my fellow Philadelphians and friends in the region.

One year ago today, Philadelphians elected me to serve as their 98th mayor. It was a high privilege and honor to take the oath of office.

In my first address as mayor, I spoke of our city's great potential and the need for new ideas and bold action.

I set aggressive goals to cut the city's school dropout rate, to increase the number of Philadelphians completing college and to grow our city by 75,000 residents.

Achieving them, I said, would require a new sense of shared hope, commitment and sacrifice from everyone because we all have a role to play in the renaissance of our great city.

In the last 10 months, I've seen more hope and optimism about what we can achieve in Philadelphia and the region. Our beloved Phillies are winners and so is this shining city of parks, history, creative people and vibrant neighborhoods.

In January, when I invited everyone to come to City Hall for an open house, you came in the thousands and told me of your pride in the city and hopes for a prosperous future.

In April, more than 15,000 Philadelphians removed 2.5 million pounds of trash from their neighborhoods.

And every day this year, public safety has been Job No. 1. We've developed an aggressive crime fighting strategy. We've reduced homicides and the overall crime rate.

But we've also seen the horror of this battle as three police officers have given their lives while carrying out their duty.

In my February budget address, I warned that the national economy was sputtering, storm clouds were visible in the distance and tax collections were slowing down.

Now, the economic storm has arrived with such force that a respected economist said it was as if the national economy had “fallen off a cliff.” President-elect Obama has described it as the worst financial crisis since the Great Depression.

International investment banks have collapsed. The world’s stock markets have lost a third to one half of their value and consumer confidence has plunged to its lowest level in 41 years.

As this economic storm gains strength, the public sector has not been spared. Huge budget gaps have opened up in cities like New York, Los Angeles and Chicago.

Cities and states are slamming the brakes on spending, laying off employees, abolishing unfilled positions, reducing service levels and increasing taxes and fees.

In Philadelphia, we started the fiscal year with a \$119 million surplus, but due to a dramatic decline in tax collections and increased pension costs, we’re now facing a deficit of \$108 million and counting. Without action, this problem grows to more than a billion dollar gap in our Five Year Plan.

To fix our problem will require bold action for the balance of the fiscal year and beyond.

Though our budget is \$4 billion, more than half of our costs are locked in. Therefore, we can only focus on \$850 million in discretionary spending planned for the last half of the year. From this, we must wring \$100 million in savings.

Make no mistake. This will be a mid-year revision of epic proportions, and because this recession may linger beyond next year, we can’t look for brief, one-time changes.

We must batten down the hatches and prepare for the worst. And that means reshaping government for leaner times.

Last winter, we began a total review of all programs and spending, measuring everything against the yardstick of our core values: public safety, healthy neighborhoods, sustainable economic growth and improved education all delivered by a more efficient government with the highest ethical standards.

In facing this crisis, I have rejected across-the-board cuts because of their inherent unfairness.

Our goal is to:

- Preserve programs that work,
- Adjust these programs to actual needs,
- Find real efficiencies that can be implemented quickly,
- Collect money owed to the city,
- Rebalance fees for some city services to better cover our costs and
- Share the burden of sacrifice that spending cuts require.

I believe that sharing the burden must begin with our schedule of business and wage tax cuts. After more than a decade of annual cuts, it would be folly to continue cutting in this dangerous fiscal environment.

Therefore, I will ask City Council to suspend tax reductions into mid-2015, maintaining \$220 million in tax revenue during the period.

In a crisis, sacrifice must start at the top.

The city's exempt employees have already lost the \$1,100 bonus, awarded to union employees. Regrettably, I must ask for more from these dedicated exempt employees by requiring those earning more than \$50,000 to take five furlough days without pay this year and again next year.

Also, my staff, Cabinet officers and I will take salary cuts along with the furloughs.

Throughout the government, we've found efficiencies, saving millions of dollars. We will increase our revenue using better tax collection strategies and by imposing new fees with City Council's concurrence. And yet, these solutions cover only 55 percent of the budget gap.

Painful program and service cuts are necessary, but I want to assure you that we've preserved our core services, minimized the impact on vulnerable populations and considered the long-term impact of our choices.

Let me highlight some of the more significant changes:

- In public safety, we've achieved substantial savings with no police or fire layoffs, no fire station closings and no reduction in emergency medical services.

- But we plan to reduce police overtime and not fill 200 vacant positions. Town Watch funding will see a 50 percent cut. In the fire department, by reducing overtime, we'll be able to cut 5 engine companies and 2 ladder companies, while maintaining overall safety.
- After careful review of building conditions, utilization and distance to other libraries in the Free Library system, we'll close 11 libraries and eliminate Sunday hours at three regional libraries.
- All recreation centers will remain open, especially during the most vulnerable times for our youth – after school and during the summers. But during the summer, we'll close 62 of 73 outdoor pools and 6 of 8 indoor pools. In the winter, we'll close three ice rinks unless private funding can be secured.
- In the Streets Department, we'll see increased revenue thanks to weekly single-stream recycling. But the department will devote less money to street resurfacing, and we'll end residential street cleaning, snow removal on tertiary streets, and bulk and tire collections.
- In all, we'll layoff more than 220 city employees and eliminate nearly 600 unfilled positions, more than 1,660 seasonal part-time jobs and about 570 contractual, non-city jobs.

Despite the severity of these changes, Philadelphia is resilient. We have a sensible spending plan that will move this city forward:

- The police department will have 200 more officers on the street than at the beginning of January.
- We'll continue our vigorous support for the Philadelphia schools, which will benefit from increased parking meter rates and fines.
- We'll see a wage tax decrease thanks to state gaming revenue and when conditions improve we'll restart our business tax reduction schedule.
- And we'll have a 311 call system and a data-driven PhillyStat system to analyze our service delivery. It will make us more efficient and make our budget process more rational.

This recession has created more and not less urgency about streamlining the government. We will aggressively look for new ways to cut the cost of delivering service.

Today, I'm announcing that I will empower a Private Sector Taskforce made up of the best and brightest business and management minds in the region. Their charge will be to look for the most efficient ways to do the city's business.

This effort will be paired with a new commitment by this administration to work with the city unions under the Reinventing Government Initiative to find cost-saving reforms to benefit all taxpayers.

In the next week or so, I will outline a proposal for how the U.S. Treasury can use its authority under the \$700 billion financial rescue package to provide immediate help to Philadelphia and cities across the country that have been harmed by the financial crisis.

And now, with the election of Sen. Barack Obama to the presidency, the Philadelphia region and all the metro areas across the country will have a true partner in Washington.

With his unique position as both a sitting Senator and President-elect, I will ask President-elect Obama to push for legislation now that will help cities cope with the fiscal crisis, particularly on the rising costs of infrastructure renewal and employee pensions and the access to capital.

For 10 months now, I've seen hope and optimism bloom in this city. I've seen people and institutions come together to tackle some of our toughest issues.

Now, more than ever, we need Philadelphians to step forward, whether it's volunteering with Town Watch, in the schools or at Rec centers. We need businesses to partner with the schools to develop the employees of the future.

If we work in partnership, make the tough choices and smart investments, then we'll secure our future as we face the global economic challenges.

Philadelphia is a livable, walkable, affordable city. We'll get through this turbulence. On the other side of this crisis, we'll be a stronger, more efficient government. And

we'll be a city ready to seize the opportunities that this century of change presents to us. Thank you.