

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON APPROPRIATIONS

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, November 3, 2005
9:15 a.m.

- - -

PRESENT:

COUNCILWOMAN JOAN L. KRAJEWSKI, CHAIRWOMAN
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN JUAN RAMOS
COUNCILMAN FRANK RIZZO
COUNCILMAN MICHAEL A. NUTTER

BILLS 050822, 050823, 050824, 050825, 050826
and 050827

- - -

V A R A L L O Incorporated
Litigation Support Services
Eleven Penn Center
1835 Market Street, Suite 600
Philadelphia, Pennsylvania 19103
215.561.2220 215.567.2670.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

COUNCILWOMAN KRAJEWSKI: Good morning. The Committee on Appropriations is now in session.

Will the Clerk please read the bills.

THE CLERK: Bill No. 050822, an ordinance authorizing transfers in appropriations for Fiscal Year 2006 within the Grants Revenue Fund from the Director of Finance - Provision for Other Grants to the Department of Records; and

Bill No. 050823, an ordinance authorizing transfers in appropriations for Fiscal Year 2006 within the Grants Revenue Fund from the Director of Finance - Provision for Other Grants to the Fire Department; and

Bill No. 050824, an ordinance authorizing transfers in appropriations for Fiscal Year 2006 within the Grants Revenue Fund from the Director of Finance - Provision for Other Grants to the Director of Finance; and

Bill No. 050825, an ordinance

1 11/3/05 - APPROP. - BILLS 050822 - 050827
2 authorizing transfers in appropriations
3 for Fiscal Year 2006 within the Grants
4 Revenue Fund from the Director of
5 Finance - Provision for Other Grants to
6 the District Attorney; and

7 Bill No. 050826, an ordinance
8 authorizing transfers in appropriations
9 for Fiscal Year 2006 within the Grants
10 Revenue Fund from the Director of
11 Finance - Provision for Other Grants to
12 the Police Department and the Department
13 of Public Property; and

14 Bill No. 050827, an ordinance
15 authorizing transfers in appropriations
16 for Fiscal Year 2006 within the Grants
17 Revenue Fund from the Director of
18 Finance - Provision for Other Grants to
19 the Department of Public Property.

20 COUNCILWOMAN KRAJEWSKI: Thank
21 you.

22 Is there someone from the
23 Administration here?

24 Good morning.

25 MS. REED: Good morning,

1 11/3/05 - APPROP. - BILLS 050822 - 050827
2 Councilwoman Krajewski and members of the
3 Appropriations Committee. I am Dianne
4 Reed, the Budget Director for the City of
5 Philadelphia, and I'm here this morning
6 to testify before the Committee on Bills
7 050822, 23, 24, 25, 26 and 27. Five of
8 these bills are transfers within the
9 Grants Revenue Fund for Productivity Bank
10 loans and one is a transfer to enable the
11 Fire Department to take advantage of
12 grants that they've gotten from the
13 state --

14 COUNCILWOMAN KRAJEWSKI: Just
15 one moment. I just want to recognize
16 that we have a quorum here. To my left,
17 we have Councilman Rizzo, Councilman
18 Nutter, Councilman Clarke. To my right
19 is Councilman Ramos and Councilman Goode.

20 Thank you.

21 MS. REED: Good morning.

22 COUNCILWOMAN KRAJEWSKI: Before
23 we go any further, most of these bills
24 are Productivity loans?

25 MS. REED: Correct.

1 11/3/05 - APPROP. - BILLS 050822 - 050827

2 COUNCILWOMAN KRAJEWSKI: Can
3 you explain to this Committee exactly
4 what it is, because there may be members
5 that are new here, that we can understand
6 what it is?

7 MS. REED: The Productivity
8 Bank itself?

9 COUNCILWOMAN KRAJEWSKI: Can
10 you speak up a little?

11 MS. REED: The Productivity
12 Bank itself? Is that what you are asking
13 about?

14 I'll assume that. The
15 Productivity Bank is a fund that was set
16 up with proceeds from their original PICA
17 borrowing which are used to fund either
18 efficiency or service enhancements within
19 departments that they pay back over five
20 years with three percent interest. So
21 that they are likely to be something
22 where a savings can be achieved that will
23 allow us to decrease budgets in future
24 years.

25 In some cases, it's just

1 11/3/05 - APPROP. - BILLS 050822 - 050827

2 something where we can't quantify
3 necessarily at the moment what the
4 efficiency or effectiveness benefit is
5 going to be, but we know that there's
6 going to be one, and in some cases, if
7 it's professional services, the
8 consultant will be quantifying what the
9 potential savings are.

10 COUNCILWOMAN KRAJEWSKI: I
11 think what we'll do, we'll have your
12 testimony read into the record. Okay?
13 Thank you.

14 Are there any questions from
15 members of the Committee?

16 Councilman Nutter.

17 COUNCILMAN NUTTER: Thank you,
18 Madam Chair. I'll be brief. I just have
19 a couple of questions.

20 Ms. Reed, what is the source of
21 the funds for the Productivity Bank?

22 MS. REED: These were, as I
23 understand it, funds set aside from the
24 original borrowing from PICA.

25 COUNCILMAN NUTTER: So there

1 11/3/05 - APPROP. - BILLS 050822 - 050827
2 are no General Fund dollars that go into
3 the Productivity Bank?

4 MS. REED: No.

5 COUNCILMAN NUTTER: And how
6 much money is there or was there set
7 aside from the original PICA borrowing?

8 MS. REED: I don't have that
9 information with me today. I think at
10 this point there's about 30 million in
11 the Productivity Bank.

12 COUNCILMAN NUTTER: Well, let's
13 walk back through that again. You're
14 saying from the original PICA borrowing,
15 which was, I think, sometime in 1992,
16 certain dollars were set aside
17 specifically for the Productivity Bank?

18 MS. REED: As I understand it,
19 yes.

20 COUNCILMAN NUTTER: Because I
21 don't think the Productivity Bank came
22 into existence until a few years later.
23 Do you know when the Productivity Bank
24 was created?

25 MS. REED: No, but let me see

1 11/3/05 - APPROP. - BILLS 050822 - 050827

2 if someone over here does know.

3 No. We don't have that with us
4 today, but we can get back to you on
5 that.

6 COUNCILMAN NUTTER: Okay. No
7 one knows when the Productivity Bank was
8 created?

9 MS. REED: I guess it was about
10 '92, '94, somewhere in there.

11 COUNCILMAN NUTTER: All right.
12 Just a couple quick questions.

13 What was the FY05 projected
14 fund balance that was in the budget that
15 we passed for FY06?

16 MS. REED: I think it was 26
17 million, something like that.

18 COUNCILMAN NUTTER: 26.7
19 million would be the number. Okay.

20 And you recently closed the
21 City's books, and I think there's a
22 report out now. What's the actual FY05
23 fund balance?

24 MS. REED: It's 96 million.

25 COUNCILMAN NUTTER: So that's

1 11/3/05 - APPROP. - BILLS 050822 - 050827
2 about \$70 million more than was
3 projected. Why is that?

4 MS. REED: Well, I think that
5 the chief reason is, our revenue is
6 higher than projected in a couple of
7 taxes, like the business privilege tax
8 was about 60 million more than we
9 expected, and some of that had to do with
10 the fact that some funds that were being
11 set aside we actually realized were now
12 proceeds of the City. They did not have
13 to be paid back to people. There was a
14 whole complicated transaction with people
15 paying in advance and perhaps more than
16 they needed to.

17 COUNCILMAN NUTTER: This was
18 the double payment that some people were
19 making on the BPT?

20 MS. REED: Right. And some
21 people are using that to roll into the
22 next year, so that was a huge accounting
23 exercise that got completed.

24 And another is the realty
25 transfer tax, which was 12 above what we

1 11/3/05 - APPROP. - BILLS 050822 - 050827

2 had already in the budget, and we had
3 increased that to 180 at the time that
4 the budget passed, which was way higher
5 than what we originally budgeted at,
6 which was 127.

7 And then the sales tax was
8 about six above what was in the budget as
9 passed. And in addition to that, we did
10 have the position reduction, which took
11 us down by about 13.

12 COUNCILMAN NUTTER: So tax
13 receipts were significantly higher than
14 even your own anticipation?

15 MS. REED: Yes.

16 COUNCILMAN NUTTER: You're
17 familiar with the recently released PICA
18 report?

19 MS. REED: Yes.

20 COUNCILMAN NUTTER: They have a
21 series of recommendations as to what
22 should be done, I think a section called
23 "What is the fiscally prudent response to
24 higher-than-anticipated fund balances."
25 You're familiar with that?

1 11/3/05 - APPROP. - BILLS 050822 - 050827

2 MS. REED: I have read the
3 report.

4 COUNCILMAN NUTTER: Do you
5 agree with their conclusions?

6 MS. REED: I agree with some of
7 them. I mean, in principal, yes. I
8 mean, we still have to look at the whole
9 stretch of the Five-Year Plan and see
10 what some of the consequences are now
11 that we are doing the analysis and
12 starting to see what the financial
13 picture is going to be, including Fiscal
14 Year '11.

15 COUNCILMAN NUTTER: And they
16 have, I think, about five
17 recommendations, one of which in
18 particular talks about reducing the
19 City's tax burden. What's your view on
20 that particular recommendation?

21 MS. REED: I don't have a view
22 on that. I don't speak for the
23 Administration on that. I mean, I think
24 that overall the reductions that are in
25 the plan --

1 11/3/05 - APPROP. - BILLS 050822 - 050827

2 COUNCILMAN NUTTER: Well, you
3 are the Budget Director, right?

4 MS. REED: -- so far for the
5 wage tax, I mean, clearly that's been a
6 tax that has put the City at a
7 disadvantage and continuing to reduce
8 that, and the other provisions that are
9 already in the plan we support.

10 COUNCILMAN NUTTER: Okay. I
11 just want to make sure we're clear. When
12 you say that you don't speak for the
13 Administration, you are the Budget
14 Director, right?

15 MS. REED: Right, but I'm not
16 the policy-maker.

17 COUNCILMAN NUTTER: I
18 understand, but you have a particular
19 view as the Budget Director?

20 MS. REED: I pretty much will
21 work with the policy-makers given the
22 constraints of our financial situation.

23 COUNCILMAN NUTTER: Okay. Last
24 question, so the bottom line is that the
25 fund balance is \$70 million more than was

1 11/3/05 - APPROP. - BILLS 050822 - 050827
2 projected in the budget that we passed
3 and the Five-Year Plan that we passed; is
4 that right?

5 MS. REED: Right.

6 COUNCILMAN NUTTER: Thank you.

7 COUNCILWOMAN KRAJEWSKI: Are
8 there any other questions?

9 (No response.)

10 COUNCILWOMAN KRAJEWSKI: I have
11 a question.

12 On Bill 050824, it involves the
13 hiring of a private consulting firm to
14 conduct a study on efficiency. How will
15 this selection process, how will it be
16 handled?

17 MS. REED: That process has
18 already been completed. That process
19 took place early in the year. There was
20 an RFP that was widely circulated. Many
21 major firms responded. Three firms were
22 invited back for orals.

23 They also made presentations to
24 senior officials, and one firm was
25 selected based on their responsiveness to

1 11/3/05 - APPROP. - BILLS 050822 - 050827
 2 the scope of work that was requested for
 3 the engagement.

4 COUNCILWOMAN KRAJEWSKI: Thank
 5 you.

6 Are there any other questions
 7 from members of the Committee?

8 (No response.)

9 COUNCILWOMAN KRAJEWSKI: Thank
 10 you.

11 MS. REED: Thank you.

12 COUNCILWOMAN KRAJEWSKI: Is
 13 there anyone else from the Administration
 14 here?

15 MS. REED: There are others
 16 here to testify on specific numbers of
 17 the bills, if you had questions for them.

18 COUNCILWOMAN KRAJEWSKI: I'll
 19 just have that testimony read into the
 20 record.

21 MS. REED: Thank you.

22 COUNCILWOMAN KRAJEWSKI: Thank
 23 you.

24 I believe that ends our --

25 MS. REED: Wait. I do have one

1 11/3/05 - APPROP. - BILLS 050822 - 050827
 2 other request, and, that is, if these
 3 bills could be suspended and put on First
 4 Reading today.

5 COUNCILWOMAN KRAJEWSKI: Thank
 6 you.

7 MS. REED: Thank you.

8 COUNCILWOMAN KRAJEWSKI: That
 9 ends our public hearing on
 10 Appropriations. Now we will go into our
 11 public meeting.

12 Councilman Nutter on 050822.

13 COUNCILMAN NUTTER: Thank you,
 14 Madam Chair. I move that Bill 050822 be
 15 reported out of this Committee with a
 16 favorable recommendation and a further
 17 recommendation that the rules of Council
 18 be suspended so as to permit first
 19 reading at our next session.

20 (Duly seconded.)

21 COUNCILWOMAN KRAJEWSKI: All
 22 those in favor?

23 (Aye.)

24 COUNCILWOMAN KRAJEWSKI:
 25 Opposed?

1 11/3/05 - APPROP. - BILLS 050822 - 050827

2 (No response.)

3 COUNCILWOMAN KRAJEWSKI:

4 Therefore, Bill 050822 will be reported
5 out of this Committee with a favorable
6 recommendation and the rules of Council
7 be suspended as to permit first reading
8 at the next session of Council.

9 Councilman Nutter on Bill
10 050823.

11 COUNCILMAN NUTTER: Thank you,
12 Madam Chair. I move that Bill 050823 be
13 reported out of this Committee with a
14 favorable recommendation and a further
15 recommendation that the rules of Council
16 be suspended so as to permit first
17 reading at our next session.

18 (Duly seconded.)

19 COUNCILWOMAN KRAJEWSKI: All
20 those in favor?

21 (Aye.)

22 COUNCILWOMAN KRAJEWSKI:

23 Opposed?

24 (No response.)

25 COUNCILWOMAN KRAJEWSKI:

1 11/3/05 - APPROP. - BILLS 050822 - 050827

2 Therefore, Bill 050823 will be reported
3 out of this Committee, with a suspension
4 of rules as to permit first reading at
5 the next session of Council.

6 Councilman Goode on 050824.

7 COUNCILMAN GOODE: Thank you,
8 Madam Chair. I move that Bill 050824 be
9 reported out of Committee with a
10 favorable recommendation and a further
11 recommendation that the rules of Council
12 be suspended so as to permit first
13 reading at our next session of Council.

14 COUNCILWOMAN KRAJEWSKI: All
15 those in favor?

16 (Aye.)

17 COUNCILWOMAN KRAJEWSKI:

18 Opposed?

19 (No response.)

20 COUNCILWOMAN KRAJEWSKI:

21 Therefore, Bill 050824 will be reported
22 out of this Committee, with a suspension
23 of rules so as to permit first reading at
24 the next session of Council.

25 Councilman Clarke on Bill

1 11/3/05 - APPROP. - BILLS 050822 - 050827
2 050825.

3 COUNCILMAN CLARKE: Thank you,
4 Madam Chair. I move that Bill 050825 be
5 reported out of Committee with a
6 favorable recommendation and a request
7 for a rules suspension as to allow
8 reading at the next session of Council.

9 COUNCILWOMAN KRAJEWSKI: All
10 those in favor?

11 (Aye.)

12 COUNCILWOMAN KRAJEWSKI:
13 Opposed?

14 (No response.)

15 COUNCILWOMAN KRAJEWSKI:
16 Therefore, Bill 050825 will be reported
17 out of this Committee, with a suspension
18 of rules so as to permit first reading at
19 the next session of Council.

20 Councilman Rizzo on Bill
21 050826.

22 COUNCILMAN RIZZO: On Bill No.
23 050826, I would like this bill to come
24 out of Committee with a favorable
25 recommendation and a suspension of the

1 11/3/05 - APPROP. - BILLS 050822 - 050827
2 rules.

3 COUNCILWOMAN KRAJEWSKI: Thank
4 you.

5 All those in favor?
6 (Aye.)

7 COUNCILWOMAN KRAJEWSKI:
8 Therefore, Bill 050826 will be reported
9 out of this Committee with a favorable
10 recommendation, with a suspension of
11 rules so as to permit first reading at
12 the next session of Council.

13 Councilman Ramos on Bill
14 050827.

15 COUNCILMAN RAMOS: I move that
16 Bill 050827 be reported out of Committee
17 with a favorable recommendation and that
18 the rules of Council be suspended for our
19 next meeting.

20 COUNCILWOMAN KRAJEWSKI: Thank
21 you.

22 All those in favor?
23 (Aye.)

24 COUNCILWOMAN KRAJEWSKI:
25 Opposed?

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(No response.)

COUNCILWOMAN KRAJEWSKI:

Therefore, Bill 050827 will be reported out of this Committee with a favorable recommendation, with a suspension of rules so as to permit first reading at the next session of Council.

Thank you all very much.

Therefore, that ends our Committee on Appropriations.

(Committee on Appropriations adjourned at 9:30 a.m.)

- - -

1

2

CERTIFICATE

3

I HEREBY CERTIFY that the

4

proceedings, evidence and objections are

5

contained fully and accurately in the

6

stenographic notes taken by me upon the

7

foregoing matter on November 3, 2005, and that

8

this is a true and correct transcript of same.

9

10

11

12

13

14

15

MICHELE L. MURPHY

16

RPR-Notary Public

17

18

19

(The foregoing certification of this

20

transcript does not apply to any reproduction

21

of the same by any means, unless under the

22

direct control and/or supervision of the

23

certifying reporter.)

24

25