

**STREETS DEPARTMENT
FISCAL YEAR 2016 BUDGET TESTIMONY
APRIL 21, 2015**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

Mission: To maintain the City's vast network of streets and roadways in a cost-effective and efficient manner.

Description of Major Services: The Streets Department (Streets) delivers essential services to maintain clean and safe streets, including, but not limited to, curbside trash and recycling collection to over 540,000 households, maintaining all traffic control devices and street lighting, the construction and maintenance of 320 bridges and 2,525 miles of streets and highways and snow and ice removal.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

Budget Highlights: The Streets Department proposed FY16 General Fund Class 100 is budgeted to decrease by 2.1%, the net result of the contract settlement agreements for District Council 47 and District Council 33 including one time bonuses paid out in FY15 and additional funding for five new revenue generating inspector positions. The proposed FY16 General Fund Class 200 is budgeted to increase 5.5% which includes additional funds for snow removal and waste/recycling disposal contracts. The total FY16 proposed budget is slightly higher than the FY15 Current Estimate and includes an increase in Grant appropriations for anticipated State Green Light Go and Multimodal program funds.

Fund	Class	FY14 Actual	FY15 Current Projection	FY16 Proposed Budget	FY16-FY15 Change	FY16-FY15 Percent Change
General	100	70,707,563	74,264,688	72,724,132	(1,540,556)	-2.1%
	200	48,312,607	46,283,455	48,819,455	2,536,000	5.5%
	300/400	5,004,814	3,809,962	3,809,962	0	0.0%
	500	48,171	53,171	53,171	0	0.0%
	800	0	340,000	0	(340,000)	-100.0%
	Total		124,073,155	124,751,276	125,406,720	655,444
	Positions	1,684	1,789	1,794	5	0.3%
Other*	100	8,240,491	8,334,111	7,454,000	(880,111)	-10.6%
	200	22,065,841	41,774,069	48,324,694	6,550,625	15.7%
	300/400	6,617,132	12,366,261	13,867,636	1,501,375	12.1%
	800	38,670	33,670	33,670	0	0.0%
	Total		36,962,135	62,508,111	69,680,000	7,171,889
	Positions	0	0	0	0	0.0%
All	100	78,948,054	82,598,799	80,178,132	(2,420,667)	-2.9%
	200	70,378,449	88,057,524	97,144,149	9,086,625	10.3%
	300/400	11,621,946	16,176,223	17,677,598	1,501,375	9.3%
	500	48,171	53,171	53,171	0	0.0%
	800	38,670	373,670	33,670	(340,000)	90.9%
	Total		161,035,290	187,259,387	195,086,720	7,827,333
	Positions	1,684	1,789	1,794	5	0.3%

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

Staff Demographics Summary (as of December 2014)

	Total	Minority	White	Female
Full-Time Staff	1,660	1,405	255	245
Executive Staff	9	5	4	2
Average Salary - Executive Staff	\$109,863	\$103,858	\$120,553	\$82,010
Median Salary - Executive Staff	\$110,536	\$111,072	\$110,536	\$82,010

Employment Levels (as of December 2014)

	Budgeted	Filled
Full-Time Positions	1,789	1,660
Part-Time Positions	0	0
Executive Positions	9	9

Contracts Summary (*as of December 2014)

	FY10	FY11	FY12	FY13	FY14	FY15*
Total amount of contracts	\$50,311,519	\$64,908,762	\$79,249,531	\$66,975,297	\$61,869,350	\$55,794,679
Total amount to M/W/DBE	\$14,521,789	\$17,052,931	\$28,308,160	\$20,138,580	\$19,218,489	\$18,081,616
Participation Rate	29%	26%	36%	30%	31%	32%

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

Streets collected 495,683 tons of trash from households in FY14, and collections are expected to marginally increase to 502,000 tons in FY15 based upon recent trends. For planning purposes, Streets has projected annual tonnage of 521,200 for the last two fiscal years; however, successive severe winter seasons significantly impacted tonnage rates, particularly during January and February. While the FY15 target for on-time trash collections is 96%, a severe shortage of compactors due to the age and condition of Streets' compactor fleet has caused sanitation crews to work beyond their regularly scheduled assignments and impacted on-time collection rates and labor overtime costs. As a result, on-time collections are trending at 86% currently in FY15 effectively making the department's 96% goal an unrealistic target which cannot be achieved this fiscal year. Streets is purchasing additional compactors to address this issue.

Under the Nutter administration, Philadelphia has experienced the greatest rise in recycling participation in the program's history, rising from 8% in FY08 to 20.9% for FY14 and 19% in the first half of FY15. The increase has been fueled by changes Streets has made in the process of collection, implementation of single stream city wide, and addition of materials eligible for recycling such as plastics, cardboard and various cartons, as well as by offering Philadelphia Recycling Rewards. Recycling tonnage is expected to decrease from 127,869 in FY14 to 127,000 in FY15 due to changes in the composition of recycled materials collected. As a result, Streets anticipates that this trend will remain relatively stable in FY15 and FY16, and is adjusting the FY16 recycling rate to 21% accordingly. The Streets Department is on track to hit its FY15 targets for on-time recycling collection (97%) and pothole response time (under two days). Extreme winter weather can impact performance trends in Q3 of FY15. Snow accumulation and extreme low temperatures, particularly after snowfall, results in slowed trash and recycling collections, as the use of Sanitation employees and equipment to support snow removal efforts divert resources away from collections. If experienced, these factors will contribute to overtime costs and decreased on-time collection times. In addition, recycling often becomes contaminated when there are delays in collections, and citizens have limited capacity to store recycling while they wait for it to be collected. These factors also impact recycling rates.

Performance Measure	FY08	FY13	FY14	FY14- FY13 Change	FY14 Q1-Q2	FY15 Q1-Q2	FY15- FY14 Q1-Q2 Change	FY15 Goal	FY16 Goal
Tons of solid waste processed*	623,116	501,619	495,683	879.2%	253,549	270,863	6.8%	521,200	521,000
On-time trash collections (by 3 PM)	98.0%	96.0%	85.1%	-11.4%	90.7%	85.5%	-5.7%	96.0%	96.0%
Tons of waste recycled	51,427	122,222	127,869	4.6%	64,671	59,987	-7.2%	127,000	127,000
On-time recycling collections (by 3 PM)	98.0%	97.0%	93.3%	-3.8%	96.5%	96.5%	0.0%	97.0%	97.0%
Recycling rate (curbside)	8.0%	20.0%	20.9%	4.5%	21.0%	19.0%	-9.5%	23.0%	21.0%
Pothole response time (days)	0.79	1.32	1.79	35.6%	1.565	2.0	27.8%	2.0	2.0

* Does not include other tonnage collected by Streets, i.e. waste from City facilities, commercial buildings, and the Public Housing Authority.

DEPARTMENT CHALLENGES

Vehicle Equipment: Street's most significant and immediate challenge is the aging of the department's fleet of vehicles. With over a third of the Sanitation Division's collection vehicles at more than ten years old and the average age of our Highway Division's vehicles at or beyond their recommended life cycle, vehicle down rates have had a dramatic impact on operations and labor costs. This issue is primarily reflected in the on-time trash collections rate, but has also resulted in an increased reliance on contracted providers during snow removal operations, and an overall significant increase in overtime costs. In recognition of this issue, an infusion of General Fund operating and Capital Program funding has been dedicated to the Streets Department to augment the Sanitation fleet contingent to sufficient levels during FY16 and to maintain an adequate Sanitation vehicle replacement schedule for five years thereafter. An anticipated increase in Special Gas Tax funding will allow Streets to purchase additional Highways vehicles in FY16. Streets will remain challenged in this area until at least 2017 when the Capital Program funding for this division becomes available.

Snow: The city faced two successive winter seasons featuring a historical record-breaking 19 storm events last year followed by the second highest number of events this year at 18. The impact associated with these unprecedented back-to-back harsh winters has been significant, resulting in both direct and indirect costs to the department. The most recent labor costs for snow removal alone are in excess of \$2.9 million and contractor costs are over \$5.2 million. Sustained high levels of vehicle usage under difficult conditions throughout last year's winter contributed to the already deteriorating condition of the vehicle fleet and aforementioned costs. Curbside collections were slowed and alley collection suspended several times as snow removal efforts diverted resources away from collections. These factors contributed both to overtime costs and decreased on-time collection rates. The harsh winter weather has resulted in deteriorating road conditions with numerous potholes throughout the city creating safety issues for pedestrians, motorists and bicyclists alike.

Overtime: As a direct consequence of vehicle equipment and winter storm events, Street's overtime has spiked well beyond budgeted levels. Streets has initiated a number of cost containment measures to minimize the cost impact of the overtime issue, particularly the compactor shortage overtime problem. These are delineated below.

1. Instituting a "second shift" for sanitation collections to offset overtime costs.
2. Leasing 20 compactors to offset overtime resulting in significant Class 100 savings over the life of the lease once initiated.
3. Awaiting delivery of 30 new compactors on or around July 1, 2015 purchased using funds allocated in the FY15 Capital Program.
4. The Streets department activated an internal freeze on new hires for all but absolutely essential positions, backfills or those that offset class 100 costs and currently reviews all new-hire backfill requests on a case-by-case basis attempting to identify appointments that can be delayed until next fiscal year.
5. Limited overtime to that which is essential to business operations and each division has been asked to establish approval controls to ensure this standard is consistently applied.
6. Implemented multiple cost containment operational measures in the Sanitation Division.

ACCOMPLISHMENTS & INITIATIVES

Maintaining Streets: Streets coordinated and performed review and approval for multiple and varied private development and various roadways, signal and streetscape projects around the city, many of which provide for a much more efficient street system. A more efficient street system results in less congestion, enhanced traffic egress along city roadways or alternative bicycling and pedestrian trail ways, and significantly reduced fuel consumption. A total of 53 projects at \$278 million have been advertised or let for construction since 2008, and, during FY14 alone, a record number of capital projects across divisions were awarded or completed with \$58 million in projects advertised or let for construction. Notable projects include: the Tower Street and Cresson Street retaining wall in Manayunk, which will result in Philadelphia's first green (vegetated) retaining wall; the South Street Bridge which included pedestrian and bicycling amenities and pedestrian-friendly traffic signals; and Transportation Investment Generating Economic Recovery (TIGER) projects, involving 17 trail projects, including the last two successfully completed – the Tidal Schuylkill Greenway Boardwalk from Locust Street to South Street and the Delaware Allegheny Trail from Richmond Street to Lewis Street. The TIGER Boardwalk project recently won the Pennsylvania Society of Professional Engineers (PSPE) Outstanding Engineering Achievement Award.

Additionally, the City is increasing its investment from \$16 million in FY15 to \$20 million in the reconstruction/resurfacing of roadways and ADA ramps in the FY16 Proposed Capital budget. This funding will be used to resurface and reconstruct neighborhood streets and Fairmount Park roads as well as design, reconstruct and verify ADA handicap ramps on City streets.

Clean Streets Enforcement: Streets implemented a number of enforcement strategies in order to develop and maintain clean and green streets. Enhancements to the Streets & Walkways Education and Enforcement Program (SWEEP) include electronic ticketing devices and decentralized SWEEP deployment providing for increased enforcement. This decentralization has enabled officers to issue 155,396 citations in FY13, the highest number ever, generating \$4.6 million in paid fines. During FY14, 145,373 citations were issued, resulting in \$3.5 million in fines paid, and thus far, 64,563 citations have been issued during the first two quarters of FY15. While winter weather and other seasonal factors impact ticket issuance, Streets does not expect to reach 145,000 citations by the end of FY15 based on current trends.

Increased Community Trash Removal and Recycling Participation: Streets implemented two major initiatives to increase community participation in trash removal and recycling participation: the Philly Recycling Rewards Program and the Annual Philly Spring Clean Up. The Recycling Rewards Program rewards households that recycle with points that can be redeemed for discounts, full value gift cards, and charitable contributions. Since the program's inception in FY10, the number of subscribers has grown from 115,379 to 195,410 in FY14. New subscribers are being added at about 1,000 to 2,000 per month for a total of 7,500 in the first two quarters of FY15. The Annual Philly Spring Clean Up has steadily increased area project sites since 200 at its inception in FY08 to an unprecedented 569 in FY14. During this period a total of 84,125 volunteers have removed 7.9 million pounds of trash and 394,139 pounds of recyclable material throughout the city.

Improved Waste Management: Streets issued new disposal contracts that have nearly eliminated land filling of waste, and included a \$22 million investment by Waste Management, Inc. for a new facility which began operations in FY14. The new facility is processing up to 1,000 tons of waste per day to create an engineered fuel product, marketed by Waste Management, Inc. as a clean low emissions alternative fuel.

Alternative Waste Processing Technologies: Streets has embarked on a systematic assessment of alternative waste processing technologies that promise long-term operational, economic and environmental sustainability, which will serve as the basis for a 10-year update of the City's Municipal Waste Management Plan. Numerous innovative technologies are emerging in the marketplace that focus on biological or chemical waste treatment and the use of trash for energy processes.

Reduced Collection Frequency: BigBelly solar-powered trash bin containers were initially installed in Center City during 2009. Since then, the BigBelly network has increased throughout the city to 970 units with 375 recyclers, allowing the Streets Department to significantly reduce collections in Center City from 17 times per week to three per week and from five times per week to two per week outside Center City. This has resulted in a significant reduction in operational, fuel and vehicle costs, saving Streets an estimated \$1 million annually.

Winter Storm Response: Since FY08, Streets successfully responded to 93 winter events with annual accumulations averaging 31.5 inches per year, ranging from less than one inch to a maximum of 78 inches. This included the first and second snowiest winters recorded in Philadelphia history during FY10 and FY14 respectively and the two highest number of events with 19 and 18 in FY14 and FY15. FY14 was particularly challenging due to a record 19 winter events, including four with accumulations of over six inches, and two ice storms. During this period, Streets highway crews continued to maintain and repair city roadways, including a record total of more than 50,000 potholes repaired in FY14 and timely roadway repairs for special events.

Traffic Calming Strategies: Streets successfully designed, installed and tested a variety of safe transportation systems to calm traffic, reduce speeding, and provide pedestrian safety. This included an innovative Kelly Drive pilot project where excessive speeds triggered traffic signal changes; education message boards and speed cushions throughout the city; the re-timing of 2,400 intersections; and installation of over 400 pedestrian countdown signals. By 2012, the city realized a 10% reduction in crashes involving pedestrians. By the end of calendar year 2015, all traffic signals will be re-timed.

Energy Efficient Street Lighting and Traffic Signals: Streets continues its ambitious plan to modernize the entire City-owned street lighting system. Since 2011, this modernization plan has replaced over 602 obsolete streetlight luminaries, 154 pedestrian scale lights (smaller-scale, more frequently spaced fixtures), and 2,396 alley lights with energy efficient LED lighting components. These efforts will continue to minimize light pollution and energy usage, and provide for improved livability of neighborhoods. The overall project is scheduled to be completed by 2025, and annual street lighting costs are \$48.4 million.

Additionally, Streets successfully finished converting all traffic lighting signals from incandescent bulbs to energy-efficient LEDs in FY11, at an overall cost of \$4 million. This project took three years to complete, converting 2,937 traffic intersection signals to LED lighting and reducing power consumption from 883,638 kilowatts per month to 252,813 by FY11, a 71% decrease. It has resulted in significantly reduced monthly costs, going from \$100,000 per month to \$28,500 per month in FY11. This initiative continues to produce energy savings relative to the FY11 baseline with FY14 power consumption at 249,449 kilowatts per month and monthly costs at \$24,163.

New Traffic Operations Center (TOC): Streets is in the process of establishing a fully integrated Traffic Operations Center (TOC) that will centralize traffic control and Intelligent Transportation Systems throughout the city. The TOC will allow for real-time adjustments to improve driver and pedestrian safety, increase the efficiency of the city's street system and lead to significantly reduced fuel consumption as a result of less congestion and increased traffic egress along city roadways. TOC construction has been advertised and is currently in the award process with costs currently budgeted at \$4.2 million. The TOC is scheduled to be operational in September 2015.

Americans with Disabilities Act (ADA) Ramp Partnership: During FY14, Streets partnered with the Mayor's Commission on People with Disabilities, agreeing on a two-year pilot program to identify street curbs that are in the greatest need and upgrade them to federal standards. This will allow Streets to efficiently and effectively allocate capital local paving funding to focus ADA construction costs on ramp locations in areas of high demand and in curbs in the greatest need of upgrades, thereby dedicating remaining paving costs to city streets and roadways. This initiative is projected to increase paving mileage by 240% while more effectively responding to the needs of the disabled community.

Increased Bicycle Commuting Capacity: With over 200 miles of bike lanes, Philadelphia has the highest percentage of bicycle commuters among large cities in America--over twice the national average. As part of the Greenworks goals to reduce vehicle usage and greenhouse gas emissions, the City continues to invest in bicycle infrastructure. Since FY08, Streets has added over 56 miles of bike lanes to City streets and roadways.

Workforce Development: In January 2013, Streets, in conjunction with the Mayor's Office, implemented the Philly Future Track program. The program engages 18-24 year-olds not currently employed or enrolled in higher education in the removal of litter and debris or technical land surveying work in order to help them earn a livable wage and prepare them for full-time employment. Since the program's inception and up through second quarter of FY15, a total of 198 young people completed the program, and, in several cases obtained entry-level civil service jobs with the City.

STAFFING

The Streets Department is budgeted for 1,794 budgeted positions for FY16, an increase of five positions from last fiscal year. The increase allows Streets to staff revenue-generating positions. The remaining budgeted positions provide the staffing levels required for peak times of the year, accounting for the seasonality of operations which fluctuate according to need. Streets typically increases hiring rates during the spring and summer months as this represents the time period for the highest sustained collection tonnage rates as well as the bulk of the roadway paving season. Streets has already hired 42 new Sanitation workers for 2nd shift trash collections and will be hiring additional sanitation workers as Streets prepares for increased volume in the spring and summer months and additional highways workers for the paving season. While this hiring is atypically low relative to prior spring and summer seasons due to vehicle shortage, Streets expects more traditional seasonal hiring rates to commence during FY16.

Staff Demographics (as of December 2014)

<i>Full-Time Staff</i>			<i>Executive Staff</i>			<i>FY15 New Hires</i>		
	Male	Female		Male	Female		Male	Female
	African-American	African-American		African-American	African-American		African-American	African-American
<i>Total</i>	1,066	202	<i>Total</i>	3	1	<i>Total</i>	88	17
<i>% of Total</i>	64.2%	12.2%	<i>% of Total</i>	33.3%	11.1%	<i>% of Total</i>	58.7%	11.3%
	White	White		White	White		White	White
<i>Total</i>	234	21	<i>Total</i>	3	1	<i>Total</i>	13	2
<i>% of Total</i>	14.1%	1.3%	<i>% of Total</i>	33.3%	11.1%	<i>% of Total</i>	8.7%	1.3%
	Hispanic	Hispanic		Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	38	6	<i>Total</i>	1	0	<i>Total</i>	3	0
<i>% of Total</i>	2.3%	0.4%	<i>% of Total</i>	11.1%	0.0%	<i>% of Total</i>	2.0%	0.0%
	Asian	Asian		Asian	Asian		Asian	Asian
<i>Total</i>	27	8	<i>Total</i>	0	0	<i>Total</i>	11	4
<i>% of Total</i>	1.6%	0.5%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	7.3%	2.7%
	Other	Other		Other	Other		Other	Other
<i>Total</i>	50	8	<i>Total</i>	0	0	<i>Total</i>	11	1
<i>% of Total</i>	3.0%	0.5%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	7.3%	0.7%
	Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual
<i>Total</i>	14	6	<i>Total</i>	1	0	<i>Total</i>	0	0
<i>% of Total</i>	0.8%	0.4%	<i>% of Total</i>	11.1%	0.0%	<i>% of Total</i>	0.0%	0.0%
	Male	Female		Male	Female		Male	Female
<i>Total</i>	1,415	245	<i>Total</i>	7	2	<i>Total</i>	126	24
<i>% of Total</i>	85.2%	14.8%	<i>% of Total</i>	77.8%	22.2%	<i>% of Total</i>	84.0%	16.0%

CONTRACTING

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

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All	Living Wage Compliant?
Waste Management	Waste Removal	\$24,722,000	12.2.2011	7/1/12	MBE:	0%	\$0		Yes
					WBE:	40%	\$9,888,800	40%	
					DSBE:	0%	\$0	\$9,888,800	
Covanta	Waste Removal	\$11,200,000	12.2.2011	7/1/12	MBE:	11%	\$1,232,000		Yes
					WBE:	33%	\$3,640,000	44%	
					DSBE:	0%	\$0	\$4,872,000	
Levlane	Advertising	\$3,425,000	4.25.12	7/1/12	MBE:	11%	\$372,640		Yes
					WBE:	6%	\$197,623	17%	
					DSBE:	0%	\$0	\$570,263	
Seravllia, Inc.	Construction	\$6,723,025	7/29/14	10/3/14	MBE:	6%	\$375,817		Yes
					WBE:	9%	\$634,654	15%	
					DSBE:	0%	\$0	\$1,010,471	
Carusone Construction, Inc.	Construction	\$2,749,000	12/9/14	1/22/15	MBE:	8%	\$208,649		Yes
					WBE:	11%	\$296,617	18%	
					DSBE:	0%	\$0	\$505,266	

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

The Streets Department requests a total appropriation of \$195,086,720 for the proposed FY16 Operating budget. Of this, \$69,680,000 is derived from the County Liquid Fuels Fund (\$4,950,000), Special Gasoline Tax SGT (\$28,500,000) and various State grants funding (\$36,230,000).

- The proposed FY16 overall Special Gasoline Tax appropriation represents a \$1,760,000 increase which will be used for purchases of qualifying materials and equipment, particularly for vehicles.
- The overall proposed budget reflects a \$5,411,889 increase in Grant appropriations for anticipated State Green Light Go and Multimodal program funds to be used provide modern traffic signals and improve transportation assets.