



Mayor's Office of Communications

CITY OF PHILADELPHIA

For Immediate Release: May 1, 2020
Contact: press@phila.gov

Mayor Kenney Delivers Address on Revised FY21 Budget

PHILADELPHIA – Mayor Jim Kenney today delivered a recorded address to Philadelphians about the revised Fiscal Year 2021 Budget and Five Year Plan delivered to City Council. “This budget pares City services down to the most essential, imposes layoffs on hundreds of workers, and reduces or eliminates some programs that are simply no longer affordable,” the Mayor said in the speech. “We created this spending plan by setting clear priorities: we will keep all Philadelphians safe, healthy and educated while maintaining core municipal services that our residents rely on daily.”

The video can be viewed [here](#). The full text of the speech is below:

Hello.

For nearly thirty years, I have had the honor of serving the residents of Philadelphia.

First, as an at-large member of City Council and then, for the past four and a half years, as your Mayor.

My years in government have often been challenging, yet they've always been rewarding.

But I can say with certainty that I have never faced as difficult—in fact, as painful—a period as the one in which we find ourselves today.

Less than two months ago I submitted a Budget and Five Year Plan to City Council.

That Budget was ambitious: Increasing funding for the School District. A new scholarship program for Community College of Philadelphia. Expanded street sweeping and paving. And much more.

At the same time, that budget was fiscally prudent, with no tax increases, and with funds set aside to prepare for a possible economic downturn.

But as you all know, the ink was barely dry on this spending plan when the impact of COVID-19 hit the city, the nation, and the world.

And now—with the impact of the virus requiring a Stay at Home order and the closing of non-essential businesses—we face an economic downturn that will equal and probably exceed the worst

of the Great Recession of 2008.

So, even as our operational departments rushed to respond to the virus, I directed our Finance and Budget Directors to start the Budget process all over again.

They developed a new plan that addresses the unfortunate economic reality we now face.

This reality includes a dramatic decline in tax collections from the shutdown of business activity and the resulting drop in wages.

At this time there's no guarantee from the Federal government that any money appropriated by Congress will be allowed to replace lost revenue from this crisis.

We face a slowing of real estate activity and new businesses, as well as an erosion in the ability of existing businesses and many individuals to pay taxes.

All of this will come as fixed costs—like health care and pension expenses—increase and the demand for City services grows.

And those, in turn, will cause further stress on the budget.

The result of all this is that we are now facing a deficit of \$649 million in the coming fiscal year.

By contrast, the City projected a \$108 million deficit in 2009 after the Recession hit. Our current revenue loss is five times that.

I've said this many times: we are legally prohibited from carrying a deficit like they do in Washington.

We must make difficult decisions to close this huge gap.

And because of the legal requirements of our Budget cycle, we must make those decisions now.

So, today I sent to City Council a budget that pares City services down to the most essential, imposes layoffs on hundreds of workers, and reduces or eliminates some programs that are simply no longer affordable.

This is not what I want for our residents—and I understand if this leaves many of you angry.

Frankly, I'm angry too.

But after that anger fades, we must remember exactly what we are dealing with.

What we have is both a global pandemic and an economic catastrophe.

We must address both with bold decisions so that this government operates within its means.

At the same time, we must continue addressing other challenges, like gun violence, poverty, and the opioid epidemic.

And we must transform our priorities to best meet the needs of Philadelphians, particularly our most

vulnerable residents, under this new reality.

We hope that by focusing on core services and maintaining fiscal stability, we will be able to rebound as quickly as possible.

I want everyone to understand how these decisions were made.

We didn't just blindly chop away at programs and services or tell all Departments they must take the same level of cuts.

We did this in a thoughtful, deliberate, and collaborative way.

We created this spending plan by setting clear priorities: **we will keep all Philadelphians safe, healthy and educated while maintaining core municipal services that our residents rely on daily.**

Our priorities have been guided by three principles:

First is learning from our experiences in the Great Recession. One such lesson was that funding cuts for essential services like public safety take years to recover from. Another lesson learned was that Philadelphians care deeply about their neighborhood facilities.

The second guiding principle is ensuring that these decisions were made through a lens of racial equity. We needed to intentionally limit the impact of service delays or cuts on people of color, who are disproportionately impacted by the virus and already suffering from decades of systemic inequality.

The third principle is a commitment to leverage federal, state, and philanthropic resources. We intend to reduce our own spending by partnering with others in order to help fund or deliver services.

With those clear priorities and guiding principles, we sat down over the course of the last few weeks and made some truly painful decisions on what to include and exclude from this spending plan.

The budget we have sent to City Council proposes General Fund spending to be \$4.9 billion, which is a \$341 million decrease over the original \$5.2 billion budget.

For our substantial COVID-19 response costs, this budget factors in federal reimbursements that the City has a reasonable expectation of receiving.

To maximize revenues, we will delay scheduled reductions in business and resident wage tax rates until Fiscal Year 2024—saving almost \$20 million in FY21.

And to minimize tax delinquency, we'll be ramping up our outreach to taxpayers and offering affordable payment schedules for those who are struggling.

I wish those actions alone would get us to a balanced budget, but they don't.

We still need to cut services, generate efficiencies, and expand revenue sources.

Before spelling those out, I first want to point out what services are **not** facing significant impacts.

There will be no police or fire layoffs.

There will be no reduction in emergency medical services.

All fire stations will remain open.

All health centers will remain open.

All recreation centers will remain open.

All libraries will remain open.

PHLPreK and Community Schools will be maintained at current funding levels.

Using local and federal funding, we will prioritize keeping Philadelphians in their homes by focusing on basic systems repairs, preventing mortgage foreclosure, and support for renters.

And weekly residential trash collection and single-stream recycling will continue, with some adjustments.

With those facilities and services prioritized, we propose adjusting our spending in other areas by adhering to the priorities and principles I mentioned earlier.

In these lean times, we will be responsible stewards of your tax dollars.

This means we will reduce overtime across government, including for the police and fire departments.

We will delay and reduce our plans to invest in vehicles, technology, and other equipment -- things that help our government run.

We will reduce hours and programming at our libraries and rec centers.

We will reduce our support for special events, non-profits, and the arts.

We will reduce the use of local tax dollars for economic and workforce development, for affordable housing and for homelessness prevention and assistance. This is possible since federal funds have been approved to support those areas, including direct assistance to businesses, individuals, and unemployed workers.

We have also identified a few ways to increase revenues—although with the economy almost entirely shut down, there are limited options.

For example, we propose small increases to certain licenses and permits, and an increase for the cost of commercial trash pick-up.

As I mentioned earlier, we will put on hold our plans to reduce business tax rates and wage tax rates for Philadelphia residents.

We will seek rate increases for the non-resident portion of the wage tax, and for the parking tax.

We will work hard and creatively to find efficiencies and cost savings across the government—including delivering service improvements through technology.

We will eliminate the 1% discount for paying Real Estate Taxes early.

And we propose increasing the rate of the School District portion of the Real Estate Tax.

This will enable the District to avoid draconian cuts that we know will set our kids back years and harm the future prosperity of our city.

Now, I come to what is truly the most painful part of this bare-bones budget.

The greatest single expense for the City is employee wages and benefits.

To reduce labor costs within the executive branch, we have, as a first step, frozen all hiring of new staff, except in positions critical for fighting COVID-19 and other urgent needs.

We have mandated that the salaries of all exempt employees earning over \$35,000 be cut on a sliding scale. This includes my own salary.

But to reach the level of cost reductions that are now necessary, even that is not enough.

There's no way to sugarcoat this. We will have to reduce the size of the City workforce by eliminating jobs and only filling the most critical vacancies.

We will, by June 1, begin the first phase of staff reductions in the executive branch by eliminating hundreds of positions through both layoffs and not filling vacancies.

This includes many seasonal, temporary, and part-time positions. And by the end of August there will be additional layoffs.

To those who are directly impacted by this workforce reduction, I pledge to you that we will offer resources and support to help you through this.

I want to thank the local elected officials and leaders of the City's independent offices who understood the enormity of the fiscal challenges we face—with several proposing reductions to their budgets at this time.

We don't know when the crisis will end, but I do know we are doing everything in our power to save lives and restart the economy safely.

By making the tough decisions now, we can maintain our commitment to helping all Philadelphians reach their potential.

The weeks, months, and years ahead will be difficult, and the world we return to will be different.

Yet I know that the spirit and grit of Philadelphia will help us rise to meet this momentous challenge. Together we will rebuild a healthier, safer, and stronger city.

As I said in my Letter to Philadelphians last month, we have much time to go before the crisis eases. Before we reclaim our lives.

But I believe that this budget is a bold roadmap to get to that point.

Like you, I yearn for the day when all these restrictions are a thing of the past.

When the threat of this insidious virus is gone.

When we get to that day, we will stop and remember the sacrifice, the loss, the pain of this time.

We will realize that the silence which now pervades our streets was not, by any means, a sign of defeat.

Rather, it was the abundant evidence of our resilience.

When that day comes, we will watch our children head off to school, play on the sidewalks, and even share snacks and hugs.

And we'll know that when it mattered most we stepped up, we cared for one another, we did what was right, and we endured.

Thank you.

###