

**PHILADELPHIA WATER DEPARTMENT
FISCAL YEAR 2025 BUDGET TESTIMONY
APRIL 2, 2024**

INTRODUCTION

Good Afternoon, President Johnson and Members of City Council. I am Randy Hayman, Water Commissioner. Joining me today are Lawrence Yangalay, Deputy Water Commissioner (Finance) and Benjamin Jewell, Deputy Water Commissioner (Operations). I am pleased to provide testimony on the Philadelphia Water Department's Fiscal Year 2025 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 the City's 1.6 million residents; meeting household, commercial, and firefighting needs; and sustaining and enhancing the region's watersheds and quality of life by treating wastewater to high standards and effectively managing stormwater.

Plans for Fiscal Year 2025: During FY25, PWD will continue to work to support a safe city by continuing to operate the water and wastewater systems dependably, delivering the highest quality drinking water, and wastewater systems, including stormwater, to the city of Philadelphia and its contract customers. PWD is committed to upgrading existing infrastructure and new technologies, all while continuing to maintain the structural redundancy. This is necessary to ensure continuous operations and the availability of functioning fire hydrants to support public safety. PWD will also continue to maintain a rate structure that meets PWD's needs while remaining fair, equitable and affordable through transparent ratemaking by involving all stakeholders in the rate setting process.

PWD will continue to respond expeditiously to repair main breaks and work with the Streets Department and other relevant agencies to repairs streets damaged by main breaks to ensure cleaner and safer streets for all of Philadelphia. PWD will continue to support inclusive and resilient neighborhoods by providing responsive customer services, which includes reaching out to every area of the City. The Department will continue to improve the Customer Contact Center operations in FY2025 to expand customer self-service options to reduce call and email volume around meter appointments and real estate transactions.

The Department will 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. The department plans to continue to coordinate with OHR to fill critical vacancies in FY2025 and support minority participation in all aspects of PWD's business operations. For major contracts, PWD's minority participation rate of 32% in FY 2023 was 1% lower than its goals for the year. Public works procurement accounts for about 70% of the Department's annual contractual spend. And more than half of that comes from our Water and Sewer Line related structures construction. As of the latest industry

availability study conducted by the City, there are hardly any minority or woman-owned businesses in the entire state under NAICS code 2371110 (the industrial classification for Water and Sewer Line related contractors). In that context, if you exclude that category of contracts from our FY23 spend, the Department would have achieved 35% M/W/DSBEs participation for FY23. PWD continues to work with OEO to do outreach to increase M/W/DSBEs participation opportunities for these types of contracts.

Being fully aware of the economic conditions faced by some residents of the city, the Revenue Department (including the Water Revenue Bureau), PWD and OIT will continue to implement and enhance customer assistance programs. These programs include the Tiered Assistance Program (TAP), the Senior Citizen Discount Program (SCD), and others. To date, there are approximately 46,000 customers benefitting from our income-based water billing assistance programs. Also, over the next year, PWD will continue to partner with peer utilities to host a series of utility fairs around the city, many of which inform customers about various assistance programs.

In FY2025, the Department will continue to operate as an efficient and effective utility. This includes timely administration of operating and capital budgets, securing low-interest financing, timely processing of vendors invoices, and completion of all financial reports. PWD will continue to maintain a balanced five-year financial plan to ensure financial resiliency and hopes to maintain existing credit ratings.

PROPOSED BUDGET OVERVIEW

General Fund Financial Summary by Class						
	FY23 Original Appropriations	FY23 Actual Obligations	FY24 Original Appropriations	FY24 Estimated Obligations	FY25 Proposed Appropriations	Difference: FY25-FY24
Class 100 - Employee Compensation	\$157,224,789	\$141,029,775	\$162,051,251	\$162,051,251	\$170,049,429	\$7,998,178
Class 200 - Purchase of Services	\$193,767,302	\$191,377,115	\$215,261,864	\$215,261,864	\$217,097,341	\$1,835,477
Class 300/400 - Materials, Supplies & Equipment	\$63,974,830	\$66,315,750	\$86,826,760	\$86,826,760	\$94,112,432	\$7,285,672
Class 500 - Contributions	\$510,000	\$6,493,930	\$510,000	\$510,000	\$510,000	\$0
Class 800 - Payment to Other Funds	\$51,071,000	\$47,102,954	\$71,500,000	\$71,500,000	\$71,500,000	\$0
Total	\$466,547,921	\$452,319,524	\$536,149,875	\$536,149,875	\$553,269,202	\$17,119,327

Proposed Funding Request:

The proposed Fiscal Year 2025 Water Fund budget totals \$553,269,202, an increase of \$17,119,327 over Fiscal Year 2024 estimated obligation levels. This increase is primarily due to Class 100 increase in labor to provide for, among others, provision for labor agreements, regulatory

compliance, transfer of capital positions to the operating budget; Class 200 for increase for permit compliance and major maintenance costs at PWD's plants; and Class 300/400 for an increase in chemical costs.

The proposed budget includes:

- \$170,049,429 in Class 100, a \$7,998,178 increase over FY24. This funding will be used mainly to support increases due to provision for labor contracts, new positions for regulatory compliance and ongoing operations, 22 positions transferred from Capital Program and staff level changes.
- \$217,097,341 in Class 200, a \$1,835,477 increase over FY24. This funding will be used mainly for permit compliance, maintenance, and repairs at the plants, and an increase in energy costs.
- \$94,112,432 in Class 300/400, a \$7,285,672 increase over FY24. This net increase is due to rise in chemical costs.
- \$510,000 in Class 500, level with FY24. This provides funding to Utility Emergency Services Fund ("UESF") which provides support for housing stabilization for low-income families.
- \$71,500,000 in Class 800, level with FY24. This provides funding to be used mainly to meet General Bond Ordinance coverage requirements and self-generated capital needs.

STAFFING LEVELS

The department is requesting 2,557 budgeted positions for FY25, an increase of 52 positions over FY24.

The increase is attributed to: 22 existing positions transferred from Capital; 29 new positions, including: 5 for regulatory compliance (2 for the Consent Order Agreement, also known as Green City Clean Waters, and 3 for Lead and Copper Rule) 24 new positions to support ongoing operations (6 under Human Resources to improve hiring; 1 under Finance for grants; 15 under Operations for Process Mechanic and administrative support; 2 under Planning & Engineering for project control support); and provision for Assistant Managing Director 2 position transfer from MDO to PWD Finance.

Employment Levels (as of December 2023)		
	FY25 Budgeted	Filled as of December 2023
Number of Full-Time Positions	2,557	2,000
Number of Exempt Positions	22	11
Number of Executive Positions (deputy level and above)	11	7
Average Salary of All Full-Time Positions	\$61,659	\$61,200
Median Salary of All Full-Time Positions	\$55,148	\$53,744

NEW HIRES

New Hires (from 7/1/2023 to December 2023)						
	Total Number of New Hires	English	Spanish	Arabic	Chinese-Mandarin	Other ⁽¹⁾
Black or African American	76	76	2	1	1	8
Asian	15	15	1	1	3	29
Hispanic or Latino	6	6	14	1		
White	30	30	4	2		9
Other ⁽²⁾	9	9	1	2	1	1
Total	136	136	22	7	5	47

⁽¹⁾ Other Languages spoken include: Albanian, Amharic, Cantonese, Cantonese, Chinese-Hakka, French, French – FRA, French Creole – CPF, German, Greek, Gujarati – GUJ, Gujarati - GUJ ,Hindi – HIN, Haitian-Creole – HAT, Hausa, Hindi – HIN, Hindi, Kanarese Also Canarese (Includes Kannada), Malayalam, Hindi, Malayalam – MAL, Hindi, Malayalam, Tamil, Hungarian – HUN, Japanese, Korean, Malayalam, Malayalam, Tamil, Russian, Tagalog, Telugu, Vietnamese, Yoruba

⁽²⁾ Others races include: Two or more races (1), and unassigned (8).

PROGRAM BASED BUDGETING:

Program Name: Finance

Program Number: 2807

FY25 Proposed Water Fund: \$105,295,039

Program Description: This program is charged with overseeing the Department’s financial planning, accounting, rate setting, debt issuance, budgetary and grant application activities; achieving an affordable and fair rate structure through a transparent rate-making process; pursuing Federal Financial Assistance to support the Department’s robust capital program; and meeting regulatory requirements related to financial disclosure and reporting. In addition, the program processes PWD expenditures.

FY25 Strategic Goals:

- Ensure timely administration of operating and capital budgets, invoicing, and completion of all financial reports.
- Continue to pursue low-interest loans and grant funding from Federal and state sources to minimize the financial burden on rate payers.
- Maintain a balanced PWD Five-Year Plan to ensure financial resiliency and maintain existing credit ratings.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Maintain current credit ratings (A+ / A1 / A+)	A+, A1, A+	A+, A1, A+	A+, A1, A+
Achieve targeted debt and liquidity metrics as defined by the Department’s Financial Plan	Met all debt coverage requirements	Exceed amounts as required by the General Bond Ordinance	Exceed minimum amounts required by the General Bond Ordinance

Program Name: Human Resources and Administration

Program Number: 2806

FY25 Proposed Water Fund: \$24,016,148

Program Description: This program supports the continued development of a talented and diverse PWD workforce by using human resource planning, recruitment, placement, career development, comprehensive and responsive safety programs, and administrative services that are consistent with and drive the long-term needs of the Department and the City’s goals for diversity. This program also manages the building facilities, machine shop, and security services for PWD.

FY25 Strategic Goals:

- Revise and consolidate safety policies.
- Implement revised apprentice training curricula.
- Implement diversity, equity, and inclusion training.
- Increase diversity in engineering titles.
- Reassess effective assignment of employees in light-/limited-duty status.
- Establish performance management training.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Departmental Vacancy Rate *	19%	<15%	<12%

* PWD HR plans to allocate significant resources towards upward mobility initiatives. PWD HR has recently reestablished a tuition reimbursement program and the supervisory development program, and is actively working to revise classroom-curricula for our apprenticeship program. PWD HR will also continue its work with the Office of Human Resources on issues such as establishing trainee-level job classes in hard-to-fill fields. This will help with lowering the Department’s vacancy rate.

Program Name: OPERATIONS

Program Number: 2809

FY25 Proposed Water Fund: \$336,646,651

Program Description: This program manages integrated water and wastewater services that meet or exceed all state and federal regulatory requirements to protect and preserve Philadelphia’s water resources. It operates, maintains, repairs, and improves the water systems that are necessary to supply dependable potable drinking water while ensuring appropriate quality, pressure, and volume. It also operates, maintains, repairs, and improves the wastewater systems necessary to efficiently collect and treat wastewater and stormwater to protect and improve the environment.

FY25 Strategic Goals:

- Coordinate with PWD’s HR to continue implementing the Department’s apprenticeship and employee upscaling program to fill key vacancies in skilled trades.
- Redevelopment of emergency response and preparedness program.
- Comply with all federal and state regulations relating to water and wastewater management.
- Operate, maintain, repair, and improve the water system necessary to supply drinking water at adequate quantities and pressures to meet customer demand.
- Operate, maintain, repair, and improve the water system necessary to efficiently collect and treat wastewater and stormwater from the City of Philadelphia and wholesale customers.
- Work cooperatively with Information Systems & Technology (IS&T) to continue evaluating and improving cybersecurity of process control systems to ensure protection of treatment systems and processes.

- Continue to evaluate and pilot new and different leak detection technologies to continue efforts on reducing non-revenue real losses from the water system.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Millions of gallons of treated water	85,815	Meet Customer Demand	Meet Customer Demand
Percent of time Philadelphia's drinking water met or surpassed state and federal standards	100.0%	100.0%	100.0%
Miles of pipeline surveyed for leakage*	1,141	900	900
Water main breaks repaired	606	Meet Customer Demand	Meet Customer Demand
Average time to repair a water main break upon crew arrival at site (hours)	7.07	8.00	8.00
Percent of hydrants available	99.1%	99.7%	99.7%
Number of storm inlets cleaned/year**	80,907	100,000	80,000
Wastewater Treatment met or surpasses state and federal standards/month	100%	100%	100%

* PWD piloted a new leak detection survey technology which provided the bump in reporting numbers last year. PWD is currently finishing up evaluation and cost analysis of the pilot. The Departments is preparing to continue the pilot again in FY2024 and then make the final determination as to whether this will continue to be a tool in PWD's regular workflow through a larger contract term.

** The FY24 and 25 targets reflect a sustained high vacancy rate in a key position for the Inlet Cleaning Unit. The Department is taking steps to fill vacancies and hopes that the target can be readjusted upward in future years.

Program Name: ENGINEERING AND CONSTRUCTION

Program Number: 2808

FY25 Proposed Water Fund: \$15,661,510

Program Description: This program provides technical support to the Operations Program. It prepares and implements the Capital Budget program which includes design, project control, and construction management for new and existing assets. The program also ensures the renewal and replacement of the PWD’s conveyance and collector systems, as well as its treatment facilities.

FY25 Strategic Goals:

- Manage and maintain PWD’s renewal and replacement program of the conveyance and collector’s system, which delivers drinking water and collects wastewater from customers.
- Optimize and maintain the resources required to renew the department’s treatment facilities to ensure reliability.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Miles of sewers renewed*	1.10	≥12.00	≥13.00
Miles of water mains renewed**	20.64	≥42.00	≥ 42.00
Percent of capital budget encumbered***	70%	≥90%	≥ 90%

* IN FY23, PWD had 9 miles of sewer renewal awarded, however, only 1.1 miles were conformed by the end of the fiscal year. The reason for the delay in conformance can be attributed to contractor response time and expanded procurement timeline in processing the contracts. The Department believes these were temporary challenges, and early FY24 data is showing better results. In FY24, the Water Department anticipates encumbering projects yielding 9 miles of sewer reconstruction and bid an additional 5 miles of sewer

reconstruction that will not complete the conformance process in FY24. These projects are expected to complete contract conformance in calendar year 2024 and will be counted as FY25 mileage of sewer reconstruction. The sewer reconstruction goal will increase by one mile per year until it reaches 20 miles per year. The Department is working with Procurement and other City agencies to find ways of streamlining the timeline between bid opening and contracts being conformed.

** In FY24, the Water Department anticipates encumbering projects yielding 22 miles of water main replacement mileage and bid an additional 12 miles of water main that will not complete the conformance process in FY24. These projects are expected to complete contract conformance in calendar year 2024 and will be counted as FY24 mileage replacements. In FY24, the Water Department increased the budget to \$120 million to accelerate replacements, with a new goal of replacing a total of 42 miles of water mains in FY24 and beyond. The Department is working with Procurement and other City agencies to find ways of streamlining the timeline between bid opening and contracts being conformed.

*** PWD anticipates a higher projection going forward, as sewer construction miles are projected to increase from 1.1 miles in FY2023 to a projected 9 miles in FY2024 with the goal of reaching target miles in FY2025 and beyond. The water main miles are projected to increase from 20.64 miles in FY2023 to an anticipated 22 miles in FY2024.

Program Name: PLANNING AND ENVIRONMENTAL SERVICES

Program Number: 2842

FY25 Proposed Water Fund: \$57,065,758

Program Description: This program manages the Green City, Clean Waters Program, and other Safe Drinking Water and Clean Water Act regulatory compliance obligations. It provides comprehensive and strategic planning and research support for PWD. This program also manages laboratory services to support compliance and quality initiatives, as well as materials analysis for capital projects and procurement.

FY25 Strategic Goals:

- Conduct planning and adaptive management analyses and develop strategies for compliance with regulatory obligations.
- Continue to proactively address acute and chronic threats to Philadelphia’s drinking water supply, considering both water quality and water quantity risks.
- Continue to comply with the required National Pollutant Discharge Elimination System (NPDES) permit obligations for the City, including implementation of the Green City, Clean Waters Program through project tracking and risk management to ensure the Department meets the objectives.
- Continue to advance and implement the elements of existing master plans, such as the Utility-Wide Strategic Energy Plan and the Water Revitalization Plan.
- Finalize updates to the Wastewater Master Plan which outlines a comprehensive, integrated, and actionable 25-year strategy for the Water Department’s wastewater facilities that integrates upgrading existing infrastructure, impending regulations, energy generation and greenhouse gas emission reduction, and climate change resiliency.

- Allocate resources to the Revised Lead and Copper Rule, Green City, Clean Waters, and Municipal Separate Storm Sewer System (MS4) programs commensurate with new and/or increasing compliance requirements.
- Utilize the recently purchased mobile pilot plant system to evaluate treatment options for per-and polyfluoroalkyl substances (PFAS) and other treatment technologies in support of the Water Revitalization Plan.
- Develop more formal pathways for values such as equity, climate resilience, and sustainability to be included in project planning, prioritization, and selection.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Constructed greened acres	212	225	225
Number of Greened Acres Design Completed/year*	312	225	225
Analyses performed by PWD’s Bureau of Laboratory Services/year **	236,870	200,600	200,600
Site inspections completed/month	292	300	300

*Green Stormwater Infrastructure (GSI) implementation is part of PWD’s Long Term Control Plan (named Green City, Clean Waters) to manage stormwater and reduce combined sewer overflow. The “Greened Acre” is the metric used to describe and report the volume of stormwater managed through GSI.

**Due to staffing shortages, the Water Department has decreased projected analyses performed in FY24. With decreased vacancies, PWD hopes to increase the number performed in FY25.

Program Name: PUBLIC AFFAIRS

Program Number: 2840

FY25 Proposed Water Fund: \$14,584,096

Program Description: Public Affairs creates and implements comprehensive communication strategies to inform and educate Philadelphians about PWD, expands access to PWD’s services, and provides residents with critical information in times of breaking news or emergency repairs. In coordination with the Office of the Mayor, Public Affairs facilitates media access to PWD, designs and executes a digital strategy to engage residents, and ensures that key information about PWD is available to residents. The work includes management of the Customer Contact Center, which receives customer inquiries regarding water emergencies, requests for customer service, and information about billing and collections. The program also has a special focus on public engagement and community relations, and mediates the needs, expectations, and concerns of PWD’s stakeholders.

FY25 Strategic Goals:

- **Lead and Copper Rule and PFAS Communications:** Develop communication strategies to comply with the revised Lead and Copper Rule requirements and forthcoming PFAS requirements.
- **Emergency Communications:** Update workflows, notification templates, social media posts, FAQs, and other communications methods for a variety of emergency situations. This work includes translating materials into multiple languages.
- **Establish Government Affairs Unit:** A Government Affairs unit will be established within Public Affairs to provide assistance across the department regarding legislative and regulatory issues at the local, state, and federal level.
- **Establish Community Engagement Civil Service Positions:** For more than a decade, Public Affairs has relied on contracted professional services for community engagement, with a team embedded within the division. Civil Service positions will be established to bring community engagement service in-house. As PWD embarks on simultaneous large investments, including the Water Revitalization Plan and storm flood relief projects, the demand for community engagement has increased significantly.
- **Customer Contact Center Workforce Optimization:** Review Customer Contact Center work tasks and processes to improve customer service.

FY25 Performance Measures:

Measure	FY23 Actual	FY4 Target	FY25 Target
Average speed to answer customers' emergency calls (minutes)*	3:28	< 4:00	< 4:00
Average speed to answer customer's billing and service calls (minutes)*	5:52	< 8:00	< 8:00
Number of non-city employees in attendance at public meetings	5,052	> 4,000	> 4,000

*Higher wait times are anticipated in FY24 due to insufficient staffing. The Department is actively working to fill these positions.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

PWD has been successful in obtaining funding (mostly low-interest loans) for the Capital Program from State and Federal sources. No Operating funds have been received so far. PWD will continue to search for Federal and State funding opportunities that can help the Department fund its Capital and Operating expenses.