



# GOVERNMENT EFFECTIVENESS AND THE COMMITTEE OF SEVENTY

*When the current economic crisis hit, the Committee of Seventy decided that championing government effectiveness needed to become one of the essential elements of its mission.*

*“Government that works” is a natural extension of the organization’s other goals—clean government, a well-functioning election process and a better informed citizenry.*

*The Committee of Seventy is a 105-year-old non-partisan, non-profit group that is focused on improving local government in the Philadelphia region. Its Board of Directors is made up of individuals from nearly 70 of the most influential institutions in the area.*

*This report is our second major effort intended to foster debate concerning Philadelphia’s financial situation. The earlier work, a Q & A on the complex economic challenges facing the city entitled “Philadelphia’s Long, Hot Summer,” is available on our web site, [www.seventy.org](http://www.seventy.org).*

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## EXECUTIVE SUMMARY

“Tackling True Reform” challenges the city’s leaders to take on the genuinely hard work of creating a government that is capable of driving growth in Philadelphia and effectively battling the city’s social ills.

The report, the latest in the Committee of Seventy’s “Roadmap to Reform” series, argues that short-term solutions to the city’s budget crisis must be accompanied by bold reforms that will shrink and modernize local government. We urge decisive action that businesses and other organizations would undertake during difficult economic times in order to survive.

The recession represents a moment of opportunity for Mayor Nutter to begin to achieve long-term structural reforms that normally would be strangled by inertia or politics – if he has the will and the skills.

There is no bible of best practices this city can pick up and follow. Instead the real goal should be to adopt an urgency and determination to push aside the political constraints and the tendency to stick with the status quo.

Some of the reforms must be innovative. Most are just common sense and have been raised before. The ideas in this report include:

- Reduce the cost of city government, related agencies and authorities.
- Launch a sweeping effort to make Philadelphia friendlier to business, development and job growth. That includes reining in the unwritten practice of “councilmanic prerogative.”
- Move swiftly to fix the property tax assessment machinery so assessments are trustworthy and revenue is maximized.
- Act on Mayor Nutter’s idea to abolish four independently-elected “row offices” that are no longer needed – except to house patronage workers and the relatives of politicians – and move their necessary functions to other parts of government.
- Realize the full potential of the city’s 3-1-1 customer service system, including elimination of redundant efforts in City Council and elsewhere in government.
- Fully examine the constraints of the nearly 60-year-old Home Rule Charter.

Finally, “Tackling True Reform” urges Philadelphians to understand that city government can not afford to provide every service they want or have come to expect.

## INTRODUCTION

Philadelphia can emerge from the Great Recession with a government that is significantly smaller, yet functions far more effectively and less expensively. A restructured government that can drive economic growth, attract new jobs and businesses, and enable Philadelphia to be far better positioned to compete in the global economy.

This is a vision that Philadelphia's leaders – its elected officials, its civic and businesses leaders and its union chiefs – have the talent and ability to achieve.

More importantly, there is an imperative to make it happen.

The city has an aging and less affluent population. Among big cities, Philadelphia has the highest tax burden in the country.<sup>i</sup> Its infrastructure is crumbling. Overwhelming poverty and failing schools have driven away companies, their employees and their tax dollars.

In younger or less-troubled cities, post-recession growth will occur more naturally. Philadelphia is likely to have to claw its way back to prosperity.

Short-term cuts in government jobs and services – even hiking the sales tax or delaying pension payments – will not be enough to bring about a rebound. If the union negotiations do not result in cost reductions, or if tax revenues continue to decline, or if the unfunded pension liability grows larger, these temporary measures may not even dig us out of the current budget shortfall.

Philadelphia can only catch up by uniting behind a long-term and aggressive transformation of its government. This is what it will take to spark growth and to attack the pervasive educational and social problems that stifle opportunity for the poorest of us.

As Harold Epps, the head of a group created by the mayor to propose strategies to make the city more competitive, recently said, “First, we need to make sure our own house is in order.”<sup>ii</sup>

State Rep. Kate Harper, a Montgomery County Republican, confirmed the view from outside the city. “Let's be honest,” she wrote. “Philadelphia's need for the legislation to raise its sales tax (again) is largely due to its own budget and employment-benefit practices for the last 40 years...”<sup>iii</sup>

While it may seem counterintuitive given that the city is still in the throes of a budget crisis, now is the best time to move forward.

According to The William Penn Foundation’s President, Feather Houstoun, who spent much of her earlier career as a government administrator and state cabinet officer, the fiscal crisis presents an ideal climate for reform: “The current economic situation facing state and local governments creates an imperative and opportunity to streamline service delivery in order to reduce waste and improve those services...Everyone will benefit from delivering more public value per public dollar by identifying obvious redundancies in programs and working collaboratively to merge resources.”<sup>iv</sup>

In fact, a recent Arizona State University study concluded that the willingness of city governments to try innovations during times of financial upheaval can be essential to survival: “Local leaders can use hard times to pursue organizational change or shed outmoded business practices that might seem too risky when all economic indicators are positive.”<sup>v</sup>

“Tackling True Reform” is about a number of bold, yet common sense actions Philadelphia must take in order to prosper. And, in what should be a welcome relief from the last six months, the success of most of the long-term reform efforts we propose will not rise or fall on what happens in Harrisburg.

While the recommendations in this report are wide-ranging, they are by no means exhaustive. Or even brand new; many of these ideas have been proposed in the past. Different essential reforms are being addressed in great depth by others.

For this reason, we do not examine tax policies or abatements, which are included in the preliminary recommendations of the Mayor’s Task Force on Tax Policy and Economic Competitiveness.<sup>vi</sup> Nor do we deal with pension reform or controlling the taxpayer’s share of health care costs for municipal workers – two vital and expensive issues that have been publicly discussed at length and are now squarely in the middle of the bargaining table.

Philadelphia is at a critical crossroads. Chipping away at the edges of reform will cost the city – and the mayor who was elected on his continuously-repeated promise to turn City Hall upside down – the chance to become a national model for ingenuity and best practices.

Seizing the moment will require leadership. As the ultimate decider and dealmaker, that job primarily falls to Mayor Michael Nutter.

## **PHILADELPHIA’S ADVANTAGES**

In undertaking genuine reform, the city starts with many advantages:

- As the recession ebbs and the sustainability movement picks up even greater steam, the appeal of cities will grow. Given Philadelphia’s location,

its amenities, its network of neighborhoods and its mass transit system, it is in a particularly good position to benefit from this historic shift.

- Swift and continuous reinvention is going on in the business world. While government is different than business – it provides essential safety-net services and must deal with political considerations that business leaders rarely have to consider – City Hall must use the private sector, and especially its reliance on technology, as a model.
- Local elected leaders have spoken with a single voice in Harrisburg with regard to resolving the financial crisis. This model of cooperation – if repeated – can be a key to restructuring this government.
- Unlike other cities with one-year spending plans, Philadelphia is required to operate under a 5-year plan overseen by the Pennsylvania Intergovernmental Cooperation Authority.<sup>vii</sup> Thinking five years into the future allows the city to confront challenges and phase-in reforms – rather than dodge real solutions by relying on short-term budget gimmicks.
- Though all municipalities are being squeezed, few are using this moment creatively. The city has much to gain by becoming a trailblazer.
- The mayor seems to have the urge to tackle reform. Michael Nutter was elected in large part because he presented a convincing case that he was the candidate who could fix City Hall. He restated his commitment as one of the guiding principles of his very first Five Year Plan: *“Smarter, Faster, Better: We must never be satisfied with the status quo and we must always strive to push the quality of our customer service to a higher level.”*<sup>viii</sup>

The opportunity is clear. However, the waste and the inertia are equally clear.

Never was the ground-level effect of this more apparent than at an August 13 public hearing of the Mayor’s Task Force on Tax Policy and Economic Competitiveness.

Sarah Van Aken, the owner of a small business, stopped the hearing cold when she testified about her three-year battle to try to pay city taxes she was sure she owed.

She cited the difficulty of reaching an actual person on the phone, the need to start her story over every time she called the Revenue Department and the lack of coordination among city departments.<sup>ix</sup>

In a city of 1.5 million residents, a staggering \$3.7 billion is spent on municipal government. (Another \$3.2 billion is spent on the schools.) With a city workforce

of over 23,000 – or one employee for every 65 residents – there clearly are more than enough hands on deck.

But, even with all those workers and all those taxpayer dollars being spent, it is still hard to find a satisfied customer.

## WHERE PHILADELPHIA STANDS

In the last year, City Hall has focused almost exclusively on how to dig out of a \$1 billion budget gap in November 2008, followed by an additional \$1.4 billion shortfall four months later.

Like most cities and states, Philadelphia gravitated towards the most tangible and quickest ways out. This approach is understandable. But should not be confused with permanent reform.

For example, a temporary sales tax rate increase might help in the short-run, but moving from 7% to 8% will not provide a stable – let alone growing – stream of recurring revenue over the long haul. Not to mention that the sales tax is considered the most regressive form of taxation and makes Philadelphia less competitive with its neighboring counties.

To be fair, the Nutter administration has started to make some promising long-term improvements, such as Phillystat, which is making progress in requiring city departments to report and assess their performance.

But other improvements are difficult to track because they appear to be scattered across different departments. This makes it difficult to determine if there are areas of potential overlap or even if the changes are part of a larger, coordinated and carefully orchestrated reform plan.

And because the budget information is also contained in various documents, reconciling the numbers seems impossible.

For example, (1) Nearly \$38.9 million in FY09 and \$43.6 million in FY10 are cited as “efficiency savings” in “Efficiencies Services Enhancements for FY09 and FY10 Budget,”<sup>x</sup> (2) \$28 million in savings are attributed to the efforts of a Private Sector Outreach Board in a letter to the editor of the *Philadelphia Inquirer*,<sup>xi</sup> (3) \$39 million in annual efficiencies – including \$29 million in reducing overtime citywide and \$1 million in electricity efficiencies and reductions in the Streets Department – are included in the November 2008 Rebalancing Plan for Fiscal Year 2009 – Fiscal Year 2013,<sup>xii</sup> (4) \$14.5 million in estimated annual efficiencies are listed in the Fiscal Year 2010 budget, including \$2 million in overtime cuts in four departments and \$875,000 for solar powered compacting litter baskets,<sup>xiii</sup> (5) \$103 million for Fiscal Year 2009 (as part of the November 2008 Balancing Plan) and \$44 million for Fiscal Year 2010 (included in the proposed Fiscal Year 2010

– Fiscal Year 2014 Plan) are identified as “efficiencies and reductions” in budget information provided by the Finance Department to the Committee of Seventy.<sup>xiv</sup>

Finally, the Fiscal Year 2010 – Fiscal Year 2014 Plan also makes numerous references to other reforms that have been instituted, or are planned, in various departments and under several Deputy Mayors. But, in many cases, no actual cost savings accompany these efforts,<sup>xv</sup> and it is unclear how or if these reforms relate to any of the documents referenced above.

***Even if there were no overlap in the examples cited above, their combined cost would not make much of a dent in a \$3.7 billion annual budget.***

To make sure there is no misunderstanding: The Committee of Seventy is not dismissing the value of smaller, sensible cost savings or operational changes. They help.

For example, no one would dispute the value of bringing overtime under control. In the Police Department alone, court-related overtime cost an estimated \$22.8 million in Fiscal Year 2009 – including \$15,500 collected by four narcotics officers removed from street duty after being accused of fabricating evidence.<sup>xvi</sup>

But even slicing overtime costs can be done more aggressively. San Francisco sharply reduced overtime payments by 23% after passing legislation barring city employees from exceeding 30% more hours than usually scheduled.<sup>xvii</sup>

There is a major distinction between garden-variety cost cuts – such as eliminating already vacant positions – and sweeping, permanent efficiencies – such as consolidating departments or generating revenue and reducing costs through significantly upgraded technology.

## **WHERE TO START**

Fresh ideas for “reinventing” local government are rare.

To a great extent, reform recommendations are common sense approaches that the private sector would take if an aspect of its business wasn’t performing well. Such as getting rid of non-essential departments. Or ensuring that different divisions are not performing similar services. Or reducing excessive layers of middle management.

One thing is for sure. There is no perfect one way to restructure government.

One route is to articulate an end goal and figure out how to get there. Michigan’s Governor Jennifer Granholm has asked the lieutenant governor to spearhead an effort to consolidate 18 of the state’s departments to as few as eight.<sup>xviii</sup>

Another route is to evaluate government by cluster area. In coordination with Mayor Nutter's Private Sector Outreach Board, the administration has assembled ten reform teams, each composed of city employees and business leaders and chaired by a deputy mayor.

The teams are assigned to study specific priority areas: Police; Fire and Emergency Medical Services; Prisons and Criminal Justice; Human Service; Education; Energy and Sustainability; Development Process; Streets; Administration and Technology; Customer Service.<sup>xx</sup> However, there are different views of the goal of the Private Sector Outreach Board. Some say the primary purpose is to identify cost savings. Others believe it is to increase productivity, improve the quality of services or secure loaned executives.<sup>xx</sup>

Still another route to real reform is to throw away the playbook altogether and design an affordable government that makes the most sense.

Philadelphia will have to find its own way to restructure government, taking into account the city's distinctive political climate and personalities.

Whichever reform process the city decides upon, the Committee of Seventy urges the mayor to take the widest possible view. All corners of government must be included. That even means the "quasi" city agencies and authorities that exist outside the City Charter and city budget.

Mayors tend to concentrate on the narrow boundaries of their authority. But the taxpayers quite sensibly care about wherever their money goes.

Certain core questions must be asked at all turns: Is this service still a necessary government responsibility? What does it cost? Is a department achieving what it was created to do? Is there a way to accomplish the same result for less money? Are any other entities – in or outside of government – doing, or capable of doing, the same thing?

Some aspects of government may be working quite well, but may not be worth preserving in a newly-configured government. The late Peter Drucker, who has been described as the leading authority on modern management, once said: "There is nothing so useless as doing efficiently that which should not be done at all."<sup>xxi</sup>

Fortunately, in undertaking a reform effort, the administration has plenty of resources to rely upon. Many potential reforms, some of which are contained in this report, have been raised before – including by Mayor Nutter himself while on City Council and on the campaign trail in 2007.

There is also the work of past and current boards and commissions created to examine local issues and develop reform recommendations, including the report of the Philadelphia Independent Charter Commission which was created by then-Mayor Rendell and City Council in 1992.

There are reports written by Mayor Nutter's transition teams and the transition teams of his predecessors. The ideas in these reports can be resurrected, and their core recommendations made public, to take advantage of well-researched guidance on how an incoming mayor should structure the government.

Despite good ideas and careful studies, progress and implementation have ranged from slow to non-existent. Members of the Mayor's Task Force on Tax Policy and Economic Competitiveness have acknowledged that some of their preliminary recommendations echo those raised by the Philadelphia Tax Reform Commission almost six years ago.

**As the mayor and City Council move beyond the immediate budget struggle, and into the post-recession era, the Committee of Seventy offers the following recommendations:**

**SHRINK GOVERNMENT:** With modern technology and a diminished city population, it's time to rethink the size and organization of our government. With 6,000 supervisors in a 19,000 person workforce focused on performing traditional city services – and some supervising only 2-3 individuals – it begs the question: Why does the city need so many middle managers?<sup>xxii</sup>

When in February 2009 the mayor offered his own office for budget cuts – including slashing his salary and the salaries of his cabinet, requiring employees making over \$50,000 to take one week of unpaid leave, and laying off some workers – the *Philadelphia Inquirer* reported that non-civil service employees reporting directly to Mayor Nutter cost 9% more than in John Street's last year in office (2007), and 21% higher than during the former Mayor's first year (2000).<sup>xxiii</sup>

The individuals reporting directly to City Council President Anna Verna far outnumber those on any of her colleagues' staffs. Members of Council have complained about her reluctance to share her large "technical and planning staff."

While we are taking a look at the size of government, the city should also take a full inventory of its libraries, recreation centers, fire and police stations and other facilities. Mayor Nutter blundered by announcing 11 library closings without convincing the public on the need for the closings. He was forced to pull back. But many of these facilities are falling apart. Before investing massive public dollars in capital improvements, a frank talk must take place about whether the number and location of facilities truly serve the public.

A good model is the process the federal government has used to minimize politics in military base closing decisions. A nine-member independent panel appointed by the President – the Base Realignment and Closure Commission – evaluates a list of recommended closures submitted by the Secretary of Defense, visits the bases themselves and holds a public hearing. The Commission then gives a list to the President, who either approves or disapproves the entire list. Approved lists then require the endorsement of Congress.<sup>xxiv</sup> A local equivalent could be devised to make sure that the best decisions are made.

**ELIMINATE REDUNDANCIES:** By recently announcing that he would house all small business lending operations in the not-for-profit Philadelphia Industrial Development Corporation,<sup>xxv</sup> Mayor Nutter showed a willingness to behave like the architect of a new government.

Too many other areas remain touched. For instance, during his 2007 mayoral campaign, Mayor Nutter pledged to consolidate “the alphabet soup” of agencies that regulate housing, including “the Redevelopment Authority (RDA), the Philadelphia Housing Development Corporation (PHDC), the Office of Housing, the Philadelphia Housing Authority (PHA) and others.”<sup>xxvi</sup>

Two years later, it is hard to tell what has changed.

The RDA, PHDC and the Office of Housing & Community Development (OHCD) still exist under the oversight of a Deputy Mayor for Planning and Economic Development. An Office of Supportive Housing (OSH) is supervised by the Deputy Mayor for Health & Opportunity.

Every city’s government is unique. But, where helpful, best practices elsewhere should be imported here. Arlington, Texas, for instance, has consolidated various city inspector services designed to enforce the city’s commercial and development codes into one “Universal Inspector” program. Arlington also has a “One Start Development Center” that brings together development and permitting functions from five previously separate departments. As a result, staff levels and turnaround time for development applications have been reduced.<sup>xxvii</sup>

**FIX THE BOARD OF REVISION OF TAXES:** The mayor responded to the *Philadelphia Inquirer’s* revelations about gross mismanagement and political favoritism at the BRT, which controls property assessments and therefore property tax revenue, by calling for the members of the Board to resign. They rejected his demand.

Then came the creation of a “study group” made up of members of the staffs of the mayor and City Council. Their work, if any, remains a mystery.

Faith must be restored in the BRT so the city can make assessments fair and maximize revenue – under the existing assessment system or the proposed

“Actual Value Initiative” the BRT supports. Given the financial crisis, it might no longer be financially possible to implement an Actual Value Initiative that is “revenue neutral,” as originally intended.

One big opportunity to repair the property tax collection system is at hand. The Board of Judges could and should fill the vacancy on the BRT. Mayor Nutter, Council President Anna Verna, Common Pleas Court President Judge Pamela Dembe, the leaders of the Democratic and Republican parties and Congressman Bob Brady and Michael Meehan, have an opportunity to pick a person of great competence and integrity in order to impact the direction of the BRT.

**MAKE CITY HALL BUSINESS FRIENDLY:** Mayor Nutter has made it a priority to take backroom dealing out of relationships between government and business. He wants to place more emphasis on planning, rather than case-by-case decision-making. Given Philadelphia’s history, these are important reforms.

But, anecdotally, developers and business people report that the city is no more business-friendly than it was during the years when John Street – who was often perceived as being anti-business – was mayor. One business writer calls this the city’s “penchant for delay, decry and deny.”<sup>xxviii</sup>

Philadelphia has lost 250,000 jobs since 1970.<sup>xxix</sup> Over one-fifth of the total (53,600) job losses have occurred since 2001.<sup>xxx</sup> The city’s population has also declined – from 1,948,609 in 1970 to an estimated 1,450,000 in 2009.<sup>xxxi</sup> Over 68,000 left between 2000-2007, the largest drop in residents except for New Orleans, which had the excuse of having been heavily destroyed.<sup>xxxii</sup>

The 2008-2009 economic recession precludes a fair evaluation of the Nutter administration’s economic development efforts.

But the city’s economic development efforts continue to be handled by a range of offices and agencies. The once-heralded czar of economic growth efforts is gone.

In June 2008, Mayor Nutter spoke of his plans to return the “Planning Commission...to its historic, Charter-based leadership role in shaping our vision of the future and managing the development of our city.”<sup>xxxiii</sup>

Curiously, however, the Commerce Department and Philadelphia City Planning Commission were targeted for a complete shutdown under the city’s so-called doomsday budget “Plan C.”<sup>xxxiv</sup> This plan, which outlined the massive job and service cuts anticipated if the General Assembly did not approve the city’s budget-balancing proposals,<sup>xxxv</sup> has to be viewed as some indicator of the Nutter administration’s priorities.

Now is an opportune time to assess all the resources in the city and region – both public and private – that are devoted to economic development. There are more than a few. There may be duplication that can be eliminated by handing certain functions over to groups whose employees are not on the City’s payroll. Two possibilities are Select Greater Philadelphia, a private non-profit regional economic development-marketing organization affiliated with the Greater Philadelphia Chamber of Commerce, or the Center City District, which has reinvented itself as an economic development agency.

Creating jobs is not just the mayor’s problem.

City Council must find a way to put reasonable controls on “councilmanic prerogative,” the unwritten practice that gives a district Council person veto power over what happens in his or her district. As a practical matter, the unrestrained use of councilmanic prerogative discourages development.

The mayor, a former district Council member, and Council President Verna, a sitting district Council member, have the know-how to bring this destructive practice under control.

**IMPROVE CUSTOMER SERVICE AT LOWER COST:** A wide and costly array of customer service efforts is spread across many departments and agencies. The 3-1-1 non-emergency hotline is designed to handle citizens’ requests for information and services. When the call center was launched at the very end of 2008, Mayor Nutter predicted: “3-1-1 will fundamentally change the way Philadelphians interact with the city government.”<sup>xxxvi</sup>

City officials with greater experience with 3-1-1 talk about its great promise when operating at peak efficiency: “an always-on constituent service engine...a budget-trimming, shared-service consolidator...a revenue-maker [helping bills get paid by phone]...a transparency machine for managing government.” There are also future possibilities for “crossboundary integration efforts as well as cross-sector linkages between the private and public sectors.”<sup>xxxvii</sup>

Given the mayor’s ambitious plans, it is hard to understand why among all the possible service cuts, the administration decided that, effective August 29, the 3-1-1 system would close on Sundays, and reduce its hours of operation from 9 a.m. to 5 p.m. on Saturdays, and from 8 a.m. to 8 p.m. on weekdays.

A well-functioning 3-1-1 system has huge potential cost savings, including eliminating customer service functions within individual departments. This applies to City Council as well, where many staffers are assigned to “constituent service.” Those constituent services might be valuable. But the political by-product is that taxpayer dollars are used to help the incumbents get reelected.

**PARE THE DEPARTMENT OF HUMAN SERVICES:** With a budget of close to \$591 million, DHS is the single most expensive item in the City’s general fund – even higher than the Police Department, which spends \$522 million.<sup>xxxviii</sup>

Services provided by DHS that impact the most vulnerable populations touch a raw nerve. The city has a moral obligation to ensure that no one is denied these essential services. But this imperative cannot stand in the way of a thorough examination of the department.

What makes this particularly critical is that DHS has been ravaged by recurring problems for many years. Most recently, the U.S. Attorney’s Office announced the federal indictment of 21 employees of a social service agency with which DHS contracted whose neglect was found to contribute to the starvation death of 14-year old Danieal Kelly.<sup>xxxix</sup> Two DHS staffers are awaiting trial after being indicted in connection with the same incident.<sup>xl</sup> District Attorney Lynne Abraham has called for “a total revamping, a total shaking up and a total overhaul” of DHS.<sup>xli</sup>

According to a January 2009 report of the Philadelphia Community Oversight Board, which was established by Mayor Nutter, DHS has made significant progress in the wake of a devastating May 2007 report by a Child Welfare Review Panel.<sup>xlii</sup> But the 2009 report also cited major areas requiring urgent attention, including that “DHS does not have the appropriate Information Technology (IT) and regular access to performance data to sustain true reform.”<sup>xliii</sup> Shifting from work now performed manually should streamline operations, reduce the workforce and point the way towards greater efficiencies.

The Community Oversight Board can be helpful to the citywide reinventing government effort by ensuring that all DHS services, programs and contracts with outside vendors are being performed effectively and for the purposes specified, and guaranteeing that the entire operation is as fiscally lean as possible.

**LEVERAGE PURCHASING POWER:** The City should aggressively seek out every opportunity to save money and improve efficiency by joining with other city departments, the School District and quasi-governmental agencies that purchase the same type of goods and services.

Some of this is already underway, with the City/School District’s Shared Services Task Force, formed in 2008. We hope the Task Force will raise its expectations far beyond the \$5 million in cost savings that were to be identified as part of the Fiscal Year 2009 operating budget approved by the School Reform Commission.<sup>xliv</sup> Given the \$7 billion budgets of the city and the schools, a far more ambitious program must be undertaken.<sup>xlv</sup>

Audits by the City Controller have led to recommendations for other joint initiatives by city departments. Most recently, the City Controller called for the

Procurement Department to establish a citywide requirements contract with one vendor for automated time-keeping systems rather than have individual departments contracting with different vendors.<sup>xlvi</sup>

Pennsylvania and New Jersey each participate in the Western States Contracting Alliance, a multi-state cooperative purchasing program to buy computer equipment at the lowest possible price. In joining the Alliance in 2007, New Jersey's Treasurer's office estimated that local governments should expect to save between \$17 million and \$30 million annually, depending on the volume ordered.<sup>xlvii</sup> The Iowa Department of Administrative Services recently reported that state government could save millions of dollars if all departments joined its bulk purchasing program. Fifteen state departments now opt out of the program.<sup>xlviii</sup>

**ENCOURAGE MANAGED COMPETITION:** In the give-and-take of the current labor negotiations, the unions should be pressed to support opening up the delivery of more public services to competition from the private sector. Under the leadership of Mayor Stephen Goldsmith, Indianapolis pioneered this technique successfully with the City's garage mechanics. The city eventually won the bid by presenting a proposal to thin the ranks of management by 75 percent and to share in any profits of the new arrangement – giving them an incentive to increase productivity and profits.<sup>xlix</sup>

As Mayor, Ed Rendell instituted a competitive contracting program involving 37 different city services, including custodial work, maintenance services and security at the Philadelphia Museum of Art. Thirty-three of the services were contracted out; four were won by the municipal workforce.<sup>i</sup>

However, this is one area where entrenched interests can pose high hurdles. As San Diego has discovered, even voter support for allowing private companies to compete for certain municipal work may not quiet the opposition.<sup>ii</sup> But when the economic stakes are as high as they are now, and done judiciously in areas such as sanitation and perhaps juvenile justice, managed competition could be an important efficiency measure.

**OVERHAUL THE PHILADELPHIA PARKING AUTHORITY:** Democratic officials in Philadelphia may throw up their hands at a recommendation to fix an agency that has been in state and Republican hands since 2001. But the agency is far too problematic to be ignored.

The PPA continues to wreak havoc on residents, businesses and visitors – ranging from increasing parking meter fares to giving out free parking passes at the airport.<sup>iii</sup> A recent draft audit by the City Controller cited severe managerial and financial problems at the agency,<sup>iiii</sup> whose budgets for fiscal years 2009 and 2010 are \$207,980,136 and \$221,044,051.<sup>liv</sup> While this audit faced some criticism for not going far enough – for example, not addressing the PPA's unrestricted

cash reserves<sup>lv</sup> – the *Philadelphia Inquirer* found sufficient concerns to call for the city and state to share the costs of an independent top-to-bottom review of the authority.<sup>lvi</sup>

In the meantime, the city should initiate discussions with the state aimed at improving PPA and returning some of its functions back to the city, where they belong. If – that is – the city can resist the temptation to replace Republican patronage with Democratic patronage. The Democrats didn't do it much better when the PPA was in city hands pre-2001.

Greater city control of the PPA could bring major benefits to Philadelphia. The city could even privatize or contract out certain functions, as Chicago's Mayor Richard Daley has by privatizing parking meters. While the jury is still out on the benefits of that move – the mayor says the \$150 million from the deal helped plug the budget shortfall while others say that Chicago could have benefited from keeping control and raising fees itself, as the private consortium has done – it does suggest a potential city revenue source.<sup>lvii</sup>

### **ABOLISH THE NEEDLESS, INDEPENDENTLY-ELECTED ROW**

**OFFICES:** In December 2008, Mayor Nutter suggested eliminating four independently elected but obscure and patronage-laden “row offices” – the Clerk of Quarter Sessions, the Sheriff, the Register of Wills and the City Commissioners. In March 2009, the Committee of Seventy published a report outlining the steps needed to accomplish the elimination of these offices, and transferring their necessary tasks to governmental entities that can handle them efficiently, professionally and at a lower cost.<sup>lviii</sup> Together, they cost the taxpayers millions. Except for the one mandated minority party member of the three-person set of City Commissioners, all of these offices are filled by Democratic Party leaders.

Managing Director Dr. Camille Barnett was assigned the project, but the politically-charged issue seems to have lost the interest of the Nutter administration. Even the administration's doomsday budget assumed no harm to the row offices over the next five years – while almost every department in the city was slated for cuts.<sup>lix</sup>

### **CUT BACK THE ENDLESS STRING OF BOARDS AND**

**COMMISSIONS:** As of December 2007, the Philadelphia Board of Ethics counted 81 city Boards and Commissions. Mayor Nutter has created several others since he took office, although some with set termination dates.

Many have little value. They generate cost and may replicate services in the non-profit community or in federal or state government. One such example is the Veterans Advisory Commission, headed by Democratic ward leader and former City Commissioner Edgar Howard. Howard, who was handpicked by City Council President Anna Verna, earns \$80,000.<sup>lx</sup>

In 2008, Washington state examined 470 Board and Commissions to determine areas for cost savings. 154 were eliminated as a result, either by Executive Order or by the legislature.<sup>lxi</sup> Other states, including Maine and West Virginia, are conducting a similar exercise.

**TIE FUNDING TO PERFORMANCE:** During his campaign, Mayor Nutter promised to “revolutionize the budgeting process by linking spending to performance.”<sup>lxii</sup> In other words, in his administration, city departments will be required to provide data on actual program performance results in order for those programs to receive additional budget allocations. This is not a novel concept, either in government or in the private sector.

According to PICA, the city has made a significant commitment to the adoption of performance management and, through Phillystat, is generating useful information about performance-related data. But, so far, there hasn’t been much progress in using the data in decision-making about financial allocations or in departmental strategic planning.<sup>lxiii</sup>

There are countless examples throughout the city’s budget documents relating to various departments’ “purchase of services” – totaling millions and millions of dollars. But information is scarce about what these services are, whether they were purchased as a result of a competitive bidding process or why those services are needed at all. Under these circumstances, how can the public know if it is getting its money’s worth?

Even the mayor’s office can be caught off guard. It took an “It’s Our Money” report by the *Daily News* and WHYY to expose the severe budget-related problems in the Mayor’s Office of Community Services (MOCS), which is the city’s leading anti-poverty organization. According to that report, over \$1 million of MOCS’ \$12 million budget was spent on salaries in other city departments. Although this practice predated the Nutter administration, twenty months later the new mayor’s spokesperson conceded: “I don’t think anyone is arguing that this is being done in the right way. We need to take a long look at MOCS and make it operate better.”<sup>lxiv</sup>

It is hard to imagine a private sector company succeeding in the absence of realistic budget information.

In researching best practices in government that tie funding to performance, the city might look to New York City’s Center for Economic Opportunity, a 2009 Harvard Kennedy School Innovations in American Government award finalist. This Center, which like the MOCS handles anti-poverty initiatives, is recognized as a national model for its meticulous scrutiny of the initiatives’ performance and outcomes and for making funding decisions based on its findings.<sup>lxv</sup>

Corpus Christi, Texas uses performance-based budgeting decisions in an effort to make its public utilities more competitive. A computerized system specifically defines the goals of “good customer service,” and routinely measures whether those goals are being met. An online citywide scorecard provides the public with real-time performance data.<sup>lxvi</sup>

**USE TECHNOLOGY SMARTLY:** Philadelphia is way behind the curve when it comes to sufficient or modern technology – a deficiency that already has had an enormous impact on the efficiency of its operations. To take just one small example: At the July 24 meeting of the Mayor’s Task Force on Tax Policy and Economic Competitiveness, former City Solicitor Joe Dworetzky commented that the Law and Revenue Departments do not share a database, which hampers revenue collections.

Many of the Task Force’s preliminary recommendations require enhanced technology. One of its proposals for short-term implementation (0-24 months) – Upgrading Property Information and Tax Administration Technology & Human Capital – requires “a state-of-the-art, networked property information and tax databases with adequate professional staffing to make collection of all tax types more efficient, to monitor trends and to measure, over time, the impact of the entire Philadelphia tax structure and development policies on job creation and income growth.”<sup>lxvii</sup>

Hopefully, the recent reorganization of the city’s Division of Technology, under newly named Chief Technology Officer Allan Frank, will jumpstart the transformation process. The mayor’s plans call for consolidating the entire information-technology system – including equipment and employees in 33 separate departments – into Frank’s department, which is scheduled to employ 520 workers.<sup>lxviii</sup>

There are endless yet to be discovered technological advances, but the city’s immediate goal must be to propel government into the 21<sup>st</sup> century. Councilman Bill Green made this point forcefully in his April 2009 report, “Paperless Government: Maximizing the Transformative Power of Technology.”<sup>lxix</sup>

There are numerous examples of governments making technological leaps. Maryland’s Governor Martin O’Malley is pioneering an online technology he calls StateStat to help citizens track government spending.<sup>lxx</sup> The website was rated #1 in the country for state tracking of federal stimulus funds by Good Jobs First, a national policy resource center.<sup>lxxi</sup>

**TAKE ANOTHER HARD LOOK AT WHAT SERVICES THE CITY CAN AFFORD TO PERFORM:** City residents have become accustomed to a long list of government-subsidized services, ranging from water, gas and trash collection to the removal of graffiti and snow plowing. Every service must be examined to determine whether there is a more efficient – and cheaper way – to

deliver these services. Or, in some cases, whether the city can continue to provide these services at all.

These decisions often require balancing competing interests. Will the new \$500 annual trash fee for small businesses drive these valuable assets away? Are these concerns sufficient to offset the estimated \$7 million in annual savings? Alternatively, should small businesses be required to hire private trash collectors like larger companies?

According to PICA, the Philadelphia Gas Works (PGW) continues to present an “enormous risk” to the City and region’s economy as a result of its “expensive and oversized workforce,” the burden of an “outstanding \$1.2 billion in debt,” and the “real possibility that future fiscal crises ...will require additional City subsidies.”<sup>lxxii</sup> Despite diminished troubles at PGW, a 2008 Economy League of Greater Philadelphia report underscored the need for transformational change at PGW involving everything from controlling a “labyrinthine governance structure” to reining in free gas program to selling the utility.<sup>lxxiii</sup>

Providing free basic services to truly low-income residents at least has some redeeming value.<sup>lxxiv</sup> But government lets too many people off the hook – especially those on its own payroll. For example, 723 city employees owe more than \$700,000 in water bills. (This is on top of the 2,000 city employees and spouses who owe about \$5 million in unpaid property taxes.)<sup>lxxv</sup> The Committee of Seventy<sup>lxxvi</sup> joined the city controller in calling for deducting up to 20% from the city paychecks of continuing tax deadbeats, and shutting off water service, particularly for delinquents working for the Water Department.<sup>lxxvii</sup>

What about Philadelphia International Airport? Allegheny County Executive Dan Onorato wants to privatize all parking facilities at Pittsburgh International Airport in order to generate more than \$500 million to pay off the airport's \$499 million debt. Chicago was poised to privatize Midway Airport in the spring, but the deal collapsed because of the tight credit markets.<sup>lxxviii</sup> Selling the airport, or even creating a new operating authority, may not be a viable option in the current economic climate. But privatizing individual functions at the airport should be considered.

**DEVELOP STRATEGIES TO DEAL WITH “COUNTY” COSTS:** One more overarching problem that must be addressed is Philadelphia’s heavy burden of paying for services traditionally subsidized by state or county governments: prisons, courts and human services. These responsibilities now rest on Philadelphia because, in Pennsylvania, it alone is both a city and a county.

The problem is heightened by the absence of more affluent taxpayers. According to the city’s Finance Director Rob Dubow, the city’s poverty rate is 24%, almost double the national average.<sup>lxxix</sup>

Philadelphia pays almost \$250 million for the prisons and almost \$100 million for the courts – over 9% of the general fund budget, amounts it can not afford even in good economic times.<sup>lxxx</sup>

Councilman Bill Green’s study of City/County employment trends over 50 years found that, while the total number of budgeted positions has dropped by 4.86%, the number of employees performing traditional county functions has doubled (3,274 in 1960 compared to 7,634 in 2010). By contrast, the number of employees performing traditionally city functions (such as public safety, sanitation, parks and recreation, for example) has been significantly reduced (24,710 in 1960 compared to 18,942 in 2010).<sup>lxxxii</sup>

At the very least, the city should develop strategies to:

- Bring down the crushing costs of its “county” burdens as long as Philadelphia is required to pay for them, and
- Work more aggressively to “upsource” these functions to the Commonwealth.

It may be a fool’s errand to try to compel the General Assembly to enforce the Pennsylvania Supreme Court’s 1987 decision requiring the state to fund all costs of the court system. Oddly, neither the state’s highest court nor the legislature seems to have taken this ruling seriously. A number of counties have now filed a lawsuit to force compliance. Philadelphia’s refusal to join them makes no sense.

The prison system is an even bigger problem. Interestingly, during the City’s budget forums, Deputy Mayor for Public Safety Everett Gillison told WHYY’s Chris Satullo how impressed he was by the overwhelming interest of citizens in closing a city prison by, for example, releasing non-violent criminals.<sup>lxxxii</sup> Discussing the pros and cons of this idea is far beyond the scope of this report. But it should be included in discussions about reconfiguring the government.

## GETTING IT DONE

Mayor Nutter is approaching the mid-way point of what is likely to be the first of his two terms. It is the point at which a term-limited mayor usually has the greatest influence.

The challenge to remake government could easily consume the rest of his mayoralty – and last well beyond it – but it certainly cannot be viewed as Mayor Nutter’s task alone.

Here are ways to get the job done:

**USE ALL THE AVAILABLE TALENT:** Philadelphia is rich with people who will help if they are empowered to do so.

Government is filled with talented individuals, many of whom have served in many administrations.

The Mayor's Private Sector Outreach Board has been assembled and, through its ten reform teams, is looking into specific areas of government. The Board should be used aggressively and a Reform Plan written in February 2009 should be continually updated with information on its progress.<sup>lxxxiii</sup>

The Mayor's Task Force on Tax Policy and Economic Competitiveness is close to finishing its work. We hope its final report will expand upon its very useful preliminary recommendations, and will also address in far greater detail the issues the Mayor assigned the group when he formed it in March.<sup>lxxxiv</sup> And, rather than disband when the report comes out this fall, its members should work to make sure their recommendations do not get ignored.

Business people are facing many of the same problems as government during the economic downturn. Their experience in remaking their companies – and, yes, in downsizing their workforces – can be indispensable to reform efforts in City Hall.

Finally, in a highly political town, the political party bosses and the political warlords can help – if the mayor is adept at asking. Democratic Party chairman Bob Brady stands at the top of the list. Without his approval, reforming the BRT or eliminating the row offices will be impossible.

**NUTTER AND COUNCIL MUST PULL TOGETHER:** The City Charter envisions a “strong mayor” form of government, but when it comes to both structural changes and budgets, both branches of government have a strong hand. As a practical matter, it is up to the mayor to create a genuine working relationship with Council.

Mayor Nutter has a shared history with most members of Council. There is every reason for the two branches to become full partners in the government's transformation. The focus can not be on who gets the credit.

Councilman Green, in particular, has staked out government reform as a key area of interest and he is gaining respect in Council. The mayor and the councilman have a special obligation to work together to create a more efficient government.

**CONSIDER LARGE-SCALE CHARTER CHANGE:** It has been nearly sixty years since Philadelphia's governing document was written. Computers, which

are now an everyday necessity, aren't the only changes since 1951. City officials might have grown too accustomed to the Charter's limitations.

It is time to take a close look at the Charter as a whole. It has been 15 years since the Philadelphia Independent Charter Commission's review. Their effort to amend the Charter went down to defeat, but these are very different times. Lessons can be learned about why the effort failed in order to avoid making the same mistakes.

To again quote Peter Drucker: "[A]ny organization, whether a business, a nonprofit, or a government agency, needs to rethink itself once it is more than forty or fifty years old. It has outgrown its policies and its rules of behavior. If it continues in its old ways, it becomes ungovernable, unmanageable, uncontrollable."<sup>lxxxv</sup>

And if the state is unwilling to pick up the \$1 billion in court, prison and human service costs that do not fall on any other city in the state, it might even be time to rethink the concept of "home rule" that is embedded in this Charter.

**INCLUDE THE UNIONS:** Governments often make a critical mistake by failing to communicate regularly with the unions' leadership. Talks tend to happen when contracts expire and the emotions run high. Developing mutual respect and relationships may not result in seeing eye-to-eye, but keeping up an honest and regular dialogue is important.

Failing to partner with the unions, which represent a vast majority of city workers, is a strategy that will never pay off.

**MAKE USE OF THE WATCHDOGS:** The official watchdogs are supposed to be independent from those they regulate. But a genuine effort to reinvent government can make good use of these resources without compromising them.

Through financial reports and departmental audits, and service on city Boards and Commissions, the City Controller has an in-depth knowledge of the workings of government and can bring tremendous value to the reform initiative.

So can the Pennsylvania Intergovernmental Cooperation Authority. PICA has more outside expertise on budget matters than anyone in town. There is a potential conflict-of-interest risk, of course. But within the constraints of the rules, PICA's staff should be included in the discussions.

**KEEP IT TRANSPARENT:** The paying customers must be kept informed. The city must make information easy to find online. And make what are often the mind-numbing complexities of government easy to read and understand. Full agendas for meetings – such as Phillystat, where the Private Sector Outreach Board makes monthly reports – must be developed so that citizens know more

than just the barest details. If they can't attend a meeting, minutes should be available electronically.

**MAKE THE PUBLIC PART OF THE CHANGE PROCESS:** Mayor Nutter learned the hard way about the importance of soliciting public opinion. To avoid the furor that erupted over his attempt to close libraries last November, he held public forums to solicit residents' views on how to close the budget gap. These outreach efforts paid off.

The public's attitude needs to change as well. Government, especially a government strapped for cash, can't do as much as its constituents might like or might have come to rely upon.

Council members can be helpful in communicating realistic expectations of government to their constituents. Frankly, there are problems that city government should not have to fix. In the wake of large chunks of buildings crashing onto city sidewalks, the knee-jerk reaction might be to hire more city inspectors. Council members Jim Kenney and Frank DiCicco are on the right track by introducing a bill to require owners of buildings higher than six feet to get them inspected every five years and to fix any defects.<sup>lxxxvi</sup>

## CONCLUSION

In his first address to a joint session of Congress, President Obama said: “[W]e have lived through an era where too often short-term gains were prized over long-term prosperity; where we failed to look beyond the next payment, the next quarter, or the next election.”<sup>lxxxvii</sup>

Over the last year, the city's leaders have understandably been preoccupied: first, by figuring out how to continue operations during the most devastating fiscal crisis in our lifetime, and second by gambling on a short-term budget deal in Harrisburg.

But there are only so many times temporary fixes can bail us out. Philadelphia has many long-term problems that will be exceedingly difficult to fix if we wait any longer to fundamentally reform the way our government works.

As former Indianapolis Mayor Stephen Goldsmith warned, pressures to remedy immediate shortfalls tend to inhibit innovation: “In the crunch to deal with the ‘crisis du jour,’ it [is] hard to find the time to identify best practices and cutting-edge technologies.”<sup>lxxxviii</sup>

Philadelphia must find the time.

The heavy lifting needed for reform will fall on Mayor Nutter's shoulders, of course. If he has the courage for it, his skills as a chief executive, as a policy maker and as a politician will be tested.

But we urge him not to focus on how history or the polls will judge him or even his prospects for reelection. Inevitably, these considerations take a politician down the less gutsy path. Instead, he must heed the advice of long-time Atlanta Mayor Shirley Franklin: "If you have to worry about your legacy," she says, "you don't have one."<sup>lxxxix</sup>

Creating a new government that will be able to take advantage of this period of great economic upheaval is a shared responsibility.

Once it succeeds, it will be a shared success.

## ADDITIONAL RESOURCES

If you want to read more about what's going on in Philadelphia surrounding the budget, labor negotiations, pension and government reform plans, here are some suggested places to look. Everything on this list is available on Committee of Seventy's website – [www.seventy.org](http://www.seventy.org) – and also by going to the links referenced below.

Updates to “Additional Resources” will be posted on the Committee of Seventy's website.

### Financial Documents:

- City of Philadelphia, Five-Year Financial and Strategic Plan For Fiscal Years 2009-2013, Approved by the Pennsylvania Intergovernmental Cooperation Authority, June 17, 2008:  
[http://www.phila.gov/finance/pdfs/FYP09-13\\_Finance\\_PIC.pdf](http://www.phila.gov/finance/pdfs/FYP09-13_Finance_PIC.pdf)
- City of Philadelphia, Five-Year Financial and Strategic Plan For Fiscal Years 2010-2014 (Includes details of November 2008 Rebalancing Plan), Submitted to Philadelphia City Council March 19, 2009:  
<http://www.phila.gov/budgetUpdate/PDFs/FiveYearPlanFinal.pdf>
- City of Philadelphia, Fiscal 2010 Operating Budget, as approved by Philadelphia City Council, May 21, 2009. Reflects revisions as agreed to by the Mayor of Philadelphia and Philadelphia City Council:  
[http://www.phila.gov/finance/pdfs/Budget\\_FY10.pdf](http://www.phila.gov/finance/pdfs/Budget_FY10.pdf)
- City of Philadelphia, Revised Five-Year Financial and Strategic Plan For Fiscal Years 2010-2014, Reflects revisions agreed to by the Mayor of Philadelphia and Philadelphia City Council, Submitted to the Pennsylvania Intergovernmental Cooperation Authority on June 22, 2009. (Contains FY10 numbers in the above-referenced bullet. But the full five-year plan is not on the city's website.) Also known as “Plan A.” Please see [www.seventy.org](http://www.seventy.org)
- Pennsylvania Intergovernmental Cooperation Authority's Staff Report on the City of Philadelphia's Five-Year Financial Plan for Fiscal Year 2010 – Fiscal Year 2014, July 21, 2009: <http://www.picapa.org/docs/FY10-FY14%205Yf%20Plan%20Report.pdf>
- City of Philadelphia, Five-Year Financial and Strategic Plan For Fiscal Years 2010-2014, Revised pursuant to the July 21, 2009 Resolution of the Pennsylvania Intergovernmental Cooperation Authority and submitted to

PICA on August 27, 2009. Also known as “Plan C”: Please see [www.seventy.org](http://www.seventy.org)

- City of Philadelphia’s Alternative Five-Year Financial and Strategic Plan for Fiscal Years 2010-2014, Submitted to the Pennsylvania Intergovernmental Cooperation Authority on September 1, 2009. This plan assumes passage by the General Assembly of the city’s requests for a 1% increase in the sales tax and for delayed pension payments, but also provides for a \$20 million loss in sales tax revenue caused by the two month delay in Harrisburg. Also known as “Plan B.” Please see [www.seventy.org](http://www.seventy.org)

### City Efficiency Reports:

- City of Philadelphia, Efficiencies Service Enhancements for FY09 and FY10 Budget:  
<http://www.phila.gov/budgetUpdate/PDFs/FY10EfficienciesServiceEnhancements.pdf>
- City of Philadelphia, Reform Agenda, February 2009:  
<http://www.phila.gov/budgetUpdate/reformAgenda/phillyStat.html>
- Charters of the Private Sector Outreach Board’s Government Reform Teams:  
<http://www.phila.gov/budgetUpdate/reformAgenda/charters/index.html>

### Other City Reports:

- Preliminary Recommendations of the Mayor’s Task Force on Tax Policy and Economic Competitiveness:  
[www.phila.gov/taxpolicy/PDFs/Preliminary\\_Recommendations\\_Tax\\_Policy\\_Economic\\_Competitiveness.pdf](http://www.phila.gov/taxpolicy/PDFs/Preliminary_Recommendations_Tax_Policy_Economic_Competitiveness.pdf)

### Legal Documents:

- The Philadelphia Code and Philadelphia Home Rule Charter:  
[http://www.amlegal.com/nxt/gateway.dll/Pennsylvania/philadelphia\\_pa/the\\_philadelphiacode?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:philadelphia\\_pa](http://www.amlegal.com/nxt/gateway.dll/Pennsylvania/philadelphia_pa/the_philadelphiacode?f=templates$fn=default.htm$3.0$vid=amlegal:philadelphia_pa)

## ENDNOTES

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- <sup>i</sup> Larry Eichel, *Taxed to the Max*, The Philadelphia Inquirer, April 23, 2006.
- <sup>ii</sup> Public Hearing of the Task Force on Tax Policy and Economic Competitiveness, August 13, 2009.
- <sup>iii</sup> State Representative Kate Harper, *Letters: Philadelphia brought on its own economic troubles*, The Philadelphia Inquirer, September 11, 2009, available at: <http://www.philly.com/inquirer/opinion/58946327.html>.
- <sup>iv</sup> Feather O'Connor Houstoun, *Leaky Roofs and Windows, There's no time like hard times to take a close look at duplicative programs*, GOVERNING, January 7, 2009, available at: <http://www.governing.com/column/leaky-roofs-and-windows>.
- <sup>v</sup> Gerald J. Miller and James H. Svara, Ed., *Navigating The Fiscal Crisis: Tested Strategies for Local Leaders*. A White Paper Prepared for ICMA by the Alliance for Innovation, Arizona State University, January 2009, available at: [http://www.transformgov.org/files/whitepaper/navigating\\_the\\_fiscal\\_crisis.pdf](http://www.transformgov.org/files/whitepaper/navigating_the_fiscal_crisis.pdf).
- <sup>vi</sup> The Mayor's Task Force on Tax Policy and Economic Competitiveness, *Preliminary Recommendations for Public Comment*, August 2009, available at: [http://www.phila.gov/taxpolicy/PDFs/Preliminary\\_Recommendations\\_Tax\\_Policy\\_Economic\\_Competitiveness.pdf](http://www.phila.gov/taxpolicy/PDFs/Preliminary_Recommendations_Tax_Policy_Economic_Competitiveness.pdf).
- <sup>vii</sup> The Pennsylvania Intergovernmental Cooperation Authority (PICA) was created by state government in 1991 to provide financial assistance to Philadelphia in overcoming a severe financial crisis. PICA is authorized to refund bonds and grant or lend the proceeds to the city. PICA also has to approve the city's annual budget and five year plan. See <http://www.picapa.org/>.
- <sup>viii</sup> Mayor Michael A. Nutter, *City of Philadelphia Five-Year Financial and Strategic Plan For Fiscal Years 2009-2013*, Presented to City Council, February 14, 2008, p. 2.
- <sup>ix</sup> Wendy Kotzen, an attorney member of the Task Force, made the same observation at the group's July 10 meeting. According to minutes from that meeting, Ms. Kotzen said: "Every time a person calls [the Revenue Department], he or she has to start from scratch and explain the problem from the beginning. The person you dealt with last time is always out of the office or on another case. The customer service level is terrible from a small business perspective." See <http://www.phila.gov/taxPolicy/mtgMinutes.html>.
- <sup>x</sup> City of Philadelphia's Efficiencies Service Enhancements for FY09 and FY10, available at: <http://www.phila.gov/budgetUpdate/PDFs/FY10EfficienciesServiceEnhancements.pdf>.
- <sup>xi</sup> Judee von Seldeneck, *Letters: Nutter is serious about cutting cost of services*, The Philadelphia Inquirer, August 26, 2009, available at: <http://www.philly.com/inquirer/opinion/54922542.html>. Ms. von Seldeneck and Daniel K. Fitzpatrick co-chair the Private Sector Outreach Board and also serve on the Committee of Seventy's Executive Committee, Mr. Fitzpatrick as its Chairman. Three companies whose leaders also serve on the Private Sector Outreach Board are represented on Seventy's Board of Directors: Day & Zimmermann, PNC and Temple University.
- <sup>xii</sup> Mayor Michael A. Nutter, *City of Philadelphia, Five-Year Financial and Strategic Plan For Fiscal Years 2010-2014*, Presented to City Council, March 19, 2009 at pp. 19-20.
- <sup>xiii</sup> *Id.* at p. 29.
- <sup>xiv</sup> E-mail to Ellen Mattleman Kaplan, Vice President and Policy Director of the Committee of Seventy from Anna Wallace Adams, Deputy Budget Director, Office of Budget and Program Evaluation, Office of the Finance Director, August 26, 2009.
- <sup>xv</sup> Michael A. Nutter, *City of Philadelphia, Five-Year Financial and Strategic Plan For Fiscal Years 2010-2014*, Presented to City Council, March 19, 2009 at p. 44.
- <sup>xvi</sup> Wendy Ruderman, Barbara Laker and Bob Warner, *Why are 4 narcs under probe still getting OT?*, Philadelphia Daily News, August 3, 2009.
- <sup>xvii</sup> Marisa Lagos, *S.F. slashes big payouts for overtime*, San Francisco Chronicle, August 12, 2009.
- <sup>xviii</sup> Blogging for Michigan, *Granholm: Eliminate 10 out of 18 State Departments*, February 2, 2009, available at: <http://www.bloggingformichigan.com/diary/3564/>.
- <sup>xix</sup> Mayor Michael A. Nutter, *City of Philadelphia Five-Year Financial and Strategic Plan For Fiscal Years 2010-2014*, Presented to City Council, March 19, 2009, p.50.

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- <sup>xx</sup> Stephanie Marudas, *Nutter Taps Private Sector to Help Transform City Government*, WHYY - It's Our City, January 29, 2009, available at: <http://whyy.org/blogs/itsourcity/2009/01/29/nutter-taps-private-sector-to-help-transform-city-government/>.
- <sup>xxi</sup> Peter F. Drucker, *Managing For Results*, Harper Paperbacks 2006, p. 69.
- <sup>xxii</sup> Councilman Bill Green, Testimony submitted to the Task Force on Tax Policy and Economic Competitiveness, August 13, 2009, available at: <http://www.phila.gov/taxPolicy/mtgMinutes.html>.
- <sup>xxiii</sup> Patrick Kerkstra, *Mayor inflated exempt staff in 2008*, The Philadelphia Inquirer, February 2, 2009.
- <sup>xxiv</sup> Defense Base Closure and Realignment Commission, available at: <http://www.brac.gov/About.html>.
- <sup>xxv</sup> Michael Nutter, Press Release from the Office of the Mayor of Philadelphia, August 28, 2009, available at <http://ework.phila.gov/philagov/news/prelease.asp?id=580>.
- <sup>xxvi</sup> Michael Nutter For Mayor, *The Nutter Plan For Better Housing Now*, available at: [http://www.nutter2007.com/images/uploads/nutter\\_housing.pdf](http://www.nutter2007.com/images/uploads/nutter_housing.pdf).
- <sup>xxvii</sup> Alliance for Innovation, *Innovations in the City of Arlington, Texas*, March 4, 2009, available at: [http://www.transformgov.org/uploadedFiles/Alliance\\_Home/Alliance\\_Wiki\\_Page/Wiki/White\\_Paper/Fiscal\\_Monitoring\\_Project/TexasCityofArlingtonInnovations.pdf](http://www.transformgov.org/uploadedFiles/Alliance_Home/Alliance_Wiki_Page/Wiki/White_Paper/Fiscal_Monitoring_Project/TexasCityofArlingtonInnovations.pdf).
- <sup>xxviii</sup> Mike Armstrong, *Signs are clear: Unisys and Philadelphia Both Lose*, PhillyInc, August 28, 2009, available at [http://www.philly.com/philly/blogs/phillyinc/Signs\\_are\\_clear\\_Unisys\\_and\\_Philadelphia\\_both\\_lose.html](http://www.philly.com/philly/blogs/phillyinc/Signs_are_clear_Unisys_and_Philadelphia_both_lose.html).
- <sup>xxix</sup> Joseph Mahoney, Executive Vice President, *Testimony of the Greater Philadelphia Chamber of Commerce Before The Task Force on Tax Policy and Economic Competitiveness*, May 21, 2009, available at: <http://www.greaterphilachamber.com/download.aspx?id=NjYx-%2BimxwQ57GNs%3D>
- <sup>xxx</sup> Bob Fernandez, *Belatedly, the recession clobbers Philadelphia*, The Philadelphia Inquirer, September 6, 2009, available at: <http://www.philly.com/philly/business/57578327.html>.
- <sup>xxxii</sup> Councilman Bill Green, *Public City and County Employment Trends in Philadelphia, 1960 to 2010*, April 2009, available at: <http://www.phila.gov/taxPolicy/mtgMinutes.html>.
- <sup>xxxiii</sup> Mark S. Schweiker, *A Closer Look at Population Loss*, Philadelphia Business Journal, August 1, 2009, available at: <http://philadelphia.bizjournals.com/philadelphia/stories/2008/08/04/editorial3.html>.
- <sup>xxxiiii</sup> Mayor Michael A. Nutter, Speech to the Philadelphia City Planning Commission, June 17, 2008.
- <sup>xxxv</sup> Mayor Michael A. Nutter, *Revised Five-Year Financial and Strategic Plan For Fiscal Years 2009-2014*, City of Philadelphia. Revised pursuant to the July 21, 2009 Resolution of the Pennsylvania Intergovernmental Cooperation Authority and submitted to PICA on August 27, 2009. Formally introduced by Mayor Nutter to the public on July 30, Plan C called for shutting down all operations of the Commerce Department and Planning Commission and eliminating 59 positions. The City would no longer be able to issue permits needed for the majority of construction or renovation projects, and there would be no more tax credits for job creation and business expansion.
- <sup>xxxvi</sup> These proposals included temporarily hiking the city's sales tax from 7% to 8%, a two year delay in making \$230 million in annual contributions to the city's employee pension plan, and adding 10 more years (from 20 to 30) for Philadelphia to pay its obligation to the pension fund. All of these changes require approval from the General Assembly.
- <sup>xxxvii</sup> Patrick Kerkstra, *Hello...this is the city's 311 call center*, The Philadelphia Inquirer, January 1, 2009.
- <sup>xxxviii</sup> Zachary Tumin and Robert Wasserman, *311: The Next Wave, Nine Imperatives for Leadership of 311-Enabled Government*, Harvard Kennedy School, November 7, 2008, available at: <http://www.innovations.harvard.edu/cache/documents/1285/128521.pdf>. This report detailed findings of a forum of 50 government leaders and technology and service providers.
- <sup>xxxix</sup> City of Philadelphia FY10 Operating Budget, as Approved by Philadelphia City Council, May 21, 2009.
- <sup>xl</sup> Sam Wood, Craig R. McCoy and Nancy Phillips, *More charges in Danieal Kelly's death*, The Philadelphia Inquirer, May 2, 2009.
- <sup>xli</sup> *Id.*
- <sup>xlii</sup> Larry Miller, *Is DHS reform helping?* Philadelphia Tribune, May 5, 2009.
- <sup>xliii</sup> Report on Progress from the Philadelphia Community Oversight Board for the Department of Human Services. January 2009. See [http://dhs.phila.gov/dhsphilagovp.nsf/Content/COBP-COBP+Progress+Report+02\\_19\\_2009](http://dhs.phila.gov/dhsphilagovp.nsf/Content/COBP-COBP+Progress+Report+02_19_2009).
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- <sup>lx</sup> This was Mr. Howard's salary at the time of his appointment in 2008. Since the Veterans Advisory Commission resides in Philadelphia City Council, and Council's one-page budget does not itemize salaries, the Committee of Seventy could not ascertain his current salary.
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[http://www.phila.gov/taxpolicy/PDFs/Preliminary\\_Recommendations\\_Tax\\_Policy\\_Economic\\_Competitiveness.pdf](http://www.phila.gov/taxpolicy/PDFs/Preliminary_Recommendations_Tax_Policy_Economic_Competitiveness.pdf).

<sup>lxviii</sup> Marcia Gelbart, *Another reboot for City tech office*, Heard in the Hall, July 20, 2009, available at: <http://www.philly.com/philly/business/technology/51211197.html>.

<sup>lxix</sup> This report is available in the August 13, 2009 minutes of the Task Force on Tax Policy and Economic Competitiveness, available at: <http://www.phila.gov/taxPolicy/mtgMinutes.html>.

<sup>lxx</sup> Governor Martin O'Malley, *State Government 2.0: How Technology will Help Maryland Make the Most of the Stimulus*, Huffington Post, February 27, 2009 available at: [http://www.huffingtonpost.com/gov-martin-omalley/state-government-20-how-t\\_b\\_170563.html](http://www.huffingtonpost.com/gov-martin-omalley/state-government-20-how-t_b_170563.html). StateStat is modeled after the CitiStat program that the Governor developed as the Mayor of Baltimore.

<sup>lxxi</sup> *Who We Are*, Good Jobs First, available at: [http://www.goodjobsfirst.org/about\\_us.cfm](http://www.goodjobsfirst.org/about_us.cfm).

<sup>lxxii</sup> Pennsylvania Intergovernmental Cooperation Authority, *Staff Report on the City of Philadelphia's Five-Year Financial Plan for Fiscal Year 2010 – Fiscal Year 2014*, July 21, 2009, pp. 41-43.

<sup>lxxiii</sup> The Economy League of Greater Philadelphia, *The Philadelphia Gas Works: Challenges and Solutions*, October 21, 2008, available at: <http://economyleague.org/pgw>. The organization is now known as The Economy League of Southeastern Pennsylvania.

<sup>lxxiv</sup> *Id.* at p.41. The Economy League suggested that moving these “social program costs” to the city’s general fund would make them more transparent and equitable. Keeping them as part of PGW’s rate structure “represents a hidden tax to the City’s full rate-payers.”

<sup>lxxv</sup> Patrick Kerkstra and Dylan Purcell, *Paid by the city, but not paying its property tax*, The Philadelphia Inquirer, July 19, 2009.

<sup>lxxvi</sup> Zachary Stalberg, *More Incentives for Tax Deadbeats*, The Philadelphia Inquirer, August 3, 2009, available at: [http://www.philly.com/inquirer/opinion/20090803\\_More\\_incentives\\_for\\_tax\\_deadbeats.html](http://www.philly.com/inquirer/opinion/20090803_More_incentives_for_tax_deadbeats.html).

<sup>lxxvii</sup> Press Release of the Office of the City Controller, *Butkovitz Urges City to Comply with Water Shut-Off Policy*, July 23, 2009.

<sup>lxxviii</sup> Mark Belkow, *County looks to privatize parking lots at airport*, Pittsburgh Post-Gazette, May 29, 2009, available at: <http://www.post-gazette.com/pg/09149/973504-455.stm>.

<sup>lxxix</sup> Rob Dubow, Presentation to the Greater Philadelphia Chamber of Commerce, May 12, 2009.

<sup>lxxx</sup> Michael A. Nutter, *City of Philadelphia Five-Year Financial and Strategic Plan For Fiscal Years 2010-2014*, Presented to City Council, March 19, 2009, p. 11.

<sup>lxxxii</sup> Councilman Bill Green, *Public City and County Employment Trends in Philadelphia, 1960 to 2010*, April 2009. This report is available in the August 13, 2009 minutes of the Task Force on Tax Policy and Economic Competitiveness. See <http://www.phila.gov/taxPolicy/mtgMinutes.html>.

<sup>lxxxiii</sup> Chris Satullo, *1,800 mayors for a day, 53 distinctive city budgets*, WHYY It’s Our City, February 26, 2009, available at: <http://whyy.org/blogs/itsourcity/2009/02/26/1800-mayors-for-a-day-53-distinctive-city-budgets/>.

<sup>lxxxiiii</sup> City of Philadelphia’s Reform Agenda, February 2009, available at: <http://www.phila.gov/budgetUpdate/reformAgenda/phillyStat/html>.

<sup>lxxxiv</sup> Michael A. Nutter, Press Release from the Office of the Mayor, March 24, 2009. The Mayor asked the Task Force to: (1) Evaluate the City’s current tax policy and tax structure; (2) Compare the City’s current tax policy and tax structure with other regional jurisdictions and major U.S. cities; (3) Analyze the impact of the current tax policy and tax structure on the City’s competitive advantage regionally, nationally, and internationally; (4) Examine the impact of the City’s current tax policy and tax structure on business growth and development especially with respect to those economic sectors important to the City’s economic competitiveness; (5) Evaluate the cost of real estate development in Philadelphia, including a comprehensive assessment of all the development costs including, but not limited to, labor, construction, permitting, plan reviews, and regulatory costs; (6) Compare the cost to develop real estate in Philadelphia with other regional jurisdictions and major U.S. cities; (7) Analyze the impact of the cost of development on the City’s competitive advantage regionally, nationally and internationally; and (8) Evaluate current City development policies, regulations and administrative practices that hinder development, and compare these to other major U.S. cities.

<sup>lxxxv</sup> Peter F. Drucker, *“Really Reinventing Government,”* The Atlantic, February 1995.

<sup>lxxxvi</sup> Editorial, *Must Make Buildings Safe*, The Philadelphia Inquirer, September 1, 2009, available at: [http://www.philly.com/inquirer/opinion/20090901\\_Editorial\\_\\_Must\\_make\\_buildings\\_safe.html](http://www.philly.com/inquirer/opinion/20090901_Editorial__Must_make_buildings_safe.html).

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- <sup>lxxxvii</sup> President Barack Obama, *Remarks of President Barack Obama - Address to Joint Session of Congress*, February 24, 2009, available at: [http://www.whitehouse.gov/the\\_press\\_office/remarks-of-president-barack-obama-address-to-joint-session-of-congress/](http://www.whitehouse.gov/the_press_office/remarks-of-president-barack-obama-address-to-joint-session-of-congress/).
- <sup>lxxxviii</sup> Stephen Goldsmith, "New Ideas for Innovative Government," *GOVERNING*, July 22, 2009.
- <sup>lxxxix</sup> Shaila Dewan, "*Seldom-Heard Compliment for Atlanta's Mayor: 'You were right,'*" *The New York Times*, September 7, 2009.