

**PHILADELPHIA WATER DEPARTMENT
FISCAL YEAR 2019 BUDGET TESTIMONY
APRIL 17, 2018**

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 2019 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 2019: In FY19, the Water Department plans to continue delivering the highest quality drinking water, sanitary, and storm sewer services. The Department also plans the following:

Workforce development:

PWD will continue to build its capacity to recruit, hire, and train a diverse staff while supporting and expanding a "safety culture" throughout the Department. In each of these efforts, special focus will be directed toward the development and expansion of programs that support the City as Model Employer initiative, including PWD's Apprenticeship and Internship programs and prioritizing diversity and inclusion. In coordination with OHR, special focus will also be paid to continuing to reduce the overall vacancy rate.

System maintenance and stability:

PWD will continue to operate the water and wastewater systems dependably, supplying service to the City of Philadelphia and 11 wholesale customers. The Department will maintain, repair and improve the water and wastewater systems efficiently by investing in infrastructure, evaluating alternative technologies, managing PWD maintenance programs, and investing in new technologies, all while continuing to maintain the structural redundancy that is needed to ensure continuous operation. PWD will also continue to improve maintenance efficiencies for green stormwater infrastructure.

Advanced metering infrastructure:

Pending the conclusion of negotiations with the chosen vendor and approval by City Council, PWD intends to begin replacing the data transmitters on 480,000+ water meters. The age of the current transmitters makes their replacement necessary to mitigate risk of interruption for meter-reading capabilities and related provision of service to more than 1.6 million residents. New advanced metering infrastructure (AMI) will allow PWD to deliver more cost-effective service and improved service to customers. The system will offer real-time management for more timely monitoring by our customers. In addition, new functionality,

including tamper and leak detection and meter failure notification, will support greater overall system reliability.

Capital investment:

PWD will continue to reinvest in the Department's infrastructure through its capital program. The Department's FY19 capital budget is \$353.6 million and includes funding for ongoing infrastructure upgrades and maintenance through pipeline monitoring and best practices in asset management. These investments will allow the Department to ensure reliability of service by replacing water and wastewater infrastructure that has reached the end of its useful life. They will also allow the Department to continue to meet regulatory requirements.

Customer service improvements:

PWD and WRB combined our call centers in March 2018. In FY19, we plan to optimize this opportunity for greater efficiency and better customer satisfaction. PWD will also continue to engage and communicate actively with customers in a variety of ways, including traditional printing of bill stuffers, a new homeowner's guide, easy access to information on PWD's website and blog, and social media integration with all messaging. We will continue our commitment to serve all customers through our language access services which include translated documents, telephonic interpretation and, if necessary, in-person interpretation. PWD will continue to offer lead service line replacements during water main relays and through the HELP program, and work with WRB to enroll more eligible customers in TAP (our low-income assistance program). Lastly, PWD plans to implement a tiered HELP loan, allowing our low-income customers more time to payback HELP loans for exterior plumbing repairs.

Financial strength:

The City has "A" category ratings for its City of Philadelphia, Water and Wastewater Revenue Bonds from all three major rating agencies: A1 (Moody's), A+ (Standard & Poor's) and A+ (Fitch). During the next year, PWD will work with other agencies to ensure that the bonds retain both their existing ratings and stable outlook.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2017)				
	Total	Minority	White	Female
Number of Full-Time Staff	1,864	1,179	685	383
Number of Exempt Staff	16	6	10	8
Number of Executive Staff (deputy level and above)	8	1	7	5
Average Salary, Full-Time Staff	\$49,754	\$45,982	\$56,247	\$52,925
Average Salary, Exempt Staff	\$100,649	\$79,780	\$113,170	\$116,459
Average Salary, Executive Staff	\$129,285	\$120,000	\$130,612	\$133,550
Median Salary, Full-Time Staff	\$45,758	\$44,156	\$49,463	\$45,749
Median Salary, Exempt Staff	\$102,460	\$79,500	\$119,513	\$112,460
Median Salary, Executive Staff	\$123,753	\$120,000	\$127,506	\$135,000

Employment Levels (as of December 2017)		
	Budgeted	Filled
Number of Full-Time Positions	2,072	1,864
Number of Exempt Positions	18	16
Number of Executive Positions (deputy level and above)	10	8
Average Salary of All Full-Time Positions	\$47,161	\$49,754
Median Salary of All Full-Time Positions	\$44,312	\$45,758

Water Department Financial Summary by Class						
	FY17 Original Appropriations	FY17 Actual Obligations	FY18 Original Appropriations	FY18 Estimated Obligations	FY19 Proposed Appropriations	Difference: FY19-FY18
Class 100 - Employee Compensation	\$107,688,919	\$102,685,334	\$116,470,294	\$116,470,294	\$119,823,412	\$3,353,118
Class 200 - Purchase of Services	\$159,715,792	\$144,328,351	\$157,471,521	\$157,471,521	\$173,643,500	\$16,171,979
Class 300/400 - Materials, Supplies & Equipment	\$48,537,569	\$40,707,310	\$48,934,793	\$48,934,793	\$54,083,000	\$5,148,207
Class 500 - Contributions	\$501,000	\$7,352,193	\$600,000	\$600,000	\$671,000	\$71,000
Class 800 - Payment to Other Funds	\$66,700,000	\$65,700,000	\$71,000,000	\$71,000,000	\$71,000,000	\$0
	\$383,143,280	\$360,773,188	\$394,476,608	\$394,476,608	\$419,220,912	\$24,744,304

Contracts Summary (Professional Services only)						
	FY13	FY14	FY15	FY16	FY17	FY18 YTD (Q1 & Q2)
Total amount of contracts	\$48,053,581	\$50,233,426	\$54,058,896	\$71,934,879	\$61,710,616	\$54,265,617
Total amount to M/W/DSBE	\$13,914,177	\$15,599,177	\$19,199,158	\$28,920,476	\$19,614,248	\$20,477,273
Participation Rate	29%	31%	36%	40%	32%	38%

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY17	FY18	FY19
M/W/DSBE Contract Participation Goal	30%	32%	30%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2019 Water Department budget totals \$419,220,912, an increase of \$24,744,304 over Fiscal Year 2018 estimated obligation levels. This increase is primarily due to projected higher costs for labor, professional services, and equipment.

The proposed budget includes:

- \$119,823,412 in Class 100, a \$3,353,118 increase over FY18. This funding increase is due to an increase in staffing of 34 new full-time positions related to regulatory compliance requirements (Consent Order & Agreement), the transfer of 82 positions from the capital budget, funding of staff level changes, increases in salary due to DC33 contracts terms, an increase in separation payments and an increase in hiring for seasonal employees.
- \$173,643,500 in Class 200, a \$16,171,979 increase over FY18. This increase in contracted services is related to regulatory compliance requirements (Consent Order & Agreement) and maintenance at PWD facilities. Regulatory compliance costs include increases to PWD stormwater management grants, additional consultant support and continued maintenance and improvements to existing green infrastructure sites and repairs.
- \$54,083,000 in Class 300/400, a \$5,148,207 increase over FY18. This increase is due to an increase in chemical costs and usage at PWD's 6 treatment plants, green stormwater infrastructure construction and repair and an increase in the vehicle purchases due to City-wide policy change of vehicles being funded in the operating budget.
- \$671,000 in Class 500, a \$71,000 increase over FY18. This funding will be used for sponsorships to support the Department's public engagement efforts.
- \$71,000,000 in Class 800 is the same as FY18. This funding is needed for the required transfers 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 2,188 budgeted positions for FY19, an increase of 116 positions over FY18.

The increase is attributed to 34 new full-time positions related to regulatory compliance matters (Consent Order & Agreement) and the transfer of 82 positions from the PWD capital budget to the operating budget in line with the City-wide initiative to phase out funding of employees on the capital budget.

NEW HIRES

New Hires (from 7/1/2017 to December 2017)		
	Total Number of New Hires	Spanish
Black or African American	36	1
Asian	5	0
Hispanic or Latino	5	2
White	32	0
Total	78	3

Since December 2017, PWD has hired 21 employees: 11 employees who identify as Black or African American, five employees who identify as white, two employees who identify as Hispanic, and one employee who identifies as Asian. Two employees chose not to respond.

PERFORMANCE, CHALLENGES, AND INITIATIVES

Finance:

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Ensure timely administration of operating and capital budgets, PWD invoicing, and the timely completion of all financial reports. • Maintain PWD five-year financial plan to ensure financial resiliency and maintain existing credit ratings. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 only)	FY18 Target	FY19 Target
Maintain current credit ratings (A+ / A1 / A+) ¹	A+, A1, A+	N/A	A+, A1, A+	A+, A1, A+
Achieve targeted debt and liquidity metrics as defined by the Department's Financial Plan ²	100%	N/A	100%	100%

¹ This is an annual measure. The Water Department aims to ensure that the current creditworthiness of the Department does not decline.

² This is an annual measure. This measure assesses whether PWD is achieving its targeted debt and liquidity metrics as defined by the PWD's Financial Plan.

Human Resources and Administration:

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Ensure that personnel recruitment, placement, training, career development and safety programs are consistent with long-term needs of the Department and the City's goals for diversity and inclusion. • Coordinate labor management initiatives and employee relations programs with PWD's long-range operational plans. • Coordinate personnel functions with initiatives in workforce and management planning. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 only)	FY18 Target	FY19 Target
Departmental vacancy rate (%) ¹	11%	10%	< 10%	< 10%

¹ The vacancy rate is derived by taking the number of vacant positions and dividing it by the total number of approved budgeted positions.

Operations:

FY19 Strategic Goals				
<ul style="list-style-type: none"> Operate, maintain, repair and improve the water system necessary to purvey potable water in compliance with the Safe Drinking Water Act and the Partnership for Safe Water Goals and at adequate quantities and pressures to supply the city of Philadelphia, wholesale customers, and firefighting requirements. Operate, maintain, repair, and improve the wastewater system necessary to efficiently collect and treat wastewater and stormwater from the city of Philadelphia and wholesale customers in compliance with the Clean Water Act. Comply with all federal and state regulations relating to water and wastewater management. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 only)	FY18 Target	FY19 Target
Millions of gallons of treated water ¹	82,846	22,249	meet customer demand	meet customer demand
Percent of time Philadelphia's drinking water met or surpassed state and federal standards	100%	100%	100%	100%
Miles of pipeline surveyed for leakage	1,052	229	1,110	1,110
Water main breaks repaired ²	655	105	905	905
Average time to repair a water main break upon crew arrival at site (hours) ³	6.7	6.1	8.0	8.0
Percent of hydrants available	99.6%	99.4%	99.7%	99.7%
Number of storm inlets cleaned/year ⁴	107,784	27,505	100,000	100,000
Wastewater treatment met or surpasses state and federal standards/month ⁵	100%	100%	100%	100%

¹ PWD's target is to always meet customers' demand.

² PWD's target is to repair all water main breaks.

³ PWD's service-level agreement is 8.0 hours.

⁴ This is the number of inlets cleaned each quarter in PWD's system, which contains over 79,000 inlets.

⁵ This is calculated by taking the number of days out of compliance and dividing it by days of the month or quarter.

Engineering and Construction:

FY19 Strategic Goals				
<ul style="list-style-type: none"> Manage and maintain PWD's renewal and replacement program of the conveyance and collector's system. Optimize and/or maintain the resources required to renew the Department's treatment facilities to ensure reliability. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 only)	FY18 Target	FY19 Target
Miles of sewers renewed ¹	7	N/A	≥ 8	≥ 10
Miles of water mains renewed ²	19	N/A	≥ 30	≥ 32
Percent of capital budget encumbered ³	100%	N/A	≥ 95%	≥ 95%

¹ This is an annual measure. This measure identifies the number of miles of sewer replaced in PWD's collectors system.

² This is an annual measure. This measure identifies the number of miles of water mains replaced in PWD's conveyance system.

³ This is an annual measure. This measure determines the percent of capital budget dollars encumbered and is a percentage of the Department's overall capital budget, including Collectors, Conveyance, Treatment Plants, and Engineering and Material Support.

Planning and Environmental Services:

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Conduct planning and adaptive management analyses and strategies developed for compliance with regulatory obligations. • Comply with required five-, 10-, 15-, 20- and 25-year milestones for the Green City, Clean Water Program. • Provide laboratory support to the Department for compliance and quality initiatives. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 only)	FY18 Target	FY19 Target
Constructed greened acres ¹	129	58	200	200
Number of Green Acres design completed/year ²	351	134	300	300
Analyses performed by Bureau of Laboratory Services/year ³	411,911	99,896	400,000	400,000
Site inspections completed/month ⁴	232	331	258	258

¹ This measure represents the number of greened acres associated with projects that have completed construction in the quarter that will be attributed to the CSO Long-term Control Plan Consent Order, which requires completion of 2,148 green acres by FY21.

² This measure represents the number of greened acres that have completed the design phase in the quarter that will be attributed to the CSO Long-term Control Plan Consent Order once constructed.

³ This measure is calculated by taking the number of analyses performed at PWD's central laboratory. This measure is reported monthly in the PWD's Monthly Manager's Report.

⁴ This is a measure of the number of average monthly site inspections performed at private properties installing stormwater management practices to confirm compliance with the approved design.

Public Affairs:

FY19 Strategic Goals				
<ul style="list-style-type: none"> • Establish a single communications channel through which to handle customer billing complaints, shut-offs and support for customers, while leveraging best practices and technologies to enhance customer interactions at multiple touch points. • Implement a comprehensive communications plan that educates and engages with customers and the public-at-large in a manner that is timely, accurate, informative and highly accessible. • Strive to transform residents and partners into water resource advocates through engagement and education. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 only)	FY18 Target	FY19 Target
Average speed to answer customers' calls (minutes) ¹	5.7	15.1	< 10	< 5
Number of non-City employees in attendance at public meetings ²	4,578	2,259	>7,000	>4,800

¹ This is the average time it took for a call to be answered by an agent from when the caller first selected the option to speak to an agent. This measure does not include abandoned calls. FY18 YTD is abnormally high due to critical vacancies. The Department is hiring for those positions actively.

² FY18 Target is higher due to a rate increase request, which will likely see a higher number of non-City employees in attendance at public meetings.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

The Water Department does not receive any material grant money for programs at the federal or state level.

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY18											
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) [yes / no]	Waiver for Living Wage Compliance ? [yes / no]
Philadelphia Authority For Industrial Development (PAID) ¹	Storm Water Management	\$14,500,000	N/A	5/23/12	MBE: 15% - 20%	17%	\$2,465,000	29%	\$4,205,000	yes	no
					WBE: 10% - 20%	12%	\$1,740,000				
					DSBE: 0%	0%	\$0				
Allee King Rosen & Fleming (AKRF)	GSI Maintenance	\$2,613,500	3/1/16	7/1/16	MBE: 15% - 20%	18%	\$470,430	28%	\$731,780	no	no
					WBE: 10% - 15%	10%	\$261,350				
					DSBE: 0%	0%	\$0				
Sci-Tek Consultants, Inc.	Tech Support for Hydraulic Modeling	\$2,000,000	2/27/17	7/1/17	MBE: 20% - 25%	50%	\$1,000,000	50%	\$1,000,000	no	no
					WBE: 20% - 25%	0%	\$0				
					DSBE: 0%	0%	\$0				
CDM Smith, Inc.	Water Resources Compliance Tech	\$1,950,000	2/28/17	7/1/17	MBE: 20% - 25%	22%	\$429,000	23%	\$448,500	no	no
					WBE: 20% - 25%	1%	\$19,500				
					DSBE: 0%		\$0				
Woods Hole Group, Inc.	Measurement of Water Quality Processes	\$1,899,959	1/9/15	7/1/15	MBE: 15% - 17%	15%	\$284,994	15%	\$284,994	no	no
					WBE: 15% - 17%	0%	\$0				
					DSBE: 0%	0%	\$0				

¹ PAID facilitates the funding of PWD's stormwater grant program to multiple vendors. The participation rate reflects that of the vendors receiving the grant.

EMPLOYEE DATA

Staff Demographics (as of December 2017)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	786	210	<i>Total</i>	0	1
<i>% of Total</i>	42%	11%	<i>% of Total</i>	0%	13%
<i>Average Salary</i>	\$44,424	\$47,239	<i>Average Salary</i>	N/A	\$120,000
<i>Median Salary</i>	\$43,634	\$43,381	<i>Median Salary</i>	N/A	\$120,000
	White	White		White	White
<i>Total</i>	563	122	<i>Total</i>	3	4
<i>% of Total</i>	30%	7%	<i>% of Total</i>	38%	50%
<i>Average Salary</i>	\$55,149	\$61,312	<i>Average Salary</i>	\$122,177	\$136,938
<i>Median Salary</i>	\$49,263	\$56,193	<i>Median Salary</i>	\$120,000	\$145,125
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	48	10	<i>Total</i>	0	0
<i>% of Total</i>	3%	1%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$44,417	\$45,589	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$44,278	\$39,241	<i>Median Salary</i>	N/A	N/A
	Asian	Asian		Asian	Asian
<i>Total</i>	63	30	<i>Total</i>	0	0
<i>% of Total</i>	3%	2%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$49,543	\$59,632	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$45,749	\$56,777	<i>Median Salary</i>	N/A	N/A
	Other	Other		Other	Other
<i>Total</i>	21	11	<i>Total</i>	0	0
<i>% of Total</i>	1%	1%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$59,600	\$56,812	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$56,817	\$51,186	<i>Median Salary</i>	N/A	N/A
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	132 ¹		<i>Total</i>	-	-
<i>% of Total</i>	7%		<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>	1,481	383	<i>Total</i>	3	5
<i>% of Total</i>	79%	21%	<i>% of Total</i>	38%	63%
<i>Average Salary</i>	\$48,934	\$52,925	<i>Average Salary</i>	\$122,177	\$133,550
<i>Median Salary</i>	\$45,758	\$45,749	<i>Median Salary</i>	\$120,000	\$135,000

¹ The Department created a voluntary, anonymous, language survey that did not capture employee gender or title.

LANGUAGE ACCESS

1) Has your leadership received language access training?

The Philadelphia Water Department (PWD) has completed training with approximately 150 employees to date and is in the process of scheduling language access training with all units within the Department, including executive staff, throughout calendar year 2018. The Department's Commissioner and Public Affairs General Manager have reviewed and signed off on PWD's Language Access Plan and are routinely involved in its implementation.

2) Do you currently have a language access coordinator?

Laura Copeland, one of Public Affairs' Public Information Officers, serves as PWD's language access coordinator. Tiffany Ledesma, PWD's Green City, Clean Waters Engagement Team Manager, serves as an alternate language access coordinator.

3) Has your department written a language access plan and is it posted online?

Yes: <https://beta.phila.gov/media/20170602143450/Philadelphia-Water-Department-LAP-2017-FINAL.pdf>

4) Explain what your department has done to improve language access services over the past year.

PWD incorporates a language access protocol into its operations through:

- Allocating funds in PWD's operating budget toward language access services.
- Identifying vital documents to be translated and subsequently translating these documents.
- Identifying bilingual employees willing to assist with in-person interpretation and document translation.
- Using Language Line Solutions as a telephonic interpretation.
- Coordinating language access training for all employees.
- Scheduling in-person interpreters for community meetings, when necessary.
- Preparing an annual report detailing the prior year's language access efforts.