

## PHILADELPHIA BUDGET CHALLENGE

EconomyLeague.org/budget

Content as of 3/20/09



### **Wage Tax**

#### *Question*

The current wage tax rate is 3.9296% for City residents and 3.4997% for non-City residents. Should the City raise the wage tax?

#### *Background*

Before the City's budget crisis, the rate was scheduled to decrease each year over the next five years. How does Philadelphia compare to other municipalities in the region and other big cities? While many municipalities in surrounding Pennsylvania counties imposes a wage tax, it is typically no higher than 1%.

Philadelphia is one of only six of the largest 20 cities in the US to levy a wage or personal income tax, and City residents pay the highest wage tax rate in the US. New York City's wage tax ranges from 2.907% to 3.643%, depending on income; Baltimore's is 3.05%; Wilmington, DE charges 1.25%.

Research [indicates](#) that high wage tax rates discourage businesses and residents from locating in city limits, thus limiting job growth. Click [here](#) for more information on Philadelphia's tax reform efforts.

#### **Impact of 0.1% wage tax increase by income (City residents)**

\$25,000 - \$25 yearly increase

\$50,000 - \$50

\$75,000 - \$75

\$100,000 - \$100

\$150,000 - \$150

#### *Discussion*

#### **Status Quo**

Keep the wage tax at the current rate.

#### *Pros*

The original budget called for annual decreases in the wage tax over the next five years.

Research shows that wage tax reductions from 2000 to 2007 created 23,000 more jobs in the City. At a minimum, the City should leave the rate as it is this year.

### *Cons*

The City faces a \$200 million budget gap that must be closed this year. Even with the proposed increase, the rate will be lower than it was in 2008.

### **Option 1**

Raise the wage tax for residents & non-residents by 0.1%.

### *Pros*

A modest increase in the wage tax will help balance the budget and decrease the need for cuts in important services.

### *Cons*

The City should decrease its dependency on the wage tax for a variety of reasons. It discourages businesses from locating in Philadelphia, and the City would have more stable revenue if it relied less on the wage tax. City residents already pay among the highest tax rates in the nation. Research has shown that over time, increases in the wage tax have led to population and job decreases.

## **Sales Tax**

### *Question*

Should the City raise its sales tax?

### *Background*

Currently, most purchases made in the City are subject to a sales tax rate of 7%. (This does not apply to food or clothing.) Of that, 6% goes to the state and 1% goes to the City. Note: Only Allegheny and Philadelphia Counties levy local sales tax in addition to the state sales tax, thus Philadelphia already has a higher sales tax than do its "collar counties" – Bucks, Chester, Delaware, and Montgomery. Any sales tax increase would require state authorization.

It is estimated that a 0.1% increase would add \$8 and a 1% increase would add \$80 in additional taxes to a household earning \$25,000.

### *Discussion*

### **Status Quo**

Keep the sales tax rate at 7%.

*Pros*

The City should leave the sales tax as it is and find other ways to plug the deficit. Raising the sales tax, even just one-tenth of a percent, might prevent people from making large purchases, like buying a car, in Philadelphia.

*Cons*

A small sales tax increase is one of the less painful ways of balancing the budget.

**Option 1**

Increase the sales tax 0.1% for a total of 7.1%.

*Pros*

An increase in the sales tax will help balance the budget and decrease the need for cuts in important services. (The tax does not apply to basic necessities like food and clothes.)

*Cons*

The tax rate is already higher than that of the surrounding counties and could discourage people from shopping in Philadelphia. This option requires state approval, which may be difficult to obtain.

**Option 2**

Increase the sales tax 1% for a total of 8%.

*Pros*

An increase in the sales tax will help balance the budget and decrease the need for cuts in important services. (The tax does not apply to basic necessities like food and clothes.)

*Cons*

The tax rate is already higher than that of the surrounding counties and could discourage people from shopping in Philadelphia. Raising the sales tax by 1% might prevent people from making large purchases like cars in Philadelphia. This option requires state approval, which may be difficult to obtain.

**Amusement Tax**

*Question*

Should the City raise its amusement tax?

## *Background*

The current amusement tax rate is 5% of ticket prices. This applies to tickets for movies, concerts, plays, and sporting events.

By comparison, New York City has a rate of 8.375%, Pittsburgh's rate is 5%, and Chicago's rate increased on January 1, 2009 to 5% or 8%, depending on the type of event. Baltimore's rate is 10%.

## *Discussion*

### **Status Quo**

Keep the tax rate at 5%.

### *Pros*

Given the economic situation, people might cut back on entertainment spending whether ticket prices increase or not. An additional tax may worsen the situation and have a negative impact on already struggling local arts organizations.

### *Cons*

Attending entertainment events is not a necessity, so it makes sense to consider increasing the revenue collected on tickets.

### **Option 1**

Increase the tax rate to 6%

### *Pros*

Raising the amusement tax by 1% would have a very small impact on ticket prices and keep the tax well within the range of other cities' taxes on entertainment.

### *Cons*

The tax will increase the price of tickets and might limit opportunities for people to attend cultural and entertainment events.

### **Option 2**

Increase the tax rate to 7%.

### *Pros*

An increase of 2% in the amusement tax could offset the need for a 20% cut in the budgets of the Office of Supportive Housing (provides homeless services) or in the Department of Licenses & Inspections (performs building demolitions, sealing of unsafe structures, etc.).

### *Cons*

The tax will increase the price of tickets and might limit opportunities for people to attend cultural and entertainment events.

## **Business Privilege Tax**

### *Question*

Should the Business Privilege Tax be raised?

### *Background*

The [Business Privilege Tax](#) (BPT) applies to every individual, partnership, association, and corporation engaged in a business, profession, or other activity for profit within the City of Philadelphia. The BPT rate is 1.415 mills on gross receipts and 6.45% on taxable net income. Research indicates that this tax dampens Philadelphia's business climate and is particularly hard on small businesses and start-up companies. Click [here](#) for more information about reforming the Business Privilege Tax.

### *Definitions:*

**Mills:** The term is derived from the root word mill, which means "thousand." Another way to describe it is that the City levies a 0.1415% tax on gross receipts.

**Gross receipts:** total revenue before deducting expenses

**Net income:** profit after all business expenses are deducted

### *Discussion*

#### **Status Quo**

Do not increase the Business Privilege Tax.

### *Pros*

Taxes are already high, and the City should be looking for ways to be more business-friendly, not less. Research has found that increasing the Business Privilege Tax actually shrinks the City's business tax base.

### *Cons*

The proposed increases are small and would bring in badly needed revenue.

### **Option 1**

Raise the rate on net income from 6.45% to 6.55%. Leave gross receipts at current millage.

#### *Pros*

This option represents a modest increase on actual business income (as opposed to gross receipts) and would help close the budget shortfall.

#### *Cons*

In an economic downturn, Philadelphia should not raise taxes on already-struggling businesses and possibly discourage entrepreneurship.

### **Option 2**

Raise the millage on gross receipts from 1.415 to 1.515 and the rate on net income from 6.45% to 6.55%.

#### *Pros*

An increase in the BPT will help balance the budget and decrease the need for cuts in important services.

#### *Cons*

This tax hits small businesses and entrepreneurs particularly hard. The tax on gross receipts, which applies even if a business makes no profit, discourages new start-up businesses.

## **Real Estate Tax**

### *Question*

Should the City raise real estate taxes?

### *Background*

Real estate taxes in Philadelphia are low by large city standards, but the assessment system is controversial, complicated, and [likely to be revised](#). The real estate tax rate is currently

3.305% (to the City)  
+ 4.959% (to the school system)  
= 8.264% (total)

See below for more information on real estate tax assessments and how taxes are

calculated. Visit the Tax Reform Commission's website to read about the [reforms](#) they have recommended. See this [chart](#) for estimates of costs to homeowners.

*\*\*\*While the city real estate tax rate is 8.264%, taxes are charged on the assessed value of a home, which is different from the actual value. Most property owners end up paying around a 2% rate for the property value. Here's how. The City assesses real estate at 32% of its market value, and market values are set at 70% of resale values. The 8.264% is charged on the resulting amount.*

### *Discussion*

#### **Status Quo**

Keep the rate as it is.

#### *Pros*

The real estate tax assessment system has been shown to be inconsistent and possibly unfair. The City should not consider increasing taxes until the system is reformed.

#### *Cons*

Real estate taxes are considered to be less harmful to job creation than other types of taxes, and the City has not increased the millage rate since 1989. The Mayor is currently proposing a temporary increase. This should not impact property values.

#### **Option 1**

Increase the real estate tax rate by 5%.

#### *Pros*

This increase is projected to raise revenue equal to a 10% cut in the Police Department budget and cost homeowners an average of about \$4 per month.

#### *Cons*

While real estate taxes in the City are low compared to other cities, residents already pay one of the highest overall tax rates in the country. Raising real estate taxes may be especially hard on elderly and low-income homeowners. The increase would also apply to commercial property, representing a tax increase on businesses.

#### **Option 2**

Increase the real estate tax rate by 11% on the City's portion. The impact on residents would

range from an annual increase of less than \$100 to more than \$1,000 depending on a property's assessed value.

#### *Pros*

Real estate taxes in Philadelphia are relatively low, and an increase at this level would close about 25% of the budget shortfall.

#### *Cons*

Professor Robert Inman of the Wharton School estimates that a tax increase of just 7% would reduce the value of a typical City home by about 3 percent, or \$3,300. That's in addition to the decrease in home values occurring due to the recession.

### **Option 3**

Increase the real estate tax rate for two years with a 19.4% increase in the first year. The increase would drop to 14.5% in the second year.

#### *Pros*

Real estate taxes in Philadelphia are relatively low, and an increase at this level would close a significant portion of the budget shortfall.

#### *Cons*

Professor Robert Inman of the Wharton School estimates that a tax increase of just 7% would reduce the value of a typical City home by about 3 percent, or \$3,300. That's in addition to the decrease in home values occurring due to the recession.

## **Fire Department**

### *Question*

Should the City cut the Fire Department's budget?

### *Background*

The [Philadelphia Fire Department](#) currently operates 65 fire stations, 56 engine companies, and 27 ladder companies. The Fiscal Year 2010 budget is \$193 million, which includes Emergency Medical Services (EMS). From FY09 to FY10, the department cut 5 engine companies and 2 ladder companies to close budget shortfalls. In November, the Fire Department presented a [report](#) detailing the services they provide (how many calls, etc.). Although the number of structural fires has dropped in the last



few years, the number of EMS calls has increased dramatically. Click [here](#) to go to the Fire Fighters' Union website to read what they have to say.

### *Discussion*

#### **Status Quo**

Maintain current funding levels.

#### *Pros*

The Fire Department budget was reduced in the first round of budget cuts. Before making additional cuts, other options should be considered.

#### *Cons*

It may make sense to evaluate how the department operates and identify savings in light of the decrease in fire calls and increase in EMS calls to the department.

#### **Option 1**

Reduce the Fire Department budget by 10%, resulting in the loss of 163 uniformed positions, 3 engine companies, 2 ladder companies, and 3 EMS units.

#### *Pros*

The Fire Department represents a significant portion of the City's budget, and without some cuts in large departments like Fire, it will be difficult to balance the budget. Given the shift in the type of calls to which they respond, some cuts may be possible without harming services.

#### *Cons*

Fire protection is a crucial service, and cuts could endanger lives and property. In addition, the department's budget was just cut in November 2008.

#### **Option 2**

Reduce the Fire Department budget by 20%, resulting in the loss of 395 uniformed positions, 9 engine companies, 5 ladder companies, and 8 EMS units.

#### *Pros*

The Fire Department represents a significant portion of the City's budget, and without some cuts in large departments like Fire, it will difficult to balance the budget. Given the

shift in the type of calls to which they respond, some cuts may be possible without harming services.

### *Cons*

Fire protection is a crucial service, and cuts could endanger lives and property. In addition, the department's budget was just cut in November 2008.

## **Pension Fund**

### *Question*

Should the City change the way it manages its pension fund by

- 1) lowering the assumed investment rate of return from 8.75% to 8.25%, and
- 2) spreading the fund's earnings and losses over 10 years instead of 5?

### *Background*

Currently, 54% of individuals in Philadelphia's Municipal Retirement System (or pension fund) are receiving benefits, and their numbers will grow as more people retire and fewer are hired. The pension fund has just [55% of funds needed](#) to meet its projected payouts.

Before employees begin to draw on their pensions, the funds are invested with assumptions that over time, they will return more than their value to the pension pool. Unfortunately, the present downturn has made these investments much less valuable in the short term. Increased payouts and lower return on investments meant that the City has to put more dollars into the pension fund.

The City's proposal is to change the current assumptions about costs and returns to save money over the long term. Over the next 5 years, the City estimates these changes would save about \$330 million. But in FY10, these changes will cost about \$900,000.

For a detailed analysis of the City's pension fund situation and how it might be remedied, see ["Philadelphia's Quiet Crisis: The Rising Cost of Employee Benefits"](#) (2008).

### *Discussion*

#### **Status Quo**

Leave the pension fund assumptions as they currently are.

### *Pros*

The City should focus on immediate actions to fill the budget gap and deal with long term strategies at a later time.

### *Cons*

Changing these assumptions is projected to save the City money in the long term.

### **Option 1**

Change the pension funding assumptions.

#### *Pros*

These changes help the City to better plan for the long term, to preserve services and reduce taxes in the future, and to meet its mandated 5-Year Plan budget requirements.

#### *Cons*

This option does not contribute to solving the FY10 deficit, and it pushes pension costs onto future generations of Philadelphians.

### **Free Library**

#### *Question*

Should the City cut funding for the Free Library of Philadelphia?

#### *Background*

The Free Library of Philadelphia operates [54 libraries](#) across the City and the [most libraries](#) per capita of any big U.S. city. Libraries provide a variety of [programs](#), including adult education and after-school programs. Approximately \$8 million and 100 positions have already been cut in the last two fiscal years (FY08 to currently projected FY10). The cuts proposed here would be in addition to those cuts. All proposed cuts preserve 7-day access to the [Central Library](#) on Ben Franklin Parkway and 6-day access to the three Regional Libraries in [Northeast](#), [Northwest](#), and [West Philadelphia](#).

#### *Discussion*

### **Status Quo**

Make no cuts.

#### *Pros*

Libraries are important community resources, especially during an economic downturn. Residents most in need of the services provided by libraries might not have the ability to travel to other neighborhoods to access them.

#### *Cons*

Reasonable cuts across all or most departments will help to avoid more extreme cuts in any one area.

### **Option 1**

Cut budget by 10% and eliminate 67 positions. Close 10 branches, keep 32 branches open 3.5 days/week OR keep 49 branches open 3 days/week.

#### *Pros*

Philadelphia has more libraries per capita than any other big city in the US according to the Mayor's Office, and even with the closing of 10 branches, Philadelphia will still have more per capita than any other city. While the savings would not be large, cuts should be considered in every department to balance the budget.

#### *Cons*

A 10% cut represents a relatively small savings while decreasing access to important community resources, either by closing branches completely or limiting hours at neighborhood branches.

### **Option 2**

Cut budget by 20% and eliminate 96 positions. Close 23 branches, keep 26 branches open 5 days/week OR 17 branches closed, 23 branches open half days, and 9 branches open 6 days/week.

#### *Pros*

This option would save Philadelphia more than \$5 million and would leave the city with nearly as many libraries per capita as other cities have.

#### *Cons*

This option requires either cutting the number of libraries by almost half or closing about one-third of the branches and cutting hours significantly. Access to after-school and adult education programs would be impaired.

### **Option 3**

Cut budget 30% and eliminate 162 positions. 30 branches closed, 19 branches open 5 days/week.

#### *Pros*

At this level, the City would still have 19 neighborhood branches, the Central Library, and three regional libraries. Savings would be almost \$9 million annually.

### *Cons*

Philadelphia would be left with only 19 of 54 neighborhood libraries but just 4% of the current year budget gap would be eliminated by choosing this option.

## **Supportive Housing**

### *Question*

Should the City decrease funding for the Office of Supportive Housing?

### *Background*

The [Office of Supportive Housing](#) (OSH) offers a network of shelters and boarding homes, and refers families, couples, and single individuals to available housing resources. OSH also provides case management, mental health, and emergency food services. The City was recently awarded a [competitive grant](#) from the US Department of Housing and Urban Development (HUD) which will provide \$28.6 million for homeless services, a \$1 million increase over last year's award from HUD. However, this increase was anticipated in the OSH budget and will not make up for any budget cuts.

Additional impacts of cuts to this office are outlined [here](#).

### *Discussion*

#### **Status Quo**

No decrease in budget.

### *Pros*

The Office of Supportive Housing serves the City's most vulnerable residents, and many advocates would argue that even current funding is inadequate.

### *Cons*

Philadelphia is required by law to have a balanced budget. Cuts in every department must be considered.

#### **Option 1**

Decrease the budget by 10%. Results in loss of 167 family beds and 117 single adult beds. Provides shelter for 852 fewer people.

*Pros*

Philadelphia must make difficult decisions about priorities in light of the significant budget shortfall.

*Cons*

The savings realized by a 10% cut is minimal and will decrease the number of people the department can serve.

**Option 2**

Decrease the budget by 20%. Results in loss of 334 family beds and 233 single adult beds. Provides shelter for 1700 fewer people.

*Pros*

Philadelphia must make difficult decisions about priorities in light of the significant budget shortfall.

*Cons*

With the economic downturn, demand for OSH services is likely to increase. Cuts of this magnitude will make providing adequate resources to those in need extremely difficult.

**Option 3**

Decrease the budget by 30%. Results in loss of 501 family beds and 350 single adult beds. Provides shelter for 2550 fewer people.

*Pros*

Philadelphia must make difficult decisions about priorities in light of the significant budget shortfall.

*Cons*

With the economic downturn, demand for OSH services is likely to increase. Cuts of this magnitude will make providing adequate resources to those in need extremely difficult.

**Police Department**

*Question*

Should the Police Department budget be decreased?

## *Background*

The [Philadelphia Police Department](#) currently employs about 6,600 police officers and has more than 30 [special units](#). Philadelphia has the 4th largest police force per capita in the US. Based on a 2007 Census population estimate, there are roughly 219 citizens per one uniformed police officer in the City. New York City has roughly the same ratio. In 2008, [333 people](#) were murdered in Philadelphia, down from 395 in 2007. Overall, [violent crime](#) was down 3%, though the rates varied significantly among the city's Police Districts.

For more information on crime statistics, visit the [PPD website](#).

## *Discussion*

### **Status Quo**

No reduction in budget.

### *Pros*

Philadelphia's crime decreased during the last year but remains a significant issue. In addition, some experts contend that crime increases during economic downturns.

### *Cons*

The Police Department represents 14% of the City's budget, and closing the deficit will be very difficult without making cuts in large departments like Police.

### **Option 1**

Reduce the budget by 10%. Lose 929 officer positions, 73 civilian positions. Close 10 special units, and reduce the size of 9 units.

### *Pros*

In this scenario, patrols are not cut, and the City saves more than \$50 million.

### *Cons*

Cuts in special units may have an impact on the department's ability to prevent and solve crimes. Though we do not have details about what would be cut or reduced, special units perform work related to community outreach, victim services, and vice enforcement.

### **Option 2**

Reduce the budget by 20%. Lose 1,755 officer positions, 87 civilian positions. Close 14 special units, and reduce size of 15 units. Patrols down 7.5% in each district.

*Pros*

A 20% cut closes more than half of the City's budget shortfall.

*Cons*

Crime is a serious issue in the City, and this option results in fewer police on the streets, which may jeopardize the safety of people and property.

**Prison System**

*Question*

Should the City's Prison System budget be reduced?

*Background*

The [Philadelphia Prison System](#) (PPS) operates 6 major correctional facilities as well as several smaller satellite facilities throughout the City. As a county correctional system, PPS houses inmates with sentences of two years or less. Approximately 60.5% of PPS inmates are awaiting trial while the remaining 39.5% have been convicted.

*Discussion*

**Status Quo**

No reduction in budget.

*Pros*

Public safety is the residents' top priority, and perceptions of crime affect everything from the region's ability to attract new companies to City property values.

*Cons*

The City budget must be balanced, and these cuts will make a significant difference in the deficit. The Prison System may be able to employ other means of monitoring individuals awaiting trial to reduce the prison population and save money.

**Option 1**

Reduce budget by 10%. Cut funds for maintenance, food, inmate job training, and re-entry services. Cut contracts to house prisoners in other counties. Requires reducing inmate population by 300.

*Pros*



Difficult trade-offs must be considered given the size of the budget shortfall. One way of looking at it is that this cut in the Prisons budget is almost equivalent to a 10% cut in the Fire Department budget.

### *Cons*

No concrete plan for decreasing the prison population has been presented. If this cannot be done while ensuring public safety and justice, the cut should not be considered.

### **Option 2**

Reduce budget by 20%. Close 1 prison, end all contracts to house prisoners outside the county, cut funds for maintenance, food, inmate job training, and re-entry services. Requires reducing inmate population by 1,200.

### *Pros*

A savings of \$42 million would close 21% of the budget gap. Given that more than half of PPS inmates are awaiting trial, it seems reasonable that there are options for decreasing the population without sacrificing public safety.

### *Cons*

Prisons must be adequately funded in order to protect law-abiding citizens. There is no explanation for how the population could be cut by 1,200 while still ensuring public safety. In addition, some programs that would be cut like job training and re-entry services can help inmates avoid recidivism and thereby contribute to a decrease in the prison population.

## **Public Health**

### *Question*

Should the City decrease funding for the Department of Public Health?

### *Background*

The mission of the [Philadelphia Department of Public Health](#) is to protect and promote the health of all Philadelphians and to provide a safety net for those most at risk. The department operates nine [health centers](#) and has ten [program units](#). The Department also performs [restaurant inspections](#). In Fiscal Year 2008, the department's nine health centers served more than 102,000 people.

### *Discussion*

**Status Quo**

No reduction in budget.

*Pros*

Given the state of the economy, the number of people who lose their jobs and health insurance is likely to rise, and with it, the number of people in need of the Health Department's services.

*Cons*

Philadelphia must identify savings in every department in order to balance the budget. It is reasonable to institute some patient fees to help cover the cost of services and consider consolidating health centers.

**Option 1**

Reduce budget by 10%. Institute sliding scale fees and charge for over-the-counter medications. Loss = 6 positions.

*Pros*

Modest patient fees can ensure that citizens have access to low-cost health care and might discourage excessive and unnecessary use of services.

*Cons*

Fees may discourage people from visiting health centers and exacerbate health issues.

**Option 2**

Reduce budget by 20%. Close nursing home and 1 health center. Institute sliding scale fees and charge for over-the-counter medications. Loss = 58 positions.

*Pros*

This option would save almost \$10 million and maintain 8 of the 9 health centers. If the health center to be closed is chosen based on geography and service levels, it could have minimal impact on patient access.

*Cons*

This option also requires closing the nursing home (400 patients). It is unclear what would happen to these patients, many of whom are under age 60. Each of the 9 health centers handled between 13,000 and 55,000 visits last year.

### **Option 3**

Reduce budget by 30%. Close nursing home and 3 health centers. Institute sliding scale fees and charge for over-the-counter medications. Fewer restaurant inspections. Lose about 100 positions.

#### *Pros*

Allows Philadelphia to continue operating 6 health centers while realizing necessary cost savings.

#### *Cons*

The nursing home that would close houses more than 400 patients. In addition, identifying 3 health centers to close may be difficult. The department estimates that more than 32,000 patients would lose their primary care provider under this scenario.

### **Fleet Management**

#### *Question*

Should the budget of the Office of Fleet Management be cut?

#### *Background*

The [Office of Fleet Management](#) is the centralized unit that handles purchase, assignment, and maintenance of all City-owned vehicles. The fleet includes ambulances, trash compactors, police cruisers, highway paving equipment, riding mowers, motorcycles, vans, SUVs, jeeps, buses, and sedans totaling about 6,500 vehicles. About 1,400 of the fleet are cars; the rest are working vehicles or police cruisers. The City's current inventory by department includes:

Police- 1,686  
Streets- 986  
Water- 1,049  
Aviation- 345  
Fire- 333  
Parks- 248  
Recreation- 214  
Public Health- 125  
Human Services- 110  
Managing Director's Office- 192\*  
All other departments- 481

\*Vehicles used by the Community Life Improvement Program (CLIP) and anti-graffiti efforts are included in this number. The Managing Director's Office has fewer than 5 cars for use.

## *Discussion*

### **Status Quo**

Do not reduce the budget.

#### *Pros*

Deep cuts may impact the quality and availability of vehicles needed by public safety and other officials to do their jobs.

#### *Cons*

The City can operate adequately with fewer vehicles, and these cuts represent much-needed savings.

### **Option 1**

Reduce the budget by 10%. Eliminate 400 vehicles and 20 positions. No new purchases except replacement police patrol cars.

#### *Pros*

This option allows for replacement of police cars as needed, shrinks the fleet, and saves more than \$6 million.

#### *Cons*

As with all the budget cut scenarios, this decrease does not allow for purchase of any new non-police vehicles.

### **Option 2**

Reduce the budget by 20%. Eliminate 800 vehicles and 29 positions. Allows for replacement of 50 police patrol cars, which may not be enough to ensure availability.

#### *Pros*

While this option trims the fleet significantly (by 800) and saves almost \$12 million, it still allows for replacement of 50 police patrol cars.

#### *Cons*

The department reports that even with the purchase of 50 new police patrol cars, availability may be an issue.

### **Option 3**

Reduce the budget by 30%. Eliminate 1,100 vehicle and 84 positions. No new vehicles will be purchased, and availability of vehicles will be impacted due to minimal maintenance staff.

#### *Pros*

Cutting the Office Fleet Management budget can help avoid increasing taxes and making more painful cuts in other areas.

#### *Cons*

Freezing all new vehicle purchases may leave departments in a serious bind and merely push the need for purchases to the following fiscal year. The availability of cars needed for public safety work is jeopardized.

### **Administration**

#### *Question*

Should the City make across the board cuts to Administrative Departments?

#### *Background*

Administrative departments include those departments that provide services internally as well as some that provide services directly to citizens. They support the City in conducting business and include purchasing supplies ([Procurement](#)), labor issues ([Mayor's Office of Labor Relations](#), [Office of Human Resources](#)), land use planning ([Planning](#) and [Zoning Code Commissions](#)), and many other areas. Examples of departments that provide services directly to citizens are the [Department of Revenue](#), [Office of Housing and Community Development](#), and [Department of Records](#).

Cuts in these departments may impair administrative functions and in some cases, cost the City money. A complete list of each department included and the anticipated impact of 10%, 20%, and 30% cuts can be found [here](#).

#### *Discussion*

#### **Status Quo**

No cuts to administrative departments.

#### *Pros*

While not always visible, administrative departments provide very important services that bring revenue to the City.

*Cons*

Philadelphia is required by law to have a balanced budget. Cuts in every department must be considered.

**Option 1**

Cut 10%. Preserves core services; impacts citizen services. Opportunities to improve operations and bring economic development to Philadelphia would be jeopardized. Eliminates approx. 99 positions.

*Pros*

This level of cuts maintains core services and represents significant savings.

*Cons*

Offices serving citizens will have reduced days and hours of operation.

**Option 2**

Cut 20%. Preserves most core services, but may hurt departments' effectiveness in bringing in revenue, representing the City's interests, and providing citizen services. Eliminates approx. 202 positions.

*Pros*

The City must find ways of reducing spending, and these cuts preserve most core services.

*Cons*

Citizen services in areas like the Departments of Records and Revenue will be affected. Departments will be required to cut positions that contribute to raising additional revenue and identifying cost savings.

**Option 3**

Cut 30%. Will significantly impact the ability of departments to perform Charter-mandated functions and to provide citizen services. Eliminates approx. 260 positions.

*Pros*

This level of reduction results in major savings. Cutting administrative departments allows for fewer cuts to public safety, health services, and other important areas.

### *Cons*

Cutting department budgets at this level will, in some cases, make it impossible for the departments to carry out responsibilities required by the City's Charter and federal and state laws. This could impact the funding received from federal and state agencies and inhibit activities that bring more tax and other revenue to Philadelphia.

## **Licenses & Inspections**

### *Question*

Should the budget of the Department of Licenses and Inspections (L&I) be reduced?

### *Background*

The mission of the [Department of Licenses and Inspections](#) (L&I) is to administer and enforce code requirements for the enhancement of public safety, including building, plumbing, electrical, mechanical, fire, property maintenance, business, and zoning regulations. The department is responsible for regulating the conduct of businesses and persons by issuing licenses, by conducting inspections, and by enforcing applicable codes and regulations.

In addition, the department is empowered to take lawful actions necessary to correct dangerous and unlawful conditions, including making necessary emergency repairs to properties, cleaning and sealing abandoned buildings, and demolishing vacant buildings that pose a threat to public safety.

### *Discussion*

#### **Status Quo**

No reduction in budget.

### *Pros*

The Department of L&I not only provides services that improve the safety and quality of life of residents, it also brings in revenue through licenses and fines. Cuts may have a negative impact on residents and cause the city to lose money in fees and fines.

### *Cons*

Some level of reduction should be possible with minimal or even no impact on services.

#### **Option 1**

Cut L&I's budget by 10%. Reduce demolitions by 40 (of about 400). Eliminate 6 positions.

*Pros*

A cut at this level reduces the number of demolitions by just 10% and moves Philadelphia towards a balanced budget.

*Cons*

The demolitions budget is already too small, and demolitions are important to the safety and quality of life of neighborhood residents.

**Option 2**

Cut budget by 20%. Cut demolitions by 64 (of about 400). Shrink Code Violation Resolution Unit and eliminate Business Compliance Unit. Eliminate 55 positions.

*Pros*

With a 20% cut, many core services are preserved including Nuisance Task Force, Clean and Seal Unit (inspects and boards up about 800 vacant properties annually), and licensing responsibilities.

*Cons*

The cut to the Code Violation Resolution Unit will likely create service issues (processing, negotiating settlements, subpoena intakes, etc.). No inspections of business licenses (26,000 annually) to ensure vendors are operating legally.

**Option 3**

Cut budget by 30%. Eliminates the Nuisance Task Force and Clean and Seal Unit. Cuts demolitions and ends inspections of business licenses. Eliminate 94 positions.

*Pros*

The department is still able to demolish more than 300 unsafe buildings.

*Cons*

The Nuisance Task Force, which addresses nuisance properties, and the Clean and Seal Unit, which inspects and boards up about 800 vacant properties annually, are completely eliminated with these cuts. 64 fewer demolitions will occur (of about 400 annually). No business license inspections will be done; the department currently inspects about 26,000 licenses annually.