



Committee of Seventy

Clean and effective government. Fair elections. Informed citizens.

May 12, 2010

Dear Mayor Nutter, City Council President Verna, and members of City Council,

Two years ago, Philadelphia's government spent about \$3.6 billion. In this third year of a bad economy, the city is planning to spend about \$300 million more -- and about half a billion more than we spent in 2006, when times were still good.

How can this be?

The city's increased spending is being funded mostly by new taxes and fees on families and businesses -- the same people who are anxiously looking to cut expenses wherever they can.

The Committee of Seventy is dedicated to improving the efficiency, effectiveness, and accountability of government. As we look at the way our elected officials are confronting these hard times, it's clear that this government is content to muddle through -- through the next election and until the next crisis.

The cost of muddling through is steep.

The people who elected you will pay more taxes, more than \$200 million a year in sales, business, and property taxes for at least the next few years.

There are other, even bigger costs to muddling through. Philadelphia's ability to retain and attract businesses, jobs, and residents will decline. Philadelphians will grow more discouraged and cynical as they watch their elected leaders take another pass on reform.

Long term problems are going unsolved. Most disturbingly, we opted to save money in the short term by delaying huge payments to our pension system, which already has fewer than half the dollars it needs. City Hall is choosing to put off the pain, hoping times will get better fast enough to bail us out, but our debts are growing enormously.

Officials are putting the interests of city employees above the rest of the taxpayers. Yes, the number of city employees is down from 2008, when this mayor took over, but the proposed budget calls for almost the same number of employees the city had in 2006, before the recession. The mayor's five-year plan calls for even more employees in 2012 and beyond. This at a time when companies are laying off staff and emphasizing productivity in every step of their business.



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Nobody wants to see people lose their jobs. But city officials have not lived up to their pledge to put all options on the table to meet the budget problems of this already over-taxed community.

Is this the message you want to send?

Philadelphia's government has been maddeningly slow to redesign itself and undertake serious structural reform that will make government more effective.

Examples are everywhere. Mayoral candidate Michael Nutter pointed out the absurdity of having at least four agencies devoted to housing issues, yet the city still has four housing agencies. We've had three official commissions study business taxes since 1992 -- and all three have recommended pretty much the same changes, with no result. After six years of study, the city still has up to 14 agencies that have to review development plans.

And now the mayor and City Council are haggling over budget cuts that may top out at \$17 million, small potatoes in a \$4 billion operation.

This is where muddling through can lead: in the face of the economic downturn, Los Angeles has made the same mistakes we are making. It failed to halt the growth of the city workforce and the cost of benefits and it shorted the pension fund.

Now the tough-talking former mayor, Richard Riordan, says L.A. must eventually declare bankruptcy. "The city, the way it is going, is unsustainable," Riordan recently said. "If they don't do it this year, they are going to have to do it in the next four or five years."

The same forces driving Los Angeles to the edge are at work in Philadelphia. What Riordan says of his city's government can be said of ours: it is unsustainable. By rejecting tough choices, Philadelphia officials who sincerely want to protect city jobs and city services that benefit the most vulnerable are in fact putting them at greater risk.

New York Times columnist David Brooks indirectly diagnosed Philadelphia's problem in a column last week praising improvements in the culture of the Army. He said most institutions "are hindered by guild customs, by tenure rules and by the tyranny of people who can only think in one way."

Or as a recent Brookings Institution report on government innovation put it, "creativity in governance breeds creativity." While Philadelphia has made progress -- such as the streamlining of the Department of Licenses and Inspections -- innovation is too slow and patchy to yield the kind of change this city needs.



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It's certainly not too late to start.

Tomorrow, Council begins work on yet another tax hike proposal, but there is a full month left to make real changes in city government in this budget year.

Beyond that, redesigning government should be a year-round job. There is even the opportunity to defy conventional wisdom and continue to effect change next year, although the municipal election campaign and the budget process overlap.

Philadelphia just needs two things from you now. Imagination and political courage.

Sincerely,

Zachary Stalberg
President and CEO

The Committee of Seventy has been calling for fundamental change in the quality and structure of city government for years. We have a variety of resources on our website, www.seventy.org, including links to city documents and reports of various reform commissions. Here are several of our own reports with detailed background on the issues discussed in this letter:

- [Tackling True Reform: Why Philadelphia Must Innovate](http://www.seventy.org/OurViews_Tackling_True_Reform.aspx)
http://www.seventy.org/OurViews_Tackling_True_Reform.aspx
- [In the Know: What You Must Know About the City Budget](http://www.seventy.org/OurViews_InTheKnowWhatYouNeedToKnowAboutTheCityBudget.aspx)
http://www.seventy.org/OurViews_InTheKnowWhatYouNeedToKnowAboutTheCityBudget.aspx
- [In the Know: Government Can Get Creative](http://www.seventy.org/OurViews_In_The_Know_Government_Can_Get_Creative.aspx)
http://www.seventy.org/OurViews_In_The_Know_Government_Can_Get_Creative.aspx
- [In The Know: Tax Hikes Top the Agenda](http://www.seventy.org/OurViews_In_The_Know_Tax_Hikes_Top_the_Agenda.aspx)
http://www.seventy.org/OurViews_In_The_Know_Tax_Hikes_Top_the_Agenda.aspx