

**DEPARTMENT OF PUBLIC PROPERTY
FISCAL YEAR 2016 BUDGET TESTIMONY
APRIL 28, 2015**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

Mission: To professionally manage the infrastructure supporting City government operations through the acquisition, disposition, lease, design, construction, renovation and maintenance of City properties.

Description of Major Services: The Department of Public Property (Public Property) is responsible for the acquisition, disposition, lease, design, construction, renovation and maintenance of City properties. Public Property provides these services through three divisions: Real Estate, Capital Programs and Facilities Management. Public Property is also responsible for the negotiation of leases for City-occupied space, as well as managing the space standards for City owned buildings.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

Budget Highlights: The Department of Public Property's budget includes costs for space rental and utilities and the SEPTA subsidy. The proposed FY16 General Fund Operating budget is slightly lower than the FY15 Current Projection mainly due to an estimated \$11 million onetime payment related to the sale of Love Park Garage.

Fund	Class	FY14 Actual	FY15 Current Projection	FY16 Proposed Budget	FY16-FY15 Change	FY16-FY15 Percent Change
General	100	7,603,734	8,444,555	8,400,083	(44,472)	-0.5%
	200	140,683,185	147,923,591	154,718,771	6,795,180	4.6%
	300/400	1,207,693	1,338,535	1,338,535	0	0.0%
	500	13,850,000	0	0	0	0.0%
	800	25,935,941	34,052,897	23,367,706	(10,685,191)	-31.4%
	Total		189,280,554	191,759,578	187,825,095	(3,934,483)
	Positions	133	159	159	0	0.0%
Other*	200	26,860,977	30,859,919	30,942,633	82,714	0.3%
	Total	26,860,977	30,859,919	30,942,633	82,714	0.3%
	Positions	0	0	0	0	0.0%
All	100	7,603,734	8,444,555	8,400,083	(44,472)	-0.5%
	200	167,544,163	178,783,510	185,661,404	6,877,894	3.8%
	300/400	1,207,693	1,338,535	1,338,535	0	0.0%
	500	13,850,000	0	0	0	0.0%
	800	25,935,941	34,052,897	23,367,706	(10,685,191)	-31.4%
	Total		216,141,531	222,619,497	218,767,728	(3,851,769)
	Positions	133	159	159	0	0.0%

* Other Funds includes: County Liquid Fuels Tax Fund, Special Gasoline Tax Fund, Healthchoices Behavioral Health Fund, Hotel Room Rental Tax Fund, Grants Revenue Fund, Community Development Fund, Car Rental Tax Fund, Housing Trust Fund, Water Fund, Water Residual Fund, Aviation Fund, and Acute Care Hospital Assessment Fund.

Staff Demographics Summary (as of December 2014)

	Total	Minority	White	Female
Full-Time Staff	136	63	73	24
Executive Staff	5	0	5	2
Average Salary - Executive Staff	\$114,978	\$0	\$114,978	\$116,438
Median Salary - Executive Staff	\$113,850	\$0	\$113,850	\$116,438

Employment Levels (as of December 2014)

	Budgeted	Filled
Full-Time Positions	159	136
Part-Time Positions	0	0
Executive Positions	5	5

Contracts Summary (as of December 2014)

	FY10	FY11	FY12	FY13	FY14	FY15*
Total amount of contracts	\$100,239,731	\$75,046,275	\$59,847,234	\$39,045,990	\$76,703,579	\$70,176,562
Total amount to M/W/DBE	\$30,216,651	\$29,335,958	\$27,250,883	\$22,990,915	\$34,181,253	\$28,795,132
Participation Rate	30%	39%	46%	59%	45%	41%

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

Total lease expense decreased by 3.3% between FY14 and FY13 and has continued to decrease during the first half of FY15 compared to the same time period in FY14. The number of square feet managed decreased slightly from FY13 to FY14 but has decreased to 1.3 million square feet as of the first half of FY15. Public Property is responsible for overseeing major capital improvements to City owned facilities and has seen a decrease in the number of substantially completed construction projects from 85 in FY13 to 60 in FY14 due to the complexity of projects completed. For example, playground renovations typically take less time to complete than major building construction. The goal is to complete 65 projects in FY15, and 39 have been completed through the second quarter of FY15. In FY14, facilities division work order volume increased by 32.4% and volume for the first half of FY15 increased by 21.4%. Due to increased workload and the growing number of vacant positions, the percentage of work requests completed within service level agreements established with stakeholders has decreased by 5.3% from 90% to 85.3% between the first halves of FY14 and FY15.

Performance Measure	FY08	FY13	FY14	FY14- FY13 Change	FY14 Q1-Q2	FY15 Q1-Q2	FY15- FY14 Q1-Q2 Change	FY15 Goal	FY16 Goal
Total lease expense (\$ Million)	\$22.30	\$18.16	\$17.56	-3.3%	\$9.52	\$9.32	-2.1%	\$20.52	\$20.62
Number of square feet managed	1,354,714	1,441,268	1,426,773	-1.0%	1,440,061	1,309,569	-9.1%	1,309,569	1,309,569
Number of substantially completed construction projects	N/A	85	60	-29.4%	27	39	44.4%	65	70
Facilities division work order volume	N/A	10,060	13,321	32.4%	5,719	6,941	21.4%	13,500	13,800
Percent of work orders completed within service level	N/A	84.0%	91.2%	8.6%	90.0%	85.3%	-5.3%	90.0%	80.0%

DEPARTMENT CHALLENGES

- **Technical Support and Systems Needs:** In conjunction with the Office of Innovation and Technology, the funding for a city-wide asset management system was approved, and a request for proposal will be out in the spring that will help DPP track operating, capital and maintenance costs, as well as determine the proper maintenance tasks required to have a facility properly maintained, and meet its useful life cycle.
- **Recruitment and Retention:** The Department hires many employees for trades and engineering positions, which are difficult to recruit for as the salaries are not comparable to trade union salaries or other engineering firms. DPP partnered with the School District to hire students in vocational programs to work in the DPP and obtain the skills necessary to obtain a trades position with the City after graduation. The pilot program has been slow moving, but we anticipate better participation in FY16. The Department is working with the Office of Human Resources to recruit professionals in the engineering field via different mechanisms such as LinkedIn and hope to obtain candidates in that field.
- **Maintenance of City-managed property:** The average age of the top 100 used city-maintained properties is over 70 years, which is past the normal life cycle of most facilities. Best practices in the private sector which are just starting to take root in the public sector, one of which is to set aside a percentage of operating maintenance funding for each capital project and have that money earmarked throughout the lifetime of the asset. Because we maintain our aging facilities usually in an emergency scenario, maintenance funding for newer facilities is lacking. DPP is beginning to combat that issue with a preventive maintenance program. DPP staff is proactively going to each facility and performing preventive maintenance work that has saved resources from having to fix emergency issues. One such example is inspecting and maintaining each HVAC system in advance of the summer season to ensure they will be working as needed. The same preventive maintenance work was performed on the heating systems before the winter season.
- **Maintenance of City-owned vacant property:** The City of Philadelphia takes property acquired for tax foreclosure when there is no other bidder, thus leaving the City with an inventory of property that is not

considered viable for market re-sale. Maintenance of these properties takes a lower priority than maintenance for City-managed facilities, which actually house City employees, but this lack of maintenance contributes to blight and opens the City up to public criticism and lawsuits. The Department is hopeful that the establishment of the Land Bank will see these properties transferred to the Land Bank which should eventually have the capacity and funding to maintain the properties it cannot sell.

- **Space Utilization:** The Department is responsible for the negotiation of leases for city-occupied space, as well as maintaining the space standards for our owned space. The space standards are based on the assumption that every employee needs a work space, and does not take field employees into account, nor the more modern concepts of hoteling and reducing individual space, while opening up community space. A comprehensive space utilization study is necessary to determine current footprint vs. actual space needs. DPP partnered with the City Planning Commission and the Office of Sustainability, to conduct a space assessment of the 13th floor of One Parkway. Recommendations were made for more modern space; unfortunately, the City cannot make a commitment to the construction funding at this time. On a positive note, space was reconfigured in the Department of L&I for its new hires utilizing more modern space standards and was well received for opening up the work space to allow for collaboration.

ACCOMPLISHMENTS & INITIATIVES

New Police Facilities: The Real Estate division competed for two Base Realignment Closure facilities (BRAC) and won the title to the two facilities located at Woodhaven and Wissahickon Avenues from the federal government. The Wissahickon BRAC was renovated in 2015 and is the new home of the Police Department's Narcotics unit. The Woodhaven facility will be the new home for the Police Department's Training Bureau in the summer of 2015.

Award for Major Capital Projects: The Capital Programs Division completed renovations to facilities for Fire, Fleet, Library, Parks and Recreation, Police, and various other departments. Highlights include the construction of the Sturgis Playground Building, Pleasant Playground Building, and the SWAT/Bomb/Canine facilities. SWAT /Bomb/Canine received two Project Achievement Awards from the Mid-Atlantic Chapter of the Construction Management Association of America (CMAA), one for Public Buildings Under \$20 million and the other for Sustainable Construction.

City Hall Renovations: City Hall is one of the most recognized historical landmarks in Philadelphia and a building DPP is constantly trying to improve. Working with the Mayor's Office and City Council, modern digital signage in City Hall was placed in the four common areas, as well as outside of the Council President and Chief Clerk's offices. The walls on floors 1-7 were painted and DPP has partnered with Center City district to place historic pictures and directional signage on the 7th floor. During FY16, Public Property will begin to replace old ceiling tiles and install new recessed lighting. DPP also designed the North Apron of City Hall, where the current old concrete will be replaced, the steps at the North portal will be resurfaced and a handicap ramp will be constructed. DPP also partnered with Center City District to design, fabricate and install ornate gates on City Hall by the end of calendar year 2015. The cost estimate for the portal gates is approximately \$1.5 million.

City Municipal Buildings: In the FY16 Proposed Capital Budget, \$2.7 million in funding is for the continued improvements of city government buildings such as the Municipal Services Building (MSB), Criminal Justice Center and One Parkway Building. These capital improvements include new elevators, window improvements, and exterior improvements. Currently, a new roof is being placed on the MSB.

City Hall Improvements: \$1.1 million of capital funding is proposed in the FY16 Capital Program for exterior renovations to City Hall to restore City Hall portals, lightwells and tower and core infrastructure improvements. \$300,000 is being requested to maintain City Hall's recent exterior renovations.

Completion of Facilities Assessment: During FY15, DPP conducted a comprehensive assessment of all 86 public safety facilities and developed a capital and operational improvement plan for public safety facilities. The facility assessment will help determine how to better utilize a combination of operating and capital funding to produce more complete renovations in the City's public safety facilities.

Decrease the Completion Time and Cost for Capital Projects: Capital projects are classified as major construction, renovation and demolition projects exceeding \$15,000. On average, there are over 250 active projects at any given

time with a total investment of \$50-70 million. Projects procured under the public works requirements generally take in excess of one year to complete, mostly due to extensive processing constraints. During FY14, Public Property analyzed improvements to the capital process and reduced professional services timelines by 13 and 47 weeks (depending on the type and complexity of the project) by implementing multi-professional services requirements contracts. During FY15, Public Property aims to implement a capital projects Quality Assurance and Quality Controls (QA/QC) team to establish, evaluate and monitor project schedules and budgets and decrease the number of change orders.

Public Property also implemented a Job Order Contracting (JOC) method of performing capital projects in the second quarter of FY15. JOC is a competitively bid contracting system that utilizes a unit price structure to carry out required work. It is used to accomplish a large number of small to medium sized construction works projects quickly and cost effectively. The Department anticipates that JOC will reduce project implementation time in excess of 30 weeks over the conventional public works process. The cost of the system is based upon a percentage of the dollar value use; however, Public Property anticipates that there will be project cost reductions due to reduced design consultant use, lower project implementation and administrative costs, reduced escalation, and elimination of change orders which will result in overall project savings. Public Property aims to use Job Order Contracting on 80% of projects. One successful example of utilizing JOC is an electrical project at the Zoo. The cost to do the work through the JOC process was 19% lower than working through the alternative requirements contract process.

Preventative Maintenance: The average age of the top 100 used City-maintained properties is 70 years, which is past the normal life cycle of a property. Historically, there was little to no preventive maintenance performed on City facilities, thus requiring expensive capital deferred maintenance projects. Best practices from the private sector are beginning to take root in the public sector. These practices include setting aside a percentage of operating maintenance funding for each capital project and earmarking the funds throughout the lifetime of the asset. During FY14, Public Property conducted an initial inspection and created a preventative maintenance plan for all City facilities and implemented a balanced maintenance program that includes preventive and reactive maintenance. The program is still in the beginning stages, but in FY15 with additional funding budgeted, DPP was able to perform preventive maintenance on all public safety facilities. Throughout the implementation of the Preventive Maintenance plan, many issues were discovered and addressed before the problem required emergency repair or caused a facility outage.

Configuring Space in City-Owned Buildings: New space requests present Public Property with an opportunity to reduce the amount of space that is assigned to various City departments by using it more efficiently. Public Property has identified opportunities for space reduction by designing touchdown space (work area set aside as a place where employees can work other than the traditional cubicle or office) for field employees in various departments. During FY14, Public Property completed design pilot for space reconfiguration open floor plan on the 13th floor of One Parkway. During FY15, Public Property plans to budget for pilot reconfiguration, construct new space configurations for the Department of Human Services at the One Parkway Building and design a new Department of Licenses and Inspections District office in the Northeast utilizing new space standards. Design of new space for the Department of Licenses and Inspections inspectional staff at the Municipal Services Building has been completed.

Consolidating Leased Space: The Real Estate Division was able to consolidate leased space into City owned property, thus eliminating many high rent lease payments, totaling \$3.5 million dollars in annual savings. Leases were terminated at 1401 Arch Street (August 2010), the Packard Building (June 2012), the Frankford Arsenal (Building 110 in December 2012 and Building 102 in December 2014), 8 Penn Center (June 2012), Three Parkway (April 2014), and 34 S. 11th Street (June 2014).

Reduce the Number of City-Owned Vacant Properties: The City of Philadelphia takes property acquired for tax foreclosure when there is no other bidder, thus leaving the City with an inventory of property that is not considered viable for market re-sale. Maintenance of these properties is conducted after maintenance for City managed facilities. In conjunction with the Philadelphia Redevelopment Authority, the Office of Housing and Community Development, the Philadelphia Housing Development Corporation, the Mayor's Office, City Council and the Office of the Director of Finance, the following activities were accomplished during FY14: established the inventory of all publicly owned vacant land, developed a comprehensive disposition policy, began offering land for purchase electronically, created an urban garden partnership with the Department of Parks and Recreation, began the process of clearing the backlog of land conveyances, created a land development policy for land conveyed for nominal consideration, created a

partnership with CLIP, and established the Land Bank. During FY15, Public Property aims to create a partnership with the Philadelphia Water Department to establish storm water management projects on vacant lots and convey Public Property owned land to the Land Bank.

STAFFING

STAFFING LEVELS

The current staffing levels for FY15 are:

Facilities Management Division

Filled Authorized
 98 112

Real Estate Division

Filled Authorized
 8 8

Capital Projects Division

Filled Authorized
 18 21

General Support Division

Filled Authorized
 15 16

- The department hired eighteen employees. The ethnic composition of these new hires is 1 Hispanic or Latino, 9 White (not Hispanic or Latino) and 8 Black or African American (not Hispanic or Latino). Of these eighteen new employees one is fluent in two languages, Russian and Ukranian.
- The department currently employees 19 bilingual employees (eight of which speak two languages and one of which speaks 4 languages other than English). Following is a list of languages that the employees in the Public Property can speak: Arabic, Cantonese, French, German, Gujarati, Hindi, Italian, Japanese, Malayalam, Mandarin, Portugese, Portugese-Brazilian, Russian, Spanish, Spanish-Castillian, Swedish, Tagalog, and Ukranian for a total of 18 languages other than English.

Staff Demographics (as of December 2014)

<i>Full-Time Staff</i>				<i>Executive Staff</i>			
Male		Female		Male		Female	
African-American		African-American		African-American		African-American	
<i>Total</i>	37		10	<i>Total</i>	0		0
<i>% of Total</i>	27.2%		7.4%	<i>% of Total</i>	0.0%		0.0%
White		White		White		White	
<i>Total</i>	65		8	<i>Total</i>	3		2
<i>% of Total</i>	47.8%		5.9%	<i>% of Total</i>	60.0%		40.0%
Hispanic		Hispanic		Hispanic		Hispanic	
<i>Total</i>	7		3	<i>Total</i>	0		0
<i>% of Total</i>	5.1%		2.2%	<i>% of Total</i>	0.0%		0.0%
Asian		Asian		Asian		Asian	
<i>Total</i>	3		1	<i>Total</i>	0		0
<i>% of Total</i>	2.2%		0.7%	<i>% of Total</i>	0.0%		0.0%
Other		Other		Other		Other	
<i>Total</i>	0		2	<i>Total</i>	0		0
<i>% of Total</i>	0.0%		1.5%	<i>% of Total</i>	0.0%		0.0%
Bi-lingual		Bi-lingual		Bi-lingual		Bi-lingual	
<i>Total</i>	13		6	<i>Total</i>	0		0
<i>% of Total</i>	9.6%		4.4%	<i>% of Total</i>	0.0%		0.0%
Male		Female		Male		Female	
<i>Total</i>	112		24	<i>Total</i>	3		2
<i>% of Total</i>	82.4%		17.6%	<i>% of Total</i>	60.0%		40.0%

CONTRACTING

**M/W/DBE Participation on Large Contracts
FY15 Contracts**

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All	Living Wage Compliant?
US Facilities	Operations, Maintenance and Support for the Triplex	\$15,486,450	4/26/13	10/1/13	MBE: 20-25	100%	\$15,486,450		Yes
					WBE: 10-15	0%	\$0	100%	
					DSBE: 10-15	0%	\$0	\$15,486,450	

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

Not applicable.

OTHER

Not applicable.