

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400 , City Hall
Philadelphia, Pennsylvania
Friday, February 1, 2013
10:11 a.m.

PRESENT:

COUNCILMAN BILL GREEN, CHAIR
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN WILLIAM K. GREENLEE
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DENNIS O'BRIEN

BILLS: 120109

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2 COUNCILMAN GREEN: Good morning. This is a
3 hearing of the Finance Committee. Would the
4 clerk -- present are Councilmembers Blackwell,
5 Johnson, Greenlee, O'Brien and Brown.

6 Would the clerk please read the title of
7 the bill.

8 THE CLERK: Amending Title 21 of the
9 Philadelphia Code, entitled "Miscellaneous," by
10 requiring the Finance Director to provide to
11 Council, by the time of the submission of the
12 Mayor's proposed annual operating budget,
13 program-based budgeting detail that identifies
14 both the cost of performing specific functions
15 funded by the appropriations made by the City as
16 well as the effectiveness of such functions,
17 following procedures to be adopted by the Finance
18 Director, all under certain terms and conditions.

19 COUNCILMAN GREEN: Thank you.

20 We will call our first witness Rebecca
21 Rhynhart, the Budget Director of the City.

22 MS. RHYNHART: Good morning, Chairman Green
23 and Members of the Committee. My name is Rebecca
24 Rhynhart, and I'm the City's Budget Director. I'm

1 here today to testify on Bill No. 120109 which
2 proposes to require submission of program-based
3 budgeting data and adopt program-based budgeting
4 procedures for the operating budget. The
5 Administration supports this bill with proposed
6 amendments that we have discussed with the sponsor
7 including the year of full implementation changing
8 to Fiscal 16.

9 An amendment to the Home Rule Charter was
10 passed by voters in November 2012 that requires
11 the Finance Director to provide additional
12 information on the annual operating and capital
13 budgets. Specifics about the type of information
14 to be required with the submission of the
15 operating budget and the timing of these
16 requirements are included in this Bill No. 120109.

17 As I have previously testified, the
18 Administration fully supports moving to
19 program-based budgeting and has taken several
20 steps towards this goal. The proposed Fiscal 13
21 Budget was the second year -- and that actually
22 should be the Fiscal 13 Budget -- was the second
23 year in which the city produced a separate report
24 detailing the cost of both direct and indirect

1 costs for each department.

2 In addition, the Mayor's Fiscal 13 through
3 17 five-years financial and strategic plan was the
4 first Five Year Plan to include a section on
5 performance measures titled "Performance Measures
6 and Budget Trends," which details performance
7 measures for many city departments alongside
8 budget amounts from Fiscal 08 to the proposed
9 budget for 13 so the reader could see how funding
10 and performance measures trended over a several
11 year period.

12 The Fiscal Year 14 through 18 Five Year
13 Plan will further build on this approach by
14 discussing performance trends and department
15 accomplishments in the context of each
16 department's total operating budget, not just
17 their general fund budget and reporting on
18 performance and budget trends for a much larger
19 set of agencies. The Quarterly City Manager's
20 Report continues to include data on performance
21 measures for many City departments.

22 To achieve the goal of implementing
23 program-based budgeting, we are working with the
24 Chief Innovation Officer to procure a new budget

1 formulation system. Which is expected to
2 completely transform and modernize our antiquated
3 budget process. Our current process relies on
4 many manual steps to process information and
5 produces the budget on roughly 2000 separate Excel
6 spreadsheets. This new budget formulation system
7 will involve a significant change management
8 process to the current budget process and is
9 expected to yield significant time savings. We
10 are expecting to have a contract in place this
11 summer and implement select modules for Fiscal
12 Year 15's budgeting cycle with full implementation
13 occurring in time for the Fiscal 16 budgeting
14 cycle.

15 Based on demonstrations of four software
16 providers, we are confident that the solution the
17 City will procure will be fully equipped to enable
18 program-based budgeting by allowing output and
19 outcome measures to be tracked and reported
20 side-by-side budgetary information and making it
21 easier to manipulate budgetary information to
22 attribute cost to specific programs associated
23 with those outputs and outcomes.

24 It is important to recognize that moving to

1 program-based budgeting is a second change
2 management process that will take place alongside
3 the technological modernization of the budgeting
4 process as a result of the new budget formulation
5 system. We are planning to pursue these two
6 change management processes in parallel. We
7 expect the pilot program-based budgeting in Fiscal
8 15 in order to develop and refine the approach in
9 time for citywide implementation for the 16
10 budgeting cycle.

11 This concludes my testimony. And I'm happy
12 to answer any questions you may have at this time.

13 COUNCILMAN GREEN: Thank you very much.
14 This -- I never thought that I would find the kind
15 of patience that this job has required of me. In
16 2007 during the campaign -- my first campaign for
17 council, I wrote a policy paper saying we should
18 go to program-based budgeting. And in the Mayor's
19 Transition Report in 2007, also which you didn't
20 mention in your testimony, Mayor Nutter committed
21 to going to performance-based budgeting.

22 We both -- it's taken a long time, but I'm
23 really, really happy that we are here. So, I want
24 to thank you for -- for you and the Mayor for the

1 cooperation with this and for supporting the
2 charter change and this bill because I know it was
3 part of his agenda from the beginning, as well. I
4 just want to acknowledge that.

5 MS. RHYNHART: Thank you.

6 COUNCILMAN GREEN: So, at any rate, it's
7 been great to work with you. I don't really have
8 any questions. I want to thank you for all your
9 help.

10 I guess I do have one question.

11 MS. RHYNHART: Sure.

12 COUNCILMAN GREEN: Can you talk about the
13 zero-based budgeting aspect of the program-based
14 budgeting that you will be putting together?

15 MS. RHYNHART: Sure. What program-based
16 budgeting will allow us to do, as you know but
17 just for everyone's benefit, will be to look at
18 the full cost of programs, not just looking at the
19 departmental budgets.

20 So once we look at the full cost of
21 programs, for example, if you look at police, you
22 would add in the fleet cost for the police
23 vehicles. You would add in electricity and
24 overhead. Once you have a program-based budget,

1 then you can analyze if money is being -- the
2 budget is being spent appropriately.

3 The goal of zero-based budgeting is to look
4 at everything -- everything in the budget
5 basically from scratch. Saying, let's start from
6 the place where no funding is allocated and build
7 the budget from there. And program-based
8 budgeting leads us to the same goal, which is
9 enabling us to look at programs and see how we can
10 best utilize the funds.

11 COUNCILMAN GREEN: And in the amendments
12 you mentioned that there will be a goal of looking
13 at things from a zero-based approach once the
14 program-based budgeting is put in place.

15 MS. RHYNHART: That's right. That's right.
16 It's the same goal.

17 COUNCILMAN GREEN: Thank you.

18 Anybody have any questions?

19 COUNCILMAN JOHNSON: Hey, Rebecca.

20 MS. RHYNHART: Hi.

21 COUNCILMAN GREEN: Councilmember Johnson.

22 COUNCILMAN JOHNSON: Rebecca, how you
23 doing?

24 MS. RHYNHART: I'm good. How are you,

1 Councilman?

2 COUNCILMAN JOHNSON: That's good.

3 In terms of performance-based budgeting,
4 when you're currently allocating resources and
5 making budget decisions for the individual
6 departments, just give me an idea on how the
7 results driven data that you currently do have go
8 into the decision making process that will
9 determine L&I should get X, Y, Z amount of
10 dollars, Streets Department and so forth.

11 Can you elaborate on that please?

12 MS. RHYNHART: Sure. So your question is,
13 what is our current budgeting process?

14 The current budgeting process is what we
15 would call an incremental budgeting process. So,
16 we look at the budget, for example, of L&I and
17 look at the justifications for increase spending
18 that the department sends in. And we also look at
19 the cut scenarios that the department sends in.
20 And we make the best decisions based on that
21 information.

22 But I would say that while we're making the
23 best decisions given the information, the
24 information could be better. And what this

1 technology as well as program-based budgeting will
2 enable us to do is give us the information to
3 allow us to even make better decisions.

4 COUNCILMAN GREEN: Thank you very much for
5 your testimony.

6 MS. RHYNHART: Thank you.

7 COUNCILMAN GREEN: Next we have, I hope I
8 get this right, Gary VanLandingham from the Pew
9 Center on the States.

10 Please, state your name for the record and
11 proceed with your testimony.

12 MR. VANLANDINGHAM: Thank you, Mr. Chairman
13 and Members. I am Gary VanLandingham. I am the
14 Director of the Results First Initiative of the
15 Pew Center on the States.

16 And prior to joining Pew, I was the
17 Research Director for the Florida legislature for
18 many years and was deeply involved in Florida's
19 efforts to implement program-based budgeting in
20 that state and also was a consultant to several
21 other states that were working on this. So, I
22 have a historical knowledge of how these efforts
23 have played out.

24 There is a lot of interest across the

1 country in performance and program budgeting these
2 days. And I think that reflects the fact that
3 coming out of the great recession when everyone
4 had to make several rounds of deep and painful
5 cut, leaders such as yourselves were challenged by
6 not knowing where those cuts should be directed
7 and a general feeling that there's got to be a
8 better way of doing this.

9 Because while everybody understands that we
10 should make strategic cuts when things have to be
11 cut, the challenge is always, well, what are those
12 programs that are most effective programs that
13 should be preserved? What are the relatively
14 ineffective programs that should be cut? The
15 challenge is, there is no comprehensive list of
16 those programs. As you know, probably very few
17 people come before you and say, please stop giving
18 me all of this money because I am really not
19 accomplishing much with it. I don't think I ever
20 heard that in listening to about 30 years of
21 testimony in Florida. I think that's a very rare
22 occurrence.

23 So, everybody fights for every dollar
24 that's in the budget. But we understand that some

1 things are simply more effective than others there
2 is a lot of research that shows some things are
3 more effective than others, but it doesn't come
4 out in the budget deliberation. It's not easy to
5 identify those things. So as a result, what
6 everybody tends to do is to make across the board
7 cuts and then make a few targeted cuts. And at
8 the end of the day say there's got to be a better
9 way. We never want to be in this position of
10 having to make cuts in a vacuum again.

11 So right now, there is a lot of interest
12 in -- in doing this. Because if you think about
13 this as sort of a business of government, there
14 are several things that ideally that we want to
15 know.

16 Which is, one, what are we doing? What
17 programs are we operating out there?

18 And traditional budgets don't give you that
19 information. Instead, budgets are allocated by
20 agencies and programs are established and they
21 sort of vanish from view after a few years. They
22 sink into the appropriation base of every agency.
23 So as an enterprise, most governments, whether
24 it's at local level or at the state level, simply

1 don't really have a comprehensive list of
2 everything that we are doing or what we are trying
3 to accomplish, what each individual programs cost
4 because we don't track money by programs. If we
5 don't really know what we're doing and we don't
6 know how much we are spending on different
7 programs and we don't know what those programs are
8 accomplishing, it's very difficult to make good
9 strategic decisions. And performance budgeting
10 and program budgeting initiatives are designed to
11 answer those questions.

12 So in terms of what this is, it really just
13 is a different way of allocating money that
14 focuses on what we are trying to accomplish rather
15 than how much money we are giving to various boxes
16 in the organizational chart.

17 A classic performance budgeting system and
18 program budgeting system focuses really on a
19 couple of things. What programs are we
20 accomplishing and what are we trying to achieve
21 with those programs. And typically, a performance
22 budget or program budget will identify both the
23 programs that are being administered but also
24 state what purpose and goals are being achieved as

1 well as metrics that give you an idea are we
2 getting there, that allows you to identify what
3 challenges are we running into and have
4 discussions on what problems are there and what
5 solutions that we can see. It really focuses
6 attention on what we are trying to accomplish
7 rather than simply how we are spending the money.

8 Traditional line in a budget is what you
9 see and what most governments see that allocates
10 money by line items. So, there is a line in the
11 budget that says here is the agency. Typically,
12 that breaks that out into things like salaries and
13 budgets, salaries and expenses, maybe broken out
14 into more areas such as travel, supplies and
15 utility and sort of a bottom line that here is
16 what this organizational entity is.

17 That budget process was established well
18 over a hundred years ago. It was really
19 established for a couple of reasons. Traditional
20 budgets are a control document designed to prevent
21 overspending in certain areas to say, hey, we
22 don't want to have a situation where we run out of
23 money at the middle of the year because over time
24 it's getting out of control. It's also designed

1 fundamentally to help prevent corruption by
2 saying, hey, this money has to be spent in a
3 certain way that can be audited. But the
4 challenge is that's all the document really can do
5 for you. It doesn't really help you address the
6 questions of what are we trying to achieve as a
7 government.

8 Even though these documents have existed
9 for well over a hundred years, starting about
10 ninety years ago there were calls of we really
11 need to do things differently. We need to pay
12 more attention to what we are trying to accomplish
13 rather than simply how we are spending the money.
14 So, this is not a new initiative to try to do
15 this.

16 There have been a number of budget
17 initiatives over about the last fifty years
18 designed to crack this nut to give you better
19 information of what's going on. Program-based
20 performance budgeting came out in the '60s.
21 Zero-based budgeting in the '70s. Rightsizing and
22 performance budgeting came out in the '80s and
23 '90s. This is something that tends to flow
24 through the system on a regular basis.

1 As you can see, what a performance budget
2 can do is really give you much better information
3 on what we are trying to accomplish and are we
4 getting there. I have an example in the handout
5 of what a performance budget can look like in a
6 different jurisdiction.

7 Why use performance budgeting? It can
8 inform the budget and policy in a new and more
9 powerful way, and to give U.S. policymakers much
10 better information on what the enterprise of the
11 city is trying to accomplish and is it doing this
12 well. It's very useful on the executive side
13 because it really focuses the attention on
14 managers on what they are trying to accomplish
15 rather than just asking them, hey, are you online
16 with your quarterly spending targets. It says,
17 how are you doing on achieving what we are paying
18 you to accomplish for the citizens of the city.
19 Provides more flexibility in achieving goals.
20 Frequently performance budgeting is tied to more
21 budget flexibility allowing managers to transfer
22 money between organizational units to achieve that
23 overall goal.

24 It's designed to solve problems where money

1 is allocated for certain purpose. Things change
2 during the year. And then sometimes managers are
3 hamstrung in the ability to solve the problem
4 because of the way that the money was allocated at
5 the beginning of the year.

6 Sort of the equivalent of you have a very
7 precise family budget and your car breaks down,
8 but you've already spent all your car repair
9 budget. But you have a lot of money sitting there
10 in your movie budget, but you can't transfer
11 because it was allocated for a different reason.

12 In real life, we move money around to solve
13 problems. Performance budgeting can give you more
14 flexibility while having the accountability of are
15 we really accomplishing what we are trying to
16 accomplish. That is what we are holding managers
17 accountable for rather than just how we are
18 spending every dollar that is there.

19 There are limitations on performance
20 budgeting that I want to bring to your attention.
21 Primarily, this isn't easy to do. It really
22 represents a culture shift. It represents an
23 organizational shift of how the city spends money
24 and how it manages. It takes time to do that.

1 This is not something that can be done overnight.
2 It's not something that can be done in one budget
3 cycle. Primarily because typically governments
4 learn that they have to collect different types of
5 information than they've ever collected before.

6 Typically, agencies don't have good
7 information on outcome information. They have a
8 lot of information on process. How many people
9 did we give a license to rather than are we really
10 achieving the economic development goals, which is
11 why we are licensing businesses. That requires a
12 lot of research. It requires evaluations. It
13 requires time to develop the data systems
14 necessary to collect that information.

15 Tracking money by program rather than
16 organizational unit requires changes to financial
17 systems. Typically, we don't track things like
18 marginal cost and unit cost in government
19 accounting systems. To do this well, that is
20 something that you may want to pay attention to.
21 So, this does require changes to the information
22 systems of the city which is why it takes time to
23 do this.

24 It also takes time just to change the

1 conversation from are you overspending your budget
2 on utilities to how are we doing on solving the
3 programs that your agency is established to do.
4 That really just takes time.

5 Another thing to pay attention to is this
6 does not take the politics out of the budget
7 process. Sometimes it's sold as doing that. As
8 you know, the allocation of resources is
9 inherently a political process. It needs to be
10 because this is where all the citizens of the city
11 with you as their elected representatives have to
12 come together with all their diverse wants and
13 needs and come together with a document that
14 everybody can live with. This will not solve all
15 the problems of the city, but it does focus
16 attention on a new and powerful way.

17 A few lessens learned on seeing this being
18 done for many years.

19 First of all, the systems can drive
20 performance. If this is done well, it can be
21 transformational to the city because it focuses
22 attention on results rather than processes. There
23 are other cities out there in jurisdictions that
24 are doing this. I will encourage you to learn

1 from the exemplars out there. There are cities
2 who are doing parts of this very, very well.
3 There is no need to reinvent the wheel.

4 Data quality is very important because this
5 is based on giving you information that is being
6 accomplished. It's really important that those
7 measures be valid and validated. To prevent a
8 garbage in/garbage out situation where people gain
9 numbers, it would be important to set this up so
10 that there is a check and balance on this data
11 quality. Making sure that you can count on the
12 information that's being reported back to you.

13 Strong leadership is vital on this. This
14 has to come down from the top. It has to be
15 reinforced throughout the process. The more
16 questions that you ask of department managers when
17 they come before you, the more they will pay
18 attention to this because they know it's not
19 something that just comes and goes. It's
20 something that you will pay attention to and do
21 this. That top down leadership is important.

22 And the way this information is reported to
23 you is also important. I have seen systems crash
24 and burn because what agencies come forward with

1 is a document about this thick with computer
2 printouts and Excel printouts and say, well, the
3 measures will speak for themselves. As you know,
4 data doesn't usually speak for itself. It has to
5 be reported in a way that is user friendly with
6 graphics and flow charts and things like that.
7 Because if it can't be communicated to you, it
8 can't be communicated throughout an agency and it
9 can't be communicated to citizens. So, that is
10 something that is very important to do.

11 Just recognize that this does take time to
12 do. It can't be done overnight. It requires
13 sustained commitment. But it can be very
14 important in helping move the government forward
15 to giving you a much more powerful tool, making
16 the budget be something that really drives policy
17 rather than driving decisions.

18 Again, this takes time and effort and some
19 resources to do.

20 COUNCILMAN GREEN: Thank you very much for
21 your testimony. Just if you wouldn't mind stating
22 for the record the cities that you think have done
23 this very well that we should be looking at as
24 potential models especially in the metrics that

1 they have chosen to use for the goals of different
2 programs that they have.

3 MR. VANLANDINGHAM: Mr. Chairman, I'm not
4 an expert on cities. Sunnydale, California has
5 always held as an exemplar. They are out in
6 Silicon Valley. They have a lot of money, but
7 they have a very robust data system.

8 I think folks like the City Managers
9 Associations can give you some of that
10 information. I think the jurisdictions like in
11 the policing area that have done city stat-type
12 programs have done some exemplary work. There is
13 good state systems out there.

14 Again, I would just encourage you to reach
15 out to those organizations and see what they are
16 doing.

17 COUNCILMAN GREEN: Okay.

18 MR. VANLANDINGHAM: There are some
19 academics who track this pretty well, too, who I
20 think would be available to help.

21 COUNCILMAN GREEN: On any level of
22 government, can you give us an example of how
23 program and performance-based budgeting has -- has
24 caused a major change in the way somebody does a

1 particular program or the cancellation or
2 expansion of programs as a result of gathering
3 this data in a different way.

4 MR. VANLANDINGHAM: The example I used
5 would be back in Florida where our Department of
6 Management Services, which was basically one those
7 administrative services that runs the buildings
8 and handles purchasing and handles the personnel
9 policies of the state really embraced this. They
10 spent a couple of years really going through and
11 asking themselves the question, what are we doing
12 and what are we trying to accomplish.

13 They did a process mapping exercise where
14 they really brought everybody in the agency
15 together and said write down what it is you do.
16 And we are going to then try to flowchart what you
17 are doing. And what that allowed them to do is
18 really streamline a huge amount of the activities
19 that they are doing by saying we are doing a lot
20 of things that really add very little value to
21 taxpayers that then freed up resources that they
22 can do for other things.

23 They found, for example, that they were
24 entering into term contracts for lots of things

1 that they could go to Office Depot and buy off the
2 shelf for cheaper than what they were paying. And
3 therefore, they should have those contracts on
4 things that they could save a lot of money on.
5 And they were able to offer those same contracts
6 to local governments allowing them to have
7 savings. And then by putting a very small
8 administrative charge on those contracts basically
9 paying for their operations rather than having the
10 taxpayers fund this because of the value that they
11 were adding.

12 The same thing happened with the State
13 Police Agency, the Florida Department of Law
14 Enforcement. They used this to reorganize and to
15 reenergize their operations. Had some fairly
16 major improvements in efficiencies and getting
17 everybody on the same page, improve morale.
18 Those, I think, are the big success stories.

19 On the other hand in Florida, there are
20 agencies that didn't take this seriously, went
21 through the motions. Threw a few things up there
22 and hoped that nobody noticed.

23 COUNCILMAN GREEN: With respect to policing
24 in particular, I understand that where this has

1 been implemented well -- and I want to note that
2 we have the testimony of Nola Joyce our Deputy
3 Commissioner who couldn't be here today due to an
4 illness. And we wish her the best recovery -- is
5 being submitted for the record.

6 But with respect to policing, it's my
7 understanding that one of the meth -- one of the
8 results of this kind of budgeting and activity has
9 been reducing unnecessary time off the streets.
10 In other words, increasing police man hours in the
11 field as opposed to doing things in other places.

12 Is that -- was that the experience in
13 Florida?

14 MR. VANLANDINGHAM: Again, I'm not an
15 expert on policing. But that is one of the things
16 that I know that we paid attention to in Florida
17 was we found that our troopers were spending
18 probably about 30 percent of their time patrolling
19 because of various administrative duties that had
20 been layered on. We were trying to change that
21 system so that they could spend much more time
22 doing their core functions.

23 COUNCILMAN GREEN: Do you know what that
24 increased to?

1 MR. VANLANDINGHAM: I don't have that
2 information. It was fairly substantial.

3 COUNCILMAN GREEN: Yeah. In cities like
4 Oklahoma where they have eliminated paper-based
5 processes and other things, they have actually
6 increased police manpower on the street by 25 or
7 30 percent, which is the equivalent of an increase
8 in force in Philadelphia of 1,500 full-time
9 officers. That's fairly significant.

10 Councilmember Johnson.

11 COUNCILMAN JOHNSON: Thank you, Mr. Chair.

12 One, I want to thank you for your
13 testimony. I've always been a fan of
14 performance-based budgeting. It reminds me of the
15 time when -- and I commend Councilman Ken --
16 Councilman Green, Green, for his insight in
17 looking at how we can really find ways to have a
18 more efficient government in the context of saving
19 dollars and how we operate.

20 And so one of the things that I've always
21 paid attention to with performance-based
22 budgeting, if you can elaborate on, you talk about
23 that cultural shift -- and this is really a
24 top-down issue -- the role that unions play in

1 this context. Obviously, if you are going to
2 start looking at each agency individually, looking
3 at their outputs and then make your budget
4 decisions based upon how effective they are, there
5 has to be a conversation with management and also
6 those who are part of the union environment. And
7 then, that's the first thing you can elaborate on.

8 Then the other component is when you talk
9 about performance-based budgeting, one thing I pay
10 attention to is the social issues and how do you
11 really begin to gauge the effectiveness of like
12 you may have DHS, Department of Human Services,
13 may be a program where you have to come up with
14 metrics that you can be supportive of their
15 programming but at the same time, obviously, it's
16 going to take a longer period of time to help
17 individuals to get some type of success in helping
18 individuals who have social needs.

19 So, how does that -- should be incorporated
20 into how we look at performance-based budgeting?

21 MR. VANLANDINGHAM: Excellent question,
22 sir.

23 In terms of unique contracts, again, I'm
24 not an expert on that. But that is a conversation

1 that would have to happen because sometimes this
2 requires changes and how work is done, which can
3 get into work rule negotiations.

4 I think the best case scenario it can sort
5 of bring everybody along and get people working
6 cooperatively to solve problems so there is that
7 potential, but I won't pretend that it's always
8 easy. Change never is. But I think that it is a
9 conversation that needs to happen. Because if we
10 are asking people to do things differently, that
11 is always going to be somewhat threatening. That
12 just takes time, again, to do this.

13 In terms of measuring things, particularly
14 social services, this is one of the areas where
15 this can be challenging because it asks the
16 question for social services, are we being
17 effective in addressing the needs of the citizens
18 that we are trying to serve. And that requires,
19 you know, collecting different types of
20 information.

21 For example, in Florida with some of the
22 mental health programs, the question came up not
23 just, well, it's great to know how many people you
24 are serving in the mental health program. Are

1 they getting better?

2 COUNCILMAN JOHNSON: Yes.

3 MR. VANLANDINGHAM: Well, how can we track
4 that while maintaining patient confidentiality.
5 We don't want to be, you know, getting names of
6 that. It took some time to develop a system where
7 that information changes and functioning scores
8 was being reported back to the state but without
9 identifiers but still a way that selected
10 individuals could go and make sure that
11 information was being collected effectively.

12 I think that there are issues that you will
13 deal with in terms of citizen satisfaction. Do
14 you want to have surveys go out? Some
15 jurisdictions do that to say, hey, are we doing a
16 good job in this program? What suggestions do
17 they have?

18 It does require a certain openness on
19 frontline staff throughout the organization to say
20 is there a better way of doing this. Again,
21 that's a culture shift.

22 COUNCILMAN JOHNSON: Okay.

23 COUNCILMAN GREEN: Councilmember Blackwell.

24 COUNCILWOMAN BLACKWELL: Thank you.

1 Do you know if this has been tried in
2 various school districts across the country?

3 MR. VANLANDINGHAM: I haven't looked at
4 that. I'm not aware of a lot of them that this
5 has been fundamental part of the reform process.
6 But I think that's a good question to ask, you
7 know, the state school associations.

8 COUNCILWOMAN BLACKWELL: Thank you.

9 COUNCILMAN GREEN: Councilmember O'Brien.

10 COUNCILMAN O'BRIEN: I am intrigued because
11 we always used term like zero-based budgeting,
12 performance budgets. I can empathize with our
13 Budget Director on how difficult it is to project
14 what your program is going to look like in the
15 City of Philadelphia until you know what the state
16 is going to do.

17 I love the archaic way that you look at
18 line items because they really don't mean
19 anything. Even the line items don't mean anything
20 because you have a fiscal code. And the fiscal
21 code is if you don't have what we used to call
22 "walking around money" in Harrisburg where you
23 give that to a certain group and you make sure
24 that those issues are taken care of, what you do

1 now is you just write it into fiscal code. So, I
2 am giving you this money, but I want to tell you
3 in advance how I want you to spend it whether it's
4 effective or not. Then you come up with these
5 scenarios where we're just going to cut across the
6 board. And usually, the good stuff goes before --
7 the most creative stuff disappears before the
8 waste.

9 When you do performance, you look at
10 those -- we should look at outcomes. We should
11 track it with epidemiology. We should look beyond
12 the instant line items and look at those
13 conversations where we say it's easier to take it
14 out and put in the private sector rather than do
15 it in the public sector. We can always do it
16 cheaper.

17 I can tell you right now that there is a
18 lot of not for profits that are paying themselves
19 multi-million dollar salaries for the CEOs. That
20 is going on right now. And that's an issue that
21 this council has to look at and this budget -- I
22 am going to ask directly to the Budget Director,
23 look at those providers that are contracting with
24 our city and our state and social services. And

1 look at those obscene salaries. That factors into
2 the administrative costs. And those dollars
3 quickly disappear from very fragile line items.

4 We did -- I will just submit this, because
5 what I would respectfully like to do is ask the
6 Chairman, the Budget Director and your resources
7 from Pew, in the world of autism in Harrisburg, we
8 created two programs. We created an Adult Waiver
9 and an ACAP Program.

10 The ACAP Program, I respectfully request,
11 that you look on CMS' website. The agreement took
12 five to seven years to implement. It was signed
13 at the very last minute before Obama raised his
14 hand and the Bush administration signed off on it.
15 Hopefully, that will be -- the goals in the two
16 programs were similar. The funding streams were
17 substantially different. They compete against
18 each other. But the ACAP Program as opposed to
19 the Adult Waiver takes the physical behavior on
20 community supports that an individual adult needs
21 to be successful. It's a contract with CMS that
22 involves tens of thousands of waivers that were
23 negotiated over that time.

24 The integration that takes place, I don't

1 know if that's appropriately reflected in the
2 budget making process, where various agencies then
3 come to meet with that adult on a regular basis
4 and they set new goals on a monthly basis. Then
5 they appropriate those new resources in a
6 comprehensive, collaborative and inclusive
7 conversation that make it better. That
8 information, those outcomes are then tracked by
9 epidemiology.

10 I don't know that we've had any successful
11 epidemiology models except what David Mandel does
12 at University of Pennsylvania/CHOP on a number of
13 those health and human service issues. I would
14 like to have that incorporated in these
15 discussions going forward. I think if you don't
16 have the epidemiology, if you don't have ongoing
17 discussions on what the outcomes have to be based
18 on the epidemiology evidence that you're
19 collecting, then you're not moving forward. And
20 we are fragile to all of these boutique kind of
21 recommendations that somebody wants to make
22 because we say there's waste, fraud and
23 corruption.

24 I can tell you I'm a Republican that came

1 from the legislature in Harrisburg. And the
2 administration keeps talking about waste, fraud
3 and corruption. They haven't found a dime. And I
4 will tell you that the Former Secretary of Welfare
5 Estelle Richmond made sure that there wasn't any
6 waste, fraud or corruption because she cut
7 \$3 billion in growth out of that budget. And she
8 protected the most vulnerable. That's a
9 conversation that we in City Council have to push
10 back and the Mayor has to push back in this
11 conversation.

12 Because the forecast -- I am using this as
13 a forum and a podium because I don't know where
14 else to do it. But there are going to be dramatic
15 cuts that have nothing to do with outcomes, that
16 have nothing to do with epidemiology. It has to
17 do with making cuts so we don't have to raise
18 additional revenues.

19 We always go for the low hanging fruit
20 where we say, you know what, let's get rid of the
21 cars. Well then, let the employees get reimbursed
22 for mileage. That's exponentially more expensive.
23 You have in various departments, they are told
24 spend the money or you lose it. That happens in

1 the City and it happens on the State. God knows
2 what's going on in the Federal Government. But
3 the reality is that you have austere programs that
4 try to reapply these dollars. And unless you have
5 an ongoing conversation that's energized, that's
6 about outcomes, and it's tracked with
7 epidemiology, and through those conversations you
8 have integrity of data that everybody believes is
9 reliable for that conversation to take place, it's
10 the only way you can push back on these extraneous
11 a la cart kind of impacts that we have to then
12 collaterally deal with.

13 And so, I'm all for zero-based budgeting.
14 And I know that this is -- and I congratulate how
15 the Budget Director and my colleague Councilman
16 Green for advancing this. But I would
17 respectfully like to have a follow-up conversation
18 with the Budget Director, the Councilman and Pew
19 and just look at some of these innovative
20 programs.

21 I can tell you with Estelle's leadership
22 and our ongoing negotiations with CMS, that
23 agreement -- if you look, it's on CMS' website --
24 it not only is good for the ACAP Program, any

1 state that wants MA dollars going forward has to
2 create an agreement like that going forward with
3 all those component parts. I'd like -- I'm not
4 saying that that is the end all for these
5 conversations, but I would like to audit it
6 because I'm encouraged to be better. Because in
7 these trying times, for the people -- the Kenyatta
8 and Jannie Blackwell and Councilman Brown who was
9 just here and Councilman Greenlee and Green -- we
10 all want more for the most vulnerable. And the
11 only way that we can really protect those is to
12 make sure that the programs that we advocate for
13 are efficient, that there's efficacy, that there's
14 epidemiology and performance built into that.

15 I would like to -- what I offer to you, an
16 opportunity where we can discuss this and look at
17 the efficacy of those kinds of programs that
18 we're -- and how we can transfer that kind of
19 discipline into this process as we go forward.

20 COUNCILMAN GREEN: Actually, maybe you want
21 to briefly comment on how performance-based
22 budgeting will, in fact, by 2016 have
23 outcome-based results in the DHS budget that don't
24 currently exist. The perform metrics choosing

1 them are going to be what -- choosing those are
2 probably the most important part of the task, and
3 then being able to measure the results
4 effectively. But I think going forward in future
5 budgets, you are going to see that.

6 And I do want to say, the administration in
7 DHS but especially in Community Behavioral Health,
8 Dr. Evans really -- not only does he understand
9 the performance of the vendors to his
10 organization, his actually is -- we have a very
11 sophisticated budgeting process there where that
12 department actually pays vendors based on their
13 results, not based on the number of people they
14 serve as part of a formula. And it's extremely
15 effective.

16 So in the areas where you are most
17 interested, the administration and Dr. Schwartz
18 and Dr. Evans are all thinking about that
19 direction. So, I think an offline discussion
20 between --

21 COUNCILMAN O'BRIEN: I would like to have
22 that offline.

23 COUNCILMAN GREEN: -- probably worthwhile
24 for you to understand that. Thank you.

1 MS. RHYNHART: Yes. You said that quite
2 eloquently, actually. I am happy to have a
3 conversation. I think that as Chairman Green
4 said, that that is a big part of the process. And
5 that's what we will be doing and giving a lot of
6 thought to is the performance measures and
7 metrics.

8 COUNCILMAN GREEN: Thank you.
9 Any further questions?

10 COUNCILMAN O'BRIEN: Can I ask --

11 COUNCILMAN GREEN: Thank you very much.

12 COUNCILMAN O'BRIEN: Can I ask one more
13 question?

14 COUNCILMAN GREEN: Councilman O'Brien.

15 COUNCILMAN O'BRIEN: Are you familiar with
16 the City's famous accounting software?

17 MS. RHYNHART: I am familiar with it. I am
18 not a user myself, but I am familiar with it, yes.

19 COUNCILMAN O'BRIEN: Okay. That is what I
20 was just going to ask. If it's a good program or
21 you had mentioned that you were looking at
22 other --

23 MS. RHYNHART: My understanding is that
24 it's a stable program.

1 COUNCILMAN O'BRIEN: Okay. Thank you.

2 MS. RHYNHART: Thank you.

3 COUNCILMAN GREEN: I will not follow up on
4 that. It will scare me.

5 Thank you very much for your attendance
6 today. We very much appreciate your testimony.

7 - - -

8 (Public Hearing ends; move to Public Meeting.)

9 - - -

10 COUNCILMAN GREEN: With that, we will move
11 from the Hearing into a meeting. And I'd ask, I
12 guess, Councilmember Greenlee to move the
13 amendments to the bill which have been circulated
14 and are before everybody.

15 COUNCILMAN GREENLEE: Thank you,
16 Mr. Chairman.

17 I move the adoption of the amendments to
18 Bill No. 120109 be approved.

19 COUNCILMAN JOHNSON: I second it.

20 COUNCILMAN GREEN: It's been moved and
21 seconded that the amendments to Bill No. 120109 be
22 approved.

23 All in favor?

24 (Chorus of Ayes)

1 COUNCILMAN GREEN: All opposed?

2 The ayes have it.

3 I would ask Councilmember Greenlee to
4 please move the bill as amended.

5 COUNCILMAN GREENLEE: Thank you,
6 Mr. Chairman.

7 I move that Bill No. 120109 as amended be
8 reported out of this Committee with a favorable
9 recommendation, and that the Rules of Council be
10 suspended to allow for first reading at our next
11 session of Council.

12 COUNCILMAN GREEN: Thank you. Is there a
13 second?

14 COUNCILMAN JOHNSON: Second.

15 COUNCILMAN GREEN: It's been moved and
16 seconded that Bill 120109 be reported from this
17 Committee with a favorable recommendation and a
18 suspension of the rules.

19 All in favor?

20 (Chorus of Ayes)

21 COUNCILMAN GREEN: All opposed?

22 The ayes have it. And the bill is reported
23 out of Committee with a favorable recommendation.

24 (Committee on Finance Meeting adjourns 10:50 a.m.)

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