

DEPARTMENT of LICENSES & INSPECTIONS
FISCAL YEAR 2015 BUDGET TESTIMONY
APRIL 8, 2014

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

The Department of Licenses and Inspections (L&I) is your partner in building safety, and we have worked hard this past fiscal year to maintain this high standard of service to the citizens of Philadelphia. This effort has been particularly challenging this year following the building collapse that occurred in early June 2013. Staying true to the mission of the Department, we had to focus a significant amount of our attention on demolition and construction practices. Following the tragedy, L&I received an overwhelming influx of complaints that have resulted in the need for immediate demolition action. Accordingly, this has strained our demolition budget. With 302 demolitions already completed this fiscal year, we are trending similarly to last year's numbers for demolitions with approximately \$1.2 million less to spend because we no longer have the NSP2 grant funding. Our total demolition budget, which includes an additional \$3,000,000 in FY14 funding, is \$8,971,618.56, of which we have spent **\$5,582,278.33**. We have **\$3,389,340.23** remaining for the rest of the fiscal year.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

In response to proposed legislation which aims to strengthen demolition controls, the Department of Licenses and Inspections re-organized its Department structure and created a new Emergency Services Division in order to provide 24/7 emergency response in a more efficient manner. The new Emergency Services Division is currently comprised of the Contractual Services Unit (CSU), along with the Construction Site Task Force (CSTF), and Clean & Seal. These are established in L&I and have been moved out of other divisions to form this new Emergency Services Division. However, to help best address concern with contractor compliance, we have been fine tuning the concept of a Compliance Unit. The Compliance Unit will audit construction permits for proper insurance and tax clearances. As shown in the L&I FY15 Budget submission, the new Division currently consists of fifty eight (58) employees (from CSU, CSTF and Clean & Seal), all of which were transferred from within the Department. In order to enforce the provisions of the new legislation, the Department will require the additional appropriations requested in the proposed budget for the Compliance Unit and to supplement existing staff.

Our total request for FY15 is \$27,564,573 which represents a 7.7% (\$1,976,499) increase over the FY14 Current Estimate will fund additional inspectors needed to improve public safety.

- A \$1,366,466 increase in Class 100 to support twenty six (26) additional field staff in CSU, CSTF and the Compliance Unit that will supplement the Department's current Emergency Services inspectional staff and provide the Department additional personnel to ensure safe public and private demolitions, two (2) Assistant City Solicitors, one (1) Paralegal, and five (5) Service Representatives to provide administrative support. This request represents a 9% increase over the FY14 Current Estimate. Council has been supportive of the Department's need for more inspectors, which we greatly appreciate.
- A \$330,033 increase in Class 200 is requested to support an education and outreach plan to the public. L&I will work with an outside vendor to formalize the community outreach plan that will strive to inform the public about building safety, the new demolition standards and how the public can help the Department by engaging 311. This Class 200 funding will also support OSHA 30 training for all L&I Inspectors as well as state certification preparation training for the new field staff. This request represents a 3.3% increase over the FY14 Current Estimate.
- A \$280,000 increase in Class 400 is requested to purchase the required laptops/mobile devices for the new inspectional staff. This request represents a 507% increase over the FY14 Current Estimate.

We have attended City Council's Special Committee on Demolitions hearings, participated in conversations regarding legislation on construction and demolition, cooperated with the Inspector General's Office, the Law Department and the Grand Jury, the Controller's Office, and the Mayor's Special Independent Advisory Commission. While City Council's legislation has been heard and their recommendations for policy and procedure changes (which are ultimately Building and Administrative Code changes) published, we still await those forthcoming recommendations from the other entities.

**DEPARTMENT OF LICENSES AND INSPECTIONS
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Financial Summary by Class

	Fiscal 2013 Actual Obligations	Fiscal 2014 Original Appropriations	Fiscal 2014 Estimated Obligations	Fiscal 2015 Proposed Appropriations	Difference FY14 - FY15
Class 100 - Employee Compensation	\$14,071,418	\$15,171,959	\$15,171,959	\$16,538,425	\$1,366,466
Class 200 - Purchase of Services	\$7,098,963	\$7,112,502	\$10,112,502	\$10,442,535	\$330,033
Class 300 - Materials and Supplies	\$239,339	\$228,388	\$248,388	\$248,388	\$0
Class 400 - Equipment	\$64,190	\$75,225	\$55,225	\$335,225	\$280,000
Class 500 - Contributions	\$175,296	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
TOTAL	\$21,649,206	\$22,588,074	\$25,588,074	\$27,564,573	\$1,976,499

Staff Demographics Summary*

	Total	Minority	White	Female
Full-Time Staff	308	59%	41%	36%
Executive Staff	11	36%	64%	36%
Average Salary - ES	\$103,980	\$113,625	\$101,225	\$105,083
Median Salary - ES	\$102,250	\$113,625	\$95,000	\$102,250

Employment Levels*

	Budgeted	Approved	Filled
Full-Time Positions	320	320	308
Part-Time Positions	0	0	0
Executive Positions	11	11	11

Contracts Summary*

	FY09	FY10	FY11	FY12	FY13	FY14*
Total amount of contracts	\$224,050	\$325,628	\$10,697,630	\$8,317,543	\$7,813,056	\$5,705,324
Total amount to M/W/DBE	\$15,000	\$123,885	\$2,283,774	\$3,762,398	\$1,761,002	\$1,240,130
Participation Rate	6.7%	38.0%	21.3%	45.2%	22.5%	21.7%

**As of December 2013*

DEPARTMENT of LICENSES & INSPECTIONS
PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

The Department of Licenses and Inspections reports on the following performance measures in the Quarterly City Managers Report and the Five Year Financial & Strategic Plan:

Performance Measure	FY08	FY12	FY13	FY13- FY12 Change	FY13 Q1-Q2	FY14 Q1-Q2	FY14- FY13 Q1-Q2 Change	FY14 Goal	FY15 Goal
Total number of properties clean and sealed***	1,416	1,632	1,459	-10.6%	762	642	-15.7%	1,400	1,400
Total number of residential buildings demolished****	405	543	521	-4.1%	364	251	-31.0%	500	650
Total number of building permits issued	16,060	16,672	17,268	3.6%	8,544	9,101	6.5%	10,000	10,000
Total number of operations division inspections*	113,405	85,947	76,217	-11.3%	40,818	36,947	-9.5%	85,000	85,000
Service license customers within 30 minutes	N/A	96.0%	99.0%	3.1%	99.0%	99.0%	0.0%	100.0%	100.0%
Service zoning customers within 30 minutes	N/A	98.0%	100.0%	2.0%	100.0%	100.0%	0.0%	100.0%	100.0%
Service building customers within 30 minutes	N/A	96.0%	100.0%	4.2%	100.0%	99.5%	-0.5%	100.0%	100.0%
Process over-the-counter zoning applications within 30 minutes	N/A	88.0%	95.0%	8.0%	92.5%	100.0%	8.1%	100.0%	100.0%
Process over-the-counter building applications within 30 minutes	N/A	96.0%	98.0%	2.1%	99.5%	100.0%	0.5%	100.0%	100.0%
Review commercial building plans within 20 days	N/A	98.0%	98.0%	0.0%	98.5%	97.5%	-1.0%	100.0%	100.0%
Review residential building plans within 15 days	N/A	94.0%	95.0%	1.1%	94.5%	96.0%	1.6%	100.0%	100.0%
Review plumbing plans within 20 days**	N/A	99.0%	97.0%	-2.0%	97.5%	85.0%	-12.8%	100.0%	100.0%
Review electrical plans within 20 days**	N/A	92.0%	99.0%	7.6%	100.0%	86.5%	-13.5%	100.0%	100.0%
Review zoning plans within 20 days	N/A	98.0%	97.0%	-1.0%	97.0%	96.0%	-1.0%	100.0%	100.0%
Perform building permit inspections within 2 business days	N/A	98.0%	99.0%	1.0%	99.0%	99.0%	0.0%	100.0%	100.0%
Perform plumbing permit inspections within 2 business days	N/A	98.0%	99.0%	1.0%	99.0%	99.0%	0.0%	100.0%	100.0%
Total number of development division inspections	82,421	101,041	96,150	-4.8%	48,569	49,212	1.3%	100,000	100,000

* During FY08, operations inspection activity was counted differently. This is not a reduction in service, just a different definition

**Review of plumbing and electrical plans within 20 days decreased due to staffing shortages in the Mechanical Services Unit. New employees are being hired in this area, so this measure should improve in the near future.

***The Clean & Seal Unit cleans and seals vacant residential properties and lots to prevent the illegal use of these properties and prevent injury to the public.

**** Includes General Funds, NSP2 and NTI funds. The number of residential buildings demolished declined by 4.1% in FY13 compared to FY12 due to decreases in demolition grant funding. This figure also showed a decline (48%) between the second quarters of FY13 and FY14 due to the high volume of NSP2 ARRA funded demolitions which had to be fully expended by the end of January 2013. Nonetheless, following the demolition accident in June 2013 at 2138 Market Street, L&I received an overwhelming influx of complaints that resulted in the need for immediate demolition action. With 251 demolitions already completed for the year, L&I is trending similarly to last year's numbers for demolitions and currently has a list of over 600 properties that have been designated imminently dangerous.

Between FY12 and FY13 the Department increased the number of building permits issued (3.6%) and also improved most service delivery times for over the counter services and plan review. The number of residential buildings demolished declined by 4.1% in FY13 compared to FY12 due to decreases in demolition grant funding. This figure also showed a decline (31%) between the first halves of FY13 and FY14 due to the high volume of NSP2 ARRA funded demolitions which had to be fully expended by the end of January 2013. Following the demolition accident in June 2013 at 2138 Market Street, L&I received an overwhelming influx of complaints that resulted in the need for immediate demolition action. With 251 demolitions already completed during the first half of the fiscal year, L&I is trending similarly to last year's numbers for demolitions and currently has a list of over 600 properties that have been designated imminently dangerous. With approximately \$1.2m less to spend on demolitions due to the end of NSP2 funding, L&I received an additional \$3 million in FY14 and FY15 to address the list of imminently dangerous properties in the City. As a result of this additional funding, L&I projects to demolish a total of 650 properties in FY15. Operations inspections decreased by 11.3% between FY12 and FY13 and are down by 9.5% in the first half of FY14 due to fluctuations in service requests as well as increased compliance.

L&I has improved its service delivery to customers almost across the board. Notable improvements have been the servicing times for over-the-counter services to license, zoning and building customers and to process zoning and building applications, which all improved in FY13. Service improvements for more time consuming activities such as reviewing commercial and residential building plans and zoning plans have generally trended upwards. L&I is now delivering all of these services within the target service time more than 95% of the time.

DEPARTMENT CHALLENGES

The Department experienced major challenges in FY14, none greater than our response to the tragic building collapse that occurred on June 5, 2013. This tragedy has caused us to take a closer look at our entire Department's operations to help ensure public safety in the construction industry. In response to the collapse, the Mayor and City Council took immediate action to strengthen our controls for dangerous construction and demolition sites. Mayor Nutter enacted an executive order that required greater oversight of the permit and inspection process for demolition projects across the City. Council President Clarke formed a Special Investigating Committee chaired by Councilman Jones who held a number of hearings with industry professionals and provided over 70 recommendations for the construction industry. These recommendations led to new legislation that will improve public safety. Mayor Nutter also formed a Special Independent Advisory Commission to review the Department's entire operations to ensure public safety. The Commission's recommendations are expected by July 1, 2014. We would like to thank the Mayor and City Council for their strong leadership and support in response to this horrific tragedy.

The Department has also made significant changes to policies and procedures to improve public safety. The Department strengthened its ability to respond to dangerous buildings by re-structuring the Contractual Services Unit and Construction Site Task Force. Combining these units increases the number of trained personnel who are able to respond to both dangerous buildings and construction sites 24 hours a day, 7 days a week.

The Department also changed permit processes, requiring contractors to present both a current tax clearance and insurance certificate with each permit application. We fully understand that we can and must do more to ensure public safety.

This proposed budget represents the chance to do more. The \$1,976,499 increase represents 26 new building inspectors. Fourteen (14) inspectors will be added to the Department's Emergency Services Division to increase oversight even further. The Department will assign 12 new inspectors to a new Compliance Unit that will investigate and audit internal and external practices within the construction industry and the Department.

STAFFING LEVELS

L&I continues to employ a diverse staff. Of the 308 full-time staff members in L&I, 64% are Male, 36% are Female, 50% are African-American, 40% are White, 6% are Hispanic, 3% are Asian and 1% are Other Ethnicities. Of the 28 employees hired in the last 12 months, 54% are Male, 46% are Female, 71% are African-American, 14% are White,

11% are Hispanic and 4% are Asian. Of the 11 L&I Executive Staff members, 64% are Male, 36% are Female, 36% are African-American and 64% are White.

PAST INITIATIVES

- **International Accreditation Services**

After over a year of comprehensive review of L&I's technical procedures and practices of the Department's development division and multiple field visits, L&I received IAS Accreditation in September 2013. International Accreditation Services (IAS) is a subsidiary of the International Code Council (ICC), accredits a wide range of companies and organizations including governmental entities, commercial businesses, and professional associations. IAS accreditation provides objective evidence that an organization operates at the highest level of ethical, legal, and technical standards. L&I's IAS accreditation was recognized at the annual ICC conference in October 2013 held in Atlantic City, NJ. Philadelphia is now the largest city in the nation to hold this honor.

In order to maintain this prestigious distinction, IAS will return in three years to once again review our policies and procedures and make a determination on whether we have upheld best practices. This will keep L&I current with industry standards. The cost for L&I to engage IAS was \$31,546, which was paid out with grant funds that L&I and Commerce had jointly received from the William Penn Foundation a few years ago.

- **Vacant Property Strategy**

The Vacant Property Strategy continues to cultivate positive outcomes for the City. Of the approximately 25,000 vacant structures culled from our database, we have inspected 12,817 properties to date. Of these 12,817 properties, over 55% cited for doors and windows in marketable neighborhoods or owned by large land owners have taken action to either register, sell or rehabilitate the property. The program has triggered \$1,088,782 in revenue in permits, licenses, and property certificates. We have successfully rolled this program into each of our five (5) operating districts, with every inspector trained in how to complete the paperwork and treat vacant properties in their census tracts.

CURRENT INITIATIVES

- **New Permit Requirements**

We are engaged in making thoughtful changes to our policies and procedures such as issuing new standards for contractors to follow for demolitions, establishing a new division in the Department, revamping the Construction Site Taskforce, which is the unit that checks active construction sites for proper paperwork (i.e. permits, insurance, bonding, etc.), and most recently, we have required those contractors applying for permits and licenses to supply proof of specific insurance and a current Tax Clearance documentation. Effective January 1, 2014, for the contractors applying for permits, we have set up 4 new computer kiosks in the MSB Public Service Concourse and one kiosk in each of our five District Offices to allow contractors to print their tax clearance form prior to applying for their permits at the counter. Prior to this launch in January, we trained our staff and reached out to the construction community to let them know that we were going to be changing our procedures.

- **New Vision, Mission and Values**

To help strengthen the identity of the department, L&I leadership felt that staff should participate in an effort to create a new vision, mission and values statement. We, again, engaged Dale Carnegie to help us achieve this goal. Thirty employees representing each unit within the three divisions of the department (development, operation and administration), participated in the creation of the following statements:

NEW L&I VISION STATEMENT

The Department of Licenses and Inspections is your partner in building safety.

NEW L&I MISSION STATEMENT

The Department of Licenses and Inspections is committed to making Philadelphia the nation's leader in building safety. We support investment, growth, and development through education, code enforcement, and the delivery of outstanding customer service.

L&I VALUES

Integrity

Customer (diversity & tolerance)

Quality

Committed

Accountability

NEW INITIATIVES

- Creation of the Compliance Unit

This will be a new unit housed in the Emergency Services Division. This unit will be responsible conducting background information checks on contractors for the purposes of ensuring that all contractors meet licensing requirements prior to the issuance of any license or permit. Specifically this unit will establish a municipal construction worker identification license system to track contractor, construction employee safety and experience and include a violation system with fines and penalties, including revocation for fraud or misuse. The unit will also review all insurance, surety and bonding documents to ensure that minimum acceptable standards are met, audit and review permit applications to ensure accuracy, and review third party permit applications from architects, engineers and expeditors.

- Permit Fee structure

In the upcoming months, L&I will seek City Council approval to change the permit fee structure from its current state to a sliding scale based on square footage. We have estimated that changing the fee schedule will increase L&I's revenues in permits by \$1,242,060. As background, the Department reviewed all permits to determine those that are the most safety-related. The Department identified New Construction, Major Alterations, Demolition and Electrical permits as those most related to safety. Fees for New Construction and Major Alterations permits will be determined by the square footage of the job, fees for demolition permits will increase as authorized in bill # 130691 and fees for Electrical permits will be determined by the cost of the job. This estimated increase will offset a portion of the Department's FY15 budget increase of \$1,976,499.

- Areas Impacted by new demolition legislation (implementation within the next 18 months)

- Permit applications
- Permits
- Inspections
- Licenses
- Special Inspections
- Construction Safeguards
- Demolition Requirements
- Protection of Adjoining Properties
- Training
- Other

- Project eCLIPSE

This past January, Project eCLIPSE (electronic Commercial Licensing, Inspection and Permit Services Enterprise) launched. This is the replacement of L&I's current database system, Hansen. The main objective of this project is to enable online application, payment processing, status-checking and printing of relevant documents for the following Department activities:

- Business Licensing
- Trade Licensing
- Permitting, Mobile Inspections and Interactive Voice Response (IVR) System
- Electronic Plan Review
- Complaint Management / Code Enforcement
- Appeals and Board Reviews

- Integrated GIS Capabilities
- Zoning Archives

PHASE	DESCRIPTION	START	END
Pre-Construction	Kickoff and Early Analysis Activities	Jan 2014	Mar 2014
1	Business Licenses, Mobile Inspections, and Core Data	Feb 2014	Dec 2014
2	Trade Licenses	Jun 2014	Feb 2015
3	Permits, Mobile Inspections and ePlans	Sep 2014	Aug 2015
4	Code Enforcement	Feb 2015	Dec 2015

With the challenges that we are facing and will continue to face going forward, the implementation of the eCLIPSE will help us to address many of the issues before us. Everything from contractor compliance to inspection assignments and tracking will be managed through our database. The project implementation schedule will take us right up to 2016, with several phases being completed over the span of the next 24 months. It has taken a long time to get to this point with Project eCLIPSE, and we are pleased to be moving forward.

This effort is department-wide, and will also include participation from several other City Departments such as Revenue, Streets, and Water. The schedule is aggressive and we will keep to it and ensure that the new system is up and running on time. Cooperation will be paramount to achieving this goal. We believe that this data system will allow us to work more efficiently and effectively with integrity and better responsiveness than in the past.

CONTRACTING EXPERIENCE

M/W/DBE Participation on Large Contracts

FY14 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 DSBs	Living Wage Compliant?
Gama Wrecking	Public Demolitions	\$1,081,973		7/8/13	MBE: 0% WBE: 0% DSBE: 0%	0%	\$0		y/n
Pedro Palmer	Public Demolitions	\$1,076,995		7/8/13	MBE: 0% WBE: 0% DSBE: 0%	0%	\$0		y/n
Geppert	Public Demolitions	\$1,011,860		7/8/13	MBE: 0% WBE: 0% DSBE: 0%	0%	\$0		y/n
Mangual	Public Demolitions	\$893,640		7/11/13	MBE: 100% WBE: 0% DSBE: 0%	100%	\$893,640	100%	y/n
A & M Curran	Public Demolitions	\$525,082		7/11/13	MBE: 0% WBE: 0% DSBE: 0%	0%	\$0	\$893,640	y/n
USA Env	Public Demolitions	\$184,718		7/8/14	MBE: 0% WBE: 0% DSBE: 0%	0%	\$0		y/n
RLC	Public Demolitions	\$117,905		8/19/13	MBE: 0% WBE: 0% DSBE: 0%	0%	\$0		y/n
Ray's Home Repair	Public Demolitions	\$111,065		7/8/13	MBE: 100% WBE: 0% DSBE: 0%	100%	\$111,065	100%	y/n
Monticello	Public Demolitions	\$62,677		9/19/13	MBE: 0% WBE: 0% DSBE: 0%	0%	\$0	\$111,065	y/n
JPC Group	Public Demolitions	\$37,900		7/8/13	MBE: 0% WBE: 0% DSBE: 0%	0%	\$0	0%	y/n

EMPLOYEE DATA

Staff Demographics

Full-Time Staff

Executive Staff

Employees hired this Fiscal Year

	Male		Female		Male		Female		Male		Female	
	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total
Total	196	64%	112	36%	7	64%	4	36%	15	54%	13	46%
% of Total	African-American: African-American											
Total	80	26%	73	24%	2	18%	2	18%	9	32%	11	39%
% of Total	White											
Total	97	31%	28	9%	5	45%	2	18%	3	11%	1	4%
% of Total	Hispanic											
Total	10	3%	9	3%	0	0%	0	0%	2	7.1%	1	3.6%
% of Total	Asian											
Total	6	2%	2	0.6%	0	0%	0	0%	1	3.6%	0	0%
% of Total	Other											
Total	3	1.0%	0	0.0%	0	0%	0	0%	0	0.0%	0	0.0%
% of Total	Bi-lingual											
Total	8	3%	10	3%	0	0%	0	0%	0	0%	0	0%
% of Total	Total											