# Pennsylvania Intergovernmental Cooperation Authority

**Staff Report**
**on the**
**City of Philadelphia's**
**Five-Year Financial Plan**
**for**
**Fiscal Year 2010 - Fiscal Year 2014**

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**September 16, 2009**

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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## The Revised Five-Year Financial Plan for FY10-FY14

### *Summary and Recommendation*

The City of Philadelphia's Revised Five-Year Financial Plan for FY2010-2014 ("revised Plan") approved by PICA on September 11, 2009 is similar in most of its base assumptions to the Plan originally approved by the PICA Board on July 21 ("initial Plan"). The fundamental analysis of the initial Plan and the risks contained therein are detailed in the PICA Staff report which can be found on the PICA website.[1] However, there are some significant differences between the initial and revised Plans in projected revenues and expenditures which are described in detail below. Primary among the revenue changes are the reduction in expected Sales Tax collections due to the delay in implementation of the tax rate increase. The analysis presented below of the assumptions contained in the Plan as well as the activities at the state, served as the basis for the recommendation by PICA Staff to approve the revised Plan at the September 11th Special Board Meeting.

The revised Plan, like the initial Plan, is reliant on the authorization of certain authorities by the State including the ability to raise the sales tax rate and the ability to make certain deferments and adjustments related to the City's Pension Fund. In the last few weeks, both houses of the General Assembly have approved these authorities as parts of differing bills and the Governor has stated his intention to sign a bill containing these authorities.

Failure to approve these authorities by September 18 will require the City to implement drastic service cuts and layoffs in many mission critical areas. PICA's September 11 resolution approving the revised Plan stated that without State authorization by September 18 of the Plan's assumed Sales Tax increase and pension payment adjustments, the Plan will be deemed disapproved and the City will be required to submit a comprehensive contingency Plan to the authority by September 25th.

### *Background*

The City's current financial crisis has lasted for over a year. The process of arriving at a FY10 budget, now in its seventh month, is the longest since the creation of PICA in 1991. Unlike the financial crisis of the early 1990s, the current crisis has been complicated by limited tax revenue options, a lengthy delay in approval of a State budget, and disagreement among State elected officials on appropriate measures to address the City's fiscal problems. The City's ability to raise the Wage Tax was limited by restrictions imposed by the State gaming law which tied State financial assistance to Wage Tax reduction and limited the City's ability to increase the Wage Tax in times of financial stress. Further, recent publicity concerning inequities in the City's property tax assessment system resulted in a lack of political support for a Real Estate Tax

[1] http://www.picapa.org/docs/FY10-FY14%205Yr%20Plan%20Report.pdf

increase in FY10. At the time of this writing, the FY10 State budget still has not been finalized, more than two months into the fiscal year, which has reduced the flow of State revenue to the City. Finally, the State legislature, while showing signs of support for the City's request for legislative authorization to increase the Sales Tax and restructure pension payments as a way to deal with the current fiscal imbalance, has not yet reached agreement on legislation that would allow these measures.

The current recession did not begin to have a severe impact on City revenues until fall of 2008. The projected magnitude of the City's revenue shortfall in November led the City to implement approximately $1 billion in new initiatives to rebalance the FY09-FY13 Five-Year Financial Plan. It was clear by the end of 2008 that further action would be necessary to produce a balanced FY10-FY14 Plan. To this end the City engaged in an extensive process of public engagement to determine appropriate ways to further reduce spending and increase revenue. Many suggestions received through input by the public and City employees were incorporated in the initial FY10-FY14 Plan, which was presented to City Council on March 19, 2009. Following extensive debate, the Administration and City Council came to agreement on a Five-Year Plan with modified tax and spending provisions. This Plan was submitted to PICA on June 22. (This Plan is referred to in the discussion below as the "initial" Plan.)

The initial Plan included various measures to reduce expenditures and increase revenues. The Plan also included restructuring of payments to the City's Pension Fund. These changes were designed to allow short-term financial relief that would allow the City to pursue structural reforms in the pension system that would make pension costs affordable over the long run. The initial Plan also reflected the view that some new tax revenue was required to avoid counter-productive service reductions, and that an increase in the Sales Tax, compared to other taxes such as the Business Privilege Tax, would have the least damaging long-term effect on the City's economy. Accordingly, the initial Plan assumed a temporary, five-year increase in the City Sales Tax rate from 1 percent to 2 percent, bringing the combined City and State Sales Tax in Philadelphia to 8 percent over the FY10-FY14 period. Overall, in the view of PICA Staff, the initial Plan was based on reasonable assumptions about future revenues and expenditures and represented a sound fiscal approach to the current challenges.

Nonetheless, to implement the initial Plan, the City needed authorization from the State to raise the Sales Tax rate and restructure pension payments. In effect, the initial Plan meant that the City ceded local control over its budget and Plan because of the Plan's dependence on State authorization. PICA Staff, in its report on the initial Plan, recommended that the Authority approve the initial Plan with the stipulation that the necessary State legislation be enacted by August 15. If the necessary legislation was not approved by that time, the Plan would be deemed disapproved, and the City would be required to submit a new Plan. The initial Plan was approved by PICA on July 21.

State legislation authorizing the Sales Tax increase and pension restructuring was not enacted by August 15. Consistent with its earlier resolution, on August 18, PICA sent a letter to Mayor Nutter stating that the initial Plan was deemed disapproved, and that the City would be required to submit a new Plan within 15 days. The City responded by submitting to PICA two revised Plans, one which assumed the Commonwealth would not enact the pension and Sales Tax authorizations, and one which assumed the authorizations would be enacted. The former was submitted on August 27, and the latter, on September 1.

The City's decision to submit two plans to PICA was a reasonable response to the situation it faced. By August 26, both houses of the General Assembly had passed versions of House Bill 1828, which authorized the temporary Sales Tax increase and pension changes. The versions passed by the two houses of the legislature differed, and clearly additional negotiations were required to reconcile the differences between the House and Senate. Leaders from both houses had voiced support for the legislation, and expressed willingness to work to find a compromise bill that could be enacted, although the time frame in which this was likely to occur was unclear. Given these uncertainties, the City decided to submit alternative plans to PICA, one based on the assumption the State would enact a version of HB 1828 and one that it would not.

As of September 11, while HB 1828 had still not been enacted, there was still a reasonable prospect that it would be in the near future. On that date, the PICA Board approved the revised Plan submitted by the City on September 1, the version incorporating the assumption that the State would authorize the City to raise the Sales Tax and restructure pension payments. (This version of the Plan is referred to below as the "revised" Plan.) As indicated in the Board's resolution, PICA voted to approve the revised Plan because of the apparent degree of support for HB 1828 among state officials, including legislators and the Governor.[2]

Nonetheless, because of the acute nature of the City's financial crisis, and the inability of the City to continue to operate without State authorizations to increase the Sales Tax and restructure pension payments, PICA's September 11 resolution also stated that if the State authorizations were not enacted by September 18, the revised Plan would be considered disapproved, and the City would be required to submit by September 25 a modified version of the Plan initially submitted on August 27. The August 27 Plan did not assume the Sales Tax and pension authorizations. PICA specifically directed that any newly submitted Plan comply with the criterion relating to Plan revenue estimates in Section 209 (c)(2) of the PICA Act: "Estimates of revenues to be received from the state government shall be based on historical patterns, currently available levels, or on levels proposed in a budget by the Governor."[3]

If the State does not grant the Sales Tax and pension authorizations currently contained in HB 1828, the City of Philadelphia will be required to make expenditure reductions even more significant than those contained in the revised Plan approved on September 11. These reductions

[2] The resolution, number 2009-03, is available on the PICA website.
[3] Act 6 of 1991.

would have serious, negative impacts on City service levels and the quality of life of city residents. The Administration has estimated that 3,000 layoffs will be necessary under a revised Plan that does not incorporate the State authorizations. Such a scenario raises significant concerns as a matter of public policy, but nonetheless will be necessary to preserve the City's financial stability.

The current report analyzes the revised Plan approved by PICA on September 11. The first section analyzes the differences between the initial Plan approved on July 21 and the revised Plan. These differences include revenue reduction resulting from the delay in receiving State approval for the City Sales Tax increase, other changes to revenue estimates that result in a significant net reduction in General Fund revenue, and expenditure reductions in various City agencies and cost centers that are necessary to achieve a positive General Fund balance over the Plan period. The second section discusses the prospects for financial stability under the revised Plan over the FY10-FY14 period.

### *Differences between the Initial and Revised Plan*

The revised Plan is based on assumptions concerning revenue and expenditure growth that are generally the same as the initial Plan approved by PICA on July 21. However, there are some significant differences in projected revenues and expenditures which are described below. Several of the changes are in direct response to risks highlighted in the PICA Staff Report of July 21, 2009. Table 1 summarizes the changes between the initial and revised Plan.

The revised Plan projects lower revenues in each year from FY09 through FY14. Revenue reductions range from a projected $10.7 million in FY14 to $45.1 million in FY10. Obligations are projected to increase by $2.7 million in FY10, and decrease over the FY11-FY14 period, with the largest reduction of $58.6 million in FY14. Compared to the initial Plan, in the revised Plan the year end General Fund balance is projected to be lower over the FY09-FY13 period, and higher in FY14. The year end fund balance is projected to peak at $79.8 million in FY14 in the revised Plan, an amount which represents 1.9 percent of projected FY14 obligations.

**Table 1. Changes in Projected Revenues, Expenditures, and Fund Balance between Initial and Revised Five-Year Financial Plan, FY09-FY14 ($ in Millions)**

| | FY09 Est. | FY10 Proj. | FY11 Proj. | FY12 Proj. | FY13 Proj. | FY14 Proj. |
|---|---|---|---|---|---|---|
| *Initial Plan* | | | | | | |
| Revenues | 3,749.2 | 3,814.6 | 3,862.2 | 3,978.0 | 4,092.3 | 4,199.6 |
| Obligations | 3,953.3 | 3,693.8 | 3,885.4 | 4,004.3 | 4,164.9 | 4,202.8 |
| Prior Year Adjustments | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 |
| Operating Surplus/(Deficit) | (179.5) | 145.2 | 1.3 | (1.8) | (48.1) | 21.3 |
| Prior Year Fund Balance | 119.5 | (60.0) | 85.3 | 86.5 | 84.7 | 36.6 |
| Year End Fund Balance | (60.0) | 85.3 | 86.5 | 84.7 | 36.6 | 57.9 |
| *Revised Plan* | | | | | | |
| Revenues | 3,714.7 | 3,769.5 | 3,838.9 | 3,959.8 | 4,080.0 | 4,188.8 |
| Obligations | 3,953.3 | 3,696.5 | 3,855.4 | 3,963.9 | 4,125.3 | 4,144.2 |
| Prior Year Adjustments | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 |
| Operating Surplus/(Deficit) | (214.0) | 97.5 | 8.0 | 20.4 | (20.7) | 69.2 |
| Prior Year Fund Balance | 119.5 | (94.5) | 3.0 | 11.0 | 31.4 | 10.6 |
| Year End Fund Balance | (94.5) | 3.0 | 11.0 | 31.4 | 10.6 | 79.8 |
| *Change from Initial to Revised Plan* | | | | | | |
| Revenues | (34.5) | (45.1) | (23.2) | (18.2) | (12.2) | (10.7) |
| Obligations | -- | 2.7 | (30.0) | (40.4) | (39.6) | (58.6) |
| Prior Year Adjustments | -- | -- | -- | -- | -- | -- |
| Operating Surplus/(Deficit) | (34.5) | (47.7) | 6.7 | 22.2 | 27.4 | 47.9 |
| Prior Year Fund Balance | -- | (34.5) | (82.3) | (75.5) | (53.3) | (26.0) |
| Year End Fund Balance | (34.5) | (82.3) | (75.5) | (53.3) | (26.0) | 21.9 |

The revised Plan includes $144.1 million in revenue reductions over the FY09-FY14 period. These changes by line item are detailed in Table 2.

The revised projection of Sales Tax revenue in FY10 is reduced by $19.4 million as a result of the delay in passage of State legislation authorizing the increase in the City Sales Tax rate from 1 to 2 percent. The original Plan assumed that the increase would become effective August 1. The revised Plan assumes the increase will become effective October 1. Given the time lag between the passage of the legislation and the time at which the rate increase can be implemented, at this point even the assumption of an October 1 implementation date appears optimistic.

In the revised Plan, the projection of "current" (or non-delinquent) Real Estate Tax revenues has been reduced by $7.5 million from the level of the initial Plan in FY10, based on an assumption that 2010 Real Estate Tax assessments will not increase significantly due to the ongoing assessment process changes taking place at the Board of Revision of Taxes. Projected collections of delinquent (or "prior" year) Real Estate Tax are revised downward by $8 million per year over

FY09-FY11 and $4 million in FY12-FY14 in the revised Plan, due the slowdown in collection of delinquent real estate taxes resulting largely from the sluggish eocnomy . (The $8 million reduction in FY10 delinquent real estate tax is offset by the anticipated effect of new delinquent tax collection initiatives.) The revised Plan also includes increases of $10 million in annual Realty Transfer Tax collections and $2 million in annual Amusement Tax collections, as a result of stronger than expected performance of these taxes in recent months.

The revised Plan includes a reduction in locally-generated non-tax revenue of $61.2 million over the Plan period. Projected FY10 revenue from the strategic marketing initiative is reduced by $3 million, due to delayed implementation. Estimated revenue from commercial property trash collection fees is revised downward by $3 million annually, as a result of collection experience to date. The revised Plan includes a reduction of $5 million in FY09 revenue as a result of the recent resolution of a dispute between the City and the Eagles professional football team over Veterans Stadium luxury box revenue. Revenue from FY10 to FY12 is reduced by $5 million annually due to a projected delay in leasing the City's underground parking garage at Love Park. In addition, license and permit fee and fine revenues are reduced by $24.5 million over the life of the Plan due to lower than expected collections, in part due to reduced construction activity.

The revised FY10-FY14 Plan includes a reduction in projected revenue from other governments of $110.0 million. This reflects the combined impact of a projected $297.3 million reduction in federal TANF and Title IV-E revenue to support the Department of Human Services (DHS). This reduction is partially offset by an increase of $207.3 million in projected State Act 148 revenue to reimburse DHS expenses. These changes were made as a result of new information received by the City about the State-certified "needs based budget" for DHS in FY10. Projected revenue from the Convention Center Service Fee offset is projected to decline by $20 million in FY10. This reflects a delay in the State assumption of financial responsibility for the Pennsylvania Convention Center that is expected to result from the Convention Center expansion project.

**Table 2. Changes in Projected Revenues between Initial and Revised FY10-FY14 Five-Year Financial Plan ($ in Millions)**

| Revenue Source | FY09 Est. | FY10 Proj. | FY11 Proj. | FY12 Proj. | FY13 Proj. | FY14 Proj. | FY09-FY14 Total |
|---|---|---|---|---|---|---|---|
| *Taxes* | | | | | | | |
| Real Estate – Current | -- | (7.5) | -- | -- | -- | -- | (7.5) |
| Real Estate – Prior | (8.0) | -- | (8.0) | (4.0) | (4.0) | (4.0) | (28.0) |
| Wage and Earnings – Prior | -- | 12.0 | -- | -- | -- | -- | 12.0 |
| Business Privilege – Prior | -- | 8.0 | -- | -- | -- | -- | 8.0 |
| Net Profits – Prior | -- | 2.0 | -- | -- | -- | -- | 2.0 |
| Sales | | (19.4) | -- | -- | -- | -- | (19.4) |
| Amusement | -- | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 10.0 |
| Realty Transfer | -- | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 50.0 |
| Total | (8.0) | 7.1 | 4.0 | 8.0 | 8.0 | 8.0 | 27.1 |
| *Locally-Generated Non-Tax* | | | | | | | |
| Strategic Marketing Fees | -- | (3.0) | -- | -- | -- | -- | (3.0) |
| Commercial Property Collection Fee | -- | (3.0) | (3.0) | (3.0) | (3.0) | (3.0) | (15.0) |
| Luxury Box Rental | (5.0) | -- | -- | -- | -- | -- | (5.0) |
| Sale/Lease of Capital Assets | -- | (5.0) | (5.0) | (5.0) | -- | -- | (15.0) |
| License and Permit Fees and Fines | (6.5) | (6.5) | (4.5) | (3.5) | (2.5) | (1.0) | (24.5) |
| Miscellaneous | -- | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 1.3 |
| Total | (11.5) | (17.2) | (12.2) | (11.2) | (5.2) | (3.7) | (61.2) |
| *Revenue from Other Governments* | | | | | | | |
| DHS –Federal TANF | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) | (10.0) | (60.0) |
| DHS – Federal Title IV-E | (30.0) | (41.5) | (41.5) | (41.5) | (41.5) | (41.5) | (237.3) |
| DHS – State Act 148 | 25.0 | 36.5 | 36.5 | 36.5 | 36.5 | 36.5 | 207.3 |
| Convention Center Service Fee Offset | -- | (20.0) | -- | -- | -- | -- | (20.0) |
| Total | (15.0) | (35.0) | (15.0) | (15.0) | (15.0) | (15.0) | (110.0) |
| Total General Fund Revenues | (34.5) | (45.1) | (23.2) | (18.2) | (12.2) | (10.7) | (144.1) |

The changes in projected obligations between the initial Plan and the revised Plan are detailed in Table 3. Overall, projected FY10-FY14 obligations are $166.0 million lower in the revised Plan.

The revised Plan includes a $4.8 million reduction in FY10 spending in the Office of Fleet Management. Of this, $1.8 million represents reductions in vehicle purchases. Only new Police Department vehicles will be purchased in FY10. For other departments, this reduction will further reduce vehicle spending below the level needed to maintain a reliable fleet with minimal downtime.

The revised Plan eliminates all General Fund support for the Housing Trust Fund, resulting in an annual savings of $1.5 million over the Plan period. The Housing Trust Fund will continue to receive approximately $10 million annually from dedicated revenue from document recording fees and interest earnings. The Department of Finance will reduce spending by an additional $1.3 million annually.

The Plan projects Managing Director's Office savings of $173,000 in FY10 and $230,000 in FY11-FY14 by reducing the hours of operation of the 311 call center. Currently, the center operates 24 hours per day every day of the week. The center will now be open from 8 AM to 8 PM during weekdays and from 9 AM to 5 PM on Saturdays. The MDO budget will be reduced an additional $1 million as a result of reductions in street tree trimming and maintenance.

Streets Department expenditures have been reduced by $3 million annually over each year of the Plan, reflecting reduction in projected expenditures for garbage disposal contracts, the result of reduced volume of garbage collections and increased recycling rates. Department of Public Property spending has been reduced by $2.5 million annually through a reduction in maintenance contracts. The Law Department will reduce spending by $1.3 million annually through reductions in the cost of outside counsel. Spending in other agencies – including the City Planning Commission, City Representative, Commerce, Licenses and Inspections, Mayor's Office, and Personnel – is reduced by $9.8 million over the life of the Plan.

As a result of new information from the most recent Pension Fund actuarial report, the revised Plan projects an increase in pension obligations of $17.9 million in FY10, and reductions in the FY11-FY14 period. Overall FY10-FY14 pension spending in the revised Plan is reduced $100.3 million compared to the initial Plan. Despite this reduction, pension obligations continue to be the largest single category of employee benefit costs over the life of the Plan. The last year of the Plan, FY2014, is artificially high due to the repayment of the deferred Pension fund payment.

The revised Plan, like the initial Plan, generally assumes no wage increases for City employees, and no increases in the cost of health benefits through the FY10-FY14 period. It also assumes workforce savings of $25 million per year in each year of the Plan. Implictly, therefore, any wage increases over the FY10-FY14 period would have to be financed by reductions in the cost of employee benefits or other efficiency measures that would result from changes in labor contracts.

**Table 3. Changes in Projected Obligations between Initial and Revised FY10-FY14 Five-Year Financial Plan ($ in Millions)**

| Agency/Cost Center | FY10 | FY11 | FY12 | FY13 | FY14 | FY10-FY14 |
|---|---|---|---|---|---|---|
| City Planning Commission | (0.3) | (0.4) | (0.4) | (0.4) | (0.4) | (1.7) |
| City Representative | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (1.5) |
| Commerce | (0.3) | (0.4) | (0.4) | (0.4) | (0.4) | (1.9) |
| Finance | (2.5) | (2.5) | (2.5) | (2.5) | (2.5) | (12.7) |
| Fleet Management | (3.0) | -- | -- | -- | -- | (3.0) |
| Fleet Management – Vehicle Purchases | (1.8) | -- | -- | -- | -- | (1.8) |
| Law | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | (6.5) |
| Licenses and Inspections | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) | (0.7) |
| Managing Director | (1.2) | (1.2) | (1.2) | (1.2) | (1.2) | (6.1) |
| Mayor's Office | (0.4) | (0.5) | (0.5) | (0.5) | (0.5) | (2.4) |
| Pension Benefits | 17.9 | (17.4) | (27.8) | (27.0) | (46.0) | (100.3) |
| Personnel | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (1.7) |
| Police | 1.8 | -- | -- | -- | -- | 1.8 |
| Public Property | (2.5) | (2.5) | (2.5) | (2.5) | (2.5) | (12.5) |
| Streets | (3.0) | (3.0) | (3.0) | (3.0) | (3.0) | (15.0) |
| Total General Fund | 2.7 | (30.0) | (40.4) | (39.6) | (58.6) | (166.0) |

***Prospects for Financial Stability over the FY10-FY14 Period***

Overall the changes from the initial to the revised Plan are modest. Overall revenues are reduced by 0.7 percent, and overall obligations by 0.8 percent, over the life of the Plan. Like the initial Plan, the revised Plan presents balanced budgets for the FY10-FY14 period based on reasonable assumptions. And as was the case with the initial Plan, the revised Plan depends crucially on the passage of State legislation authorizing an increase in the City Sales Tax and pension payment restructuring. Moreover, the revised Plan, to be viable, also requires that this legislation be enacted in the very near future.

The long-term risks to the City's financial stability remain essentially the same as those detailed in PICA's July 21 Staff Report on the initial Plan. One of the most significant of these risks is the continually escalating cost associated with employee benefits, costs that are driven by the provisions of the City's contracts with its major unions. The revised Plan's projected costs for employee pensions and health benefits remain unsustainably high. In addition, there are numerous ways in which provisions of the City's contracts with its major unions drive up costs and hinder service delivery. Reforms in this area remain a crucial agenda item for the City to ensure its fiscal sustainability.

The real estate assessment process, which is the administrative responsibility of the Board of Revision of Taxes (BRT), remains a problem in terms of the City's fiscal stability and the competitiveness of its tax structure. Efforts to enhance the accuracy and equity of property assessments, increase the transparency of the process, and improve the administration of assessments will be a cornerstone of implementing a more competitive tax structure over the Plan period.

Global macroeconomic trends continue to pose a risk to the Plan. In recent weeks, national economic indicators have begun to move in a more positive direction, but the speed with which the national economy will return to growth is a major question. The City may be faced with another year of increasing unemployment and correspondingly reduced tax revenue growth. The pace with which the housing market will recover is another major concern, since this will directly impact revenues from the Realty Transfer Tax, a major General Fund revenue source.

The impasse concerning the State budget in Harrisburg continues to present a challenge to the City, both short-term in a cash flow sense, and from a long-term perspective, since the final resolution of the budget could have a significant negative impact on State funding for various City programs. The resolution of the FY10 State budget process is a major factor affecting the Plan, and will continue to be monitored by PICA Staff.

The timetable for the construction and operation of Philadelphia's two planned casinos is another uncertainty for the Plan. The Plan assumes that the General Fund will receive $23.6 million in annual host fees from casinos beginning in FY12. The current uncertainty associated with the timetable to completion of the various phases of construction of the casinos poses a question as to whether this revenue will be realized in the timeframe assumed in the Plan.

***Conclusion***

In the view of PICA Staff, the revised Plan, like the initial Plan, represents a sound response to the current fiscal challenge. The current recession poses a temporary financial challenge which should be used as an opportunity to accelerate ongoing changes in the City's policies and operations with a view to enhancing the quality of Philadelphia's public services and economic competitiveness. The revised Plan, with its reliance on a temporary tax increase to allow the City the financial cushion to accommodate the pressures of the current downturn, will allow the City to restructure operations in an orderly fashion, while not eliminating the pressure to change and improve. If the City does not receive State authorization to increase the Sales Tax and restructure pension payments, it will be forced into a precipitous downsizing of Philadelphia's local government that will not promote the long-term improvement of government or the welfare of citizens.