

**PHIALDELPHIA WATER DEPARTMENT
FISCAL YEAR 2015 BUDGET TESTIMONY
MAY 6, 2014**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

PWD mission:

The Philadelphia Water Department (PWD) aims to be America's model 21st Century urban water utility- one that fully meets the complex responsibilities and opportunities of our time and environment. PWD's mission is to:

- Provide the Greater Philadelphia region with integrated water, wastewater and stormwater services
- Protect public health by always delivering PWD's customers the highest quality of drinking water at a competitive and affordable cost
- Protect the environment by managing and treating the region's wastewater and stormwater, protecting and advocating for rivers and streams and their watersheds, and protecting sources of drinking water
- Support the sustainable growth of Philadelphia and its residents, communities, businesses and industry as well as the financial well-being of the utility
- Continue to be America's most innovative utility with a constant focus on quality, efficiency, customer service and affordability

PWD's short and long term goals:

PWD recently completed a new Strategic Plan, which was created with the input of PWD's own staff, other city and government agencies, and external partners. The plan focuses on eight key areas:

- Improve customer service, outreach and assistance
- Increase workforce strength and diversity
- Improve our financial health
- Invest in capital planning
- Protect our infrastructure
- Uphold excellence in core services
- Ensure sustainable utility operations
- Support a strong and diverse Philadelphia business community

There are over 50 short, medium and long-term sub-objectives that fall into these eight areas. A copy of the strategic plan is enclosed for reference.

PWD FY14 accomplishments:

- Northeast Biogas Cogeneration Facility: Construction was completed in November 2013 on the Northeast Biogas Cogeneration Facility, at PWD's Northeast Water Pollution Control Plant. This innovative wastewater biogas-to-energy facility will capture methane biogas from the existing sewage treatment process and use it to generate electricity and thermal energy for use on-site. The project will generate 5.6 MW of power per year, or enough to meet 85% of the plant's current requirements for heat and electrical power, a great step towards PWD's goal of making all of our facilities energy neutral to cut costs. Additionally, PWD met its aggressive Economic Opportunity Plan goals with minority contractor participation at 44% and with workforce inclusion percentages at 32% minority journeymen, 7% female journeypersons and 54% minority apprentice, and 86% local apprentice. During this past winter's polar vortex when energy rates spiked, the CoGen facility saved PWD \$621,000 in avoided increased energy costs.
- Green City, Clean Waters: Two and half years into the 25-year program, *Green City Clean Waters* has made vital progress in managing stormwater to pollution entering our waterways, while also helping to abate flooding, and greening Philadelphia's neighborhoods. To date, there have been nearly 435 greened acres developed on parks, playgrounds, schoolyards, streets, and other properties. PWD has also restored two

miles of local stream, created three and a half acres of wetlands and cleared area waterways for the safe passage of at least 3,500 migratory fish.

- Product Quality at 100%: While other cities struggle with water quality issues that make it necessary to issue “boil water” alerts, PWD met the goals of the U.S. Environmental Protection Agency (EPA) Partnership for Safe Water, providing the highest quality drinking water, 100% of the time, to all our customers. We are also protecting our rivers 100% of the time, an accomplishment that will be recognized with a Gold Peak Performance Award from the National Association of Clean Water Agencies (NACWA) and continues a 12-year streak of meeting these goals. PWD was able to achieve this performance even under peak stress conditions.
- Infrastructure Soundness: In FY13, PWD bid \$211 million in capital projects, renewed or replaced 30 miles of water and sewer pipes, and reinvested in our water and wastewater facilities. Water main breaks remained below the national average, at fewer than 2.25 breaks daily. A major new capital project, the Venice Island sewer overflow Basin Project (\$47 million), was placed into service, significantly reducing the amount of wet weather overflows to the Schuylkill River. PWD also began its ramp up in 2013 of Capital Improvement Projects, increasing spending from \$170 million/year to \$250 million/year. In addition, the Department implemented a major part of the projects funded through the \$200M awarded from the PennVest fund.
- Commercial Customer Assistance - Stormwater Management Incentives Program (SMIP): This \$5 million/year grant program provides non-residential PWD customers with financial incentives to manage stormwater runoff and reduce their stormwater bill. In its second year, the City awarded \$4.7 million to 17 projects that will capture runoff totaling 77 greened acres. Non-residential customers in Special Services Districts can also apply collectively for additional funding through Business Improvement District Grants. The third round applications were due at the end of January 2014.
- Customer Service - Emergency and Bill Call Center Performance: The addition of cloud technology to the PWD call center in 2013 has resulted in significant increase in the number of calls taken each business day. The center now has the capacity handle and track all calls, and the addition of a customer call back system ensures that every customer gets the chance to speak directly with a representative. The centers are showing significantly fewer abandoned calls and shorter customer hold times. For example, among the approximately 213,000 calls received in 2013, the average customer wait time was 39 seconds -- that’s 30% shorter than the average among call centers across all industries (56 seconds). Additionally PWD and WRB customer service are working on offering self-service options including automated account balance information and enhancements to online payment options through an updated website.
- 21st Century Workforce Initiative - Since initiating this effort in 2012 to strengthen and diversify its employee base, PWD has made some notable accomplishments in workforce support. As a current PowerCorpsPHL participant, PWD will provide ongoing 6-month sessions of full time service and training to groups of Philadelphia area young people, then help them afterward with job placement support. In addition, more than 10% of PWD’s workforce has already taken advantage of new in-house training programs which prepare them to successfully take the civil service exams that will allow them to earn job promotions. Other upcoming training opportunities include a three-phase leadership development program for all PWD supervisors and managers. PWD is also successfully reorganizing its personnel unit to make essential improvements that will facilitate the recruitment and hiring of a highly qualified and diverse workforce.
- Increased Contracting Participation -In FY13, PWD achieved an overall participation rate 26% on all contracts, slightly over its 25% goal. (Please see chart at the end for explanation on difference in OEO’s reporting) Specifically, subcontracting opportunities amounted to contract awards totaling \$56.2 million to disadvantaged business enterprises in FY13. Through the second quarter of FY14, PWD achieved 25% participation on overall PWD contracts. To meet our goal of engaging and assisting the local M/W/DSBE market, our Director of Participation is working to implement PWD’s Participation Plan. This plan includes methods to improve communications through our website, the *Take Part!* online newsletter and informational sessions like the recently launched Contractor Quarterly Seminars. Additionally, we are exploring partnerships to bring resources to the disadvantaged business community including short term lending programs, bonding education, joint venture opportunities and strategic partnering.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

PWD Budget Summary

The proposed Water Fund operating budget for FY15 is \$727.7 million which includes not only the operating budget of PWD (\$354.7 million) but other significant costs, such as the operating budgets of the Water Revenue Bureau and the Office of Innovation and Technology (OIT)-Water, debt service, employee fringe benefits, and other central agency support services.

- The proposed PWD operating budget for FY15 is \$354.7 million which reflects a \$33.7 million increase over FY14 estimated obligations. The increase is attributable to higher costs in nearly every area of operation.
- The PWD Class 100 budget request of \$93.8 million is \$4.8 million over FY14 estimated obligations. The increase is attributed to the transfer of 19 positions from the water revenue bureau to the water department in order to consolidate the management of water shut-offs and restores, lump sum payments for an increasing number retirees during the fiscal period, funding the filling of existing vacancies, and new hires required for meeting the U.S. EPA Consent Order for the reduction of Combined Sewer Overflows.
- The Class 200 budget request of \$146.1 million is \$17.9 Million over FY14 estimated obligations. This increase is primarily associated with implementing the goals of the PWD Strategic Plan, increasing our business assistance program to help manage stormwater fees, Storm Flood Relief modeling and planning expense, funding a cost of service study, and conducting a study of the future water wastewater capital needs for the City for 2040 and beyond, and energy costs.
- The Class 300 and 400 budget request of \$47.7 million is \$1.8 million above FY14 estimated obligations due primarily to an increase in chemical costs, building materials, machinery and equipment at our water treatment and water pollution control plants.
- The Class 800 budget request of \$66.9 million is \$9.1 million above FY14 estimated obligations, primarily due to increased transfers to the Residual Fund and to the General Fund for services rendered.
- The total Water department operating budget increase of \$33.7 Million represents a 10.5% increase from the approved FY14 estimated obligations, or a 5.7% overall budget to budget increase.
- We continue to plan for our future and invest in our water infrastructure. We have developed strategic business and financial plans, and have developed a 25-year, \$10.8 billion capital investment program to proactively tackle both the immediate and the long-term projects that will ensure the stability and efficiency of our city's wastewater, storm-water and drinking water systems.

Accomplishments in PWD Financial Management and Operational Accountability

- New, Predictable Rates: In 2012, Water rates were approved for a three year period. The last scheduled increase under that rate order occurs on July 1, 2014, when typical rates will increase by 5%. Despite the adjustments, PWD rates will remain among the lowest in the region. These new rates will meet the requirements of the Department's Financial Plan, directed at maintaining or improving PWD's credit rating, and supporting the new Capital Improvement Plan, which is re-investing in the City's aging water and sewer infrastructure.
- \$200 million in New Money Revenue Bonds fund the Capital Improvement Program and \$6.8 million of refunding savings: On August 24, 2013, PWD settled on \$170,000,000 in new money Water & Sewer revenue bonds. The bonds were issued as the City of Philadelphia, Pennsylvania-Water and Wastewater Revenue Bonds, Series 2013A. These bonds will be used to finance a portion of the FY 2013 and 2014 Capital program and to pay costs related to the transaction. The bonds were issued at total average interest cost of 4.166341%. The final bond maturity is in FY 2043. The 2013A issue included only uninsured bonds. The department recently received confirmation of its existing bond ratings from each of the three major bond rating agencies. (MOODY'S: A1 Stable S&P: A Stable FITCH: A+ Stable). On January 14th, 2014, PWD sold \$123,170,000 in refunding and new money Water & Sewer revenue bonds. The bonds were issued as the City of Philadelphia, Pennsylvania-Water and Wastewater Revenue Bonds, Series 2014A. These bonds will be used to refund a portion of the Water & Sewer Revenue Bonds, Series 2005A, to finance a portion of the Capital program and to pay costs related to the transaction. The bonds were issued at an all-in true interest cost of 3.850857%. The refunding portion of the transaction generated approximately \$6.8 million in net present value savings with savings occurring in years 2016 to 2027. The new money portion of transaction was structured as a term bond with a final maturity of July 1, 2043. The term bond was priced to yield a

4.70%. PWD has not issued a long-dated 30 year term bond at or below this level since November 2011. The 2014A issue included only uninsured bonds.

- New wastewater treatment agreement with DELCORA: On April 1, 2013 PWD executed a new 15 year wastewater treatment agreement with its largest wastewater customer, the Delaware County Regional Water Quality Control Authority. The contract maintains the 50 MGD average daily treatment limit that was established in the prior 1974 agreement. The agreement also provides for DELCORA's payment for their proportional share of LTCP costs along with a management fee, which are projected to exceed \$178 million over the next 25 years.
- New wastewater treatment agreement with Springfield Township: On February 24, 2014 PWD executed a new 10-year wastewater treatment agreement with Springfield Township. The contract maintains the 4.2 million gallons per day average daily treatment limit that was established in the prior agreement. The agreement also provides for the township's payment for their proportional share of the Long Term Control Plan costs along with a management fee, which are projected to exceed \$15 million over the next 25 years.

PWD Fiscal 2013 Financial Results

During FY13, PWD continued its record of exceeding its financial projections and demonstrating fiscal responsibility.

- **Revenues.** Total operating revenues increased \$23,600,000 primarily due to a 5.8% water and sewer rate increase effective on July 1, 2012. Total non-operating revenues increased \$1,500,000 due to an increase in miscellaneous revenues.
- **Expenses.** Total operating expenses increased \$24,300,000 due to a \$12,800,000 increase in the personal services, including fringe benefits, combined with an increase of \$7,700,000 in the purchase of contracted services, material, and supplies, an increase of \$2,000,000 in contributions, indemnities and taxes, and an increase of \$1,700,000 in charges due to the General Fund.

In FY13, a withdrawal of \$4,666,000 was made from the Rate Stabilization Fund. Deposits of \$19,380,000 to the Capital Account and \$22,833,000 to the Residual Fund were made from the Water Fund Account. These capital and residual fund deposits will be used to provide funding for capital projects in lieu of additional borrowing.

**WATER DEPARTMENT
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	\$85,257,781	\$93,863,950	\$89,035,750	\$93,863,950	\$4,828,200
Class 200 - Purchase of Services	\$116,003,428	\$136,195,600	\$128,128,300	\$146,093,400	\$17,965,100
Class 300 - Materials and Supplies	\$41,242,018	\$44,017,500	\$43,199,600	\$45,096,500	\$1,896,900
Class 400 - Equipment	\$1,893,948	\$3,637,500	\$2,809,100	\$2,666,850	(\$142,250)
Class 500 - Contributions	\$0	\$100,000	\$0	\$100,000	\$100,000
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$53,006,195	\$58,456,300	\$57,864,100	\$66,965,000	\$9,100,900
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
TOTAL	\$297,403,370	\$336,270,850	\$321,036,850	\$354,785,700	\$33,748,850

Staff Demographics Summary*

	Total	Minority	White	Female
Full-Time Staff	1701	60%	40%	19%
Executive Staff	16	25%	75%	44%
Average Salary - ES	\$117,972	\$104,500	\$122,462	\$104,973
Median Salary - ES	\$117,500	\$102,500	\$121,597	\$101,371

Employment Levels*

	Budgeted	Approved	Filled
Full-Time Positions	1947	1905	1701
Part-Time Positions	0	0	0
Executive Positions	16	16	16

Contracts Summary*

	FY09	FY10	FY11	FY12	FY13	FY14*
Total amount of contracts	\$111,156,928	\$58,790,962	\$130,695,391	\$105,911,350	\$145,599,508	\$88,835,600
Total amount to M/W/DBE	\$13,951,121	\$10,013,494	\$32,535,549	\$22,336,432	\$33,113,328	\$21,835,600
Participation Rate	13%	17%	25%	21%	23%**	25%

*As of December 2013

** PWD's participation rate is 26% for FY13. The 23% excludes state and federal contracts managed through an authority, which is not counted by OEO's reporting

**PHILADELPHIA WATER DEPARTMENT
PERFORMANCE, CHALLENGES AND INITIATIVES**

DEPARTMENT PERFORMANCE (OPERATIONS)

Performance Measure	FY08	FY12	FY13	FY13- FY12 Change	FY13 Q1-Q2	FY14 Q1-Q2	FY14- FY13 Q1-Q2 Change	FY14 Goal	FY15 Goal
Millions of Gallons of Treated Water	93,679	87,341	89,616	2.6%	45,578	44,783	-1.7%	93,252	97,920
Percent of Time Philadelphia's Drinking Water Met or Surpassed State & Federal Standards	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%
Miles of Pipeline Surveyed for Leakage	1,113	1,137	968	-14.9%	516	478	-7.4%	1,130	1,130
Water Main Breaks Repaired	687	563	823	46.2%	316	355	12.3%	905	905
Average Time to Repair a Water Main Break upon Crew Arrival at Site (Hours)	7.6	7.7	7.7	0.0%	6.7	6.4	-4.5%	< 8.0 hours	< 8.0 hours
Percent of Hydrants Available	99.7%	99.7%	99.7%	0.0%	99.7%	99.7%	-0.1%	99.7%	99.7%
Number of Storm Drains Cleaned	75,804	84,395	100,251	18.8%	50,182	49,746	-0.9%	111,444	111,444
Acres of Watershed Plans Approved	485	264	251	-4.9%	129	202	56.6%	240	75
Resultant Watershed Stormwater Flow Reduction (Million Gallons)	461	249	236	-5.2%	122	192	57.4%	228	N/A

PWD operates three drinking water plants which treat and deliver about 236 million gallons per day of top quality drinking water that meets or exceeds all federal, state and local regulations, 100% of the time. Additionally, it operates three water pollution control plants that treat approximately 490 million gallons of wastewater per day at a level that meets or exceeds federal and state standards, protecting and preserving our vital waterways. Gallons of water treated decreased by 7% between FY11 and FY12 but increased again by 3% in the first half of FY13 compared to FY12. These plants have each received multiple national awards for achieving 100% compliance with environmental regulations.

PWD surveyed 968 miles of pipeline for leakage in FY13, 15% fewer miles than in FY12, but expects to meet its end of year target of 1,130. The variation in miles of pipeline surveyed is partly explained by the trends in water main breaks, as the same crew and equipment are used to conduct the surveys and locate active leaks. PWD repaired 563 water main breaks in FY12, 41% fewer than in FY11 due to milder weather conditions in FY12 compared to FY11. The number of water main breaks is 3% higher in the first half of FY13 compared to the first half of FY12. With fewer main breaks to locate in FY12, the crews were able to survey more miles of pipeline for leakage. The Department continues to repair water main breaks in roughly 7.7 hours, below the 8-hour target. Additionally, PWD cleaned 17% more storm drains in FY12 than in FY11 and again 22% more in the first half of FY13 compared to the first half of FY12, as a result of increased operational efficiencies and staffing. Additionally, PWD is currently meeting the target of ensuring 99.7% of hydrants are available.

The Department is pursuing an aggressive plan to reduce stormwater overflows through greening its infrastructure, and has approved private development plans across the entire city, representing 264 acres in FY12 and an additional 250 acres in FY13.

Additionally, PWD and WRB's call center fielded approximately 213,000 calls in FY13. The average customer wait time was 39 seconds, 30% shorter than the average among call centers across all industries (56 seconds).

DEPARTMENT CHALLENGES

- Knowledge retention- This is an area of critical concern to PWD and specifically addressed in our Strategic Plan. Because of this prominence, the Department is in the process of developing and institutionalizing the documentation and retention of our policies, practices, standard operating procedures and other operational and management information. While much of this critical data is already sufficiently documented and maintained throughout the Department's many facilities it will, nevertheless, require significant financial and personnel resources to complete, periodically update and maintain in an easily accessible format. Fortunately, this massive undertaking will be facilitated by new and innovative document management systems such as Sharepoint, which is now being deployed Department-wide. We are also currently formalizing an apprentice program and are expanding internship opportunities to create our own pipeline for future employees. Additionally, we continue to maintain and improve access to training courses in-house to develop and ensure our own internal pool of candidates capable of meeting our future employment needs. In 2013 our HR established a focus group to review past practices in recruitment that has led to improved decisions of when and where to actively recruit young, competitive and diverse entry-level candidates. Since 2013, PWD has participated in two career fair recruitment seasons covering a range of colleges and universities on the east coast including unprecedented visits to Historic Black Colleges and University (HBCU) career fairs at Morgan State, Delaware State University and Howard University.
- Aging infrastructure and limited capital- In order to keep up with the degradation associated with an aging system, PWD is ramping up reinvestment in its infrastructure. PWD continues to schedule infrastructure replacement and rehabilitation projects as infrastructure reaches the end of its useful life. PWD utilizes various asset management tools and a strong maintenance program to optimize the capital program in order to maximize an asset's useful life while maintaining a high level of reliability. With a replacement value in excess of \$30 billion, the goal of the program is to maintain its assets in a reliable state without prematurely replacing them, and consequently increasing debt service costs. This is also a key reason why PWD has embarked on a master capital planning process for the water and wastewater systems for beyond 2040.
- Customer delinquencies- PWD and the Water Revenue Bureau with the Revenue Department have developed a working group which meets on a monthly basis to identify and seek solutions to business processes and customer communications that can impact a customer's ability to stay current on their water/sewer/stormwater bills. Over the past year and a half, the working group has implemented and/or revised public information materials (shut off notices, assistance programs fact sheets, bill design, website materials) and business processes and policies (online payment options, zero usage bill policy, meter readers re-assignment, estimated bills) to assist customers with achieving on time payment. The Working Group will be implementing new customer service enhancements over the next six months via IVR applications for customer self-service options.

STAFFING LEVELS

- PWD is budgeted for approximately 1900 positions comprising 277 job titles—the most of any city department.
- On any given date there are approximately 150 -200 vacancies, or about a 10% rate. This is a reduction from the approximately 270 vacancies that existed during last year's budget cycle.
- These vacancies, in part, are the result of the movement (promotional and lateral) of staff both internally and to other Departments that is the natural result of the Civil Service system.
- The remaining balance of vacancies is the result of employee attrition and retirement and in some instances an impediment to the efficient management and operation of the system.
- During the past year numerous initiatives have been undertaken to further reduce the overall vacancy level. These include the addition of new PWD Personnel staff, better I.T. data management capabilities and improved civil service test scheduling to ensure the availability of qualified candidates for all open positions.
- It is expected that during the next year the overall vacancy rate will be further reduced to around 7% of budgeted positions, which is sustainable budgetarily and operationally.
- Our staff continues to grow and fill vacant positions to respond to needs related to planning implementation and maintenance of our EPA Consent Order to manage stormwater, Storm Flood Relief project planning,

expediting of development plan reviews, succession and legal obligations. The augmentation of business support, Office of Economic Opportunity (OEO) coordination and participation data tracking, workforce diversity and training coordination, and improved internal control function have also contributed to these increases.

Number of staff by language: PWD does not track the foreign language proficiency of our staff. For customer service, PWD uses Language Line, a service that PWD and WRB call centers use for third-party translation. When written communications are sent to a neighborhood where a language other than English is predominantly used, we translate the communication using the translation service provided by the Managing Director's Office.

PAST INITIATIVES

- Public Private Partnership projects- PWD has been an active advocate of public-private partnerships (P3s) in an effort to reap the benefits of these ventures of all stakeholders. P3s, such as described below, offer the public sectors the expertise and efficiencies that the private sector typically brings to delivery of facilities while offering the private sector business a broader base for financing the delivery of such services or facilities thus creating a mutually beneficial situation.
 - Northeast Water Pollution Control Plant Biogas Project (CoGen) - PWD has had great success through our active involvement in an innovative public/private partnership called The Northeast Water Pollution Control Plant (NEWPCP) Biogas Project. This partnership was created between PWD, Ameresco, and Bank of America capital leasing unit to support the generation of both thermal energy and electricity at the NEWPCP facility which can recycled on-site to meet 85% of the plant's energy needs. The project was led by Ameresco as the project developer, AP Construction as the general contractor, and AECOM as the Engineer of Record. The project achieved over 44% participation - exceeding its EOP goal of 40%. The workforce goals were also met in many areas. The project had 32% participation of minority journeymen, 54% minority apprentice, 86% local apprentice and 7% female journeypersons.
 - Synagro/ The Philadelphia Biosolids program is a comprehensive management system of the City's biosolids which includes the design, financing, construction, maintenance, and operation of facilities at the City's Biosolids Recycling Center. This P3 team includes Philadelphia Biosolids Services, LLC (PBS), a joint venture comprised of Synagro-WWT, Inc. with 70% holdings, McKissack & McKissack (a minority female owned firm) with 20% holdings and Len Parker & Associates (LPA), (a minority male owned firm) with 10% holdings. The estimated cost of this project is 350 million dollars for over a 25 year span. The project began in August 2008. The Project was set up in 4 phases: Interim Operations, Design, Construction, and Long Term Operations offering ample opportunities for inclusion. For example during the construction phase which was completed in 2010, offered an EOP eligible portion of the work equal to \$27,080,422. It is noteworthy that the goals set by OEO are articulated in the form of ranges. PWD has responded to these ranges in a manner that reflects the availability of services in the current market place in combination with an awareness of the limitations that has unique technical procurement requirements of a given project to develop the proposed plan of action detailed below.
 - The participation on the project to date:
 - Interim Operations Phase – **Complete**
 - **Contract Value: \$13,342,557**
 - Subcontracts – (Goals: MBE - 32%; WBE – 15%; DSBE – 3%)
 - MBE documented participation - 32%
 - WBE documented participation- 29%
 - Workforce – (Goal is 50% local residents, no minority or female goal was stipulated)
 - Local workforce – 45%
 - Minority workforce – 33%
 - Female workforce – 9%
 - Design phase - **Complete**

- **Contract Value: %1,846,200**
- Subcontracts (Goals: MBE – 26% - 31%; WBE 12%-14%; DSBE 2%-3%)
 - MBE documented participation – 27%
 - WBE documented participation – 10%
 - Workforce is not applicable during design phase.
- **Construction – Complete**
 - **Contract Value: \$27,080,422**
 - Total spend and EOP eligible \$27,080,422
 - Subcontracts (Goal: 35% combined MBE/WBE)
 - MBE documented participation- 37%
 - WBE documented participation- 8%
 - Workforce (Goals: 50% local; 35% minority; 7% female)
 - Local journeypersons –32%
 - Minority journeypersons – 21%
 - Female journeypersons – 3%
- Long term operations – In progress (Year 2)
 - Spend for FY 13 - \$21,350,000
 - Subcontracts (Goal: MBE – 15%; WBE – 10%)
 - MBE/WBE documented participation – 28%
 - Community Benefits Agreement - PBS currently has an agreement with Penrose to hire local residents. The Economic Opportunity Plan specifies that PBS will make Best and Good Faith Efforts to require its contractors to utilize Philadelphia-based subcontractors that employ local residents in its long term operations workforce consistent with a workforce utilization goal of 50%. For any jobs created in connection with the operation of the new facility the minimum goal for employment of minority persons is 30%; 15% for females and encouraged participation for disabled. PBS will use its Best and Good Faith Efforts to reach out to sources of employment like the Philadelphia Works and the Urban League of Philadelphia that can refer minority, female and disabled workers. PBS is also in partnership with local organizations to develop appropriate workforce development programs to provide training to employees.

CURRENT INITIATIVES

- M/W/DSBE Participation and Business Development- As part of our broader mission of supporting the sustainable growth of business diversity, PWD is committed to helping the long-term development of market opportunities for minority, women, and disabled-owned business enterprises (M/W/DSBEs) in the greater Philadelphia region. Towards that end, PWD identified seven leverage points for action that include:
 - increasing public awareness of PWD’s business practices;
 - improving contract requirement processes to enhance participation;
 - addressing structural barriers to participation;
 - coordinating data tracking and monitoring tools for improved communication;
 - maintaining reliable communication with resource partners;
 - exploring options for the introduction of new Best Practices in diversity procurement programs; and
 - improving staff awareness of the importance of supplier diversity and participation.
- Project Labor Agreements- Currently, PWD has six Project Labor Agreements (PLAs) in place for projects estimating from \$4.5 million to \$38.9 million. PWD anticipates increasing its PLA portfolio with an additional 10 projects during the remaining part of FY14 into FY15; one project of which will be a four part bid. The PLAs for these projects include requirements for diversity in the trades and the inclusion of local, minority and women hiring goals.

- Strategic and Financial Planning- This year, we published a new department-wide strategic plan, revised our strategic business plan and developed a new financial plan. These plans, along with the capital improvement plan, serve as a guide for moving our utility into the 21st Century with a strong and diverse workforce, sound infrastructure investment, lower cost of capital, new metering and customer service technologies, and water treatment and management reviews to identify areas of cost savings and increase service levels. In FY 2013, the three major Wall Street rating agencies, Moody's, Standard and Poor's, and Fitch, rated PWD's bonds in the A range, allowing us to borrow at lower interest rates to fund our infrastructure improvements.
- 21st Century Workforce Initiative- PWD has initiated an effort to strengthen and diversify its workforce, while also preparing the next generation of Philadelphians for skilled, high-paying jobs. This effort reinforces an organizational culture that values diversity, high performance and accountability. Over the next two years, PWD will be focusing on passing on the knowledge and skills needed to perform the tasks we do every day by, among other things, re-launching an Apprenticeship program to train and employ young people in the skilled trades highly desired by PWD. Additionally, the Department's team of more than 1,900 employees brings a diverse and valuable range of skills, and PWD is working to further strengthen our workforce through targeted, thoughtful recruitment, training and promotion.
- Storm Flood Relief- Flooding is occurring throughout the city due to an increase of extreme storm events the past several years. Citywide, PWD is spending \$40 to 50 million dollars reducing runoff every year and spending upwards of \$30 million dollars in capital every year enhancing and improving our collection system capacity. PWD is also studying potentially \$1 billion in system improvements. Since 2005, PWD has spent \$1.7 million to install basement back-up protection devices at 455 homes in the city. PWD is coordinating response and recovery with other city, state, and federal agencies to provide advanced warning forecasts in advance of large storms, tidal and neighborhood flooding projections and vulnerability analyses, FEMA flood map revisions, projecting climate change impacts, installing signage in vulnerable areas, reviewing zoning and building codes, and meeting with communities. These have led to changes in the City's Emergency Plan by OEM. PWD is also working with PennDOT on I-95 reconstruction and other riverfront areas for removing their drainage from the combined sewer system.
- Green City, Clean Waters -PWD is the steward of the city's streams, rivers, and water supply. As part of this role, PWD is working to reduce and manage stormwater and its impacts on the city's rivers and streams through sustainable, cost-effective, and innovative green infrastructure practices. Using a triple bottom line analysis, it was determined using green infrastructure would achieve the greatest social, environmental, and financial benefits while also proving to be the least costly way to meet obligations. PWD is projected to spend approximately \$1.2 billion to implement this program over 25 years to meet its regulatory consent order obligations to PADEP and EPA. PWD currently expects to meet its 2016 runoff reduction and overflow reduction requirements. Metrics tracking includes acres of impervious area managed, greened acres, and combined sewer overflow reduction are being measured and modeled in a variety of manners. The costs of each project are evaluated against the benefit of reduced runoff for comparison. To date, PWD has managed the runoff from 1,644.2 acres (2.6 square miles) through this program citywide. Much of this success is due to partnerships with the private sector, with community and civic groups, with peer agencies, and with City Council. For the astounding level of enthusiasm and support we have received for this program, we are extremely grateful.
- Energy Program -Electricity and natural gas costs exceed \$20 million in operating expenses for PWD. Due to the volatility of these markets and costs PWD embarked on a formal energy program to buy electricity and natural gas cheaper from markets, use our energy more efficiently, and make our own energy whenever possible and cost effective. In FY13, This program has helped us reduce electrical loads to achieve \$290,000 in performance payments, saved \$4 million on natural gas by using our biogas, saved \$23,000 using solar power, obtained a \$400,000 sewer geothermal system via partner grants, and generated \$196,000 in air de-icing fluid tipping fee revenues. All of these efforts that save money and increase our resilience, including the biogas cogeneration facility, have led to a more than 20% decrease in greenhouse gas emissions for PWD.

NEW INITIATIVES

- Master Water and Wastewater Plans for 2050 – PWD initiated the process of evaluating and planning the infrastructure needs for the next 35 years for its water and wastewater systems. This includes projecting capacity and service requirements and infrastructure service life replacement schedules. The results of these plans will inform more strategic and efficient capital investments over the coming decades at PWD and position our infrastructure to be more adaptable and resilient to future unforeseen challenges.
- PWD Management Study of Customer Service and Field Operations- In March 2014, PWD kicked off a management and efficiency review of all aspects of its operations that impact its customers including: Call Center Operations, Customer Service, Inlet Cleaning, Water and Sewer Main Repair, Metering and Construction operations. This study is designed to benchmark PWD with comparable utilities to identify opportunities for improvements through improved business processes, benchmarking and the identification of resource gaps. This work will continue into FY15.
- WRB Strategic Review of Customer Service Functions: In March 2014, PWD and WRB initiated an audit to analyze WRB operational/financial practices and procedures and to make recommendations with regard to (1) creating an overall high level of customer service; (2) assuring maximum receipt of revenues; (3) assuring timely, accurate and reliable financial and management information; and (4) evaluating whether to improve or replace the existing billing operating system. This work will continue into FY15.

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

- 99% of all PWD funds come from the ratepayers, so a decreased in state or federal funding at this time would have a limited impact on our current operations. However, state and federal funds received in the past have help PWD start new programs that have proven successful. For example, the federal tax credit was used to help finance the Cogen facility.
- An increase in state and federal funds would help PWD make smart investments and increase the repair and replacement schedule for aging water infrastructure. It could also help enable PWD to strengthen existing programs, like the contaminant warning system, or to pilot more efficient stormwater management tools. PWD has appreciated our ability to access state revolving funds, and if we were able to access additional funds through PennVest we could allocate them towards programs to help meeting our Consent Agreement regarding Combined Sewer Overflows.
- PWD supports any efforts to create more funding tools. Specifically, PWD supports the federal Water Infrastructure Finance and Innovation Act, which would establish a five-year \$50 million pilot program to offer low-interest loans for water and wastewater infrastructure projects costing at least \$20 million.
- PWD is also interested in pursuing additional public private partnerships that can help leverage additional funds for infrastructure investment. Of interest is Chicago’s emerging Infrastructure Bank, and efforts in the Pennsylvania legislature to expand authorization for public private partnership projects to local governments and school district projects such as utility infrastructure and facilities use for public water supply or treatment or stormwater disposal.

APPENDIX (WATER DEPARTMENT)

DEPARTMENT EMPLOYEE DATA

Staff Demographics
Executive Staff

Full-Time Staff

		Male		Female		Male		Female	
<i>Total</i>		1370		331		9		7	
<i>% of Total</i>		81%		19%		56%		44%	
	African-American			African-American				African-American	
<i>Total</i>		689		177		0		1	
<i>% of Total</i>		41%		10%		0%		6%	
	White			White				White	
<i>Total</i>		572		114		8		4	
<i>% of Total</i>		34%		7%		50%		25%	
	Hispanic			Hispanic				Hispanic	
<i>Total</i>		29		8		0		1	
<i>% of Total</i>		2%		0%		0%		6%	
	Asian			Asian				Asian	
<i>Total</i>		51		22		1		1	
<i>% of Total</i>		3%		1%		6%		6%	
	Other			Other				Other	
<i>Total</i>		29		10		0		0	
<i>% of Total</i>		2%		1%		0%		0%	
	Bi-lingual			Bi-lingual				Bi-lingual	
<i>Total</i>		0		0		0		2	
<i>% of Total</i>		0%		0%		0%		13%	

APPENDIX (WATER DEPARTMENT)

CONTRACTING EXPERIENCE

M/W/DBE Participation on Large Contracts

FY14 Contracts (Operating and Capital)

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RPP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DBEs	Living Wage Compliant?
PMA - Synagro/BRC	Biosolid Services	\$ 21,100,000	5/28/04	10/24/08	MBE:	23%	\$4,853,000	28%	y
					WBE:	5%	\$1,055,000		
					DSBE:	0%	\$0		
AP Construction	Northern Liberties Flood Relief	\$ 19,371,128	8/29/13	2/24/14	MBE:	18%	\$3,486,803	28%	y
					WBE:	10%	\$1,937,113		
					DSBE:	0%	\$0		
CDM Smith	General Consultant Services	\$ 8,095,000	4/8/13	7/1/13	MBE:	30%	\$2,428,500	35%	y
					WBE:	5%	\$404,750		
					DSBE:	%	\$0		
AP Construction	Clear Well Basin Replacement Site Prep at Baxter Water Plant	\$ 5,317,000	11/26/13	1/9/14	MBE:	10%	\$531,700	15%	y
					WBE:	5%	\$265,850		
					DSBE:	0%	\$0		
PIDC	Stormwater Management Program	\$ 5,200,000	N/A - contract managed through a quasi-agency	5/23/12	MBE:	15%	\$780,000	25%	y
					WBE:	10%	\$520,000		
					DSBE:	0%	\$0		

FY14 Operating Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RPP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DBEs	Living Wage Compliant?
PMA - Synagro/BRC	Biosolid Services	\$ 21,100,000	5/24/04	10/24/08	MBE:	23%	\$4,853,000	28%	y
					WBE:	5%	\$1,055,000		
					DSBE:	0%	\$0		
CDM Smith	General Consultant Services	\$ 8,095,000	4/8/13	7/1/13	MBE:	30%	\$2,428,500	35%	y
					WBE:	5%	\$404,750		
					DSBE:	0%	\$0		
PIDC	Stormwater Management Program	\$ 5,200,000	N/A - contract managed through a quasi-agency	5/23/12	MBE:	15%	\$780,000	25%	y
					WBE:	10%	\$520,000		
					DSBE:	0%	\$0		
PMA - NE Biogas	Cogeneration	\$ 3,848,254	9/17/10	12/23/11	MBE:	30%	\$1,154,476	35%	y
					WBE:	5%	\$192,413		
					DSBE:	0%	\$0		
PMA - AMR	AMR	\$ 2,062,000	3/8/96	7/10/97	MBE:	30%	\$618,600	35%	y
					WBE:	5%	\$103,100		
					DSBE:	0%	\$0		

FY14 Capital Contracts

Vendor	Scope	Amount of Contract	Bid Issue Date	Contract Start Date	Ranges in RPP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DBEs	Living Wage Compliant?
AP Construction	Northern Liberties Flood Relief	\$ 19,371,128	8/29/13	2/24/14	MBE:	18%	\$3,486,803	20%	y
					WBE:	10%	\$1,937,113		
					DSBE:	0%	\$0		
AP Construction	Clear Well Basin Replacement Site Prep at Baxter WTP	\$ 5,317,000	11/26/13	1/9/14	MBE:	10%	\$531,700	15%	y
					WBE:	5%	\$265,850		
					DSBE:	0%	\$0		
Stone Hill Contracting Co. Inc.	New Ferric Chloride Storage Tanks at Baxter Water Plant	\$ 3,728,579	11/26/13	12/11/13	MBE:	10%	\$372,858	17%	y
					WBE:	7%	\$261,001		
					DSBE:	0%	\$0		
Carusone Construction	Reconstruct of Sewers & Relay Water Mains	\$ 2,727,000	8/20/13	10/28/13	MBE:	11%	\$299,970	16%	y
					WBE:	5%	\$136,350		
					DSBE:	0%	\$0		
Buckley and Co. Inc.	Lock Street Bridge Reconstruction at Venice Island	\$ 2,423,955	9/17/13	3/3/14	MBE:	10%	\$242,396	16%	y
					WBE:	6%	\$145,437		
					DSBE:	0%	\$0		

APPENDIX (Water Department)

CONTRACTING EXPERIENCE

M/W/DBE Participation on Large Contracts

FY13 Operating 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 DSBEs	Living Wage Compliant?
PMA	Synagro- Biosolids Recycling Center	\$21,350,000	5/24/04	10/24/08	MBE: WBE: DSBE:	20% 5% 0%	\$ 4,270,000 \$ 1,067,500 \$ -	\$ 5,337,500 25%	y y y
PIDC	Stormwater Management Incentive Program	\$10,175,000	N/A - contract managed through a quasi agency	5/23/12	MBE: WBE: DSBE:	15% 10% 0%	\$ 1,526,250 \$ 1,017,500 \$ -	25% \$ 2,543,750	y y y
CDM Smith, Inc.	CSO	\$8,025,000	6/3/09	7/1/09	MBE: WBE: DSBE:	14% 7% 0%	\$ 1,083,375 \$ 521,625 \$ -	20% \$ 1,605,000	y y y
PMA	AMR - Automatic Meter Reading	\$2,362,000	3/8/96	7/10/97	MBE: WBE: DSBE:	20% 20% 0%	\$ 472,400 \$ 472,400 \$ -	40% \$ 944,800	y y y
Duffield Associates	Stormwater Plan Review	\$1,527,955	5/12/10	8/1/10	MBE: WBE: DSBE:	20% 15% 0%	\$ 305,591 \$ 229,193 \$ -	35% \$ 534,784	y y y

M/W/DBE Participation on Large Contracts

FY12 Operating 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 DSBEs	Living Wage Compliant?
PMA	Synagro- Biosolids Recycling Center	\$22,510,000	5/24/04	10/24/08	MBE: WBE: DSBE:	30% 3% 0%	\$ 6,710,231 \$ 706,814 \$ -	33% \$ 7,417,045	y y y
Camp Dresser & McKee	CSO	\$6,609,800	6/3/09	7/1/09	MBE: WBE: DSBE:	15% 5% 0%	\$ 991,470 \$ 330,490 \$ -	20% \$ 1,321,960	y y y
PIDC	Stormwater Management Incentive Program	\$5,200,000	N/A - contract managed through a quasi agency	5/23/12	MBE: WBE: DSBE:	15% 10% 0%	\$ 780,000 \$ 520,000 \$ -	25% \$ 1,300,000	y y y
PMA	AMR - Automatic Meter Reading	\$2,362,000	3/8/96	7/10/97	MBE: WBE: DSBE:	20% 15% 0%	\$ 472,400 \$ 354,300 \$ -	35% \$ 826,700	y y y
CSL	Flow Monitoring	\$1,500,000	6/1/11	8/1/11	MBE: WBE: DSBE:	10% 10% 0%	\$ 150,000 \$ 150,000 \$ -	20% \$ 300,000	y y y

PHILADELPHIA WATER DEPARTMENT
(Other Relevant Data and Charts)

Explanation of difference between OEO Annual Report and PWD reporting on Participation:

The annual OEO report stated that PWD achieved 23% participation, however, that report did not include PWD projects that were let through a third party source or federal, state, and private projects.

The below charts have been vetted with and approved by OEO to demonstrate how PWD achieved 26% participation.

Table I illustrates combined participation on contracts that are reported in FY13 as awards and contracts under federal, state, and public, private partnerships; in addition to, projects that have expended dollars in FY13 under an Economic Opportunity Plan (EOP).

Table I: FY13 Contracts By Budget Type	Contracts Awarded	Commitment Participation	%
Operating and Capital	145,599,908	33,113,328	23%
Federal/State/Private	73,645,878	23,118,581	31%
Overall Participation	219,245,386	56,231,909	26%

Table II summarizes the various contract types under the operating and capital budget by which participation commitments were made.

Table II: FY 13 Contracts By Contract Type Under Operating And Capital Budget

Contract Type	Contract Awarded	Commitment Participation	%
Professional Services	45,582,396	13,914,177	31%
Miscellaneous Purchase Orders	896,892	210,000	23%
Public Works	86,090,330	17,594,861	20%
Supply Services and Equipment	12,418,886	1,361,047	11%
Small Order Purchases	611,404	33,243	5%
	145,599,908	33,113,328	23%

Table III summarizes contracts with EOPs which also include projects funded by federal/states grants; and actively spent in FY 13.

Table III: FY 13 Contracts By Grant And Project Type

Grant/Project Type	Contract Award	Commitment Participation	%
PMA - NEWPCP Biogas	27,054,827	11,363,027	42%
PMA - Philadelphia BioSolids	21,350,000	5,337,500	25%
Federal/State grants DEP/EPA Public Works	12,704,051	3,047,604	24%
PIDC – Stormwater Management Incentives Program	10,175,000	2,543,750	25%
PMA – Automatic Meter Reading	2,362,000	826,700	35%
	73,645,878	23,118,581	31%

Table VI: 2nd Qtr FY14 Contracts By Budget Type:

Budget	Contracts Awarded	Commitment Participation	%
Operating and Capital	88,914,326	21,835,600	25%
PMA/PIDC	32,210,254	9,276,589	29%
Overall Participation	121,124,580	31,112,189	26%

Table VII: 2nd Qtr FY 14 Contracts By Contract Type Under Operating And Capital Budget

Contract Type	Contract Awarded	Commitment Participation	%
Professional Services	32,249,463	10,936,611	34%
Miscellaneous Purchase Orders	1,017,500	214,000	21%
Public Works	53,054,197	10,599,312	20%
Small Order Purchases	524,746	41,997	8%
Supply Services and Equipment	2,068,421	43,680	2%
	88,914,326	21,835,600	25%

Table VIII: 2nd Qtr FY 14 Contracts By Project Type awarded through an Authority

Grant/Project Type	Contract Award	Commitment Participation	%
PMA - Philadelphia BioSolids	21,100,000	5,908,000	28%
PIDC – Stormwater Management Incentives Program	5,200,000	1,300,000	25%
PMA - NEWPCP Biogas	3,848,254	1,346,889	35%
PMA – Automatic Meter Reading	2,062,000	721,700	35%
	32,210,254	9,276,589	29%