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2
3 COUNCIL OF THE CITY OF PHILADELPHIA
4 PUBLIC HEARING
5 BEFORE THE COMMITTEE ON PUBLIC PROPERTY
6 AND PUBLIC WORKS

7 - - -
8 Room 400, City Hall
9 Philadelphia, Pennsylvania
10 Thursday, May 27, 2004
11 1:45 p.m.
12 - - -

13 BILL NO. 04331 - Authorizing the Commissioner
14 of Public Property, to enter into a lease
15 agreement for 4500 S. Broad Street
16 BILL NO. 040367 - Approving certain contracts
17 and transactions for purchase, storage,
18 distribution, transportation and/or
19 transmission of natural gas
20 BILL NO. 040372 - Authorizing Commissioner of
21 Public Property to acquire properties
22 located at 901-47 N. Marshall St. And 910-48
23 N. Sixth Street
24 BILL NO. 040373 - Authorizing Commissioner of
25 Public Property to enter into lease
agreement for properties located at 901-47
N. Marshall St. and 910-48 N. Sixth St.
BILL NO. 040468 - Authorizing Commissioner of
Public Property to acquire parcel of real
estate located at 1208 Kater Street
BILL NO. 040472 - Authorizing Commissioner of
Public Property to sublease building located
at 111-131 W. Hunting Park Avenue
- - -

PRESENT:

19 COUNCILMAN DARRELL L. CLARKE, Chair
20 COUNCILMAN JACK KELLY
21 COUNCILMAN JAMES F. KENNEY
22 COUNCILWOMAN DONNA REED MILLER
23 COUNCILMAN FRANK RIZZO

24 - - -
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BILL

PAGE

040331

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Joan Schlotterbeck, Commissioner,

Department of Public Property----- 3

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040372

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Ken Sipos, Department of Public Property-- 15

7

040373

Ken Sipos, Department of Public Property-- 17

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040468

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Joan Schotterbeck, Commissioner,

Department of Public Property----- 19

10

040472

11

Joan Schotterbeck, Commissioner,

Department of Public Property----- 23

12

040367

13

Janet Parrish, Esq., Executive Director,

PGW----- 28

14

Phillip Bertocci, Public Advocate,

Philadelphia Gas Commission----- 39

15

Abby Pozefsky, General Counsel, PGW----- 40

Steve Hershey, VP Community Initiatives,

16

PGW----- 44

17

- - -

18

PUBLIC MEETING----- 47

19

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1 BILL NO. 040331 - 5/27/04

2 COUNCILMAN CLARKE: Good afternoon.

3 This is the Committee on Public Property and
4 Public Works. A quorum is present. To my
5 right, Councilman Kenney, Councilwoman Miller;
6 to my left, Councilman Kelly, Councilman
7 Rizzo.

8 Will the clerk please read the title
9 of the first bill.

10 THE CLERK: 040331, an Ordinance
11 authorizing the Commissioner of Public
12 Property, on behalf of the City of
13 Philadelphia, to enter into a lease agreement
14 to lease from the Philadelphia Authority For
15 Industrial Development portions of a building
16 located at 4500 South Broad Street, under
17 certain terms and conditions.

18 COUNCILMAN CLARKE: Is there anyone
19 to testify on this bill?

20 MS. JOAN SCHLOTTERBECK: Good
21 afternoon, Councilman Clarke and other members
22 of Committee on Public Works and Public
23 Property.

24 My name is Joan Schlotterbeck. I am
25 the Commissioner of the Department of Public

1 BILL NO. 040331 - 5/27/04

2 Property. I am here today representing the
3 department to testify in support of Bill No.
4 040331, an Ordinance authorizing the
5 Commissioner of Public Property, on behalf of
6 the city, to enter into a lease agreement to
7 lease from the Philadelphia Authority For
8 Industrial Development portions of buildings
9 located at 4500 South Broad Street, under
10 certain terms and conditions.

11 This bill will permit the city to
12 lease certain office space located at the
13 Philadelphia Navy Business Center, Building
14 No. 501, for use as the new home of the
15 Philadelphia Traffic Unit.

16 The Department of Public Property
17 supports this measure. And, accordingly, I
18 respectfully ask that City Council approve
19 this bill.

20 I also ask that the rules be
21 suspended so that the Ordinance may be passed
22 upon second reading at Council.

23 Thank you. I would be happy to
24 answer any questions you may have.

25 I also happen to have a copy of the

1 BILL NO. 040331 - 5/27/04

2 agreement of lease for entering into as an
3 exhibit.

4 COUNCILMAN CLARKE: Thank you.

5 Any questions?

6 Councilman Rizzo.

7 COUNCILMAN RIZZO: I just have a
8 couple of questions about this lease.

9 How much money did we invest in this
10 building?

11 MS. SCHLOTTERBECK: The renovations
12 to date cost one million twenty-one
13 seventy-one and eight cents, to be exact.

14 COUNCILMAN RIZZO: And headquartered
15 at this building is our --

16 MS. SCHLOTTERBECK: Philadelphia
17 Traffic Police.

18 COUNCILMAN RIZZO: Traffic Police.

19 And I probably would be able to
20 determine that, if I read it, but help me.

21 How long is the commitment there?

22 MS. SCHLOTTERBECK: It is a ten-year
23 deal.

24 COUNCILMAN RIZZO: Ten-year deal.

25 MS. SCHLOTTERBECK: With three

1 BILL NO. 040331 - 5/27/04

2 five-year options after that.

3 COUNCILMAN RIZZO: And it is
4 strictly the Traffic Division of the Police
5 Department?

6 MS. SCHLOTTERBECK: Yes.

7 COUNCILMAN RIZZO: Thank you.

8 COUNCILMAN CLARKE: Any other
9 questions by members of the committee of this
10 witness?

11 Is this, actually, technically, on
12 the Naval Yard site?

13 MS. SCHLOTTERBECK: Yes. I believe
14 it is the first building as you go through on
15 your left. The first building on your left.
16 The bottom floor is occupied by the management
17 company.

18 COUNCILMAN CLARKE: Is it a part of
19 the Keystone Opportunity Zone?

20 MS. SCHLOTTERBECK: I don't know the
21 answer to that. I'm not sure.

22 COUNCILMAN RIZZO: Mr. Chairman, one
23 of my concerns was, what did this building do
24 to the growth or the location of more
25 appropriate businesses in that facility?

1 BILL NO. 040331 - 5/27/04

2 That's been my question since I first learned
3 that we put the police department at that
4 location.

5 I understand that we are
6 accommodating a commitment to put -- have a
7 police presence at the Stadium Complex, but I
8 was always convinced that this facility could
9 have been located outside of that environment
10 and allow a profit-making organization to
11 occupy that facility to enhance what we're
12 trying to do there.

13 It is easy to fill that place up
14 with city buildings. We can put the Water
15 Department there, the Streets Department. And
16 I understand the need for the Police.

17 But I felt, honestly, that there was
18 a more appropriate place for that location.

19 COUNCILMAN CLARKE: Yes, I
20 understand your line of questioning,
21 Councilman. Actually, that was somewhere
22 where I was going.

23 My understanding is that the KOZ
24 zone for the Naval Center was to encourage
25 profit-making businesses; therefore, giving

1 BILL NO. 040331 - 5/27/04

2 those tax incentives.

3 But if we are going to place a
4 publicly owned facility in that, that could
5 potentially take away much-needed space and
6 our ability to grow profitable businesses in
7 the facility.

8 And I am wondering, as Councilman
9 Rizzo has indicated, why you made a decision
10 to do that.

11 I am assuming, based on the
12 incentives on the table, it is probably a
13 lucrative site.

14 MS. SCHLOTTERBECK: To be perfectly
15 honest, I don't know the answer to your
16 question.

17 I know that this decision was made
18 probably three or four years ago. And I don't
19 see anyone here from PIDC.

20 COUNCILMAN CLARKE: All right.
21 Commissioner, can you do us a favor -- you may
22 not be able to do that now -- can you provide
23 or contact representatives of PIDC and ask
24 them, prior to the passage of the bill, what
25 the reasoning was in terms of locating a

1 BILL NO. 040331 - 5/27/04
2 publicly owned facility inside a KOZ zone.

3 MS. SCHLOTTERBECK: Sure.

4 COUNCILMAN CLARKE: Therefore,
5 obviously, taking away potential growth of
6 profit-making businesses.

7 COUNCILMAN RIZZO: Mr. Chairman,
8 could I add to that, too?

9 COUNCILMAN KENNEY: My
10 understanding, I'm not discussing the
11 propriety of the use of the building in the
12 KOZ.

13 But I think the reason why it
14 happened was that there was an agreement with
15 the neighborhood groups in South Philadelphia,
16 vis-a-vis the Stadium Complex, that they would
17 move the Traffic Division closer to South
18 Philadelphia so that they could respond
19 better.

20 Purely from a tactical perspective,
21 I agree with it because I think it brings more
22 police closer to the neighborhood when those
23 large events are there. And I think the
24 officers are happy because many of them don't
25 have to travel as far as they used to have to

1 BILL NO. 040331 - 5/27/04
2 travel. It is much easier to get to by 95 and
3 by 76 because it is right off of both exits.

4 Whether or not it makes sense
5 financially is a whole other story. But the
6 parking is adequate for both the police
7 vehicles and for their private vehicles.

8 And it is right -- I don't know
9 whether or not that building has been marketed
10 for anything. It has not been a highly
11 sought-after building.

12 I think the original use of the
13 building, I think they may be still in there,
14 are the -- not maintenance staff, but --

15 MS. SCHLOTTERBECK: They are a
16 management company.

17 COUNCILMAN KENNEY: The management
18 company that runs the Naval Business Center.

19 But I know that there was something
20 that Veterans Stadium Neighbors and Packer
21 Park and some of the other groups wanted.
22 They wanted the white hat police in the
23 location where they worked, for the most part.
24 I think that's the reason they did it.

25 COUNCILMAN RIZZO: Again, my only

1 BILL NO. 040331 - 5/27/04

2 input and concern was that possibly there
3 would have been an alternative to that site;
4 to accommodate that need, that request, and
5 not take away a potentially lucrative
6 opportunity for the Navy Yard.

7 COUNCILMAN KENNEY: I am not taking
8 a position on that. I am giving the history
9 of kind of how they wound up there.

10 I think they looked around at a
11 number of different sites and could not find
12 anything to accommodate them. I think a lot
13 of the problem was parking the police vehicles
14 and the private autos that the police officers
15 use to get to work. I think that was a part
16 of the issue.

17 COUNCILMAN KELLY: How large a
18 facility is this? Percentagewise, what are we
19 speaking about here?

20 MS. SCHLOTTERBECK: It is about 5300
21 square feet, and there are 126 parking places.

22 The first floor is occupied by, as
23 Councilman said, by security and by their
24 management company.

25 COUNCILMAN KELLY: What was that

1 BILL NO. 040331 - 5/27/04

2 again, Commissioner?

3 MS. SCHLOTTERBECK: Cushman and
4 Wakefield is their management company, and
5 they occupy the first floor of this building.

6 COUNCILMAN KELLY: The building
7 itself, what are the specs on that?

8 MS. SCHLOTTERBECK: The entire
9 building?

10 COUNCILMAN KELLY: The entire
11 building.

12 MS. SCHLOTTERBECK: You know, I
13 don't have an answer on that. I will have to
14 get back to you.

15 I don't want to assume that it is
16 just the same footprint as the second floor,
17 which would be approximately 10,000 square
18 feet, then.

19 COUNCILMAN KELLY: But overall the
20 complex itself, what percentage would you say
21 this facility takes up? Just a guess.

22 MS. SCHLOTTERBECK: It is miniscule.

23 COUNCILMAN CLARKE: Councilman
24 Kenney.

25 COUNCILMAN KENNEY: Point of

1 BILL NO. 040331 - 5/27/04

2 information.

3 The building, the existing building,
4 or the total land?

5 COUNCILMAN KELLY: The existing
6 building, where they want to put the --

7 COUNCILMAN KENNEY: Is the question
8 the percentage of --

9 MS. SCHLOTTERBECK: The total area?

10 COUNCILMAN KENNEY: Is this
11 buildings or the existing building?

12 COUNCILMAN KELLY: The existing
13 building, compared to the overall.

14 MS. SCHLOTTERBECK: Oh, it is
15 miniscule.

16 COUNCILMAN KELLY: That's what I am
17 getting at.

18 MS. SCHLOTTERBECK: And it is right
19 inside the gate.

20 And, as Councilman Kenney said, it
21 wasn't a building that was sought after
22 because they were always going to maintain the
23 ground floor for their own use, which is
24 management company use.

25 COUNCILMAN KELLY: That's fine.

1 BILL NO. 040331 - 5/27/04

2 Thank you.

3 MS. SCHLOTTERBECK: You are welcome.

4 COUNCILMAN CLARKE: Any other
5 questions of this witness on this particular
6 bill?

7 COUNCILWOMAN MILLER: I have one.

8 COUNCILMAN CLARKE: Councilwoman
9 Miller.

10 COUNCILWOMAN MILLER: How many
11 stories is the building?

12 MS. SCHLOTTERBECK: It is two
13 stories, with a basement.

14 COUNCILWOMAN MILLER: So with the
15 management company there and then -- the
16 police department going on the second floor?

17 MS. SCHLOTTERBECK: Yes. They are,
18 actually, already there.

19 COUNCILWOMAN MILLER: Is there
20 any -- would there be any square footage left
21 for anybody else?

22 MS. SCHLOTTERBECK: No.

23 COUNCILWOMAN MILLER: Right. Okay.
24 All right. Thank you.

25 MS. SCHLOTTERBECK: You are welcome.

1 BILL NO. 040372 - 5/27/04

2 COUNCILMAN CLARKE: Thank you,
3 Councilwoman.

4 Any other questions of this witness
5 on this particular bill?

6 There being none, will the clerk
7 please read the title of the next bill.

8 THE CLERK: Bill No. 040372, an
9 Ordinance authorizing the Commissioner of
10 Public Property, on behalf of the City of
11 Philadelphia, to acquire from the
12 Redevelopment Authority, for nominal
13 consideration, properties located at 901-47
14 North Marshall Street and 910-48 North Sixth
15 Street, under certain terms and conditions.

16 MS. SCHLOTTERBECK: Councilman, I am
17 going to ask that Ken Sipos testify.

18 MR. KEN SIPOS: Councilman Clarke
19 and members of the committee, I do not have
20 written copy, but I can forward it to you.

21 This property was part of the
22 Marshall Mall parking lot, and last year we
23 made it into a charter school. We leased it
24 to a charter school.

25 And the Redevelopment Authority

1 BILL NO. 040372 - 5/27/04
2 wanted to consolidate the space, so we -- the
3 Redevelopment Authority condemned the property
4 from the city, and the city's going to
5 purchase it back from the Redevelopment
6 Authority at nominal consideration. And then
7 the next bill we will lease it back to the
8 charter school.

9 COUNCILMAN CLARKE: To the what?
10 I'm sorry. The next bill?

11 MR. SIPOS: The following bill.
12 There is a companion bill, which is -- this
13 bill is 040372, which is a bill allowing the
14 city to purchase from the Redevelopment
15 Authority at nominal consideration.

16 COUNCILMAN CLARKE: Okay.

17 MR. SIPOS: And the charter school
18 is already on the premises.

19 COUNCILMAN CLARKE: Okay.

20 MR. SIPOS: And the Department of
21 Public Property is in favor of this bill.

22 And I would like to request that the
23 Rules be suspended so that it could be read on
24 second passage.

25 COUNCILMAN CLARKE: Thank you.

1 BILL NO. 040373 - 5/27/04

2 Any questions of this witness by
3 members of the committee?

4 There being none, will the clerk
5 please read the title of the next bill.

6 THE CLERK: Bill No. 040373, an
7 Ordinance authorizing the Commissioner of
8 Public Property, on behalf of the City of
9 Philadelphia, to enter into a lease agreement
10 to lease to the Philadelphia Authority For
11 Industrial Development, for further sublease
12 to Leadership Learning Partners Charter
13 School, a Pennsylvania nonprofit corporation,
14 certain land located at 901-47 North Marshall
15 Street and 910-48 North Sixth Street, under
16 certain terms and conditions.

17 COUNCILMAN CLARKE: Okay.

18 MR. KEN SIPOS: Chairman Clark and
19 members of the Committee, the Commissioner of
20 Public Property is in favor of Bill No.
21 040373.

22 This bill will allow the city to
23 enter into a lease agreement with the
24 Philadelphia Authority For Industrial
25 Development, and they in turn will sublease

1 BILL NO. 040468 - 5/27/04

2 this property to the charter school, the
3 Leadership Learning Partners Charter School,
4 so that they will be able to further develop
5 it.

6 COUNCILMAN CLARKE: Thank you.

7 Any questions of this witness?

8 MR. SIPOS: We would like the Rules
9 suspended so that this may be passed on second
10 reading of Council.

11 COUNCILMAN CLARKE: Thank you.

12 Any questions?

13 Thank you. Will the clerk please
14 read the title of the next bill.

15 THE CLERK: Bill No. 040468, an
16 Ordinance authorizing the Commissioner of
17 Public Property, on behalf of the City of
18 Philadelphia, to acquire from the Philadelphia
19 Housing Development Corporation fee simple
20 title to, and all other real property
21 interests in, a certain parcel of real estate
22 with any improvements situated thereon located
23 at 1208 Kater street, also known as the rear
24 of 614 South 12th Street, under certain terms
25 and conditions.

1 BILL NO. 040468 - 5/27/04

2 COUNCILMAN CLARKE: Thank you.

3 MS. JOAN SCHLOTTERBECK: Yes. Good
4 afternoon again, Councilman Clark.

5 Again, I am Joan Schlotterbeck,
6 Commissioner of Public Property. And I am
7 here to testify in support of Bill No. 040468,
8 an Ordinance authorizing the Commissioner of
9 Public Property, on behalf of the city, to
10 acquire from the Philadelphia Housing
11 Development Corporation the simple title to,
12 and all real estate interest in, a certain
13 parcel of real estate with improvements
14 situated thereon located at 1208 Kater Street,
15 also known as the rear of 614 South 12th
16 Street, under certain terms and conditions.

17 The bill allows the city to acquire
18 this parcel for use in conjunction with the
19 adjacent property, which is leased by the city
20 for Ready Willing and Able Homeless Shelter
21 Program.

22 The proposed property will serve as
23 parking lot for storage for RWA vehicles and
24 for placing and use of a fenced-in dumpster.

25 This acquisition is in accordance

1 BILL NO. 040468 - 5/27/04

2 with understanding between the city, RWA, and
3 the local neighborhood community group to
4 clear the adjacent area of RWA's vehicles and
5 improve the immediate area.

6 The department supports this
7 measure. And, accordingly, I respectfully ask
8 that Council approve Bill No. 040468. I also
9 ask that the Rules be suspended so that the
10 Ordinance can be passed upon second reading at
11 Council.

12 I am available for any questions you
13 may have.

14 COUNCILMAN CLARKE: Thank you.

15 Any questions of this witness?

16 COMMISSIONER KELLY: I just would
17 like to know if the community groups that you
18 mentioned do support this?

19 MS. SCHLOTTERBECK: Yes, they do.

20 COUNCILMAN KELLY: Could you tell me
21 who the community groups are, or the community
22 group in that area?

23 MS. SCHLOTTERBECK: Actually, I
24 guess I can tell you that I know through Rob
25 Hess, who is a director of OESS, who is the

1 BILL NO. 040468 - 5/27/04

2 person that will be dealing with the community
3 groups, that he has told me they have total
4 support.

5 And, to be perfectly honest, I do
6 not know a name to give you, nor the name of
7 the organization.

8 COUNCILMAN KELLY: But they did have
9 meetings?

10 MS. SCHLOTTERBECK: Yes, they did.
11 And the idea is --

12 COUNCILMAN KELLY: There are no
13 letters of support issued to any Council
14 member here, as far as I know, or the Chair.

15 COUNCILMAN CLARKE: Councilman
16 Kenney.

17 COUNCILMAN KENNEY: Thank you.

18 My understanding from just being
19 from around that neighborhood is that this is
20 part of the Universal Properties work in the
21 recreation of the King Plaza. It is part and
22 parcel of it. It is part of the employment
23 component.

24 And I believe that the workers there
25 are being used to help keep the neighborhood

1 BILL NO. 040468 - 5/27/04

2 clean. I have also seen them down at Franklin
3 Roosevelt Park working. So they are kind of
4 concentrated more in South Philadelphia, but
5 they are all over doing jobs and cleaning.

6 And I think it is part of the
7 employment component of the Universal Plan
8 down there.

9 So I think, I am pretty sure, that
10 it has community support.

11 And we haven't heard any complaints.
12 And we could probably check with Frank DiCicco

13 MS. SCHLOTTERBECK: The idea here is
14 that we are fencing in.

15 COUNCILMAN KELLY: Since this is
16 supported by Councilman DiCicco, I am sure --

17 COUNCILMAN KENNEY: I haven't heard
18 any complaints about it. You see them in the
19 blue jumpsuits working, keeping things clean
20 around the area.

21 COUNCILMAN KELLY: Okay.

22 MS. SCHLOTTERBECK: We do have
23 support from Councilman DiCicco.

24 COUNCILMAN KELLY: Thank you.

25 COUNCILMAN CLARKE: That's the magic

1 BILL NO. 040472 - 5/27/04

2 word. Okay.

3 MS. SCHLOTTERBECK: I will say it
4 again.

5 COUNCILMAN CLARKE: Any other
6 questions?

7 There being none, will the clerk
8 please read the title of the next bill.

9 THE CLERK: Bill No. 040472, an
10 Ordinance authorizing the Commissioner of
11 Public Property, on behalf of the City of
12 Philadelphia, to extend the terms of an
13 agreement to sublease from the Philadelphia
14 Municipal Authority the building located at
15 111-131 West Hunting Park Avenue, and to
16 purchase fee simple title to the land and
17 improvements thereon known as 111-131 West
18 Hunting Park Avenue, all under certain terms
19 and conditions.

20 COUNCILMAN CLARKE: Commissioner.

21 MS. SCHLOTTERBECK: Yes. Again, I
22 am Joan Schlotterbeck, Commissioner of Public
23 Property, and I am here to support this bill.

24 It is an Ordinance authorizing the
25 Commissioner, on behalf of the city, to extend

1 BILL NO. 040472 - 5/27/04
2 the term of the agreement to sublease from the
3 Municipal Authority the building located at
4 111-131 West Hunting Park Avenue,
5 Philadelphia, to purchase fee simple title to
6 the land and improvements thereon known as
7 111-131 West Hunting Park Avenue, all under
8 certain terms and conditions.

9 This bill enables the extension of
10 the term of the sublease for an additional
11 four years, with the city's options to renew
12 for an additional 15 years and purchase to the
13 land or building at any time after the
14 beginning of the third lease year, being
15 August of 2004.

16 This facility currently houses the
17 city's Vector Control Unit and the
18 Philadelphia Animal Care and Control Agency,
19 PACCA.

20 Public Property supports this
21 measure, and, accordingly, respectfully asks
22 that City Council approve the bill. And I
23 also ask that the Rules be suspended so that
24 the Ordinance may be passed upon second
25 reading at Council.

1 BILL NO. 040472 - 5/27/04

2 Thank you.

3 COUNCILMAN CLARKE: You are welcome.

4 Councilman Rizzo.

5 COUNCILMAN RIZZO: Commissioner,
6 when we enter into a lease or anticipate
7 purchase, do we do complete environmentals on
8 these buildings?

9 MS. SCHLOTTERBECK: Yes.

10 COUNCILMAN RIZZO: Asbestos,
11 underground storage tanks, all those things?

12 MS. SCHLOTTERBECK: Yes.

13 COUNCILMAN RIZZO: So we know what
14 we are getting into before we do it; right?

15 MS. SCHLOTTERBECK: Yes.

16 COUNCILMAN RIZZO: Thank you.

17 COUNCILMAN CLARKE: Thank you,
18 Councilman.

19 Any other questions of this witness?

20 There being none, will the clerk
21 please read the title of the next bill.

22 Actually, I think, Commissioner, is
23 your testimony done for all bills?

24 MS. SCHLOTTERBECK: It is.

25 So you need me to get back to you

1 BILL NO. 040472 - 5/27/04

2 specifically regarding --

3 COUNCILMAN CLARKE: Well, Councilman
4 Kenney has clarified it. Now that we know,
5 first of all, the building is already being
6 used, and this is additional space, and there
7 was agreement between the neighbors and, I am
8 assuming, the Council President in terms of
9 that location, so I am fine.

10 I don't know. Councilman Rizzo, do
11 you need anymore clarification?

12 COUNCILMAN RIZZO: I think the only
13 question that you had was one that I agree we
14 should get a response to. But if you are
15 satisfied, I am satisfied. You had a
16 question.

17 COUNCILMAN CLARKE: I assumed that
18 the building was vacant, and the Traffic
19 Division, i.e., the city, went in and
20 renovated the building.

21 But since you are telling me that
22 the building was already occupied to an
23 extent, it probably wouldn't make a lot of
24 sense. It probably wouldn't be the type of
25 building we could market in a reasonable way

1 BILL NO. 040367 - 5/27/04

2 for other opportunities, since there was
3 already some activity in that building.

4 So that was my question, as to
5 whether or not it was a building that could
6 possibly be made into a profit-making
7 facility.

8 But that's a whole other ballgame
9 once that building is occupied. So I am okay.

10 Councilman, are you okay?

11 COUNCILMAN RIZZO: Yes.

12 MS. SCHLOTTERBECK: Thank you.

13 COUNCILMAN CLARKE: You are welcome.

14 MR. SIPOS: Mr. Chairman, I am not
15 sure if I gave my name, it is Kenneth Sipos,
16 Department of Public Property.

17 COUNCILMAN CLARKE: We just assumed
18 everybody knew you. Thank you, sir.

19 MR. SIPOS: Thank you.

20 COUNCILMAN CLARKE: Will the clerk
21 please read the title of the next bill.

22 THE CLERK: Bill No. 040367, an
23 Ordinance approving certain contracts and
24 transactions arising thereunder for the
25 purchase, storage, distribution,

1 BILL NO. 040367 - 5/27/04

2 transportation, and/or transmission of natural
3 and other gas entered into by the Philadelphia
4 Facilities Management Corporation on behalf of
5 the Philadelphia Gas Works, subject to certain
6 terms and conditions.

7 COUNCILMAN CLARKE: Anyone to
8 testify on this bill?

9 JANET PARRISH, ESQ.: Good
10 afternoon, Mr. Chairman and members of the
11 committee. My name is Janet Parrish, I am the
12 Executive Director of the Philadelphia Gas
13 Commission.

14 And I thank you for the opportunity
15 to be here today to present the testimony and
16 recommendations of the Gas Commissioners in
17 support of this bill.

18 We have submitted written testimony
19 to you. That includes several appendices, one
20 of which is the Gas Commission's order and
21 resolution adopted at its meeting on May 18,
22 which sets forth the results of the
23 Commission's review of these same contracts
24 and its recommendations to Council.

25 Also included in our submission to

1 BILL NO. 040367 - 5/27/04

2 you is a set of proposed amendments to the
3 bill, which would conform it to the
4 recommendations and approvals issued by the
5 Gas Commission.

6 And we are urging approval of the
7 bill with these amendments.

8 COUNCILMAN CLARKE: Ms. Parrish,
9 when you say, "amendments," do you mean
10 several changes in one amendment? Because we
11 only have one actual amendment with a number
12 of changes.

13 Yes. You have one package, and it
14 contains a series of language changes and
15 additions.

16 And we were requested, we were told
17 it was advisable, to submit the whole bill as
18 one package, showing all of the amendments, so
19 you would have the whole piece before you.
20 And that is what is contained in that
21 document.

22 COUNCILMAN CLARKE: Can you, without
23 reading the entire amendment, it is rather
24 lengthy, can you just kind of walk us through
25 the changes that are associated with this

1 BILL NO. 040367 - 5/27/04

2 particular amendment that will be offered
3 today?

4 MS. PARRISH: Yes, I would be happy
5 to do that.

6 And I would refer you to the first
7 page of the written testimony, where there are
8 six changes outlined.

9 COUNCILMAN CLARKE: Hold on a
10 second.

11 Have those amendments been
12 circulated? All the members have the
13 amendment? Okay. Thank you.

14 I am sorry. Please proceed.

15 MS. PARRISH: There are, basically,
16 six substantive changes. And I would
17 characterize four of them as really being in
18 the nature of wordsmithing. Some words were
19 added here and there just, basically, to
20 clarify the language that was contained in the
21 original Ordinance as put together by PGW.

22 And those are outlined in the first
23 three subbullets on the page, if you are
24 following along with me.

25 There was a minor tweaking to the

1 BILL NO. 040367 - 5/27/04
2 definition of "financial hedging" in Section
3 1(b)(1) of the Ordinance, where it would refer
4 to sale as well as purchase of services.

5 There is a very minor modification
6 in Section 1(b)(3) of the bill to make clear
7 that the reference to liquified natural gas
8 facilities was meant to include the sale of L
9 & G capacity.

10 There are also several modifications
11 in section 4, specifically Subsections 4 A, B,
12 C, and E.

13 This section sets out some reporting
14 and disclosure requirements which we feel are
15 advisable in order to ensure that there is
16 transparency to the transactions that PGW is
17 entering into and there is accountability to
18 the city stakeholders.

19 And what we simply did is to add a
20 reference that when PGW is filing these
21 reports with the Gas Commission, they would
22 also be filed or shared with the public
23 advocate who represents PGW's customers before
24 the Gas Commission.

25 And then jumping down to the second

1 BILL NO. 040367 - 5/27/04

2 three, the set of second three bullets on the
3 page, again, the middle one, if I can jump
4 around a little, is another modification to
5 the language of Section 1(b)(2), which, again,
6 is really a clarification.

7 This section refers to certain types
8 of transactions, specifically outsourcing of
9 PGW's procurement of a part or all of its gas
10 services.

11 And we wanted to ensure that there
12 was clarity to the definition of what would
13 constitute a substantial part of those
14 services.

15 So we added some language to
16 indicate that the 50 percent threshold that we
17 talk about there could be arrived at either by
18 a single transaction or by a combination of
19 transactions.

20 And that leaves just two other
21 issues, and I think these are the two most
22 substantive changes.

23 One is, we are recommending that you
24 add a new Section 1(a)(2). This section would
25 require PGW, and PFMC, to obtain advance

1 BILL NO. 040367 - 5/27/04
2 written approval of the City Solicitor, as
3 well as the President of City Council and the
4 Chair of the Gas Commission, if they desired
5 to make any further changes, substantive
6 changes, to these contracts as they now exist
7 and as they have now been approved by the Gas
8 Commission and, hopefully, would be approved
9 by Council, as well.

10 So this would ensure that any
11 further amendments would have to come back to
12 the two bodies.

13 We don't anticipate those.

14 COUNCILMAN CLARKE: When you say
15 sign off by City Council, you said City
16 Council President. Does that include the
17 entire Council, does that include this
18 committee, or simply the Council President?

19 No. Our suggestion was, to expedite
20 matters, that that would be done by the
21 President of Council or her designee, the
22 Chair of the Gas Commission or her designee,
23 the City Solicitor or his designee.

24 And maybe if I can back up a little
25 bit and say something about the total

1 BILL NO. 040367 - 5/27/04

2 framework of the approvals, because we haven't
3 actually talked about that.

4 The management agreement between the
5 city and the Philadelphia Facilities
6 Management Corporation generally provides that
7 contracts for the purchase of gas would be
8 submitted first to the Gas Commission for
9 review and recommendations, and then to
10 Council for approval.

11 The market conditions under which
12 PGW is operating have changed considerably in
13 the last 30 years, or since the time that
14 those requirements were arrived at.

15 And you will have before you at your
16 upcoming hearing on June 7 our proposal for a
17 longer-term solution, a more proactive
18 solution, to deal with contracts in the
19 future.

20 The management agreement, however,
21 also permits that in the case of an emergency
22 or temporary need, which the City Solicitor's
23 office has also characterized as being a,
24 quote, unquote, business necessity rationale,
25 that PGW would be authorized to enter into

1 BILL NO. 040367 - 5/27/04

2 these contracts and then submit them after the
3 fact to both the Gas Commission and to City
4 Council for its approvals. And that's exactly
5 what these eight contracts are that are before
6 you in this bill.

7 So, really, technically, once these
8 are approved, they are approved.

9 COUNCILMAN CLARKE: All right.

10 There were, however, some concerns
11 on the part of some of the commissioners
12 regarding the special provisions that were
13 added to one of these contracts.

14 And, so, I think the Commissioner
15 wanted to ensure that there was some
16 additional safeguard in place that would not
17 unduly tie PGW's hands -- because they do need
18 to be flexible in these market conditions --
19 but, on the other hand, that there ought to be
20 some level of pre-review and pre-approval if
21 there was any interest in changing any of the
22 terms of these contracts once they had been
23 approved dually by Council and the commission.

24 I hope that that clarifies that.

25 COUNCILMAN CLARKE: Yes.

1 BILL NO. 040367 - 5/27/04

2 MS. SCHLOTTERBECK: And then there
3 is one last recommendation that we have, and
4 that's the last bullet on the first page. And
5 that is a recommendation that you add one
6 additional provision to the Ordinance, and
7 that would be Section 1(c).

8 This provision also was attempting
9 to provide additional safeguards and would
10 have Council reserve the right to direct PFMC
11 at any time by resolution to either terminate
12 any of these contracts or to stop entering
13 into additional transactions to buy gas under
14 these contracts, short of terminating them,
15 after first receiving the recommendation of
16 the Commission.

17 And, again, the intent here was
18 that, should, in the future, conditions change
19 and it be determined or felt that the
20 conditions under which PGW was operating with
21 these particular suppliers had become
22 unacceptably onerous or subjected the city to
23 liability that it could not accept, for
24 example -- I am just giving you a for
25 instance -- then Council would have the right

1 BILL NO. 040367 - 5/27/04

2 to say, do not take anymore gas under these
3 contracts.

4 COUNCILMAN CLARKE: Okay.

5 MS. SCHLOTTERBECK: So that's
6 really, I guess, the essence of what we
7 recommended here today.

8 I would like to say that this bill
9 and our recommendations came after a long
10 process of review, a long collaborative
11 process, involving not only Gas Commission
12 staff and representatives of PGW, also had
13 involvement of the law department and City
14 Council staff, including City Council
15 technical staff, to ensure that what we were
16 coming up with as a framework here was
17 reasonable, was workable, it was pragmatic,
18 and yet it met the intent of the management
19 agreement.

20 And I am authorized to tell you that
21 PGW, they have submitted written testimony,
22 they are fully in support also of passage of
23 this bill.

24 And I believe I saw the public
25 advocate come into the room, and I know he

1 BILL NO. 040367 - 5/27/04

2 will tell you, as well, that they are
3 supportive.

4 And, so, with that, you know, we
5 could ask for suspension of the Rules also so
6 that this bill can be passed on second
7 reading.

8 And also there are a set of proposed
9 amendments, as we discussed, which I know
10 Councilwoman Tasco, had she been here today,
11 intended to offer. And I understand that
12 Councilwoman Miller might be willing to do
13 that, and we appreciate that very much.

14 I am happy to answer any other
15 questions you might have.

16 COUNCILMAN CLARKE: Any questions by
17 the members of this witness?

18 There being none.

19 MS. PARRISH: Thank you for your
20 time and consideration.

21 COUNCILMAN CLARKE: Thank you, Ms.
22 Parrish. Can you kind of hang around a little
23 bit, though.

24 Any other witnesses?

25 Please state your name for the

1 BILL NO. 040367 - 5/27/04

2 record, sir.

3 MR. PHILLIP BERTOCCI: My name is
4 Phillip Bertocci, I serve as the public
5 advocate for residential ratepayers before the
6 Gas Commission.

7 I understand your time is limited
8 today. I fully support the proposed Ordinance
9 for the reasons set forth in the letter which
10 I just distributed.

11 We were able to use an expert
12 witness from outside Philadelphia, totally an
13 expert in gas procurement, to look over this
14 situation and to advise us on how best to
15 reconcile the interests of the various parties
16 that are involved, which in the end are all
17 the same, to have PGW in a situation where it
18 can buy gas at the greatest advantage for
19 customers.

20 And we think that this does, this
21 bill here, sets up a forum and does it in a
22 way that protects all those interests.

23 COUNCILMAN CLARKE: Thank you.

24 Any questions?

25 Thank you, sir.

1 BILL NO. 040367 - 5/27/04

2 MR. BERTOCCI: Thank you.

3 COUNCILMAN CLARKE: Any other
4 witnesses on this particular bill?

5 COUNCILMAN KELLY: I have a
6 question.

7 COUNCILMAN CLARKE: Councilman
8 Kelly.

9 COUNCILMAN KELLY: Mr. Chairman, I
10 have a question. I would just like to ask Ms.
11 Parrish that we have the testimony here from
12 and Abby Pozefsky. I would just like to have
13 a question for you, if I may.

14 I have your testimony here. I just
15 wanted to know what your background is. How
16 long have you been the general counsel for
17 Philadelphia Gas Works?

18 MS. ABBY POZEFSKY: My name is Abby
19 Pozefsky, and I am the General Counsel for the
20 Gas Works.

21 I have served in that capacity since
22 July of 1998. And prior to that, I was Chief
23 Deputy City Solicitor for Regulatory Affairs
24 with the city law department. And I had been
25 with the law department from 1986 to 1998.

1 BILL NO. 040367 - 5/27/04

2 COUNCILMAN KELLY: How much
3 experience do you have with utilities, dealing
4 with utilities?

5 MS. POZEFSKY: Well, I was the Water
6 Department's General Counsel from 1989 to
7 1991. I was the Airport's General Counsel
8 from '91 through until '98. And I have been
9 with the Gas Works from '98 until the present.

10 COUNCILMAN KELLY: And, of course,
11 you advise the management of PGW on many, many
12 matters, I'm sure, throughout the year.

13 MS. POZEFSKY: That's correct.

14 COMMISSIONER KELLY: I just have
15 reservations sometimes about PGW. Every time
16 I see one of their bills, I think how much
17 more are we going to be paying for anything
18 that we pass with PGW's name on it.

19 I know I don't speak only for
20 myself, but there ARE many, many other Council
21 Members that feel the same way; that the
22 decisions that you and a lot of other people
23 have made in PGW over the last few years, have
24 been horrendous.

25 And I just hope that with the

1 BILL NO. 040367 - 5/27/04

2 Community Legal Services here as approving
3 this, that what we're seeing before us today
4 is probably more or less a technical
5 improvement, more than anything.

6 And I hope, I just hope, that you
7 and the management of PGW can get on the right
8 footing and to start putting that place back
9 to where it should be, without costing the
10 taxpayers and the ratepayers of PGW an
11 excessive amount of money over the last few
12 years.

13 I just want to make that statement.
14 And I hope that you take it back with the
15 management.

16 I know for one that I am not happy
17 with the way they are running that. You know,
18 some time ago there was a Mayor of
19 Philadelphia -- and this is going back many
20 years ago -- and he called the City Council at
21 that time the worst legislative body in the
22 free world.

23 Well, let me tell you something.
24 With the present management of PGW, that's the
25 worst-run utility in the entire world. And I

1 BILL NO. 040367 - 5/27/04

2 just want to put that on the record.

3 That I am not happy with that
4 management whatsoever. And you are part of
5 it, and you have to take some of the blame for
6 that.

7 I know the decisions they have made
8 have been horrendous over the last few years.
9 I just hope and pray that we are making the
10 right decision even on these bills. Thank
11 you.

12 COUNCILMAN CLARKE: Thank you,
13 Councilman Kelly.

14 Councilman Rizzo.

15 COUNCILMAN RIZZO: Would you mind if
16 I just digress for 30 seconds?

17 Can we get an update on where we are
18 with the surcharge?

19 COUNCILMAN CLARKE: Sure,
20 Councilman.

21 MS. POZEFSKY: Certainly.

22 COUNCILMAN CLARKE: Frankly
23 speaking, I was amazed that it hasn't come up
24 yet.

25 MS. POZEFSKY: For that, Councilman

1 BILL NO. 040367 - 5/27/04

2 Rizzo, I am going to ask Steve Hershey, who is
3 PGW's Vice-President for Community
4 Initiatives, and who has been involved with
5 that, to give you the update.

6 MR. STEVE HERSHEY: My name is Steve
7 Hershey, I am Vice-President, Community
8 Initiatives, at Philadelphia Gas Works.

9 Councilman, the litigation at the
10 Public Utility Commission concerning what's
11 called the CRRC, or the surcharge, testimony
12 has been filed.

13 By agreement to the parties, the
14 administrative law judge who oversees the
15 litigation of the case has agreed to a
16 three-week suspension of the litigation so
17 that the parties can pursue the possibility of
18 settlement, which is actively being discussed
19 as we speak.

20 There have been several sessions,
21 the last of which was this morning.

22 COUNCILMAN RIZZO: I thank you.

23 Comment on, at least, the media
24 report about the amount decreasing from where
25 we were originally. Is that accurate, that,

1 BILL NO. 040367 - 5/27/04

2 because of your collection effort, the amount
3 of the surcharge, if implemented, could be
4 significantly less than first discussed?

5 MR. HERSHEY: It is important to be
6 very precise when we are talking about media
7 reports and we are talking about an issue like
8 this one.

9 The only number that really counts,
10 assuming that the surcharge were approved by
11 the PUC and implemented, the only number that
12 will count as to whether the surcharge is
13 imposed, or how much it is, is the collections
14 rate as of August 31, at the end of our fiscal
15 year.

16 Having said that, the collections
17 effort to date has shown improvement over last
18 year. It is much more sophisticated,
19 broad-based than it was last year. And there
20 have been indications that, if things go well,
21 there will be -- and if the surcharge is
22 approved, there will be no increase in rates
23 through a surcharge.

24 COUNCILMAN RIZZO: Thank you.

25 COUNCILMAN CLARKE: Thank you,

1 BILL NO. 040367 - 5/27/04

2 Councilman Rizzo.

3 Any other questions by members of
4 the committee of these witnesses?

5 Thank you. Thank you very much.

6 Any other witnesses for this bill?

7 There being none, we will now move
8 from the Public Hearing into the public
9 meeting.

10 (Public Hearing adjourned.)

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COUNCIL OF THE CITY OF PHILADELPHIA

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PUBLIC MEETING

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of the

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COMMITTEE ON PUBLIC PROPERTY AND PUBLIC WORKS

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Thursday, May 27, 2004

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Public Meeting

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conducted by the Committee on Public Property

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and Public Works, held in Room 400, City Hall,

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Philadelphia, Pennsylvania, on the above date,

13

to consider action on the following:

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BILLS 040331, 040372, 040373, 040468, 040472,

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040367

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- - -

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PRESENT:

18

COUNCILMAN DARRELL L. CLARKE, Chair

19

COUNCILMAN JACK KELLY

20

COUNCILMAN JAMES F. KENNEY

21

COUNCILWOMAN DONNA REED MILLER

22

COUNCILMAN FRANK RIZZO

23

- - -

24

25

1 PUBLIC MEETING - 5/27/04

2 COUNCILMAN CLARKE: Councilwoman
3 Miller, do you want to read the first bill,
4 call for a motion.

5 COUNCILWOMAN MILLER: I move that
6 Bill No. 040331 be reported out of this
7 committee with a favorable recommendation and
8 further request that the Rules of Council be
9 suspended so as to have our first hearing at
10 our next session.

11 COUNCILMAN CLARKE: Is there a
12 second?

13 (Duly seconded.)

14 COUNCILMAN CLARKE: All in favor of
15 the bill?

16 All opposed?

17 The bill is reported out.

18 Councilwoman Miller, the next bill,
19 040367, I believe, you have an amendment.

20 COUNCILWOMAN MILLER: We have an
21 amendment. The amendment has been circulated.

22 And I move that this amendment be
23 approved.

24 (Duly seconded.)

25 COUNCILMAN CLARKE: All in favor of

1 PUBLIC MEETING - 5/27/04

2 the amendment?

3 All opposed?

4 The amendment is approved.

5 Councilwoman, can you please make a
6 motion on the bill as amended.

7 COUNCILWOMAN MILLER: Okay. I move
8 that Bill No. 040367, as amended, be reported
9 out of this committee with a favorable
10 recommendation, and further request that the
11 Rules of Council be suspended so as to permit
12 first reading at our next session.

13 (Duly seconded.)

14 COUNCILMAN CLARKE: There being a
15 second. All in favor?

16 Those opposed?

17 Bill No. 040367 will be reported out
18 of committee as amended.

19 Councilwoman Miller, motion on Bill
20 No. 040372.

21 COUNCILWOMAN MILLER: Okay. I move
22 that Bill No. 040372 be reported out of this
23 committee with a favorable recommendation, and
24 further request that the Rules of Council be
25 suspended so as to permit first reading at our

1 PUBLIC MEETING - 5/27/04

2 next session.

3 (Duly seconded.)

4 COUNCILMAN CLARKE: All in favor?

5 Those opposed?

6 Bill No. 040372 will be reported out
7 of committee with a favorable recommendation
8 and Rules suspension.

9 Councilwoman Miller, on 040373.

10 COUNCILWOMAN MILLER: I move that
11 040373 be reported out of this committee with
12 a favorable recommendation, and further
13 request that the Rules of Council be suspended
14 so as to permit first reading at our next
15 session.

16 (Duly seconded.)

17 COUNCILMAN CLARKE: Those in favor?

18 Those opposed?

19 Bill No. 040373 will be reported out
20 of committee with a favorable recommendation
21 and with a Rules suspension.

22 Councilwoman Miller, motion on
23 040468.

24 COUNCILWOMAN MILLER: I move that

25 Bill No. 040468 be reported out of this

1 PUBLIC MEETING - 5/27/04
2 committee with a favorable recommendation, and
3 further request that the Rules of Council be
4 suspended so as to permit first reading at our
5 next session.

6 (Duly seconded.)

7 COUNCILMAN CLARKE: All in favor?

8 Those opposed?

9 There being none, Bill No. 040468
10 will be reported out of committee with a
11 favorable recommendation and with a Rules
12 suspension.

13 Councilwoman Miller on Bill No.
14 040472.

15 COUNCILWOMAN MILLER: I move that
16 Bill No. 040472 be reported out of this
17 committee with a favorable recommendation, and
18 further request that the Rules of Council be
19 suspended so as to permit first reading at our
20 next session.

21 (Duly seconded.)

22 COUNCILMAN CLARKE: Those in favor?

23 Those opposed?

24 There being none, Bill No. 040472
25 will be reported out of committee with a

1 PUBLIC MEETING - 5/27/04

2 favorable recommendation and with a Rules
3 suspension.

4 That concludes this public meeting
5 of the Committee on Public Property and Public
6 Works.

7 Thank you very much.

8 (Public Meeting adjourned at 2:25
9 p.m.)

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C E R T I F I C A T I O N

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I HEREBY CERTIFY that the

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foregoing proceedings of the Council of the

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City of Philadelphia of Thursday, May 27,

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2004, were reported fully and accurately by

9

me, and that this is a correct transcript of

10

same.

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RE: COMMITTEE ON PUBLIC PROPERTY AND PUBLIC
WORKS

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DEBRA A. WHITEHEAD

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