

City of Philadelphia, Philadelphia Water Department
FISCAL YEAR 2017 BUDGET TESTIMONY
Monday, May 2, 2016

INTRODUCTION

Good morning, Council President Clarke and members of City Council. I am Debra McCarty, Commissioner of the Philadelphia Water Department. With me are Melissa LaBuda, our Deputy Commissioner of Finance, and Donna Schwartz, our Deputy Commissioner of Operations. Thank you for having us today to provide testimony on PWD's fiscal year 2017 operating budget.

DEPARTMENT MISSION/PLANS

Mission: The Philadelphia Water Department (PWD) plans for, operates, and maintains both the infrastructure and the organization necessary to purvey high-quality drinking water for the City of Philadelphia, provide an adequate and reliable water supply for all household, commercial, firefighting and community needs, and 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 2017:

In FY2017, the Water Department plans to continue delivering the highest quality drinking water, and sanitary and storm sewer services. The Department also plans the following:

Work Force Initiatives: In addition to creating opportunities for young Philadelphians, PWD also seeks to provide training and employment opportunities for all Philadelphians, including those who have historically encountered barriers to employment, either due to a lack of experience and training, or as a result of a prior incarceration. The following initiatives have helped PWD achieve its goals:

- Since its inception, the Department has been an active supporter of 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 87 PowerCorps members, the Department has provided ongoing financial support to the program in excess of \$600,000. Approximately 15 participants of this program have been hired as full-time employees within the Department – a win/win for the Department and youth.

- 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.
- The Department supports and mentors small, local, and disadvantaged businesses by:
 - Educating them on how to do business with the Department.
 - Maintaining and establishing partnerships with building trades and local unions to support growth and capacity.
 - Coordinating and partnering with business advocates to provide local and disadvantaged business training through education programs and workshops.
 - The Department has established collaborative efforts as well as making the connections with resource partners through contractor seminars, bond education programs, webinars, on-line communications, and quarterly updates through the Take Part! publication to offer the business community a variety of opportunities to work with the Department on our various lines of services.
 - Through the second quarter FY16 the Department achieved 29% participation reflecting in part these proactive changes in the Participation Plan and the dedicated commitment of PWD staff and leadership.

Investments in Infrastructure Initiative: In order to maintain a reliable and dependable water and wastewater system, while maximizing the useful life of its assets, the Department continues to invest in the renewal of its infrastructure. The FY17 capital budget is \$302M and the FY17-2022 6-year capital program is \$1.92B. Planned projects funded by the capital program include:

- Water Main Replacement Program: In FY16 and beyond, the Department has increased its water main replacement budget to \$46M annually in order to replace 28 miles of the water distribution system. This rate of replacement is in line with peer municipal industry standards. The water main replacement program has been in place for decades. Over the last 21 years, the Department has, on average, replaced 18.6 miles of main per year.
- Sewer Reconstruction Program: The Department continues its investment in the reconstruction of sewers that have failed and reached the end of their useful life. In FY17, the sewer reconstruction budget is \$30M which allows for the reconstruction of 7-10 miles of sewers per year. Over the last 21 years the Department has on average reconstructed 7.9 miles of sewers per year.
- Improvements to the Department’s Facilities Program: The Department budgets \$110M annually to rehabilitate and/or improve our treatment plants, pump stations, reservoirs, and other supporting facilities to ensure reliability of service.
- Combined Sewer Overflow/Storm Flood Relief Program: The Department is budgeting \$68M in FY17 for the Combined Sewer Overflow (CSO)/Storm Flood Relief program. The CSO program consists of green infrastructure and interceptor lining in compliance with our CSO Consent Order and Agreement.

Additional operating efficiently and effectively Initiatives: PWD seeks to operate in an efficient and transparent manner while providing its customers in and around Philadelphia with high-quality service. The following initiatives contribute to this goal:

- Green City, Clean Waters: Green City, Clean Waters provides the Water Department's rate payers with a cost-effective way of complying with the Clean Water Act. The Department is in the fifth year of the 25-year Green City, Clean Waters Program. It has made significant progress towards meeting the first five-year milestone requirements and expects to meet compliance targets in terms of gallons of sewage kept out of waterways (600 million gallons is the requirement for FY16), number of greened acres (approximately 750 greened acres by the end of FY16; 744 greened acres is the requirement) and improved air and water quality.
- CityWorks Implementation: The Department implemented CityWorks as a customer complaint and maintenance manager system, run on the Department's Geographic Information System (GIS). The software is used to track service requests as well as work orders for system maintenance and repair generated within the field units. It has replaced the individual legacy systems that were previously used by each unit to track infrastructure repairs, replacements, and related projects. This has resulted in streamlined work, consolidated data in one location, and reduced duplication of efforts between units.
- IntraCity Street Opening Committee: The Department chairs a monthly meeting with Licenses + Inspections and the Streets Department to coordinate policies, procedures, and activities on the installation, repair, and inspection of customer water, fire, wastewater, and stormwater service connection piping. The three departments are working together to establish guidelines consistent with PWD's Five Year Financial and Strategic Plan for Fiscal Years 2017-2021 through regulations for permitting, materials, backfill, and inspection activities for plumbers working in the street. The outcome is to foster increased useful life of water and sewer infrastructure, safer streets and a higher level of customer service.
- Virtual Call Centers Merger: The Department and the Water Revenue Bureau are working towards the virtual merger of their customer call centers to cross-train call center representatives to handle all billing and collection, water and sewer emergencies, and customer service-related issues. The merger team is working with the Office of Human Resources to revise Civil Service specifications for entry-level to management positions to raise aptitude and professionalism for these employees who serve as PWD's and WRB's customer ambassadors.
- Customer Satisfaction Surveys: The Department intends to award a small contract in FY17 to develop a series of customer surveys that measure customer satisfaction during Department construction work, emergency water and sewer repair, and customer interaction with our call center representatives.
- The Water Master Plan and Wastewater Master plan: The Water Department has created dedicated Water and Wastewater Planning Programs within the Planning and Research unit to facilitate and lead long term strategic planning efforts for the City's Water and Wastewater Systems. This Planning Program is currently developing 25-year Master Plans that will document existing conditions, evaluate system data and trends, and plan for the future of the utility.

Lead Service Line Replacement Loan and Sampling Incentive: The Department amended its regulations to allow for no-interest loans to customers to replace their lead service lines, and to provide a \$50 bill credit for customers who participate in the Department's lead sampling program. These programs are projected to be available July 1st, 2016.

Quality of Life Specifications Initiative: The Department is developing Quality of Life specifications for its public works contractors to focus on clean, safe construction to the maximum extent possible. Enhancements to ongoing customer communications, including letters and internet updates, are in the works.

**WATER DEPARTMENT
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Staff Demographics Summary (as of January 2016)

	Total	Minority	White	Female
Full-Time Staff	1,775	1,130	645	349
Executive Staff	13	4	9	7
Average Salary - Full-Time Staff	\$46,440	\$43,042	\$52,374	\$49,822
Average Salary - Executive Staff	\$113,896	\$94,596	\$122,473	\$102,960
Median Salary - Full-Time Staff	\$42,896	\$40,473	\$45,401	\$49,822
Median Salary - Executive Staff	\$119,025	\$80,000	\$124,643	\$90,000

Employment Levels (as of January 2016)

	Budgeted	Approved	Filled
Full-Time Positions	1,959	1,959	1,775
Part-Time Positions	0	0	0
Executive Positions	15	15	13
<i>Overall Average Salary</i>	\$46,440	\$46,440	\$46,440
<i>Overall Median Salary</i>	\$42,896	\$42,896	\$42,896

**WATER DEPARTMENT
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Financial Summary by Class - Water Department

	Fiscal 2015 Actual Obligations	Fiscal 2016 Original Appropriations	Fiscal 2016 Estimated Obligations	Fiscal 2017 Proposed Appropriations	Difference FY17-FY16
Class 100 - Employee Compensation	\$98,442,849	\$102,961,600	\$102,752,885	\$107,808,919	\$5,056,034
Class 200 - Purchase of Services	\$129,363,089	\$151,645,200	\$140,206,237	\$160,565,792	\$20,359,555
Class 300 - Materials and Supplies	\$39,025,318	\$44,061,850	\$41,238,980	\$44,789,613	\$3,550,633
Class 400 - Equipment	\$1,849,016	\$3,398,350	\$2,442,275	\$3,747,956	\$1,305,681
Class 500 - Contributions	\$3,840,767	\$100,000	\$100,000	\$500,000	\$400,000
Class 700 - Debt Service 1	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$112,456,199	\$99,724,000	\$99,724,000	\$101,424,000	\$1,700,000
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
TOTAL	\$384,977,238	\$401,891,000	\$386,464,377	\$418,836,280	\$32,371,903

(1) Water and Wastewater System Revenue Bond debt service is budgeted as part of the Sinking Fund Commission Budget.

Contracts Summary (as of December 2015)

	FY11	FY12	FY13	FY14	FY15	FY16*
Total amount of contracts	\$130,695,391	\$105,653,665	\$145,629,907	\$171,861,087	\$189,569,191	\$151,312,678
Total amount to M/W/DBE	\$32,535,549	\$22,336,432	\$33,113,328	\$39,335,707	\$54,864,670	\$43,456,925
Participation Rate	25%	21%	23%	23%	29%	29%

* as of December 2015

WATER DEPARTMENT PROPOSED BUDGET OVERVIEW

PROPOSED FUNDING REQUEST

The proposed Fiscal Year 2017 Water Department budget totals \$418,836,280, an increase of \$32,371,903 over Fiscal Year 2016 estimated obligation levels. The increase is attributable to projected higher costs for labor, professional services and equipment. The proposed Water Fund operating budget for FY2017 is \$769,185,000 which includes not only the operating budget of the Water Department 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 Water Department budget includes:

- \$107,808,919 in Class 100, a \$5,056,034 increase over FY16. This funding is due to step and longevity pay increases and a reduction in vacant positions in the Operations and Planning & Environmental Services divisions by approximately 60 full time positions. Additionally, the Department has greater vacancy funding of 66%. These necessary expenditures reflect our commitment to the crucial task of strengthening PWD's workforce to ensure the Department is equipped to meet infrastructure and operational challenges.
- \$160,565,792 in Class 200, a \$20,359,555 increase over FY16. This increase is primarily due to the electricity, gas, maintenance and repairs at our plants and supporting the Consent Order and Agreement programs.
- \$44,789,613 in Class 300, a \$3,550,633 increase over FY16. This funding is due to an increase in parts for the phosphoric acid system and also for other plant equipment including HVAC, pumps, flowmeters, valves, sludge collection equipment, and other equipment at our water treatment and water pollution control plants.
- \$3,747,956 in Class 400, a \$1,305,681 increase over FY16. This funding is due to an increase in equipment related to replacing light fixtures, air conditioning systems and other items at the water treatment and water pollution control plants.
- \$500,000 in Class 500, a \$400,000 increase over FY16. This funding is due to funding related to Utility Emergency Services Fund (UESF) of \$400,000.
- \$101,424,000 in Class 800, a \$1,700,000 increase over FY16. This funding is due an increase in funding for transfers to the general fund for services rendered and for funding of capital program.

STAFFING LEVELS

PWD proposed FY17 operating budget has an allocation for 1,985 positions comprised of 223 job titles. There are 1,788 full time filled positions as of January 20, 2016 resulting in vacancies of 171 or about a 9% rate. 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. There are positions that are currently filled that are considered probationary based on the Civil Service system

protocols. Positions not accounted in the 1788 reported staff demographics are 15 apprentices. The remaining balance of vacancies is the result of employee attrition and retirement. 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 IT 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% 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 Consent Order, expediting of development plan reviews, succession and legal obligations.

New Hires Since 1/1/16	Gender		Grand Total
	F	M	
Hispanic or Latino	1	0	1
Other	0	3	3
African American	4	26	30
White	1	9	10
Asian	2	3	5
Grand Total	8	41	49

See appendix for Bilingual Employees Chart.

**WATER DEPARTMENT
PERFORMANCE, CHALLENGES AND INITIATIVES**

DEPARTMENT PERFORMANCE (OPERATIONS)

Performance Measures	FY15 Actual	FY16 As of 12/31/2015	FY17 Target
Millions of Gallons of Treated Water	86,089	42,593 (FY16 goal is 97,920)	94,900*
Percent of Time Philadelphia's Drinking Water Met or Surpassed State & Federal Standards	100%	100%	100%
Miles of Pipeline Surveyed for Leakage	605	377 (FY16 goal is 1,130)	1,130
Water Main Breaks Repaired	919	306 (FY16 goal is 905)	825*
Average Time (Hours) to Repair a Water Main Break (Upon Crew's Arrival)	5.7	6.55 (FY16 goal is < 8.0)	< 8.0
Percent of Hydrants Available	99.6%	99.58% (FY16 goal is 99.7%)	99.7%
Number of Storm Drains Cleaned	100,354	46,384 (FY16 goal is 111,444)	111,444
Acres of Watershed Plans Approved	411	93 (FY16 goal is 240)	240
Resultant Watershed Stormwater Flow Reduction (Million Gallons)	391	88 (FY16 goal is 228)	228
*These are projections upon on which the budget is based.			

**WATER DEPARTMENT
OTHER BUDGETARY IMPACTS**

FEDERAL AND STATE (WHERE APPLICABLE)

The Water Department's Fiscal Year 2017 proposed operating budget grant revenue totals \$1 million which is in line with Fiscal Year 2016 estimated grant revenues. Nearly \$745,000 of the grant revenue is related to the Marcellus Shale funds which must be spent exclusively for projects involving the green stormwater improvements.

WATER DEPARTMENT – CONTRACTING EXPERIENCE

**M/W/DSBE Participation on Large Contracts
FY16 Contracts**

Vendor	Service Provided	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 % and \$ Value Participation - All DSBES	Local Business	Living Wage Compliant?
PMA - Philadelphia Biosolid Services, LLC	BioSolid Services	\$22,170,000	5/24/04	10/24/08	MBE: 18%	25%	\$5,542,500		Y	Y
					WBE: 10%	6%	\$1,330,200	31%		
					DSBE: 0%	0%	\$0	\$6,872,700		
PIDC	Stormwater Management Program	\$11,450,000	N/A - Contract managed through a quasi-City agency	2/23/12	MBE: 15%	15%	\$1,717,500		Y	Y
					WBE: 10%	10%	\$1,145,000	25%		
					DSBE: 0%	0%	\$0	\$2,862,500		
CDM Smith	General Consultant Services	\$8,872,700	4/8/13	7/1/13	MBE: 30%	31%	\$2,750,537		Y	Y
					WBE: 5%	4%	\$354,908	35%		
					DSBE: 0%	0%	\$0	\$3,105,445		
PMA - NE Biogas	Cogeneration	\$5,678,951	9/7/10	12/23/11	MBE: 30% - 35%	30%	\$1,703,685		N	Y
					WBE: 5% - 10%	5%	\$283,948	35%		
					DSBE: 0%	0%	\$0	\$1,987,633		
AKRF	Green Stormwater Infrastructure Mgmt/Maintenance/Inspection	\$3,099,013	4/4/12	7/1/12	MBE: 10-15%	24%	\$743,763		N	Y
					WBE: 10-15%	1%	\$39,048	25%		
					DSBE: 0%	0%	\$0	\$782,811		

WATER DEPARTMENT – EMPLOYEE DATA

Staff Demographics (as of January 2016)

<i>Full-Time Staff</i>				<i>Executive Staff</i>			
		Male	Female			Male	Female
		African-American	African-American			African-American	African-American
<i>Total</i>		740	197	<i>Total</i>		0	2
<i>% of Total</i>		41.7%	11.1%	<i>% of Total</i>		0.0%	15.4%
<i>Average Salary</i>		\$41,257	\$45,201	<i>Average Salary</i>		N/A	\$80,000
<i>Median Salary</i>		\$39,991	\$40,192	<i>Median Salary</i>		N/A	\$80,000
		White	White			White	White
<i>Total</i>		544	101	<i>Total</i>		5	4
<i>% of Total</i>		30.6%	5.7%	<i>% of Total</i>		38.5%	30.8%
<i>Average Salary</i>		\$51,463	\$57,295	<i>Average Salary</i>		\$123,418	\$121,292
<i>Median Salary</i>		\$45,201	\$54,698	<i>Median Salary</i>		\$124,643	\$119,959
		Hispanic	Hispanic			Hispanic	Hispanic
<i>Total</i>		45	7	<i>Total</i>		0	1
<i>% of Total</i>		2.5%	0.4%	<i>% of Total</i>		0.0%	7.7%
<i>Average Salary</i>		\$40,089	\$49,480	<i>Average Salary</i>		N/A	\$75,555
<i>Median Salary</i>		\$39,397	\$46,097	<i>Median Salary</i>		N/A	\$75,555
		Asian	Asian			Asian	Asian
<i>Total</i>		57	24	<i>Total</i>		1	0
<i>% of Total</i>		3.2%	1.4%	<i>% of Total</i>		7.7%	0.0%
<i>Average Salary</i>		\$48,515	\$56,837	<i>Average Salary</i>		\$142,830	N/A
<i>Median Salary</i>		\$42,696	\$59,321	<i>Median Salary</i>		\$142,830	N/A
		Other	Other			Other	Other
<i>Total</i>		40	20	<i>Total</i>		0	0
<i>% of Total</i>		2.3%	1.1%	<i>% of Total</i>		0.0%	0.0%
<i>Average Salary</i>		\$48,421	\$49,292	<i>Average Salary</i>		N/A	N/A
<i>Median Salary</i>		\$42,737	\$49,667	<i>Median Salary</i>		N/A	N/A
		Bi-lingual	Bi-lingual			Bi-lingual	Bi-lingual
<i>Total</i>		*	*	<i>Total</i>		0	1
<i>% of Total</i>		*	*	<i>% of Total</i>		0.0%	7.7%
<i>Average Salary</i>		*	*	<i>Average Salary</i>		N/A	\$75,555
<i>Median Salary</i>		*	*	<i>Median Salary</i>		N/A	\$
		Male	Female			Male	Female
<i>Total</i>		1,426	349	<i>Total</i>		6	7
<i>% of Total</i>		80.3%	19.7%	<i>% of Total</i>		46.2%	53.8%
<i>Average Salary</i>		\$45,613	\$49,822	<i>Average Salary</i>		\$126,653	\$102,961
<i>Median Salary</i>		\$42,982	\$43,023	<i>Median Salary</i>		\$126,075	\$90,000

**Employees are not required to provide this information. Data collected cannot be assured to account for all bilingual employees in the Department.*

**WATER DEPARTMENT
APPENDIX (Other Relevant Data and Charts)**

The Water Department surveyed its staff to determine the number of bilingual employees. Please note that this is a self-reported number and may not reflect all bilingual employees.

Total - # of Bilingual Employees	119
Total - # of Languages Spoken	37

Languages spoken by PWD employees:

Spanish, Greek, Tagalog, Arabic, Malayalam, Hindi, Gujarati, Chinese (Cantonese and Mandarin), Punjabi, Urdu, Albanian, Russian, Polish, Cebuano, Tamil, Armenian, Ukrainian, Bisaya, Kannada, Bini, Esan, Portuguese, Korean, French, Creole, Bengali, Vietnamese, Hebrew, Bulgarian, Oromo, Amharic, Ethiopian, German, Romanian, Filipino, Italian, Java.