COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON TRANSPORTATION AND
PUBLIC UTILITIES

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, February 8, 2011
11:10 a.m.

PRESENT:
COUNCILMAN CURTIS JONES, JR., CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN JACK KELLY
COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN FRANK RIZZO, JR.

RESOLUTION 100814 - Resolution authorizing the Committee on Transportation and Public Utilities to hold a public hearing to examine the impact, circumstances, and possible solutions to problems regarding the Philadelphia Water Department's implementation of new stormwater run-off fees on independent business owners.

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COUNCILMAN JONES: Good morning. This is the Committee of Transportation and Public Utilities. We are now opening a public hearing on Resolution No. 100814.

Would the Clerk read the purpose of the resolution.

THE CLERK: Resolution 100814, authorizing the Committee on Transportation and Public Utilities to hold a public hearing to examine the impact, circumstances, and possible solutions to problems regarding the Philadelphia Water Department's implementation of new stormwater run-off fees on independent business owners.

COUNCILMAN JONES: Before we begin, I'd like to acknowledge my colleague Councilman Frank Rizzo. He has a statement he'd like to read in.

COUNCILMAN RIZZO: Thank you. Good morning, everyone.

Good morning, Councilman Jones and members of the Committee on

Transportation and Public Utilities. And we'd like to welcome our new Water Commissioner -- congratulations, Commissioner Neukrug -- and members of the Administration and all those in attendance. Thank you for being here today.

The resolution that I introduced at City Council that called for today's hearings was a response to information I received from members of the recently established Unified Business Owners Association of Philadelphia that many of their businesses are being significantly financially impacted by the increase in stormwater management fees.

We know the following to be true: For much-needed protection of the environment and to comply with both federal and state regulations, stormwater must be properly managed, and there is an unavoidable cost associated with such management, but the changes in assessing those costs to customers in some cases resulted in drastic increases, dramatic increases in stormwater charges.

Today's hearing provides the opportunity for those individuals who have spent many years successfully operating their long-established businesses in our city to share with members of City Council their concerns. The Committee will also be provided with background from the Philadelphia Water Department, PIDC and the environmentalists on this issue of critical importance.

And, again, Councilman Jones and members of your Committee, thank you very much for taking this very important issue up today.

COUNCILMAN JONES: Thank you, Councilman Rizzo.

Also on the Committee I have serving today Councilman Greenlee and Councilman Kelly.

Will the Clerk read the first panel.

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THE CLERK: Howard Neukrug, Sam Rhoads, Paul Lonie.

Paul Lonie is not here.

(Witnesses earlier approached witness table.)

COUNCILMAN JONES: Commissioner, good morning.

COMMISSIONER NEUKRUG: Good morning.

COUNCILMAN JONES: Welcome to your new position, and please begin your testimony. State your name for the record.

COMMISSIONER NEUKRUG: My name is Howard Neukrug, Water Commissioner.

Good morning, Councilman Jones and members of the Transportation and Public Utilities Committee, and thank you to Councilman Rizzo for requesting this public hearing on this very critical issue.

While we all like to talk about the weather, the topic of stormwater management or, as I prefer to call it, rainwater management is not a topic typical of either parties or of Council Chambers, and the rain's impact on our utility costs and how we restructure the recovery of those costs is an extremely complex subject.

COUNCILMAN JONES: Just for the record, we have your written testimony. You can choose to take the salient parts, that we might want to abbreviate. Feel free to do that.

COMMISSIONER NEUKRUG: Okay.

Well, my testimony will cover three general topics. One is the extraordinary costs of stormwater management in Philadelphia today, the creation of an equitable system of cost recovery, and the burden this has placed on a number of our customers and what we are doing to support them.

Concerning the first topic, the extraordinary costs of stormwater management, these costs have risen significantly over the past decades. In the past, before environmental regulations were in place, the goal was to move stormwater away as quickly as possible, without any significant concern for pollution or the degradation of our waterways. Costs for these services were nominal and were easily embedded into the fixed fees charged for water service. We adjusted the costs among homes and businesses based on the size of the water meter. This was standard industry practice at the time and accepted as the most reasonable approach for stormwater cost recovery. Using this technique, however, our largest industrial and commercial potable water customers automatically encumbered the largest costs for managing the stormwater irrespective of the land area, and large impervious lots with little or no water service enjoyed relatively free stormwater services from the City.

Today, the new Clean Water Act regulatory requirements has increased the service-level expectations for our customers with many new programs, and indeed this comes out to about $120 million a year for our stormwater utility. These costs are for expansion of sewer and wastewater treatment plant capacity, basement and street flood management, sewer surcharges and overflows management, stream and river water quality enhancements, defective lateral removal programs, education, training and outreach, and upgraded system maintenance and renewal. These and other factors have raised our costs and our customers' awareness that the rain is now more than just a nuisance to be shunted away to the closest river. This is a major regulatory and ethical responsibility for our cities.

Beginning in the 1980s as stormwater costs began to rise, many of our large business customers complained of overcharging since we were charging them based on size of their water meter, not on the amount of stormwater they discharged to our sewer system. In the 1990s, the Stormwater Citizens Advisory Council was formed to seek out fundamental corrections to these inequities. It was the goal to create a more equitable system for charging our customers for managing their runoff.

In 1996, the CAC concluded that we should base our stormwater fee on the size of the property and the impervious characteristics of that property.

Transitioning the meter-based system to this parcel-based system involved many stakeholders and consultants, detailed investigations of best practices in other cities, and the identification of available accounting and mapping tools. The new system was first implemented for our residential customers in 2002 and, at the continuing urging of many large commercial customers, was implemented for non-residential customers through a four-year phase-in program beginning July 1st, 2010.

We are and have been keenly aware that although these changes are in macro scale, revenue neutral, they are anything but cost neutral to those customers that are experiencing an increase, sometimes a significant increase, in their stormwater charges. Clearly, the impact of this charge is very significant to the small but very important segment of our customer base.

So what have we done to ease the burden on this important and vital customers and businesses of Philadelphia? Well, first, we've been using notification of our customers through the formalized rate hearing process, followed in February 2010 with mailed notifications and a series of public meetings attended by over a thousand customers, as well as visits to all City Council offices and other various organizations. These activities continue today.

Second, we phased in new fees over a four-year period to lessen the immediate burden on any customers' budgets.

Third, we launched an online information system with links to a number of business-friendly sites and support tools for our customers.

Fourth, we've created a new customer service unit to serve as a one-stop liaison for our commercial and condominium customers in all billing and operational matters.

Fifth, we have instituted a significant credits program which recognizes on-site stormwater management activities that reduces runoff and costs.

Sixth, we've provided impacted customers with free engineering consulting services to encourage on-site conservation and, therefore, reduce costs.

Seventh, we've partnered with

PIDC -- and Sam Rhoads is here and will speak momentarily -- to offer a low-interest capital loans program and seeded the program with $5 million.

And, lastly, we've worked with other organizations such as the Sustainable Business Network and Penn Environment to investigate new business opportunities in green jobs and other incentive and grant programs for the affected customers.

So in closing, where do we go from here? Well, first, we are very determined to become ever more proactive when it comes to customer communications and care and working with City Council and other stakeholders to move forward with building upon our customer assistance programs. In the next few months, we plan to launch a new CAC to serve as a blue-ribbon panel for commercial customers to advise us on improvements to our credit and assistance programs.

Third, we pledge to work with the City Council to identify other means of improving equity of the non-residential stormwater fee structure.

And, fourth, we will continue to explore other new and innovative programs such as creating a mitigation bank where businesses unable to achieve credits on their own properties can participate in a very public beautification project on parks or schools' properties, a win-win for our customers and the City as a whole.

Another idea that we're working with is allowing decentralized stormwater systems where a property owner can invest in a stormwater management system that can serve multiple properties.

Finally, to our all-important residential customers, we are working with our public advocate partners - Community Legal Services, Penn Future and Pennsylvania Environmental Council - to explore cost-effective, aesthetically pleasing and easy-to-manage stormwater practices for homeowners that will allow our residential customer base to also obtain a stormwater credit or rebate in the future.

Our goal is simply to enable all of our customers, residential or non-residential, to play their part in assisting the Water Department to optimally manage stormwater while controlling the cost burden to all.

In closing, we pledge to continue to work with our customers to identify innovative solutions that can lower customer costs while ensuring the safe and effective management of our stormwater collection system and our waterways.

Thank you for this opportunity to testify.

COUNCILMAN JONES: Okay. We'll reserve our questions, unless our members of the Committee would like to make a statement. We'll hear all testimony before we start questioning.

State your name for the record.

MR. RHOADS: Good morning, Mr. Chairman and members of the Committee. My name is Sam Rhoads. I'm Senior Vice-President of the Philadelphia Industrial Development Corporation. I'm here to testify today with respect to an innovative new financing program to finance stormwater management infrastructure, and I'm joined here by my colleague Jenny Crowther, who worked to develop this innovative new program.

PIDC understands that many businessowners are seeing significant increases in the costs of their stormwater services and that this negatively impacts their ability to continue conducting business in Philadelphia. During these challenging economic times, many businessowners may find it difficult to absorb the increased costs associated with stormwater services.

In response, PIDC and the Philadelphia Water Department have partnered together to develop a low-interest loan program, the Stormwater Management Incentives Program, to provide impacted customers with the funding needed to implement stormwater mitigation measures. The PWD has allocated 5 million to this program.

The Stormwater Management Incentives Program, also called SMIP, is available for any non-residential customer for the design and construction of a broad range of stormwater management practices. Loan sizes will range from $75,000 up to a million.

The SMIP loans are available with very favorable terms, including a one percent interest rate. In addition, PIDC will not take out a lien against the property and will not charge the borrower any application or origination fees.

The SMIP applications are available on the Water Department's website at phila.gov/water/stormwater_where.html. And I have outlines of the program here which, if you'd like, are available to the Councilpeople as well as to the audience.

The applications are also available by calling PIDC at 215-496-8139. The Water Department will review the technical merit of all applications, and PIDC will review the credit of the applicant.

I strongly urge all interested businessowners and non-profits to contact PIDC and to submit an application.

Thank you for this opportunity to testify. I'd be happy to answer any questions when you're ready.

COUNCILMAN JONES: Thank you for your testimony.

Our next witness, please state your name for the record.

MR. LONIE: My name is Paul Lonie. I'm the President of

AquaEconomics. It's a private enterprise at 1301 North 2nd Street in Philadelphia, Pennsylvania, and I'm here to give testimony on the private sector.

As many of you know, I spent 30-some years working for the City, and we've partnered with some former City employees to form a new company that basically is designed to do stormwater management in a design-build area that's economic for these people that are having difficulties doing this.

What we've decided to do is to take a new approach to this outside of the usual way of having an engineer come in and do a lot of different things. We're a combination of different companies. Rodriguez Consulting is a small engineering company that does a lot of the engineering. Lou had worked for the Water Department for 18 years and is very familiar with the process over there. I deal with the surveying as part of that orientation, as with the 30 years

I was with the City of Philadelphia. And we've teamed with Bustleton Services, which is John Parsons, who is one of the major union construction companies and landscape companies in the City. And what we've been doing is designing a program where we'll come along and also help with Sam's program with PIDC to come in and work with a person on a one-stop, one-shop basis. We'll take them all the way through the process. As people know, the process doesn't really kick in if you're doing retrofitting until the things have already been installed and inspected. So we take everything right through the process for all these people. We have all the engineers, all the surveyors, all the landscape folks to help them with this, and we have maintenance coming that will do the maintenance of this afterwards.

It's something in Philadelphia that's been needed, and since this has come into effect, it's a business that's growing like crazy and we're actually trying to just help everybody as much as we can.

So thank you for this time to testify, and I'd be glad to also answer any questions.

COUNCILMAN JONES: Thank you. I defer to members of the Committee.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman.

Good morning, gentlemen.

Commissioner, I don't know if you can answer this or maybe somebody else from your department. What I guess I'm trying to get clear on -- and I know the department did a lot of outreach before the bills went out. I guess what I'm trying to determine is particularly the people who had significantly high bills, how soon before they actually had to start paying them did they have an idea about how high they were? Am I making sense?

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COMMISSIONER NEUKRUG: Yes. And we had a process that obviously started, as my testimony, in the 1980s and 1990s. But you are correct, that it was in February 2010 when the bills first went out that had the costs associated with the first July 1st, 2010 bill. So February 2010 and July 1st, 2010. Again, there was a phased-in approach so that even those most impacted were only impacted by 25 percent of that total bill. So, in essence, we are kind of still in that period of notification.

COUNCILMAN GREENLEE: Sort of phasing in?

COMMISSIONER NEUKRUG: Phasing in.

COUNCILMAN GREENLEE: But when they got that first notice on February 2010, their bill -- some people's bill anyway, particularly businessowners -- went up rather significantly, right?

COMMISSIONER NEUKRUG: Yes. There is -- and "significant" means different things to different people.

COUNCILMAN GREENLEE: No, I understand.

COMMISSIONER NEUKRUG: But in any sense, yes, there are quite a number of clearly frustrated customers who we are now in the process of trying to assist.

COUNCILMAN GREENLEE: And I know hindsight is 20/20 and all that good stuff, but just looking back -- and I know you weren't the Commissioner, but I wonder if there should have been a way to try to tell people maybe in six months, this is what's going to happen or something like that, so they're a little bit more prepared, particularly those people like -- maybe the regular bill didn't go up that much, so it's not that big a deal to people, but for folks that went up hundreds or whatever, it seems like that just hitting them one time -- and I know Commissioner Brunwasser came around and explained to me and explained to all the Councilmembers, but, you know, it wasn't real numbers, if you know what I mean. I think when you get real numbers, it has a little bit more of an impact.

COMMISSIONER NEUKRUG: It's always best to give the most time and it's always best to work with every customer and make sure that they fully understand what is coming down. I believe that having worked behind the scenes at the Water Department for any number of years on this issue that the Water Department did everything that it humanly could within our organization to reach out to all our customers and let them know that this was happening.

But having said that, that doesn't mean that people who have not in February 2010 seen or read their bills and understood that this was coming, that they certainly felt like they didn't get their six-month warning.

COUNCILMAN GREENLEE: I guess

that's the thing. I shouldn't say you talked in the abstract, but you certainly didn't have specific numbers, right, until February 2010?

COMMISSIONER NEUKRUG: Until February 2010.

COUNCILMAN GREENLEE: Okay. I guess that's the biggest -- and I understand why you have to do this and all like that. That seemed to be the one --

COMMISSIONER NEUKRUG: I am being corrected.

COUNCILMAN GREENLEE: Pardon me?

COMMISSIONER NEUKRUG: I am being corrected from the audience.

COUNCILMAN GREENLEE: Mr. Lonie knows a little bit better.

COMMISSIONER NEUKRUG: We did do notification with numbers beginning in 2009.

COUNCILMAN GREENLEE: With specific numbers? With specific numbers?

COMMISSIONER NEUKRUG: Can I ask Joanne Dahme to come up? Joanne Dahme is the Public Affairs Manager for Philadelphia Water Department.

(Witness approached witness table.)

MS. DAHME: Hi. Thank you.

COUNCILMAN JONES: State your name for the record, please.

MS. DAHME: Joanne Dahme, Philadelphia Water Department, Public Affairs Manager.

Certainly I think we're not disputing that we can always do a better job, and it's always a challenge getting customers to pay attention to something, particularly when it's not in place yet. Recognizing that we were looking to do this phase-in before our last rate case, we did start reaching out to what we saw then as the top impacted customers, people who were going to see their bills go up, back in 2009. And what we were doing at that point was giving them sort of an estimated what we saw the rates might be over the next four years.

We had -- what our goal was, to say this was going to be possibly happening, because the rate case was currently ongoing, 2008, 2009. We were offering to have workshops for these impacted commercial customers to come in to learn a little bit about what was going on, to really have an opportunity to explain to them what we expected to happen.

We did have many of these commercial customers come to some workshops. So that was sort of the first round. The round Howard mentioned back in February 2010 when we knew this was going to be a reality, that there was going to be phase-in beginning in July, every customer did get a notification about what we saw their rates, their stormwater fees, being over the next four years. So they saw what was going to happen July 1st.

COUNCILMAN GREENLEE: So they got real numbers, just so I'm clear?

MS. DAHME: They did get real numbers, yeah, to show the full phase-in. It's being phased in over a four-year period.

But, again, I think it's -- those notices went out in February, and we tried to make them look very different from your typical water/sewer bill. It was in an eight and a half by -- or it was an envelope, which had "important information about your stormwater bill" on the front, but I think, again, what we're hearing from a lot of these commercial customers is, they're not the ones receiving these bills. The person getting them really doesn't understand them.

But as a result of that February notification, we did have ten public workshops, and those were attended by over 1,000 commercial customers. So some people did see that. They did come.

Lots of concerns, lots of questions, but we did get the information out there as best as we could. Not to say that there's probably many other ways, and we'll probably hear from some of the commercial customers about other ways to do that.

COUNCILMAN GREENLEE: I'm not even trying to be critical. I'm just trying to get a clear picture of timing and when they really got a real like picture or real numbers about what they gave, even if it wasn't exactly specific, like it's going to be this, around this much.

MS. DAHME: Right. No. They were fairly accurate enough to get people to come out to the meetings to ask us questions about it.

COUNCILMAN GREENLEE: I'm seeing some heads shake behind you, so there'll probably be some other testimony that will say something different, but that's okay.

All right. Thank you.

Thank you, Mr. Chairman.

COUNCILMAN JONES: Thank you, Councilman Greenlee.

I have a couple questions. Number one, first is a statement. I clearly understand what we are struggling with here as a city and two converging interests kind of coming at each other. Number one, when we did the hearings on Marcellus Shale and the amount of brine that might come down through our waterways, one of the mining industry's counterpoints was that we get more brine and contaminants on rainwater runoff on an average snow event. And that was one of their arguments.

So I understand the purpose of this is to try to change behavior to be more conscious of the rainwater runoff. So I get that part. What I need to be more clear -- and I also know that we are just now beginning to see the light at the end of the tunnel of a recession, and that a lot of these businesses are on margins that are slim and some on margins that are none, and so, therefore, these new fees coming on are hitting them right at the time when they're trying to get some relief. So I understand what the polar opposites of this important aspect are.

So what we're trying to do is get some clarity, and what we're trying to do is get some options here.

A couple of questions that I have. You say revenue neutral, that this is going to be revenue neutral. You mean revenue neutral to the City or to the people who actually have to pay the tax or the fee?

COMMISSIONER NEUKRUG: This is certainly not revenue neutral to an individual landowner. This is revenue neutral to the City. So last year we needed to recover $120 million or so for the stormwater utility, and next year we need to recover that $120 million. So the question is, what is the most equitable way of having all the customers of the City of Philadelphia share in that, residential and non-residential, and within the non-residential class, take a look and see.

COUNCILMAN JONES: So help me to understand the non-residential equity of this fee that we're applying to Philadelphia-based businesses. Help me how we're addressing that disparity.

COMMISSIONER NEUKRUG: Well, in the past, the way that we charged was based upon the size of the water meter. The larger your water meter, the more potable water you used on your property, the more you paid your portion of the stormwater fee. So there were many customers who had large water meters, maybe even two large water meters, who had a very small footprint and they were paying the biggest share of the stormwater fee system, and they're the ones who clearly were unhappy, that they felt there was an inequitable process.

We brought together an Advisory Committee to look this over, and the Advisory Committee of all different sorts within the City of Philadelphia came to the same conclusion, that it wasn't an equitable process, and a more equitable way of charging for stormwater is based upon a true cost of service. So the more stormwater your property delivers to the sewer system of the City of Philadelphia, the more you should have to pay for that service.

COUNCILMAN JONES: I'm still -- I'm a little dense here. The Water Department is the smart department, so you'll have to dumb it down for me. But Crown Plaza is on City Avenue in Philadelphia in my district. It is maybe 12 stories high, maybe, and they're straight up. Across the street is a plaza/shopping center that is flat. How do you determine the rates of that?

COMMISSIONER NEUKRUG: You're

looking at the gross area, the acreage of land.

COUNCILMAN JONES: So if they're going straight up, how do you determine that?

COMMISSIONER NEUKRUG: Well, straight up doesn't matter. It matters whether it's impervious or pervious, whether it's allowing rainwater to soak into the ground or store it or retained on the site.

COUNCILMAN JONES: So is a skyscraper --

COMMISSIONER NEUKRUG: So a skyscraper and a parking lot that have the same acreage would have the same stormwater charge.

COUNCILMAN JONES: And that makes sense?

COMMISSIONER NEUKRUG: Yes.

COUNCILMAN JONES: To who?

(Applause.)

COUNCILMAN JONES: Like I said, I'm not the smartest guy ever, but that to me does not make sense, and I don't know how we factored that in.

The second thing that I would ask is --

COMMISSIONER NEUKRUG: I --

COUNCILMAN JONES: So if you're both two skyscrapers, one in the City of Philadelphia, one outside, do you pay the same rate? So if the hotel moved across the street, what would it pay, Crown Plaza, what would it pay differently being a non-City resident?

COMMISSIONER NEUKRUG: I'd have to get back to you to find out what kind of system of rates and taxes they have in Montgomery County.

COUNCILMAN JONES: So based on your fees, however, if Crown Plaza moved exactly across the street, they would not have to pay this fee?

COMMISSIONER NEUKRUG: If they were not in the City of Philadelphia, no. But they would still -- but everyone pays for stormwater management, everyone --

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COUNCILMAN JONES: But they use our water system, both the supply side and the sewage side, right? Yes?

COMMISSIONER NEUKRUG: Not the stormwater.

COUNCILMAN JONES: So the stormwater process --

COMMISSIONER NEUKRUG: Stormwater is a separate system and -- everyone in the United States pays for stormwater. It's sometimes embedded or hidden.

COUNCILMAN JONES: So we don't process their water? We supply their water, but the runoff goes where?

COMMISSIONER NEUKRUG: Runoff goes to --

COUNCILMAN JONES: Their system?

COMMISSIONER NEUKRUG: Their system, their separate stormwater system.

COUNCILMAN JONES: Okay. That's some clarity. You got that one.

All right. By way of green

programs -- no. The fees in phasing them in, you said that it's a four-year process?

COMMISSIONER NEUKRUG: That's correct.

COUNCILMAN JONES: So what did the -- in February, what did the businesses, what portion of the bill did they get?

COMMISSIONER NEUKRUG: They --

COUNCILMAN JONES: One-fourth of it?

COMMISSIONER NEUKRUG: They saw what it would be, I belive, over the entire four years. So they saw the phase-in of four years. It was explained to them that we phased in over four years and one-quarter of the total bill as of four years hence was what would be charged to them beginning July 1st.

COUNCILMAN JONES: So if it was $100, they had to pay this year 25?

COMMISSIONER NEUKRUG: That's correct.

COUNCILMAN JONES: So over the four years, gradually they'll pay the entire 100?

COMMISSIONER NEUKRUG: Gradually they'll be paying more.

COUNCILMAN JONES: All right. And what does that represent by way of an average increase to business on their fees?

COMMISSIONER NEUKRUG: Can you repeat that?

COUNCILMAN JONES: This new fee on top of their old water bill, what percentage increase on average would that represent based on your --

COMMISSIONER NEUKRUG: Well, some would see an increase and some would see a decrease.

COUNCILMAN JONES: On average.

COMMISSIONER NEUKRUG: Because it was -- on average, over the City I would say it was cost neutral.

Is there a better answer than that?

MS. DAHME: Sixty-five percent, I'd say.

Joanne again.

I'm just going to -- as Howard is talking, the kind of information we sent -- and I think it gets back to your question -- they received a fact sheet, which had a photograph of their property, so taking an aerial photograph. So they got to see what we were charging them for, how big their property is and then how many hard surfaces, manmade surfaces, were on that property, which is really the runoff co-efficient, which really counts for how much is being impacted or contributed to our system. And so with that, they had sort of the four-year phase-in.

When we look at our customers overall, it's hard to say what percent increase per customer, because it's kind of by property type. When you think about properties that are large and have a lot of hard surfaces, like parking lots, like buildings, and they had small meters or no meters at the property, like a parking lot, it would be a big percent increase for them, because they were sort of underpaying based on their meter size, not because they wanted to underpay but because the meter size was having them underpay and other people were subsidizing that.

A similar property -- as Howard was saying, there were a lot of winners. Properties that were like your Crown Plaza might have a large meter, because it has to get water pressure to the top floor, might have two meters, they were paying a lot of money, so they saw their new stormwater fees go down significantly, because they were sort of overpaying all those years when it was based on the meter size. But when we look at our customers overall, we have -- about 60 percent of our customers are seeing either no change, a real small change or a change within $500 of increase over the year. So you do have then on both sides of the spectrum some customers who are being severely impacted, seeing a large increase -- and probably a lot of the customers in this room -- and then on the other side, you have a lot of customers who are seeing their fees go down significantly.

COUNCILMAN JONES: I appreciate your guesstimate, but do you have actual figures that you can provide this Committee?

MS. DAHME: Yeah, we can certainly provide some information.

COUNCILMAN JONES: And that's an ask, that we would have a view.

One other thing while you're up here. You are talking about a loan program and it's $5 million. Can you give me the terms and how much the amounts are?

MS. DAHME: I'm going to let the loan expert talk about that.

COUNCILMAN JONES: And this

loan is designed to do what again?

MR. RHOADS: This loan program was developed together with, in partnership with the Water Department. They capitalized it in the total amount of $5 million. It's designed to provide financing, low-cost financing, to companies or businesses that are seeing an increase in their bills and want to implement or put in stormwater management infrastructure, such as green roofs, detention basins, porous parking lots --

COUNCILMAN JONES: What is the average retention basin, how much does it cost? Average.

MS. DAHME: It's really hard to say average-wise, because it's based on how much of the square footage we're looking to really manage. But taking a look at some of the recent estimates, for four acres we had a detention basin that was costing about $200,000 in order to manage.

COUNCILMAN JONES: So $200,000?

MS. DAHME: And that's just rough, for four acres of management, which might be about 80 cents per square foot.

So the practices aren't inexpensive certainly, and that's why we were looking at the loan program.

COUNCILMAN JONES: Do you think that that loan program is slightly inadequate to address all of the -- if everybody in this Chamber just wanted a loan to address that, that loan fund would be exhausted.

What are the terms of repayment, how long?

MR. RHOADS: The terms of repayment are one percent and can go up as long as 15 years depending on that nature.

COUNCILMAN JONES: So that could be exhausted today in this Chamber if we actually took advantage of that, correct?

MR. RHOADS: I would say two

things. One is that it is a revolving loan fund, so to the extent that loans are repaid, we will put them back out again.

COUNCILMAN JONES: But over 15 years -- I was in the lending business for a while. So that could go today. So that's not a lot of money dealing with the number of clients that will be affected by this. That's number one. And when you talk about remediation of rainwater runoff, what are your cafeteria selections? What can a company do, and is it common knowledge that they know? Instead of paying this, you can put in rain barrels, you can put on green roofs. Is there a list of options? And I heard one company that does it, but how many companies are there that we've expanded the universe to?

COMMISSIONER NEUKRUG: There is a list of options that are available and it's available on --

COUNCILMAN JONES: Give me some

of those.

COMMISSIONER NEUKRUG: You can go as simple as a suburban-style detention basin to a green roof to a bioswale.

COUNCILMAN JONES: So consider a detention basin. How do you calculate what it does to their fee?

COMMISSIONER NEUKRUG: We take a look and see how much water is stored. We're looking to capture the first inch of runoff, very similar to the stormwater regulations for new development. In fact, if you have a new building that's been developed, it will get the full credit from the stormwater fee. So we have some engineering calculations that are done that assesses the before and after costs of a treatment technology. We have --

COUNCILMAN JONES: So if someone doesn't want to put in a $200,000 bio-retention basin, they can do what other cost-effective things?

COMMISSIONER NEUKRUG: It depends. It's very site specific, and we have an engineering consulting firm that will come out and give support to the property owner to identify what the most effective techniques are for that property. If it's a large parking lot that has sheet flow running to the edge of the property, then perhaps a bioswale, otherwise known as a ditch with plants, along the edge may be sufficient. It may be if it's a parking lot that all comes to one center drain, it's perhaps maybe a more structural piece where you're just making a bigger vault to hold the stormwater back.

So there are a number of different technologies that are available. They're all very simple in thought, because they're all about just holding water and draining water and infiltrating water. So they do exist, but the costs can be high. They're very site specific. They won't work at every site.

COUNCILMAN JONES: And the cost to retrofit this is higher even than to design it into a new construction or a new project?

COMMISSIONER NEUKRUG: Certainly. It's always more expensive to retrofit than it is to build into a new facility.

COUNCILMAN JONES: My final question is, what other cities do this?

COMMISSIONER NEUKRUG: You're seeing this happening in most cities throughout the United States. They're all looking at this whole issue of stormwater.

COUNCILMAN JONES: Does New York do it now, today?

MS. DAHME: They're moving to it.

COMMISSIONER NEUKRUG: They're moving towards it.

COUNCILMAN JONES: The question is, today does New York implement this?

MS. DAHME: Not on a parcel base.

COUNCILMAN JONES: Does Boston?

COMMISSIONER NEUKRUG: Well, if I can just -- and I know you don't want me to change your question a little bit, but does it cost money for the City of New York to manage stormwater? Most definitely. Does the City of New York residents pay for that and businesses pay for that? Most definitely. The manner in which they pay for it differs from city to city.

COUNCILMAN JONES: All right. I appreciate your question. Now I'm going to try mine again.

Today, does New York do it? Yes or no?

COMMISSIONER NEUKRUG: I do not know the practices --

COUNCILMAN JONES: You know the answer. Come on, it's okay.

Do they have this fee?

MS. DAHME: The question is,

are they doing parcel-based billing today? No. They're developing a system very similar to ours.

COUNCILMAN JONES: Does Washington --

MS. DAHME: We can give you cities that do -- oh, yes.

COUNCILMAN JONES: The answer is no.

Does Washington have it?

MS. DAHME: Yes, they do.

COUNCILMAN JONES: They do have it?

MS. DAHME: DC has done this, yes. They're doing it.

COUNCILMAN JONES: They are doing it today?

MS. DAHME: They've been doing it, yes.

COUNCILMAN JONES: Okay. Boston?

MS. DAHME: Moving towards it. Not today.

COUNCILMAN JONES: Not today.

All right. So of the comparable cities, does LA do it?

MS. DAHME: Yes.

COUNCILMAN JONES: They do?

MS. DAHME: They do.

COUNCILMAN JONES: All right. So can you provide us a list of the top cities, top ten cities, and whether they have it today or not? And not that we can't be cutting edge. Philly can be at the head of things, and I don't have a problem. I just need to know how they are dealing with it and how they're phasing it into the cost of doing business in their city, and we can learn from them by what impact it has had on small businesses.

MS. DAHME: Certainly.

COUNCILMAN JONES: That's my intention.

All right. Do you have any other questions? Councilman.

COUNCILMAN KELLY: Thank you, Mr. Chairman.

Commissioner, I just want to know, what businessowners were involved for determining the process and methodology for the stormwater fee system?

COMMISSIONER NEUKRUG: I'm going to ask Joanne to answer that one.

MS. DAHME: This is going back to when we had the stormwater CAC --

COUNCILMAN KELLY: Well, how many of the large corporations? One of the largest manufacturers in Philadelphia is Cardone Industries.

MS. DAHME: Right.

COUNCILMAN KELLY: We have Sandmeyer Steel. You have a lot of large still, believe it or not, in this city, we still have some manufacturers in this city.

MS. DAHME: At the time -- the list of the CAC members -- I'm thinking industrial customers -- included Allied Signal, Rohm and Haas. We had Van Sciver, the furniture company. They were probably some of the largest customers. The Citizens Advisory Committee when we put it together in the '90s, the real goal of that had the diversity of stakeholders. So it also had --

COUNCILMAN KELLY: Were these corporations invited to participate?

MS. DAHME: They were, yes.

COUNCILMAN KELLY: They were all invited?

MS. DAHME: One of the goals was to make sure we had a diversity of stakeholders, because at the point when we were working on this, we didn't know quite what this parcel-based billing was going to look like and how it was going to impact a large variety of customers. So we had small businesses, we had large businesses, we had universities, we had hospitals, we had utility companies, we had transportation companies, and we had citizens and civic associations, because we wanted everyone at the table at that time. And we did have a representative of City Council, technical advisor.

COUNCILMAN KELLY: I just want to go back to revenue neutral here. When you say it's revenue neutral, these fees, the subsequent fees that you're requesting, they would more than cover the cost, is that true, for --

COMMISSIONER NEUKRUG: Yes. We need to cover our costs for a stormwater utility.

COUNCILMAN KELLY: And suppose you receive -- if the fees come in well above that, would you be willing to cut back or would you continue to spend and spend and spend?

COMMISSIONER NEUKRUG: We go through a rate process approximately every four years, at which time these numbers would be reviewed and adjusted.

COUNCILMAN KELLY: Well, that's four years, in other words. Is that what you're saying?

COMMISSIONER NEUKRUG: In a four-year -- well, not four years from now, but --

COUNCILMAN KELLY: This is a four-year plan; is that true?

COMMISSIONER NEUKRUG: This is a four-year phase-in.

COUNCILMAN KELLY: Phase-in, yes.

COMMISSIONER NEUKRUG: Well, it's not the same four years, no. We're about two years into a four-year rate process.

COUNCILMAN KELLY: And you anticipate the new fees to more than compensate for the cost of putting in this new system; is that true?

COMMISSIONER NEUKRUG: We're looking for -- we're looking to recover both prior to this time and post this phase-in period to be collecting the same $120 million required for the stormwater utility.

COUNCILMAN KELLY: Mr. Chairman, I'm just interested in hearing the other side of this. I want to hear from some of the businessowners and the problems that they're going to have facing these increased fees.

Thank you.

COUNCILMAN JONES: Thank you, Councilman Kelly.

Councilman Greenlee.

COUNCILMAN GREENLEE: Very quickly and just piggyback on what Councilman Kelly said. I ask this not because I'm doubting what you're saying, but is there some chart or some numbers you can actually show us showing the revenue neutral aspect to what you're talking about, either now or in that four-year period you talk about?

COMMISSIONER NEUKRUG: Be happy to get that for you, Councilman.

COUNCILMAN GREENLEE: If you can forward that to the Chair, I'd appreciate it.

Thank you.

COUNCILMAN JONES: One last question before the panel goes. And I see Councilwoman Blackwell joining us. Thank you.

AquaEconomics, what is their relationship with the Water Department? You can answer that, Commissioner.

COMMISSIONER NEUKRUG: I don't know our relationship.

COUNCILMAN JONES: Oh, okay.

MR. LONIE: We have no relationship with the Water Department whatsoever.

COUNCILMAN JONES: But you are one cottage industry that has developed to consult businesses; is that what I understand?

MR. LONIE: Correct. We're engineers and surveyors, because a big part of this program requires the engineering and the different things like that. So that's where we are.

COUNCILMAN JONES: Has there been a list developed of such companies that has been made available to impacted customers?

COMMISSIONER NEUKRUG: There is a group from the Sustainable Business Network. It's called BUC, the Businesses for Unified -- Uniform Conservation, and they've been working very closely with us to develop this industry and understand what this industry would be and how to move forward.

COUNCILMAN JONES: Okay. All right.

Councilwoman Blackwell, would you like to...

COUNCILWOMAN BLACKWELL: I certainly would. And I'm late, I'm out of order, I may repeat the question, but at any rate, on my way in from the meetings in my office, I ran into a gentleman who told me his initial bill was $300. Now it's 4,000. You know, an increase is one thing, but to go from 300 to 4,000 is just about obscene. It's just -- it's not fair. It's not right. And what are we doing in that regard? That's not an increase. That's just downright murder. You can't do that to people. We can't do that to our businesses and people who do business in our city. That's just not right. That's not fair.

So what do I say to him?

COMMISSIONER NEUKRUG: I think you -- yes, I think you said it very well. And it is a very difficult situation that we're finding ourselves in, where these bills for a true cost of service, the cost of providing that service is perhaps for the first time in many, many years being adequately forecasted in our bills, and that doesn't take away from the fact that it's significant increases, and we need to work with every one of those customers who are being impacted in that way and try to find a way to help them out, because clearly there is a significant issue there, and I agree with you, but within the system of equity, because just for that same property, there's another property that's been paying $4,000 a month for many, many, many years and their stormwater charge really should have been in the hundreds.

COUNCILWOMAN BLACKWELL: They say this about taxes. That's why, colleagues on this committee, I don't vote for an increase in taxes, because every time they say they're going to right it, everybody pays a lot more. And if the City says now we're getting it right, it's still not right. It's not -- it sounds right if you say it. Now we're going to finally make it straight, everybody should pay what they should. But no matter where we go, human beings work in all of these offices and make all of these plans, and it's not right. It's not right to take somebody from $300 to 4,000. It doesn't even make common sense. I don't care how right one says it is. It's not right.

(Applause.)

COUNCILWOMAN BLACKWELL: And

certainly I support the Chairman. They tell me he's asked all the right questions. He always does his homework. And I will work with him to see what we can to right some of this, you know. I believe well-intentioned people and right-minded people can straighten out these problems, and that's why we're elected, the government, to do our part. I will work with the Chairman to see what we can do to correct some of this.

Thank you. Thank you.

COUNCILMAN JONES: Thank you. You might have been late, but you are right on time.

(Applause.)

COUNCILMAN JONES: Are there any other questions for this panel?

(No response.)

COUNCILMAN JONES: Can the Clerk read the Panel No. 2.

Thank you for your testimony.

THE CLERK: Members of the Unified Business Owners Association of

2/8/11 - TRANSPORTATION - RES. 100814
Philadelphia - Stuart Parmet, Jeff Allen, David Wolf, Daniel DiBruno, David Iacobucci and Richard Gorodesky.

(Witnesses approached witness table.)

COUNCILMAN JONES: Thank you. Who is testifying first? Who do we have?

MR. ALLEN: Jeff Allen.

COUNCILMAN JONES: Now, feel free -- again, I make the same offer to the private sector -- to paraphrase your testimony.

MR. ALLEN: Thank you.

COUNCILMAN JONES: Read your name for the record, please.

MR. ALLEN: Good morning, Chairman Jones. My name is --

COUNCILMAN GREENLEE: You can sit.

MR. ALLEN: Oh, sit? Thank you.

Good morning, Chairman Jones and members of the Transportation and Public Utilities Committee. Thank you for having our members speak. I represent -- I'm Co-Chairman of the Unified Business Owners Association of Philadelphia. And I don't want to -- if I could just see a show of hands of the businesspeople that are here that are representing the Unified Business Owners Association of Philadelphia.

MR. PARMET: This is two months.

MR. ALLEN: Stuart, myself, Arty Elgart from Robert Elgart & Son, David Wolf and Jay Barrow formed this association when we got the bills about stormwater fees in the mail. The companies that are represented here today are companies that have been in the City -- one of our members has been in the City since 1732, if I'm correct. My company, Allen Brothers, I'm a third-generation owner of my company. We're celebrating 101 years in the City of Philadelphia this year, and I just want to give you a brief background on who I am.

My grandfather started my business in 1910. He was succeeded by my father. We're a small minority of third-generation companies that are still in existence. I employ over 85 people. I have union labor. I pay healthcare. I pay benefits. I have a good job in my facility. My management people have healthcare. My management people have 401(k) plans.

We're a leading convenience store distributor in the Northeast corridor. So we distribute candy products, grocery food products, tobacco, health and beauty care to convenience stores, bodegas, grocery stores in the City of Philadelphia, but we also cover five other states, and we work out of our DC in Philadelphia.

I bought this property 13 years ago. It was a vacant, depressed property. It had been vacant for, I believe, somewhere between two and three years. We probably put about a million dollars into the property to enhance it, and we employ about 85 people.

In February, I just -- you know, it was great to hear the people from the Philadelphia Water Department, because some of the things they said did make a lot of sense to me, and, that is, that in February of 2010, myself and my constituents got notices in the mail of a stormwater charge that we were going to start to get on our water bills, which I understand the stormwater charge. I understand the need for increased taxes. I understand all that stuff. That's part of being a businessowner.

My fee was a 275 percent increase. So I went from about a hundred bucks a month to $1,300 a month, which is a real big fee. I mean, quite honestly, I said to my wife in a panic about, I can't afford to stay in the City of Philadelphia anymore, it's killing me.

She said, But, Honey, who is

going to buy your property? Between the rainwater tax -- which is not a fee to me, it's a tax -- and the real estate tax and use and occupancy tax and general business tax, BPT that we pay, who is even going to want to buy your building?

My building is a beautiful building compared to what -- it looked like a bomb hit it when I took it over, and some of the other members that will speak will tell you the same thing.

So my water tax is enormous, and some of my members' water taxes are much higher than mine. Mine is going to cost me about $16,000 to $18,000 a year increase. And it's not over four years. We were notified in February of 2010 from a letter from the Water Department with no date on it, no day date. It just said February 2010. Please participate in our meetings to explain this to you, and then they gave us four dates in February of 2010 that they were having those meetings. So needless to say, none of us really knew -- were able to go to any of these meetings.

One of the things that I guess -- we met with Joanne Dahme, who spoke today. There was, I believe -- I could be wrong. There were 79,000 businesses that were affected by this tax, but there were a thousand companies that were unfairly taxed, and I represent one of those thousand companies.

We requested through the Freedom of Information Act a list of the 1,000 companies that were grossly impacted by this tax and -- which is beautiful, and you'll see in this packet the Water Department when they put this spreadsheet together of the 1,000 companies that were greatly impacted, the tab is called "the 1,000 biggest losers." So we have actually taken that as we are the 1,000 biggest losers.

COUNCILMAN GREENLEE: Mr. Allen, can I just ask one question? What percent -- like what are you defining as grossly increased? Is 100 percent? Is there a figure you kind of cut that off at?

MR. ALLEN: We took the 1,000 losers, and the 1,000 losers collectively represent a 500 percent increase, cumulative water bills.

COUNCILMAN GREENLEE: Okay.

MR. ALLEN: I'll try to cut this a little short now.

There were a thousand companies who were unfairly increased. I sent a letter to the Mayor's office. I got no response. We met with -- he had actually forwarded my letter to Bernard Brunwasser, who was the Commissioner of the Philadelphia Water Department. My constituents and I, Stuart, Arty, Jay, we met with the Water Department and Joanne Dahme. We spent two hours with the Commissioner rehashing the same well-rehearsed conversations we had with Ms. Dahme, and basically we got a history of the Philadelphia Water Department.

That's what we got.

A lot of my members have increased their facility size. A number of our members are very philanthropic in the City. One of our members has a church in his community at 10th and Butler that he gives to the neighborhood, to the people in the neighborhood. Stuart's company built a Police Athletic League on their facility. One of our members built a greyhound recovery or hospital, veterinary hospital, on his property.

So I only want to say that one of the things that was mentioned was it's the worst economic time in our country. We got these increases, and really all we're asking is some -- we understand there's increases. We understand they're not going to rewrite the entire book about the increases, but there has to be a way to phase this in maybe over a ten-year period where we could breathe a little bit and afford to pay this thing.

That's all I have. Thank you.

COUNCILMAN GREENLEE: Okay. Thank you.

The members will be back in a minute. Maybe whoever else would like to testify.

MR. ALLEN: Daniel DiBruno.

Daniel.

MR. DiBRUNO: I guess it's good afternoon.

COUNCILMAN GREENLEE: It's there now.

MR. DiBRUNO: Chairman Jones, other Councilmen and women, if they're still here, my name is Daniel A. DiBruno. I'm part owner of a company Edward J. Darby & Son, Incorporated. We have been in the City since 1854. It's a family-owned business. My son is involved with the business now and other family members.

My story is simple. I did think that Councilman Jones was perceptive about businesses and how things affect us, but I want to thank you for the opportunity to express what I believe is not an equitable outcome to the stormwater runoff charge as instituted July 1st, 2010.

I'm Vice-President of Edward J. Darby & Son. It's a small family-owned business. We trade as Pennsylvania Wire Works, and we are one of the oldest wire cloth companies in the United States, over 157 years in the City of Philadelphia. At one time we employed 250 people. Now we are down to 15, as wire cloth manufacturing moved overseas in the '60s. It was Germany and then Japan and Taiwan, Korea and now mostly China. So we are still in business, but we are essentially distributors of wire cloth.

Although we are located in what is referred to the "bad lands," 9th and Dauphin Streets, we are good neighbors. We employ many men who are within walking distance to our facility. We have witnessed and have been a significant partner in the improvement of our neighborhood. We've been there over 25 years. And what I mean, there's more police presence, the graffiti hotline works, there's less crime, less arson, and there is even some new housing. So I think our neighborhood is coming up, but it's still the bad lands.

My appeal is simple, intuitive and equitable, and I know everybody used "equitable." I'm an engineer, but I don't think you have to be an engineer to be intuitive about this. Since rain, sleet and snow events impinge, hit and shed from the facades of all buildings, all the exposed area should be used in the assessment calculation, not just the rooftop prints.

I think, Councilman, you were hitting on this. It's just so intuitive that a parking lot and a 40-story building have different profiles. And water sheds on the impervious glass of all the facades. So I feel that all the exposed area should be used in the assessment calculation, not just the footprint. This will provide fairness to the parking lot people, the tall buildings and, as I am, I'm somewhere in between. By not including our building elevation, we deny the existence of the skyline, which undoubtedly skews the assessment results.

And what I did -- and not to be clever or smart, but, I mean, I just used my intuition. And we have the skyline of Philadelphia, and water sheds and impinges and falls from these areas if they're not green and restricted. And I don't think -- I mean, I'm ad-libbing now. I don't think it's a difficult thing to use that in the calculations, since you already have the footprint. It's a matter of the elevation and foot, and then you'll have a three-dimensional volume figure.

My appeal is, as I say,

intuitive. I lost my place, but I want to read from the Water Department bill where I protested, I appealed to the Water Department, because I said it's not fair.

Jodan Real Estate, LLC, which is the real estate holding company at Darby, which is us, we appeal the revised stormwater charge instituted July 1st, 2010 on the grounds of invoice inaccuracy based on inaccurate impervious area calculations.

The monthly stormwater charge does not include the impervious facade of our building, nor does it reflect the entire impervious facades of other buildings in Philadelphia. We contend that rain and snow events also shed water from the facades of impervious tall buildings, and by not counting the total of impervious area, this unfairly penalizes our building configuration and benefits tall buildings. This is not an equitable assessment, and results in inaccurate billing.

With that, I believe, Councilman Jones, you were intuitive about that as I am, and I think that could be included.

And to wrap it up, I just want to say that in businesses, we expect increases, as Councilman Blackwell said. When our health insurance goes up 10 percent, 15, 20 percent, we absorb it, but to have costs go up 4,400 percent and 1,100 percent, it's like how do you deal with it? It's devastating.

So with that, I'll close. I thank you for your listening to our situation and looking for an equitable solution.

COUNCILMAN JONES: Thank you for your testimony. We take increases either way, decreases, very seriously, because it impacts the operation of our city. You are valued members. You pay taxes. We want you to survive so that we can as well.

MR. DiBRUNO: Thank you. You're very intuitive with your questions.

COUNCILMAN JONES: Thank you. Next witness, state your name for the record, please.

MR. IACOBUCCI: Good afternoon, Chairman Jones and members of the Transportation and Public Utilities Committee, and thank you for giving us the opportunity to speak. My name is David Iacobucci. I'm employed by Baker Properties, which is the owner of a 217,000 square foot warehouse building located in Northeast Philadelphia.

In 2006, Baker Properties made an investment of over $9 million in that building, and the building is presently occupied by a single tenant on a long-term lease. It's a net lease. This was our first investment as a company in Philadelphia, and in light of the imposition of these stormwater fees, it's possible it might be the last one, too.

By way of background, Baker Properties invests in income-producing commercial real estate for its own account. We are a dispassionate investor who can put our money anywhere we think there's the prospect for a decent future income stream and growth from asset appreciation.

The implementation of a stormwater management fee on our property has a direct detrimental effect on our bottom line, on the value of our property and on our prospects for retaining our tenant at the property. In the simplest of financial terms, after full phase-in, the stormwater tax -- and make no mistake, you can call it a fee if you want, but it's effectively a tax -- will add 18 cents a square foot, or about $40,000, to our operating costs. At today's acceptable trading values for real estate like our building, that imposition translates into a real reduction in market value on the property of over a half million dollars.

Our building functions just like other buildings of its type across the country. It's leased to our tenant on a triple-net basis, which means that in addition to paying us a base rent, our tenant reimburses us as its landlord for all the operating costs of the property.

Our tenant happens to be a multi-national, multi-billion-dollar company that provides about 100 jobs at this property location. Before their lease expires -- and, by the way, it expires later this year -- they will actively seek to move to competitive buildings, not only within Philadelphia but in the Philadelphia suburbs, across the river in New Jersey as well. In order for us to offer them a competitive deal versus their options in Burlington, Camden or Gloucester County, New Jersey, we'll have to level the playing field, and we'll have to do that by paying the cost of the stormwater tax without passing it on to our tenant.

The reduction in --

COUNCILMAN JONES: I'm sorry. Would you happen to know if any of those counties charge a similar fee?

They do not?

MR. IACOBUCCI: We are investors in South Jersey real estate, and they do not in any of our South Jersey buildings.

COUNCILMAN JONES: Thank you.

MR. IACOBUCCI: So we're really competing to retain that company and those 100 jobs in the City. And as a dispassionate multi-billion-dollar company, this tenant can relocate anywhere it wants, anywhere it feels it can do business with the lowest overall cost. The impact on us is the reduction of the net rent paid by our tenant, the reduction in cash flow on our investment and the prospect of future increases in the stormwater tax, not to mention the precedent set by this regressive imposition of a fee will all serve to devalue the property, not to mention put those hundred jobs at real risk of flight elsewhere, maybe not just out of the City, but out of the state. So that's a big issue for us.

In closing, I strongly urge the City to rethink the imposition of these fees on property owners. They're disproportionately unfair to many commercial businesses and investments, and if not repealed, they stand to do more long-term harm to the basis of property valuation in the City and to the business climate in general in Philadelphia.

Thank you for this opportunity to testify.

COUNCILMAN JONES: Thank you.

MR. ALLEN: Councilman, we have a few more members.

COUNCILMAN JONES: Before you guys leave the panel, do you have any questions?

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman.

Just a question. You heard the previous witnesses talk about the loan program. Just I was wondering generally what's your thoughts on that?

MR. ALLEN: Well --

COUNCILMAN GREENLEE: Do you think it helps?

MR. ALLEN: Well --

COUNCILMAN JONES: Speak into the mike, please.

COUNCILMAN GREENLEE: Yeah, speak into the mike, please. The stenographer can't hear you.

MR. ALLEN: Just to kind of shorten that, we have a member that's going to speak who represents about nine million square feet of real estate in the City, and he can eat that loan program up pretty quick. Bottom line is, we're getting ready to enhance our facility, which I have to decide whether I want to spend money on stormwater or creating another 20 jobs by increasing my warehouse space by 20,000 feet.

COUNCILMAN JONES: So you view it as I can either be in compliance with some of the rainwater runoff or I can do something to enhance the operation?

MR. ALLEN: We understand that this project that they worked on needs to be -- that they had to implement something. The problem we have is that as the 1,000 losers, to have an increase of something for myself, which was 275 percent -- some of the members have higher increases -- the increase is astronomical. It doesn't make sense. Why should a business that's been in the City for 101 years all the sudden turn around and go, Wait a minute, where am I getting 20 grand from? And there's no end to it. We don't know what happens in year four. We don't know what -- we know what happens in year four. We don't know what will happen in year five, year six, year seven. We're burdened with the tax. We consider it a tax, and it's going to devalue our properties. A couple of our members have already gone to reassess their properties, because the value is going down, and when you hear from some of the other members, it will -- everyone has got a little bit of a different take on this. So I thank you for your time.

COUNCILMAN JONES: I appreciate your testimony. Thank you very much.

Will the Clerk read the -- oh, this is the same panel. Okay.

MR. PARMET: Good afternoon. Thank you very much for having us here. My name is Stuart Parmet. I'm the founder of the Unified Business Association and Co-Chairman. I wanted a couple of people to speak first, but I'm going to ignore this. I want to thank Theresa for her help. I can't tell you how hard it was to even get here to have people hear us on this issue. I mean, it took us months of very harsh letters to the City and threats to just be heard. I didn't think that was the way government worked.

I've been in the City. I'm a simple person. I've worked very hard to build a large business. I've never needed the City's help in anything. I pay my taxes, but I needed help, and nobody wanted to listen to us.

The reason I'm here is because on February, the end of February, my office manager gave me a piece of paper and she said to me, Stuart, you need to look at this.

And I said, What is that?

And she said, It's from the Water Company.

I said, Okay.

She said, We will be paying $4,000-plus.

I said, What's that? A year?

She goes, No; a month, for storm runoff.

I said, What? I never heard of

storm runoff. I've been in the business many years.

I'm very excited because I don't understand why the Water Company and Ms. Dahme and stuff are being adversarial. You were asked questions. They know there was in some cases 400 percent increases. We've asked -- I've spent over $10,000 already of my own money and numerous hours, which I really can't afford to do, to try to address this to get the attention that we are here today. I don't understand -- the meeting that we had with the Water Company, that we went to, there's a tremendous, tremendous issue here that we haven't even discussed, which is the impact on real estate to -- I invested in the SEPTA bus terminal, which is in a very depressed area, and I spent a lot of my own personal money to develop the building, and, quite frankly -- I lost my train of thought here. But the reality is is that we -- when we went to the

Water Company to discuss all these different issues, the Water Company had no idea when we brought up the effect it would have on the real estate market and how it would affect our business, and I said, When you did your planning ten years ago, did you not even discuss this?

And they said, No, we didn't realize.

So I said, So let me guess, you implemented something of this magnitude and this impact without really discussing all the ramifications. So right there is another indication how thoughtless it was about the people, the businessmen in Philadelphia, just burden us with this tax without even thinking of the ramifications.

I'm not upset as much with the tax. I think if we did it over 20 years -- I'm extremely upset with it, believe me. I think it's outrageous, and I think all the things that I've gotten involved with over the last couple of months tiplified how ridiculous this really is. I'm not saying three, four hundred. And like Jeff said, the insurance company, like Blue Cross, that goes up 15 percent, I hate that. I think it's unfair, but I need it, so I pay it. But a 300 and 400 percent increase on something I've never heard of before, that's outrageous. I just couldn't accept it.

But I think it's also -- Ms. Dahme said something about the representation. It's another thing. I'm a businessman. We couldn't get away with what was done as businessmen. I would lose all my business. When they said that we had representation, we didn't have representation. There wasn't one business other than Jack Kramer -- and this was told to us by the Water Company. Jack Kramer Delicatessen, that was the guy who the Water Company used to represent small business. That's what was told to us by the Water Company. I mean, I don't understand that. That's an insult to us.

I pay hundreds of thousands of dollars in taxes. I have 75 employees. I took $2 million of my own personal money to renovate a building in an area that's completely depressed. We've had to use an electric fence around our property to keep people out, and I still stay in the City, but this is -- this tax of a $40,000 increase per year, without any discussion years ago, is outrageous.

The last thing I want to say, I developed this building four years ago, five years ago. A friend of mine who is a philanthropist said that he wanted to put a Police Athletic League on our property. I have 14 acres in the City. That's priceless to have that kind of acreage. I felt that because we're the inner city area, that I should give back to the City. Okay? And we gave an acre of property to this person to build a magnificent state-of-the-art $14 million

Police Athletic League that the kids off of Pike Street and Luzerne Street have to use at their convenience.

Because this whole operation with the Water Company was so secret for so many years -- and I don't understand why you guys aren't trying to help us instead of give us rhetoric. I really mean that. We're not your enemies. We're businesspeople that are trying to survive. We have families just like you. I have little kids. I'd like to have a legacy to give them this building. But my point was -- and I keep losing my thought.

COUNCILMAN JONES: That's okay. Take your time.

MR. PARMET: If I had known about this issue, about the whole process of the Water Company and what they were doing -- and they purposely kept it secret. And, Commissioner, you've stepped into this, so we're sorry that you had to jump into this, because this is none of your doing. You're just getting the brunt of it.

But the fact that they kept this secret on purpose, because they know this would have been -- would have never passed, the businessmen would have been up in arms, and rightfully so. I developed my building and gave that location, which was the most appropriate location for that runoff where that would have been to fix it right and then and solve this problem quickly. But having had their engineers out, they told me my costs would be close to $350,000 to remediate the building right to the way they like it, and for that, I would lose -- I would gain 20 percent of that revenue they were going to pay. So I'd still be paying close to $30,000 a year in this tax or assessment, whatever you want to call it, that I never heard about it before. And I know of no other state -- Ms. Dahme might have also said that people are doing it, like

Washington. I guarantee they don't have a thousand losers like we have. They may have did it amiably so that people did it right, but they didn't take -- what they did was -- and she told me this specifically. She said, We took the people that complained the most, which were these big buildings, Blue Cross, Comcast, all these buildings, and who had rightfully had an issue because their meters were bigger and they were paying a lot of money. I agree with that, but what they did was, they put that burden on us, and that's what we have a problem. They took their issue and put it on the businessmen, and that's why we're so up in arms.

COUNCILMAN JONES: Do I understand you to say that the cost of remediation of your water runoff problem would have only yielded you a small percent of the total bill charged anyway?

MR. PARMET: Yes, sir. Yes, sir, out of over a $300,000 charge.

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COUNCILMAN JONES: So what your testimony says to me is, you're bringing into question what is this remediation worth by way of the corresponding reduction or credit that you get towards that and is that formula equitable; is that --

MR. PARMET: Yes. It was not successful one bit, and everybody I've heard who have tried to cooperate also had it not successful whatsoever.

COUNCILMAN JONES: So you're saying even when consulted --

MR. PARMET: Yes.

COUNCILMAN JONES: -- the cure outweighed the --

MR. PARMET: There was no cure. It was still a bad, bad cut.

COUNCILMAN JONES: All right. Thank you.

MR. PARMET: Thank you very much.

This is Rich Gorodesky, who is with a real estate company that's also --

like to give you the insight and impact that it will have on current purchasing and selling of real estate in the City of Philadelphia, which was not even considered at the time of this.

MR. GORODESKY: Good afternoon, Chairman Jones and members of the Transportation and Public Utility Committee. My name is Richard Gorodesky. I'm Senior Vice-President, Industrial Division, of Colliers International. We're a commercial and industrial real estate brokerage firm. Our office covers the eight-county Philadelphia metropolitan region, which includes all of Southeastern Pennsylvania, Southern New Jersey and the State of Delaware.

Since word of this recent change has started to spread, many of the companies that I work with are now considering this new cost in their relocation plans.

For example, I am currently working with one company that is considering expanding their current 60,000 square foot distribution facility in Philadelphia, but because of the new stormwater charge, they have asked me to show them buildings in South Jersey.

Another Philadelphia-located client with about 100 employees is seeking to relocate to more efficient space for their distribution needs, and they have asked me to explore Bucks County and South Jersey, specifically citing the new stormwater charge as, quote, one more reason, close quote.

Bucks, Montgomery, Delaware, Chester, Gloucester, Camden and Burlington Counties are all part of the commercial and industrial hub that is anchored by Philadelphia County, and none of these counties, to my knowledge, has made this change in stormwater billing. This has created an imbalance and one more reason for companies to choose the suburbs over the City. And you can be sure the surrounding counties will use this against Philadelphia as one more reason for them to win the job creation battle.

There were countless transactions made over the years, sales, leases, their related mortgages. All of these were underwritten, which were all put into place with a particular set of assumptions about the economics of the particular property. The new method of charging for stormwater runoff changes these economics, which will have a ripple effect on many levels. This is clearly an additional operating cost, and any additional operating cost reduces the valuation of the underlying property.

Many industrial buildings in the City of Philadelphia are older, inner city facilities with physical limitations. Many of these buildings have no extra ground, and the buildings and their parking lots cover corner to corner. While real estate taxes can rise and fall based on economic-based valuation, the traditional concept of utilities can be controlled by usage. Stormwater runoff is not economically controllable for many of these older inner city properties.

It was recently reported that sprinkler systems may be required in new residential construction. While this is certain to reduce the risk of fires and save lives and reduce property damage, obviously the policymakers recognized that it would not be economically feasible to install them in existing structures, and they will be grandfathered in. Another example is the Americans with Disabilities Act. Items like ramps and accessible bathrooms are required in new commercial and industrial construction and renovations. Again, policymakers recognized that it is not economically feasible to install these items in pre-existing structures, and they are grandfathered in.

In my opinion, existing

commercial and industrial buildings should be grandfathered in, and stormwater management should be applied to new construction and to significant additions to existing construction, where feasible. In this way, the economics of change will be factored into the system going forward, and gradually the City will improve stormwater management as we grow over time.

Any questions?

COUNCILMAN JONES: No. I thought you were taking a pause. No. Thank you for your testimony.

MR. PARMET: Thank you, Rich.

Next speaker is David Wolf of Wolf Investments. He is the biggest loser.

MR. WOLF: What a title.

COUNCILMAN JONES: One of the things I've learned in government, when you have winners and losers, we all lose.

MR. WOLF: I'm going to go into the winners and losers, Mr. Chairman.

Mr. Chairman, thank you, and members of the Transportation and Public Utility Commission. Thank you for the opportunity to speak with you.

I see a friend up there now, Councilman O'Neill.

COUNCILMAN JONES: Let the record reflect Councilman O'Neill has joined the Committee.

MR. WOLF: I'm so happy to have this opportunity to speak after the Water Department, because I think of this room as a big balloon filled with water and I'm the guy with the bow and arrow and I'm going to shoot holes in it, but unfortunately I didn't bring umbrellas. So everybody is going to have to deal with the fallout, and there's a lot of fallout here. So I would like all of the people that are losers to please stand up.

(Some audience members standing.)

MR. WOLF: I'm a loser 15 times

over, 15 times. There's lots of winners. The Water Department did not say and did not give an answer to the way water billing used to be done. Water billing was done based on pipe size, and that's how stormwater management was charged. So if you had a great big pipe coming into your building that has to go 50 stories up, it might cost you $5,000 per month, I used to call it, for the privilege of having this big service, and that's how stormwater has historically been paid. Now, I don't know if that's a hundred-year history or 50-year history, but everyone that I talked to says it's been a long, long time that this has been in effect.

Now, we know by the City's own admission that in 1996 they started talking about changing the system to one where it deals with roofs and square footage and blacktop and taking it away from those people that have had the significant burden previously. Of

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course, the people that have the significant burden are those people that may be renting buildings for $50 a square foot or $20 a square foot. We rent our buildings for $3 a square foot or $4 a square foot. So they've got lots of room, where we have very little room.

On the presentation that I gave to you, I listed probably about 20 properties. I will just name a few. 2005 Market Street currently pays $4,550 per month. Their rate will go down to $598 per month. 1835 Market Street currently pays $2,277 a month. Their rate will go down to $267 a month. We found a property 209 North 22nd Street, for some reason that's exempt.

I've been a property owner now for over 20 years. No one during that period of time has told me anything about stormwater management. If they had, if I think I'm a smart businessman, I would have taken steps. Every time I did some blacktop work and spent $20,000 or

$30,000 for that blacktop work, we would have done it differently so that we could make changes to deal with stormwater management. We didn't know.

In the year 2006, contrary to what we had always done before, we built two buildings totalling 44,000 square feet. The Water Department held us up in terms of stormwater management how they wanted us to fit out the space for 18 months, and ultimately it cost us $200,000 so that we could deal with about 100,000 square feet of parking and 44,000 square feet of building space. Now -- this was 2006 -- I have an adjoining 170,000 square foot building that I could have retrofitted if someone had said to me, Mr. Wolf, we're going to change the way we're doing things and maybe you should put more pipes under the ground. No one ever did that.

We estimate that our cost, our cost to mitigate stormwater management issues for my company, to be $5 million.

When I went to the first meeting from the Water Department, I asked if anything was in place. They had now been studying this since 1996. I asked them if anything was in place for people to borrow money at a lower interest rate, and that was in February or March of 2010, and there was nothing in place to help us. Then they came up a few months later and we had a meeting at the Ariglia (ph) building and PIDC said, We have this great plan where you can borrow money at one percent interest for 15 years if it's for stormwater management.

And I said, That's great. And of course, what was the first question out of my mouth? How much money do you have?

They said, Well, we have $5 million.

And I said, Well, that's going to take care of me, my companies. What about everybody else? And I think the City has not -- pardon me. Water

Department, the Water Department has not considered the potential cost to businesspeople to do this retrofit.

So I believe, if I backtrack the numbers from my company to everybody else that's at risk, the number isn't 5 million, it's not 50 million, it's not 500 million. It's $5 billion of cost, $5 billion. And they have 5 million. How much is that going to help us?

The cost to Wolf Investment is $400,000 at the end -- or in July 2013, per year. We have one building that currently is $115 per month, and that building will go up to $4,500 a month. We have another building that's $200-some per month, and that's going up to $9,000 per month.

Actually, the biggest loser in this room is the City of Philadelphia. This is the list of the thousand biggest losers. The pink people is the City of Philadelphia. So we can go page after page after page of pink things, and this is just the top thousand. So from the City, the cost is $7,525,000 per year. For the School District of Philadelphia, it's 625,000. That's just skimming the top thousand. There's 20 or 30 or 40 thousand people that may not be charged as much, but they're still losers.

The Water Department says, Well, it comes out even when we're all done. Well, most of those people are under water. When I asked Joanne about the City being part of the top thousand losers, she said, Well, we haven't figured out how much we're going to be able to mitigate that and how much is parks. But this is supposed to be revenue neutral. If I've heard it once, I've heard it a hundred times. This is not revenue neutral, because if the City has to take out of one pocket and give the Water Department, that means it's not getting money from somebody else. So you're seven and a half million dollars short.

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I have buildings that have one drain. My sewage, water and my stormwater are all in one pipe. Those buildings are almost impossible to retrofit. We have to go inside the building. We have to divert drains. We have to find a way to send the water somewhere else. We have to hold the water. We have to hold that first inch of water. It's almost impossible to do. So I suggested to the Water Department, Well, I have six acres in Northeast Philadelphia and it's just sitting there, and we have the Byberry Creek that runs by. I can over-mediate those areas. Just let me mediate that, because I can't mediate this, and they said, Well, we can't do that.

I paid in 2009 to the City of Philadelphia $342,000 in real estate taxes, $167,000 in business use and occupancy tax, $80,000 in net profits tax, and 17,000 in business privilege tax. Six hundred and seven thousand dollars. And I think for $607,000 I would get something back. Well, one of the things that I think I should get back is the streets, but the streets, some little fairy came by and said the streets are exempt. They're not part of the stormwater system. And the City -- no one pays for the streets. I have to pay for the streets. You have to pay for the streets. Every businessowner here has to pay for the streets.

This is a plan that is inequitable, unfair, deceptive and non-transparent from the beginning. They could have told us 15 years ago they were going to do this, and now they gave us three months' notice and we're already implemented 25 percent. So I have things that went from $115 now to $1,500 as the first 25 percent. My increases are astronomical.

What can the City do to -- I have -- backtracking for a second. I have submitted to you a copy of the plans that show some of the deception that the City gave us, and everybody got this in the mail, and this is how we first learned about stormwater management. And in the bottom, it says 2010, $115.58, and this is for my building where I have my greyhound program, which happens to be the best program in the United States.

COUNCILMAN JONES: We heard about it.

MR. WOLF: We have the best kennel in the City of Philadelphia. I invite everyone from City Council to come and visit it. It's fantastic. We see more greyhounds in surgery than anywhere in the world.

COUNCILMAN JONES: What I'd like you to do, Mr. Wolf, is summarize so that -- we have an ambitious amount of people that are interested in the subject, so...

MR. WOLF: I have just one thing in conclusion, Mr. Chairman. The City can solve this with a more equitable plan, which Atlanta has done, and basically the City pays for the stormwater management fees and has increased taxes proportionately for everyone. So I pay $400,000 in taxes. I will pay more proportionately than somebody that pays $150 or $200 in taxes, but I am not walking over hot coals. So this would be a way to do it instead of taking a club and hammering down people who can ill afford to pay these charges.

Thank you for your time.

COUNCILMAN JONES: Thank you for your testimony. I'm going to begin with -- we'll hold questions. Would you like to make a statement, Councilman O'Neill?

COUNCILMAN O'NEILL: Just a couple of observations. One, the Water Department or the Water Commissioner, because he makes the final decisions, I believe made a grave mistake in this, but it's a mistake that they're allowed to make under the City Charter, unfortunately. One, this is not a bad concept, neither was the American for Disabilities Act a bad concept, but what Washington did -- and they're not exactly known for getting it right -- they decided that the cost of implementing those ramps and other things that were required under the Act would only be triggered with new construction or major renovation, so that anybody that was playing by the rules up to that point would not be penalized. Going forward, there was a clear understanding.

The ADA was a perfect model for this that wasn't used. Now, granted, that would take a very long time to implement this if that happened. The alternative -- and I'm not saying that what you're talking about, more equitable, spread it over taxpayers instead of ratepayers, isn't something worth considering or shouldn't have been -- should have been considered, but the four-year phase-in with the cost, the real cost, to some property owners versus others being so much higher probably should have been a 20- or 25-year phase-in. And I don't know if that can still be considered.

Chairman Jones mentioned even if it's done another way and the cost increase could be no more than a certain amount until you hit. You might go do that in five years if it were ten percent, and that's the number that was just thrown out, or it may take you 30 years to have that happen, but it's something manageable, especially while the Water Department's educating and partnering with the kind of things they are doing. I mean, Joanne didn't make this decision. She works for the Water Department. I can't imagine anybody being better at trying to help people within the framework of what we're dealing with and explaining it, caring, trying to help.

But the question is, can the

Water Department reconsider this in some way, shape or fashion that is more palatable and more -- less anti-business, I guess is the best way of saying it. You know you're going to hurt somebody any time you give them an increase, but do you want to destroy them, and in certain cases, the increases are so high that you're going way beyond just hurting them a little bit. As you said, all the mitigation in the world isn't going to help some properties.

But when you follow their theory, you at least understand where they're going. They make that very clear. The question is, how do you get from here to there, and I think in that, there wasn't enough conversation with stakeholders.

Thank you.

COUNCILMAN JONES: Thank you, Councilman.

MR. PARMET: Thank you, Councilman. I think that's the whole issue here, is when we leave today, where do we go from here? I mean, I still have to write a check next week for 4,000, or whatever the proportion amount is from my water bill, and every time I do it, it makes me sick to my stomach, because it's not fair. And that's all we're asking. That's why businessmen have taken the time to come here out of their precious days to let you know that.

Now, what we need to do is, where are we going to go from here?

We just have a couple more people.

COUNCILMAN JONES: Come on. We work for you.

I've kind of lost track after Mr. Wolf. So state your name for the record and begin your testimony, please.

MR. ELGART: My name is Arty Elgart. I'm a Philadelphian and a wholesale owner of supply business. Our company has been in business since 1948. We employ 85 employees. We have 85 employees, and we are in the, again, the bad lands, what's called the bad lands. I've been there for 20-some years and more recently in my new building for the last ten years. I'm at 10th and Butler, which is right one block north of Erie Avenue on 10th Street.

We also have electric fences, but we've done a lot to do -- we've done a lot of things with the neighborhood besides hiring people from the neighborhood that would ordinarily not get jobs anywhere.

I want to touch on something that nobody in this building knows other than maybe a couple Water people, and it's an important piece, because I think this is what stirred up the whole thing. At one time while I lived in The Philadelphian, which is the apartment house just adjacent from the Art Museum, I lived there for a bunch of years. And eventually at one point in time I was asked to join the Board, and I was on the

Board. I ran for office and I was on the Board there. We had a problem, not just The Philadelphian, but 2601, The Philadelphian, the Parkway House and all the other towers all over the City, and the problem was that when they built all these buildings in, I believe, the 1940s or '50s the 2601 was built, the size of the water meter was extremely large, larger than what they needed to support the water usage in the building. The Philadelphian has 769 apartments. That's including office buildings on the first floor. And these -- this was a problem when I got on the Board that the fees were extremely high for the usage. Again, you have an apartment house, you have a roof that's three sections, The Philadelphian, which faces the Art Museum, and the water on the roof -- we have a small roof, but we also have seven -- I guess closer to a thousand toilets. My building, I have 12 toilets, and in my building I have some urinals, and that's all the water we use. My bill is $300-and-some a month. It will now go to $4,000 a month.

But getting back to The Philadelphian, they complained and the homeowners -- not the homeowners, but the association for all the high rises and parking lots complained that they were paying too much money for water. The Water Department agreed and said, You're right, we have to kind of spread this out. Hence I believe that this was the beginning of this whole thing. This is what started it. And there was no thought. They did not let businessmen know. We were told that they spent $100,000 advertising, and Jack Kramer, who happened to run the deli, he owns no property that I know of in the City of Philadelphia. He rents. He's in the deli business. And he's the only one that showed up. One businessman. Yes, they called Rohm and Haas. They may have called Tastykake and people like that.

They didn't call the businessman, the one who is going to get squeezed the most, the in-between guy, the wholesaler, the distributor. And that's what you have of people behind me. You have real estate people. And the water tax is what it's really called. They call it an assessment. It's not an assessment. It's a tax. We get nothing for it.

It's also protected. If you look at the Sterling Act of 1932, check on Page 65. Okay? I've read it. It's illegal what they're doing. It is not legal to just tax people and not give them anything more for their taxes. Do something. Provide a service. Do something different. Do something different. If they're going to spend the money on the water system and change the sewers, the underground, the infrastructure, that's one thing. That's not what is happening. They're depending on the businessman. And no one has touched about the wages and the people in the neighborhoods who will be out of work if we go belly up or have to move.

That's all I have to say. Thank you for everything, and thank you, Theresa Italiano, for helping bring us here.

Thank you, gentlemen.

MR. FIRKIN: Good morning. My name is Wesley Firkin. I'm the Property Manager for WTA Real Estate Management Company. I represent the Thackray family from Thackray Crane Rental. Thackray has been in Philadelphia for over 75 years. I'm sure if you've seen a Thackray crane before, you've seen it building the Linc, working on City Hall, putting up the Comcast building. I think you know what kind of service we provide for the City of Philadelphia. Extreme amount of loyalty as well.

Our properties are industrial properties. Some are owner occupied, some tenant occupied. Our company and the majority of our tenants mostly consist of businesses in the construction, property and auto repair and maintenance, and distribution industries, and we employ lower- to middle-income people, also known as blue-collar folks. We have jobs like crane operator, truck driver, mechanic, machinist, handler, secretary, processor and janitor. What we consider a big business may employ 50 to 100 people, and there are dozens of small businesses that employ only two or three people that only exist to provide services to these larger businesses.

Over the past three years now, I've seen several of these small businesses, some of them our tenants that employ two to three, maybe up to even ten employees, go completely out of business or, in their words, flee the City of Philadelphia and move to Bucks County, Montgomery, Delaware, even New Jersey. I'm now dealing with the prospect of losing some of our larger business tenants and customers of our own company. And just to even consider moving Thackray Crane Rental anywhere other than Philadelphia isn't even something I want to even discuss. That's a scary idea.

Of the top 1,000 losers on this stormwater fee list, I manage five of those properties. Before the increase to the stormwater, the combined annual bills for these properties was about 14,000 per year. After this increase, just these five properties alone are going to equal 163,000 per year. That's a 1,130 percent increase. This is an additional $148,000 in operating expenses.

The average annual increase for these five properties is about $30,000 per year, a typical 40-hour job. Per week this is -- this equates to five jobs. Five jobs. That's what we're talking about. It breaks down to about $14 an hour. It's two times the minimum wage, when you look at these numbers. How do you make up this difference?

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I want to use one quick example. Thackray Crane's headquarters, 2071 Byberry Road, right now our PWD bill is about $2,700 per year. That's going to now become $35,000 per year. That's a 1,285 percent increase over four years. That's kind of tough to swallow.

Compare a $32,000 increase in the stormwater fees for this one property to our real estate taxes in 2010, which were about 58,000, these stormwater fees are the equivalent of a 55 percent real estate tax increase. Why not just raise our real estate taxes 55 percent over the next four years? Try that on. Try that. Try running on that or presenting that to the public. Since the real estate taxes have already been increased ten percent for 2011, that's only 15 percent per year more for the next three years.

I've spent an entire year trying to research this and get a handle on it. So one quick suggestion before we can -- why not freeze the increase at 25 percent right now. Just freeze it until we can figure this out.

That's all I have to say. Thank you.

(Applause.)

COUNCILMAN JONES: Thank you for your testimony.

Can we call the next panel, or do we have some more from this panel?

MR. ALLEN: That's it.

COUNCILMAN JONES: Thank you sincerely for your testimony.

MR. PARMET: Thank you. We leave it in your hands. We're not going to let this go, because we can't, and we can't afford to. So we really hope and pray that you guys will take care of us.

COUNCILMAN JONES: We are taking this seriously, the members of the Committee and the Administration. You know, believe it or not, it's in our best interest to keep you in the City and be competitive with the surrounding counties and to make sure that you employ people and, God forbid, pay a tax or two. So we're going to take this into consideration and work with the Commissioner and the Administration to figure this thing out. All right?

MR. PARMET: Thank you.

COUNCILMAN JONES: Thank you for your time and taking the time off today.

Can the Clerk introduce the next panel.

THE CLERK: Joe Starosta, Alex Grella, Michael Chapman and Kenneth Curry.

(Witnesses approached witness table.)

COUNCILMAN O'NEILL: Thank you, gentlemen. We're going to move right along. If you could just decide who is going first. State your name for the record.

MR. STAROSTA: My name is Joe Starosta.

COUNCILMAN O'NEILL: Could you

spell that, Joe?

MR. STAROSTA: S-T-A-R-O-S-T-A. I'm the Vice-President of Plant Operations for Case Paper Company.

COUNCILMAN O'NEILL: Which is located?

MR. STAROSTA: It's in the 7th District on Tioga Street.

Case Paper Company occupies two buildings with nearly 600,000 square feet of roof area, located on Tioga Street in the 7th District. We have been at this facility for 25 years as a paper converter and distributor, employing 150 union and salaried employees who enjoy good manufacturing wages, company-paid medical, dental and pension benefits. We operate our own union trucking fleet and have customers all over the United States and Canada. We even export outside North America from time to time and are proud that we contract out very, very little work. While our sales volume is very large with approximately 9,000 truck loads shipped out of the facility every year, regretfully paper is sold in pennies per pound. The margins in this industry are tight, and nearly all of our customers are somewhere other than Philadelphia. All of our competitors are located outside of Philadelphia.

Just over 11 years ago, Case Paper had decided to move outside of Philadelphia into Bucks County. This would get us closer to New York, which was our prime market at the time. Land was purchased and plans were drawn up for a new building. It seemed like we were going to follow Roosevelt Paper, one of our closest competitors, who moved out of Philadelphia for New Jersey a few years before. Through the hard work of members of Philadelphia government, including then Mayor Rendell, and owners of Case Paper, we found a way to stay. Since that time, we have invested well over $25 million in repairing a building that is falling apart while modernizing our equipment. We recently spent just under $1 million to replace one-third of one of our building's roofs.

Right now I am pleased to say Case Paper is competitive in a very tough market because of the investments we made in modernizing our equipment. In 2010, we were able to add four employees to our payroll and essentially eliminated contracting out of any of our manufacturing work. Frankly, had we not invested, I don't see how we would be here talking to you today as employees of Case Paper.

COUNCILMAN O'NEILL: Excuse me.

Gentlemen, could you take your conversation outside. Thank you.

MR. STAROSTA: I will be candid, though. The future will be a challenge. We compete with companies who are located closer to our customers, do not pay union wages, contract out all of their manufacturing and are foreign based while subsidized by their government. At the same time, we recognize that labor, pension, medical and trucking costs, which are a significant part of our business costs, are not going to stand still.

We respectfully request that Councilmembers reconsider the addition of the stormwater charges. This will allow us to continue to focus on making added value investments to our business.

Thank you.

COUNCILMAN O'NEILL: Thank you.

We're going to have to try to be persuasive, because we can't make the decision. If we could change it, I think it would have been changed already. The Charter is clear on that. And hopefully with the Deputy Mayor and the new Water Commissioner here, we can have a conversation about that and maybe we'll go in the right direction.

Thank you.

MR. CHAPMAN: Good afternoon and thank you. My name is Michael

Chapman from Chapman Auto Group. I represent myself with three locations in the City of Philadelphia, as well as the Auto Dealers Association of Greater Philadelphia.

ADA, the Auto Dealers Association of Philadelphia, is a regional organization of 179 new car dealerships. We have less than 20 in the City of Philadelphia today. We employ about a thousand individuals, most of whom live in the City. These dealers represent significant tax revenues for City government, specifically City wage tax, close to $2 million, business taxes, more than a million and a half, as well as sales tax generated for 700 million in sales for the state.

It is no secret that the current recession has hurt the auto industry especially hard. Just a year ago, dealers first started hearing about this new fee structure through an insert in our water bills. So when we learned our bills might increase by hundreds of thousands of dollars, we immediately requested a meeting with the Water Department last March. We were told that we had been -- that they had been working on the new system for over a decade, resulting in regulations being put in place in 2009. At no point did it occur to anyone to reach out to the auto dealers, despite their literature frequently citing our industry as one of the most negatively impacted by their proposal.

We as an industry were disappointed that the Water Department did not appear to be concerned about their actions' impact on struggling businesses. So we turned to Council President Verna, who coordinated a meeting and urged that some type of financial assistance program be created to help businesses implement stormwater improvements. In June, we were told such an incentive program would indeed be created, but we received our new bills in July without any new details. In November, a program did appear, and it turns out that the PIDC does not feel the auto dealers would qualify for their assistance.

Just a point, they were offering up $5 million. The impact if all the auto dealers were to comply so they would have zero increase would be over $22 million.

The ADA wants to support the sustainability efforts of the Nutter Administration, but we do not support the idea that businesses on whom the most rain falls must be the ones penalized. This proposal will increase rates on many of our dealers tenfold. On top of this Administration's recent property and sales tax increases, many dealers in the City are fearful for their ability to stay in operation.

We understand that the state mandated that the City create a stormwater management plan, but we also heard that the state DEP has given extension to other cities and counties across the state in order to prepare for the impact. We ask that City Council push the Water Department in requesting an extension, and we also ask that City Council instruct PIDC to improve the incentive program so that businesses will be able to utilize it to improve their stormwater management while surviving these increased fees.

Several decades ago most of our dealerships were located within the City, but today the vast majority of these dealerships have closed or moved to the suburbs. Various City policies over those decades helped accelerate that exodus, and I ask that you not increase the burden on the dealers that have chosen to stay in Philadelphia.

Thank you very much.

COUNCILMAN JONES: Thank you.

Please begin your testimony.

MR. GRELLA: Good afternoon, Chairman Jones, Councilman O'Neill. My name is Alex Grella. I'm the General Manager for Centre Square and high rise building here in Center City, and let me start out by saying I certainly don't want to make light of the challenges that are faced here by the businesses that are represented, and also we just ask that we consider another point of view.

I am on the executive committee for Building Owners and Managers Association of Philadelphia, commonly known as BOMA. For a point of reference, BOMA Philadelphia is a non-profit organization whose members provide over 117 million square feet of workspace in and around the tri-state area. In the City of Philadelphia alone, BOMA member buildings provide approximately 44 million square feet of office space for over 200,000 building occupants and employees. Our member buildings define the skyline and are a tremendous economic driver to the entire region.

BOMA and its member buildings have long supported the implementation of a parcel-based stormwater fee structure that is currently being phased in by the Philadelphia Water Department. In charging property owners based on the extent to which their structure contributes to the City's stormwater runoff, we feel the fee is more equitable than the meter-based fee arrangement that has been in place for a number of years.

Under the previously imposed meter-based billing scheme, we might well ask, How does the size of a water meter correlate to a property's contribution to stormwater? The short answer is, There is no correlation. For example, we offer a 32-story high rise which would typically occupy a parcel of approximately 25,000 to 35,000 square feet of impervious surface. This same property would be served by a three-inch meter and often, for redundancy purposes, a second meter of equal size would be installed. For two three-inch meters the cost for stormwater management would be approximately $1,365 a month, or $16,376 a year. By contrast, a parking garage occupying a full or partial City block, approximately 60,000 square feet, having only one employee restroom and hose connection being fed by a single five-eighths-inch meter, they would pay $13.22 per month, or $159 per year for its stormwater contribution.

We would also consider a car dealership occupying approximately 152,000 square feet having two restrooms and a few hose connections being fed by a single one-inch meter. They would pay $116 per month, or $1,387 per year for its stormwater contribution. We ask when you look at these examples, where is the equity or fairness in this?

As these examples clearly demonstrate, those properties occupying the least amount of impervious surface have in recent years been charged the highest fees for stormwater runoff. There is no logical basis for this state of affairs.

In short, for many years, our members have been assessed a fee that is inordinate when compared to our actual contribution to the stormwater system. From our perspective, our members should not be required to shoulder the burden and subsidize those who are not paying their fair share. As the examples cited above illustrate, the meter-based scheme was and is unreasonable and inequitable. I trust that you will agree that the parcel-based fee structure is a more equitable system by which owners' financial obligation is more directly proportional to their contribution to the City's stormwater runoff.

We recognize that whenever there is a change in the system, there is some adjustment required for all parties involved. Those who pay the lower rate under the meter-based system will presumably be paying a higher rate under the parcel-based system. We acknowledged and worked with the PWD to phase in the new fee arrangement for the convenience of those whose rates are going up.

BOMA endorses the suggestion that the City's stormwater runoff and sewage system be made more efficient so that the City's businessowners and residents alike will benefit from a cleaner city. We nevertheless maintain that the new stormwater runoff fee structure which has been vetted at PUC will be more equitable and will place the financial burden where it most appropriately belongs.

And thank you on behalf of BOMA for the opportunity to provide this testimony.

COUNCILMAN O'NEILL: I just have a question. I understand what you're saying. There's winners and losers, and your people are winners because they've been losers. I mean, if you reverse it.

The question of implementation and phase-in and all that I think are different issues that mostly have been discussed today and fairness going in that regard, but there's another issue.

Is the Commissioner still here?

COUNCILMAN JONES: He's here.

Will you please come back up.

COUNCILMAN O'NEILL: It's not before us, but, Commissioner, you might as well comment on it.

Sixty percent of this city still lives in the pre-1945 world of combined systems, the older parts of the City. Newer parts built since about 1945 or so are in separate systems, separate pipe coming in and out for water and a separate pipe for sewage. So that if you live in a combined area or your building is in a combined area -- and most high rises are in combined areas because they're nearer to Center City -- all your water, in addition to all your sewage, is very expensively treated at the water treatment plants. Separate systems, very efficient. Their water goes out to the creeks and tributaries and eventually the river, and only their sewage is treated. That's number one.

Number two -- and that's not treated that way. We're not billed accordingly. There's no lower bill for separate systems than there are for combined systems.

Secondly, the gentleman who was here -- and I believe he left -- mentioned that his business has 13 toilets and where he used to live has 1,300. I don't think there's any sewage volume bill in place or has ever been. I've never heard of it anyway. But certainly in fairness and equity, if somebody had 1,300 toilets and somebody had one toilet, you'd think that something is wrong with this program if that's not fairly split up between the one and the 1,300. And I don't think it is.

So you're saying your industry would be in favor of tackling the sewage system the same way we're tackling stormwater, by drilling down as far as we could to see how we can more equitably charge those producing the sewage and sending water into the treatment plants more than the people who don't have much sewage and are taking their water and sending it through a separate system directly, not to the treatment plant but directly to the streams and eventually the river. And you don't have to answer that, but I want to ask the Commissioner, first of all, if he's heard anything worthwhile today, new -- I know you're not new at the Water Department, but new on the block in this position. It's one thing to do things in a capsule -- and oftentimes in our offices, statistically everything is working out well, we know we're being fair to this group and that's going to cost this group, but it's still fair. And those issues that the Chairman mentioned and that others have mentioned dealing with, wow, did you really think through 14,000 to 160,000 and the Thackray example for five buildings and the others that have been mentioned? But, first, if you could talk about the -- is there any plans to keep trying to be as fair as possible and getting into the sewage costs, which are enormous? Sewage treatment, that is.

COMMISSIONER NEUKRUG: First of all, in terms of the sewage treatment, there is a wastewater sewer bill. That's separate from the stormwater bill, and we're very careful about separating those two.

In terms of the stormwater costs, we recognize that there are different types of treatment for stormwater in a separate system than in a combined system, but the reality is is that there are significant costs associated with all stormwater, and as a matter of fact, much of our program is based upon looking at stormwater similarly throughout the City and managing stormwater on the land before it gets into our sewer system.

So there are significant costs associated with different parts of our programs. Some are unique to stormwater, some are unique to combined sewer systems, but all in all, it seems to measure out.

COUNCILMAN O'NEILL: Well, you agree that it costs you more to treat water that didn't need treating at the sewage treatment plants for 60 percent of our customers than the other 40 percent who have separate systems and only send sewage there?

COMMISSIONER NEUKRUG: Only if you're only looking at the cost of treating the rainwater at the sewage treatment plant, which, of course, is an expense, but also our programs involve defective lateral systems, which are unique to the separate system. We're looking at our rivers and streams, like the Poquessing and the Pennypack, and you're looking at issues there. So there are a significant level of costs. And if you look at any one spot in the world, there would be unique circumstances dealing with the water, wastewater and stormwater issues.

COUNCILMAN O'NEILL: Right, but I just want to know if the Water Department is also working on the inequities involved. You're never going to convince me that sending that water that doesn't have to be sent to the water treatment plant and as expensive as water treatment is, that there's not a different cost. I don't care if it's not double, if it's a minor cost. Is anybody looking at, hey, we're going to start doing this in an equitable way? That's the first question.

COMMISSIONER NEUKRUG: And to

answer that first question, I believe that we've been looking at how to do this most equitably, and I believe that we have found this equitable balance here between stormwater and wastewater. There are other factors such as I&I, infiltration and inflow, into a separate system that -- a sanitary system that does go to the wastewater treatment plant also. So it is a very -- it's a much more complicated discussion than perhaps right here.

COUNCILMAN O'NEILL: I would agree on that, but I've never heard that combined systems don't cost more because of the treatment of things that don't have to be -- of product that doesn't have to be treated than separate systems, which may not be cost free on the water side, but we're not sending them to --

COMMISSIONER NEUKRUG: And whose costs are going to go up in the near future because of new regulations on the stormwater system being put together by EPA. So we are looking -- it is a balancing act, and perhaps I can say I should get back to you before I --

COUNCILMAN O'NEILL: Okay. Now, the real question is -- because it came up today, and I think the gentleman was making a point. He may not have stayed, but I'd like to know whether he -- give me the 1,300 toilets versus the 13, or whatever it was. Are they equally charged for the amount of sewage they produce that has to be treated?

COMMISSIONER NEUKRUG: Yes, they are.

COUNCILMAN O'NEILL: How do you do that?

COMMISSIONER NEUKRUG: We do that through the usage of the water measured by the water meter.

COUNCILMAN O'NEILL: Okay.

COMMISSIONER NEUKRUG: The assumption is that some percentage, some very high percentage, of all the water that's consumed in the water meter also goes through the toilets and other apparatus in the homes and businesses.

COUNCILMAN O'NEILL: Well, thank you. If I see him again, I'll tell him about that, because I had not thought that through.

The last thing is, I'm not going to argue that what you're trying to do isn't equitable in the long run. If we could have a magic wand and it didn't cost anybody anything, winners and losers, it was small amounts going here and small amounts coming from there, but these are fairly enormous amounts. Do you have any intention to review this as to whether there's any way you can soften the blow?

COMMISSIONER NEUKRUG: Well, first let me agree with you and I think you make a very good point and I think it's been well heard here today, and I think the people at Philly Water have understood this for a while, this idea that, yes, it's a good idea, what we're doing seems to be fair and appropriate and cost neutral, but there are a heck of a lot of people out here, who we've witnessed today, who are going to be in trouble with this new rate.

COUNCILMAN O'NEILL: And they all played by the rules and the rules changed.

COMMISSIONER NEUKRUG: And we want to work with them. We feel like we have been working with them, but clearly from the sentiment I heard here today, we're going to have to double our efforts and try even harder. The problem is is that someone in the City of Philadelphia is going to have to pay the stormwater bill. So for every dollar we don't collect from the true cost of service analysis goes somewhere else, either to another business or to a homeowner.

COUNCILMAN O'NEILL: Right.

COMMISSIONER NEUKRUG: So that's the balancing that we're doing here.

So we want to help as best we can, but we have to recognize that we are a utility that doesn't print money like you guys -- like the City of Philadelphia doesn't, and we need to have a balanced budget at the end of the day. So the 120 million is what we need to bring back in, and we need to find a way to do that equitably and to provide the least amount of pain as possible to all our good customers.

COUNCILMAN O'NEILL: I'd love to work with you on that, and I want to reemphasize that you could not have a better staff out on the street trying to -- they can't change this system that's in place right now. You can, but they can't. But given that, they couldn't be trying to be more helpful. They have really worked hard.

Thank you.

COMMISSIONER NEUKRUG: Thank you.

COUNCILMAN JONES: Thank you,

Councilman.

Before you go, this loan program is strictly for businesses?

COMMISSIONER NEUKRUG: Yes, it is.

COUNCILMAN JONES: So let me get this -- you weren't here, but I get to give that presentation to your predecessor on Thursday for his years of service. But do you not recall me asking for the same program for laterals for residential customers? Do you not remember me asking to have the dual lateral problem and having these kinds of special programs?

COMMISSIONER NEUKRUG: Well, regardless of -- I trust that the answer is, yes, you did ask. I was not here for that, but I'd be happy to relook at that.

COUNCILMAN JONES: All right. Thank you for your time.

COUNCILMAN O'NEILL: I'll definitely be in that discussion. That's been going on for 20 years.

COUNCILMAN JONES: As a matter of fact, I got the idea from you.

COUNCILMAN O'NEILL: Okay. Thank you.

COUNCILMAN JONES: Thank you so much.

Are there any other folk here to testify? Okay.

Thank you. We're winding down.

MR. CURRY: Yes. I'll make it short and sweet, I hope.

My name is Ken Curry and I'm Director of Facilities with Cardone Industries. With me today somewhere in here is Brian Preski. He's esquire on behalf of Cardone as well. We appreciate the opportunity to express some of our concerns here with respect to the additional fees imposed upon businesses such as ours by the PWD implementation of new stormwater runoff fees.

Given the stated reason for the implementation of this new fee and the environmental stewardship that it hopes to foster, I can tell you that the very nature of Cardone's business is an environmentally conscious model. Cardone restores used automotive parts back to their original equipment quality using only about 15 percent of the energy needed to build a new part. These parts would otherwise end up in a landfill or scrapped for their raw material value. Cardone Industries was awarded the Governor's Award for Environmental Excellence in 2003 and 2007.

The remanufacturing of used parts is not the only area in which Cardone is environmentally friendly. In addition to the 60,000 tons of discarded or non-usable auto parts that Cardone remanufactured, the company also recycled the waste and by-products generated during the remanufacturing process. Eight thousand five hundred tons of scrap metal, 6,800 tons of cardboard, 2,500 tons of municipal waste were recycled into electrical energy, the equivalent of approximately 1.8 million kilowatt hours. Fifty-three thousand gallons of waste oil recovered from cores and cleaning processes were recycled into fuel. Seven hundred and twelve tons of wood skids were sent to a recycler and reused, and the list goes on and on.

Simply put, I am here to relay a very simple message. Cardone employs over 4,000 Philadelphians. We are part of the neighborhood and have made every effort in recent to stay a viable company in the face of competition from Mexico, India and China. That has made us very cost conscious, not only for the company but for the people that we employ.

Cardone has become more than just an employer. We have endeavored to become interwoven into the community in which our facilities are located. We have opened a healthcare facility on site for our employees, and just recently, we also even plowed the streets around our buildings in Philadelphia to relieve the load off of the City.

That being said, these excessive charges will have a negative effect upon our ability to continue to conduct business in Philadelphia. As you are aware, our current fee is based on water meter, but will change to be based on property size and area of the property that are impervious, such as asphalt, building, concrete, et cetera. We have calculated the potential cost to Cardone and we believe that this additional cost will impact Cardone for an estimated $410,000 a year.

We must be cognizant of these additional charges and the impact they have upon our business and our ability to continue in the face of the international competition that seeks to undercut our prices. We ask you for your help in getting relief from these fees.

Thank you for the opportunity to speak here today.

COUNCILMAN JONES: And thank

you for your environmental stewardship. That was impressive by way -- and I think understated a lot of times how companies are beginning to evolve, one, because of social consciousness, but also it impacts their bottom line to reduce, reuse and recycle. So it makes a lot of sense.

MR. CURRY: Sure.

COUNCILMAN O'NEILL: I remember when you were our largest private employer and you had about 1,700. So 4,000 is really a great story as well.

MR. CURRY: Thank you.

COUNCILMAN O'NEILL: As is your business model. Thank you.

COUNCILMAN JONES: Thank you for your testimony.

MR. CURRY: Thank you very much.

COUNCILMAN JONES: Clerk, would you read the next panel.

THE CLERK: Citizens for Pennsylvania's Future, PennFuture, and Pennsylvania Environmental Council.

(Witnesses approached witness table.)

COUNCILMAN JONES: Thank you. State your name for the record and you can begin your testimony.

MR. STARR: Good afternoon. I'm Patrick Starr. I'm Senior Vice-President of the Pennsylvania Environmental Council, and I wanted to thank you for this opportunity to speak today. I have copies of my testimony here. I will depart completely from my written testimony, given what we've heard this afternoon, and comment on some of the things that have occurred. And I just want you to know the Council is a statewide organization that does have hundreds of business members, and so I'm very sensitive to some of the things being discussed here today.

I want to go back to some basics. Stormwater runoff is not an act of nature. It is an act of manmade changes to the land. I think everybody here understands that. And in some ways, you could say the stormwater runoff is a pollutant. And I think we have a general agreement in our society that the polluters should pay for the pollution they cause. And so I just want to say that this is a fee because we are allocating fairly the cost of the runoff to those who generate the runoff. And so that is where it is a fee, not a tax, and I think you all understand that, and I just wanted to kind of underscore that point, which is also embedded in my testimony.

That said, you know there's a list of 1,000 top winners in this city in terms of this fee. You could requisition that 1,000 top winners list and you could review it. You will find there are thousands of other winners on that list.

Gentlemen, you're elected officials. You know that the winners very rarely show up at public hearings. It's the losers who show up at public hearings. So it might be interesting to hear the economic impact to the winners of the jobs they might create with their reduced stormwater fees, of the investments they might make with their reduced stormwater fees.

So I just think that it's important to take into account that unless my math is wrong, Councilman, in answer to your question, what would be the average change in the stormwater fee, it's zero. If it isn't zero, then they're lying to us. I understood that this was a neutral, cost neutral, change in fees. So zero is the average change. That means somebody is winning and somebody is losing.

Now, what is this really about? It is about that no one likes the rules of the game to be changed in mid play. We all know that. We all hate that. It's annoying, and it has real impacts on the losers. Real. I mean, these could be disastrous in some cases.

So I want to compliment you on focusing on the equitable approaches to the impacts on the losers, because we don't want to lose their jobs. We don't want to lose their commitment to our city. These businesspeople impressed me enormously the commitment that they've made. As you know, to still be in Philadelphia after so many others have left, we need to treat them with kid gloves and try to figure out how to retain them, but let us not miss the point here. This is a fair fee allocating a cost, and it has a benefit to our society of reducing pollution, and that also has economic value to our city. We will have cleaner rivers, we will have cleaner streams, and that improves our community as well. We see it on the Delaware riverfront and other riverfronts in our city that are rebounding after decades of pollution, causing people not to want to be there.

So I will sort of end with

that. I mean, I had a prepared testimony, but I just felt compelled to share those thoughts with you. I think that the focus on trying to mitigate the impact on the thousand biggest losers is really key, but let's not lose sight of the benefits and the fairness inherent in a fee allocated properly.

COUNCILMAN JONES: Thank you. All testimony will be entered into the record.

MR. STARR: Thank you very much. I appreciate that.

COUNCILMAN JONES: Thank you for your abbreviated comments, and they were very well taken and pointed. We got it and appreciate it.

MS. VASSAR: Good afternoon. Thanks for having me. My name is Rachel Vassar and I am the Philadelphia Outreach Coordinator for PennFuture, and PennFuture is a statewide environmental public interest membership organization, and we work to create a just future where nature, communities and the economy thrive, and we enforce environmental laws and advocate for the transformation of public policy, public opinion and the marketplace to restore and protect the environment and safeguard public health. And we have been noted from the Philadelphia Inquirer as Pennsylvania's leading environmental organization, and we're also the lead organization behind The Next Great City initiative, which is a coalition comprised of over 100 organizations in the City of Philadelphia, representing public health organizations, faith-based communities, labor, social service organizations and civic associations. And our agenda is based around a commonsense, cost-effective measures to improve neighborhood environments and to truly make Philadelphia the next great city.

And one of the ten policy recommendations we had and the reason I'm here today was Next Great City advocated to stop sewer backups and flooding, and that recommendation was identified by polling businesses and residents in Philadelphia. And in that polling, we identified that 21 percent of residents had had a basement flood in the past year and that 31 percent of businesses suffered property damage as a result of flooding in the previous year. And those residents and businessowners also both agreed that when they were asked what their top -- the top five challenges needed to improve livability in the City were, two of those top five recommendations were, one, to reduce the amount of sewage and other pollution entering our rivers, and, two, to fix the City's water and sewer system to stop leaks and water main breaks. And through those recommendations, Next Great City formed a stormwater subcommittee to find how to best address those issues. And The Next Great City Stormwater Committee found at that time that Philadelphia collected its fees for stormwater for non-residential customers based through the customer meter size, which has been discussed previously. And in looking at how other cities address the stormwater problem, Next Great City found that over 400 cities and towns -- and this addresses some of the ones you asked, like what cities are doing it. So Austin, Texas included; Cincinnati, Ohio; Los Angeles, California, which was mentioned; Miami, Florida instead charge a fee for stormwater management based either wholly or in part based on impervious surface. So this system more accurately reflects, as Patrick has discussed as well as others, the amount of runoff that a property contributes to the stormwater problem and gives property owners an incentive to take action to reduce the amount to runoff that their properties contribute in order to reduce fees, and that's something I'll touch on as well.

So Next Great City's Stormwater Subcommittee, therefore, recommended that Philadelphia adopt a similar strategy, and as such, we support the stormwater cost reallocation program that PWD has been instituting.

So under the previous program, stormwater fees, as we said, were based on the property -- the gross size -- based on characteristics of the property, and credits were offered to incentivize -- I'm sorry; under the proposed program, stormwater fees are based on the gross size and impervious character of the property, and credits are offered to incentivize along the lines of stormwater treatment, and we support this for several reasons.

The first is, we believe that stormwater runoff quality and quantity has been identified by the EPA as the number one source of pollution in our rivers and streams, and, as we said, businesses and residents identified that as a concern. So money spent to better manage stormwater in Philadelphia is money well invested in clean rivers and streams and in the public health of ratepayers.

Stormwater has also caused flooding and basement backups in several City neighborhoods. So money spent to abate these conditions is also well invested, as it improves the quality of life for those ratepayers who have been unfairly burdened by the City's stormwater problems.

Additionally, better stormwater management in Philadelphia should also help the City to comply with the law and avoid potentially devastating liability. So that refers to the federal laws that are required for the City to reduce its overflow. And those costs would exceed the cost that ratepayers now pay to manage stormwater.

There are other examples where the City spent and will spend millions of dollars to better manage stormwater. For example, the Basement Backflow Prevention program, which was a remediation program, could have been avoided through better stormwater management.

The stormwater cost reallocation program also appeals to us from a fairness standpoint, because under the previous system, customers had been billed for stormwater services based on the size of their meter, which we know is not really an accurate way to reflect what their load on the stormwater system is, as it was discussed by the gentleman from BOMA and how much his properties had been burdened.

Under the proposed program, customers will be billed for stormwater services based on characteristics which would be more equitable, reflecting the actual cost of managing stormwater. Also, for the first time, bill customers whose properties are not served by the meter but continue to contribute to the stormwater problem, like parking lots that had not been metered before, would stop receiving a free ride and their costs would no longer be subsidized.

Perhaps most importantly, however -- and this is one of the real reasons that PennFuture supports this -- is that the reallocation program actually incentivizes private on-site stormwater management, as some customers to receive the stormwater credits to reduce their stormwater fees will implement stormwater management practices, some of which were touched on by others, which I could talk about a little bit, being like rain gardens or infiltration islands or vegetated swales, et cetera. And an overall reduction in stormwater runoff would reduce the pollution to our streams, alleviate flooding and basement backups, diminish exposure to the City of potentially crushing liability and lessening the need for many of the services that support the stormwater fee, which would effectively reduce stormwater fees for all ratepayers.

Many of these stormwater management practices also have secondary quality of life benefits for ratepayers, including cleaner air, more attractive surroundings, lower energy costs, higher property values and new green jobs, such as those discussed by Mr. Lonie when he mentioned his consulting services.

So we wholeheartedly believe that this program makes economic, environmental and public health sense for the City and would think it's a program worth supporting.

So I thank you very much for your time and consideration.

COUNCILMAN JONES: Thank you for your testimony.

MR. GLASS: Good afternoon.

COUNCILMAN JONES: Good afternoon. State your name for the record.

MR. GLASS: My name is Brian

Glass and I'm a Senior Attorney at PennFuture. I represented Next Great City in the rate proceeding before the Philadelphia Water Commissioner, at which the stormwater charges at issue today were approved.

You get a lawyer on a panel, I'm going to talk a little bit about the law.

As you know, the Philadelphia Home Rule Charter authorizes the Philadelphia Water Department to fix and regulate rates and charges for services that are provided City residents. In turn, The Philadelphia Code provides the standards by which the Water Department is to fix and regulate those rates and charges. One of those standards provides that, quote, The rates and charges shall be just, reasonable and non-discriminatory as to the same class of consumers. All non-residential properties are in the same class of consumers. As such, their rates and charges for services must be just, reasonable and non-discriminatory when compared with one another.

The recently approved stormwater rate design satisfies that standard. Under the new design, customers are charged for stormwater services based on the size of their properties and on the amount of hard surfaces covering those properties, which are both good indicators for how much stormwater those properties actually contribute to the sewer system. So customers pay for the operation and maintenance of the City sewer system based on how much they use it, no more, no less. This design is eminently fair, just and reasonable. The previous stormwater rate design, not so much. Under that design, customers were charged for stormwater services based on the size of the water meter servicing their properties, which bore little to no relationship to how much stormwater those properties actually contributed to the sewer system. So some customers were overpaying for services; others underpaid, like the parking lot customers with no water meter serving their properties who paid absolutely nothing for the large volumes of stormwater running off their sizable hard surfaces and into the sewer system.

One court considering the previous rate design in which stormwater rates were based on a customer's meager size commented on whether such a design was in fact non-discriminatory. Although he ultimately did not decide the issue, Philadelphia Court of Common Pleas Judge John Herron in a case called Public Advocate versus City of Philadelphia acknowledged that this method of charging for stormwater collection appears to present a discriminatory rate among consumers of the same class. Let me say that again. The method for charging for stormwater that is based on the size of a customer's water meter appears, quote, to present a discriminatory rate among consumers of the same class.

Given that rather candid acknowledgment, it would be imprudent for Philadelphia to return to the previous stormwater rate design, which likely would expose the City and the Water Department to legal challenge from customers who were overpaying under that design. You heard from one of them today. I'm sure there are others that would be clamoring at your door if you went back to the old system.

Fortunately, there is another way to help customers who have seen their rates increase as a result of the recently approved rate design. Because under the new stormwater design, charges are based in part on impervious area, customers can take steps to reduce those hard surfaces on their properties and capture stormwater that would otherwise flow into the City sewage system. There are a number of stormwater management practices. You've heard about them. I'm not going to go into them. And the Water Department is offering a number of programs. Whether or not those programs are sufficient is up for debate, and it sounds like that's what you'll be discussing in the days and months ahead. But for all of these reasons, PennFuture and Next Great City urge the Committee and Council to keep the stormwater rate design in place. At the same time, we urge the Committee and Council to encourage the Water Department to continue offering innovative programs to assist impacted customers who are ready and willing to implement stormwater management practices on their properties.

Thank you.

COUNCILMAN JONES: Councilman O'Neill.

COUNCILMAN O'NEILL: I guess you guys all feel like winners in this even though you're not involved in the financial give or take. But I just have a question for you, and it's really a question for the Commissioner as well. When you get into the how do you do this equitably, you've made the equations work equitably, but how about the implementation? How do you do it without putting somebody out of business or crippling their competitiveness, those kind of things?

One way -- we talked about it -- is just looking at the impact, trying to spread it out, trying to mitigate it, all those things. There's another part, though. We're downstream. We're at the bottom of the hill, Montgomery County, Bucks County, counties above them. When we talk about fracking, we're not talking about Philadelphia fracking. Nobody is fracking in Philadelphia. Why are we concerned about it? We're concerned because it's coming eventually down into our water system.

If Cardone Industries, the last

company that testified, with 4,000 jobs, almost all inner city, just a phenomenal story there, if they were in another jurisdiction upstream, my understanding is they wouldn't have this problem. I may be wrong on that, but that's my understanding.

Doesn't it only get fair, we're not just punishing our own, when everyone upstream has the same program and is cleaning up their act, so to speak, or charging appropriately so they can clean it up and the water that's coming to us is in a condition that we don't have to treat that also in addition to our own water that we have to expend dollars for?

What can you tell the Committee about where all that is in the big picture? Because it's very unfair to somebody downstream to be paying for somebody upstream, and if no one up there is paying, somebody down here is paying.

MR. STARR: I'll take a stab at it.

COUNCILMAN O'NEILL: And I'd like to ask the Commissioner that, too.

MR. STARR: You would see in my testimony, Councilman, that I revealed openly no one else in Pennsylvania is doing what we're talking about doing here today.

COUNCILMAN O'NEILL: If we were at the top of the hill, we'd be a great example to everyone downstream.

MR. STARR: I might want to argue with you about top or down, but the point is, your point is well taken. It is a difficult situation when in fact it is a true statement that this is not being done outside the City of Philadelphia, nor is it being done in South Jersey. And so while we can sit here and tell you that this is a commonplace practice in many parts of the nation and many other major metropolitan areas already have it in place, we cannot sit here and tell you that it is commonplace in Pennsylvania or among our immediate neighbors.

So I just -- you should be joining us. What I also say in my testimony is, we would like to hold up the model of the Philadelphia Water Department in Harrisburg, because we believe that what it is doing is correct and we need this implemented throughout the State of Pennsylvania, and we have supported legislation that would encourage the creation of stormwater, what are called, stormwater authorities or utilities in Pennsylvania to charge similar fees. So our statewide perspective -- and I know my colleagues are supporters of the same thing -- we want this everywhere. That is not the situation we face now.

COUNCILMAN O'NEILL: Does the PUC have the same power statewide that the Philadelphia Water Department has within the borders of Philadelphia, city and county, to implement this?

MR. STARR: I can't address it.

I'm not an attorney. I don't know, Councilman.

MR. GLASS: I can. I mean, there is a piece of legislation to change the stormwater --

COUNCILMAN O'NEILL: Forget legislation right now.

COUNCILMAN JONES: Can you repeat --

MR. GLASS: Right now there is an argument about whether or not municipal authorities can charge for stormwater. That's my candid --

COUNCILMAN O'NEILL: Even if they want to?

MR. GLASS: Can --

COUNCILMAN O'NEILL: But that wasn't my question. My question is, can the PUC force them to?

MR. STARR: I was going to say it's really not an issue of the PUC being the driver in this instance, because it is not the driver. If there is a driver, it would be Clean Water Act and some of the other national --

COUNCILMAN O'NEILL: No. Just answer the question. That's all. It's a simple question. Does the PUC have the authority to order this around the state the way the Philadelphia Water Commissioner is able to order it within our borders?

COMMISSIONER NEUKRUG: I'll just repeat that everyone pays for stormwater in one fashion or another. Whether it's through your tax base, your property taxes, through a sales tax or through a utility fee, everyone is paying for this, and it's a little bit hard to find out where exactly it's coming from in different jurisdictions.

COUNCILMAN JONES: If Marcellus Shale drilling and fracking is any indication as to where we're going as a state, I'm not encouraged by it. But that being said, that Philadelphia should be a leader in environmental stewardship. I think the question that my colleague has is level playing field. As we try to counter-balance our need to and rightful need to protect our environment, does it mean -- and I understand this particular fee is designed to change behavior. You also change behavior by shooting someone dead, basically. I mean, you can change behavior that way. So the object is to balance, in a recession, how we get what we want out of the stewardship without killing the goose that's paying the bills. So that's what we're trying to do.

COMMISSIONER NEUKRUG: And if I may, the purpose of this is not to change behavior. It's to make a more equitable system, but as a part of that, behavior change is one of the outcomes.

COUNCILMAN JONES: I hope so.

COMMISSIONER NEUKRUG: Yes. And --

COUNCILMAN O'NEILL: Do you have that going on anywhere upstream? That's kind of what I'm getting at.

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COMMISSIONER NEUKRUG: First of all, I'd like to --

COUNCILMAN O'NEILL: I just want a whole picture here. That's all.

COMMISSIONER NEUKRUG: I'd like to thank Councilman Jones for his leadership in the issue of Marcellus Shale and much of the work that's happened there. We at Philly Water are very interested in what happens upstream from us. We have a dynamic Drinking Water Source Protection program. We're connected in with partners all up and down the Schuylkill River and Delaware River. We're looking very closely to see how we can effect change not just with the Marcellus Shale issue, but all these stormwater issues and pollution issues and even quantity, the amount of water that makes it to the City of Philadelphia.

COUNCILMAN JONES: We hold you in high regard. And as a kid, I'll never say "Schuylkill punch" again. It's great water. We want to keep it that way. The question becomes, how do we implement our good intentions so that it doesn't have an unintended consequence of decimating the economics of our industries here.

COMMISSIONER NEUKRUG: In fairness of how you enact things -- and we can only be responsible for obviously for the City of Philadelphia, but we are working with EPA and we're working with the state to look at how stormwater is managed everywhere, and we are advising EPA on what we think would be a good next phase for its stormwater regulations. And I would say that the suburbs are behind us, but -- "behind us" meaning in time, but they will be seeing the same kind of ratcheting down that we're seeing here.

COUNCILMAN O'NEILL: Thank you.

COUNCILMAN JONES: Thank you.

Is there anyone else here to testify?

(No response.)

COUNCILMAN JONES: Seeing none, we will thank all of the participants today. I saw an article and the headline said, "The rain falls on the just and the unjust alike." So what we want to try to figure out after the follow-up is who is just, what is unjust, and let's fix it, and fix it in the positive direction that -- and thank you as environmental advocates for moving us in the right direction. The question now is for us to get it right in the implementation phase.

So thank you.

COUNCILMAN O'NEILL: Thank you for your testimony. It was very fair and balanced.

COUNCILMAN JONES: This concludes the hearing, and thank you all for your participation.

(Committee on Transportation and Public Utilities concluded at 1:50 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on February 8, 2011, and that this is a true and correct transcript of same.

MICHELE L. MURPHY

RPR-Notary Public

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