

**PHILADELPHIA WATER DEPARTMENT
FISCAL YEAR 2018 BUDGET TESTIMONY
APRIL 26, 2017**

INTRODUCTION

Good morning Council President Clarke and members of City Council. I am Debra McCarty, Water Commissioner. Joining me today are Donna Schwartz, Deputy Water Commissioner (Operations) and Melissa La Buda, Deputy Water Commissioner (Finance). I am pleased to provide testimony on the Water Department's Fiscal Year 2018 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Philadelphia Water Department (PWD) supports public health by planning for, operating and maintaining the infrastructure and organization necessary to reliably provide an uninterrupted supply of high-quality drinking water for its customers, meeting household, commercial and firefighting needs, and to sustain and enhance the region's watersheds and quality of life by treating wastewater to high standards, and effectively managing stormwater.

Plans for Fiscal Year 2018:

In FY18, the Water Department plans to continue delivering the highest quality drinking water, sanitary, and storm sewer services. The Department also plans the following:

Economic Empowerment Initiatives - In addition to creating job opportunities for all Philadelphians, PWD also supports small, local, and disadvantaged business entities. The following initiatives have helped us achieve our goals:

- **Workforce development:** The Department continues to support the PowerCorps program designed to provide at-risk Philadelphia youth with short-term work opportunities within city government. In addition to providing work assignments to approximately 125 PowerCorps members, the Department has provided ongoing financial support to the program of more than \$700,000 since FY15. Approximately 15 participants of this program have been hired as full-time employees within the Department – a win/win for the Department and youth. PWD has also hired nine individuals from the high school apprentice program. Additionally, the Department actively hires many new workers who have previously served time or have been convicted of a crime as a component of its commitment to provide opportunity to all.
- **Small, local and disadvantaged business development:** The Department continues to support small, local, and disadvantaged businesses by educating them on how to do business with the City and partnering with business advocates to provide training workshops.
 - Philadelphia residents made up 40% of the work hours attributed to public works construction projects over \$250,000 in FY16 through the second quarter of FY17.
 - The prime contractor in 21% of PWD's professional services contracts over \$250,000 in FY16 was a minority- or woman-owned business.

Water Affordability – PWD, in collaboration with the Revenue Department, is working towards the implementation of the Tiered Assistance Program (TAP)/affordability program by July 2017, as mandated

by City ordinance. TAP will offer income-qualified residential water customers a discount on their bill, tying their monthly payment to their household income and size. This is the first time that low-income customers without a past due balance will be eligible for a reduced charge. The Department has developed a public communications and engagement campaign, which we plan to execute during the balance of FY17 and continue in FY18, so that enrollees are aware of the program and understand eligibility requirements and the application process.

Customer Service, Call Center Merger – The overarching goal of this PWD & Revenue Department project is to improve customer service by reducing wait times, reducing the confusion related to multiple call centers, and strengthening the skill and professionalism of the customer service agents. We anticipate completing the physical call center merger during the first quarter of FY18.

Lead Service Line Replacements – With a goal of reducing the number of homes served by lead service lines, we plan to continue our robust lead safety programming for customers. When we find a lead service line during a water main relay, PWD will fully replace it at no cost to the customer. Additionally, PWD offers interest-free loans for customers to replace their lead service lines at any time. We continue to identify lead service lines while on residential service calls, and are always improving our website and outreach material so they are accessible to as many customers as possible.

Updated Metering Infrastructure – PWD recently issued an RFP to replace our current water metering infrastructure. We anticipate entering a 20-year contract, which requires City Council approval (and routing through an authority). With the imminent end of the 20-year contract for AMR and the age of the current metering transmitter batteries, installation of the Advanced Metering Infrastructure at the earliest possible date is in the utility's best interest.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2016)				
	Total	Minority	White	Female
Number of Full-Time Staff	1,820	1,141	679	360
Number of Civil Service-Exempt Staff	14	5	9	8
Number of Executive Staff (deputy level and above)	7	1	6	4
Average Salary, Full-Time Staff	\$48,696	\$44,995	\$55,043	\$52,928
Average Salary, Civil Service-Exempt Staff	\$104,670	\$81,736	\$117,411	\$115,209
Average Salary, Executive Staff	\$133,469	\$120,000	\$135,714	\$141,938
Median Salary, Full-Time Staff	\$44,481	\$42,899	\$48,236	\$45,365
Median Salary, Civil Service-Exempt Staff	\$111,972	\$80,000	\$120,000	\$112,460
Median Salary, Executive Staff	\$127,506	\$120,000	\$135,000	\$145,125

Employment Levels (as of December 2016)		
	Budgeted	Filled
Number of Full-Time Positions	1,986	1,820
Number of Part-Time Positions	0	0
Number of Civil-Service Exempt Positions	18	14
Number of Executive Positions (deputy level and above)	10	7
Average Salary of All Full-Time Positions	\$46,785	\$48,696
Median Salary of All Full-Time Positions	\$42,574	\$44,481

Water Department Financial Summary by Class						
	FY16 Original Appropriations	FY16 Actual Obligations	FY17 Original Appropriations	FY17 Estimated Obligations	FY18 Proposed Appropriations	Difference: FY18-FY17
Class 100 - Employee Compensation	\$102,961,600	\$98,158,995	\$107,688,919	\$110,365,167	\$116,470,294	\$6,105,127
Class 200 - Purchase of Services	\$151,645,200	\$128,776,640	\$159,715,792	\$152,349,240	\$157,471,521	\$5,122,281
Class 300 - Materials and Supplies	\$44,061,850	\$38,245,306	\$44,789,613	\$43,718,700	\$45,384,615	\$1,665,915
Class 400 - Equipment	\$3,398,350	\$1,992,145	\$3,747,956	\$3,252,344	\$3,550,178	\$297,834
Class 500 - Contributions	\$100,000	\$5,440,242	\$501,000	\$501,000	\$600,000	\$99,000
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$65,000,000	\$60,733,243	\$66,700,000	\$65,700,000	\$71,000,000	\$5,300,000
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0	\$0
	\$367,167,000	\$333,346,571	\$383,143,280	\$375,886,451	\$394,476,608	\$18,590,157

Professional Services Contracts Summary						
	FY12	FY13	FY14	FY15	FY16	FY17 YTD (Q1 & Q2)
Total amount of contracts	\$105,653,665	\$145,629,907	\$171,861,087	\$189,569,191	\$240,688,928	\$219,110,609
Total amount to M/W/DSBE	\$22,336,432	\$33,113,328	\$39,335,707	\$54,864,670	\$72,423,616	\$59,928,910
Participation Rate	21%	23%	23%	29%	30%	27%

M/W/DSBE Contract Participation Goal			
	FY16	FY17	FY18
M/W/DSBE Contract Participation Goal	30%	30%	32%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2018 Water Department budget totals \$394,476,608, an increase of \$18,590,157 over Fiscal Year 2017 estimated obligation levels. The increase is attributable to projected higher costs for labor, professional services, and equipment.

The proposed Water Department budget includes:

- \$116,470,294 in Class 100, a \$6,105,127 increase over FY17. This funding increase is due to the following; transfer of 54 positions from the Revenue Department -Water Revenue Bureau to the Water Department due to the merger of call centers, transfer of 7 positions from OIT to the Water Department, plus funding for 25 new full-time equivalents, mostly driven by regulatory compliance matters (Consent Order & Agreement).
- \$157,471,521 in class 200, a \$5,122,281 increase over FY17. This funding increase is due to increases in contracted services related to the Tiered Assistance Program, lead service line replacement program, regulatory requirements related to the CO&A, and maintenance at our treatment plants.
- \$45,384,615 in Class 300, a \$1,665,915 increase over FY17. This funding increase is due to increases in construction supply costs, distribution control system upgrades, and other increases related to electrical parts and monitoring equipment.
- \$3,550,178 in Class 400, a \$297,834 increase over FY17. This funding increase is due to various equipment purchases such as lighting, communication equipment, and fixtures.
- \$600,000 in Class 500, a \$99,000 increase over FY17. This funding increase is related to increased funding for the Utility Emergency Services Fund (UESF).
- \$71,000,000 in Class 800, a \$5,300,000 increase over FY17. This funding increase is related to repaying the General Fund for a combined sewer project, as well as increases in a required transfer related to renewal and replacement, as well as for services provided by the General Fund to the Water Department.

STAFFING LEVELS

The Department is requesting 2,072 budgeted positions for FY18, an increase of 86 positions over FY17. This increase is due to the transfer of 54 positions from the Revenue Department -Water Revenue Bureau to the Water Department due to the merger of call centers, transfer of 7 positions from OIT to the Water Department, plus funding for 25 new full-time equivalents, mostly driven by regulatory compliance matters (Consent Order & Agreement).

NEW HIRES

New Hires (from December 2016 to present)		
	Total Number of New Hires	Spanish
Black or African American	19	-
Asian	7	-
Hispanic or Latino	2	1
White	14	-
Total	42	1

PERFORMANCE, CHALLENGES, AND INITIATIVES

FY18 Performance Measures				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Millions of gallons of treated water	84,573	42,777	97,721	97,721
Percent of time Philadelphia's drinking water met or surpassed state and federal standards	100%	100%	100%	100%
Miles of pipeline surveyed for leakage	682	562	1,110	1,110
Water main breaks repaired	703	411	905	905
Average time to repair water main break upon crew arrival at site (hours)	6.8	6.9	< 8.0	< 8.0
Percent of hydrants available	99.6%	99.6%	99.7%	99.7%
Number of storm drains cleaned	98,105	53,229	100,000	100,000
Constructed greened acres	205.3	76.2	205.0	360.0
Design complete greened acres *	N/A	102.1	426.0	300.0

**This is a new measure for FY17.*

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

The Water Department does not receive any material funding from the Federal Government or the Commonwealth of Pennsylvania.

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY17											
Vendor Name	Service Provided	Dollar Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Total % Participation - All DSBEs	Total \$ Value Participation - All DSBEs	Local Business (principal place of business located within City limits)	Waiver for Living Wage Compliance?
Philadelphia Municipal Authority	Biosolids Services	\$22,450,000	5/24/2004	10/24/2008	MBE: 18%	26%	\$5,726,995	31%	\$6,999,910	Yes	No
					WBE: 10%	6%	\$1,272,915				
					DSBE: 0%	0%	\$0				
PAID	Storm Water Management	\$14,658,138	N/A	5/23/2012	MBE: 15%	15%	\$2,198,721	25%	\$3,664,535	Yes	No
					WBE: 10%	10%	\$1,465,814				
					DSBE: 0%	0%	\$0				
CDM Smith	Water Resources and Support Services	\$8,582,700	4/8/2013	7/1/2016	MBE: 30%-35%	31%	\$2,660,637	35%	\$3,003,945	No	No
					WBE: 30%-35%	4%	\$343,308				
					DSBE: 0%	0%	\$0				
PMA-NE Biogas	Cogeneration	\$5,979,999	9/7/2010	12/23/2011	MBE: 30%-35%	7%	\$418,600	39%	\$2,332,200	Yes	No
					WBE: 5%-10%	32%	\$1,913,600				
					DSBE: 0%	0%	\$0				
AKRF, Inc	Green Infrastructure Maintenance Stormwater	\$3,639,861	3/1/2016	7/1/2016	MBE: 15%-20%	18%	\$655,175	28%	\$1,019,161	No	No
					WBE: 10%-20%	10%	\$363,986				
					DSBE: 0%	0%	\$0				

EMPLOYEE DATA

Staff Demographics (as of December 2016)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	770	193	<i>Total</i>	0	1
<i>% of Total</i>	42%	11%	<i>% of Total</i>	0%	14%
<i>Average Salary</i>	\$43,285	\$47,320	<i>Average Salary</i>	\$0	\$120,000
<i>Median Salary</i>	\$42,180	\$42,553	<i>Median Salary</i>	\$0	\$120,000
	White	White		White	White
<i>Total</i>	559	120	<i>Total</i>	3	3
<i>% of Total</i>	31%	7%	<i>% of Total</i>	43%	43%
<i>Average Salary</i>	\$53,786	\$60,895	<i>Average Salary</i>	\$122,177	\$149,250
<i>Median Salary</i>	\$47,891	\$56,777	<i>Median Salary</i>	\$120,000	\$155,250
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	44	7	<i>Total</i>	0	0
<i>% of Total</i>	2%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$42,924	\$49,803	<i>Average Salary</i>	-	-
<i>Median Salary</i>	\$42,455	\$49,206	<i>Median Salary</i>	-	-
	Asian	Asian		Asian	Asian
<i>Total</i>	59	28	<i>Total</i>	0	0
<i>% of Total</i>	3%	2%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$48,176	\$58,065	<i>Average Salary</i>	-	-
<i>Median Salary</i>	\$44,472	\$54,927	<i>Median Salary</i>	-	-
	Other	Other		Other	Other
<i>Total</i>	28	12	<i>Total</i>	0	0
<i>% of Total</i>	2%	1%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$51,623	\$53,298	<i>Average Salary</i>	-	-
<i>Median Salary</i>	\$44,479	\$50,986	<i>Median Salary</i>	-	-
	Bilingual*	Bilingual*		Bilingual*	Bilingual*
<i>Total</i>	142		<i>Total</i>	N/A	N/A
<i>% of Total</i>	8%		<i>% of Total</i>	N/A	N/A
<i>Average Salary</i>	-	-	<i>Average Salary</i>	-	-
<i>Median Salary</i>	-	-	<i>Median Salary</i>	-	-
	Male	Female		Male	Female
<i>Total</i>	1460	360	<i>Total</i>	3	4
<i>% of Total</i>	80%	20%	<i>% of Total</i>	43%	57%
<i>Average Salary</i>	\$47,652	\$52,928	<i>Average Salary</i>	\$122,177	\$141,938
<i>Median Salary</i>	\$44,472	\$45,365	<i>Median Salary</i>	\$120,000	\$145,125

*The Department created a voluntary, anonymous, language survey that did not capture employee gender or title.

NUMBER OF BILINGUAL EMPLOYEES

Number of Bilingual Employees						
	Spanish	Malayalam	Hindi	Chinese (Cantonese and Mandarin)	Gujarati	Other
Total - All Divisions	24	31	11	9	8	67
Total - # of Bilingual Employees	142					
Total - # of Languages Spoken	36					

The Department created its survey on a Department-wide basis and not on a Divisional basis.

Additional languages not listed in table: French, Korean, Russian, Hebrew, Arabic, Bengali, Vietnamese, Albanian, Bini, Esan, Farsi (Persian), Italian, Portuguese, Tamil, Amharic, Aramaic, Bulgarian, Ga, German, Greek, Kannada, Latin, Marathi, Oromo, Polish, Romanian, Sindhi, Swedish, Tagalog, Twi.