COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, April 12, 2011
10:20 a.m.

PRESENT:
COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DARRELL CLARKE
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN BILL GREEN
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JACK KELLY
COUNCILMAN JAMES KENNEY
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN FRANK RIZZO, JR.
COUNCILWOMAN MARIAN B. TASCO

BILLS 110135, 110136, 110137 and 110138
RESOLUTION 110161

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COUNCIL PRESIDENT VERNA: Good morning, everyone. This is a continued public hearing of the Committee of the Whole.

The Chair recognizes Mr. McPherson.

MR. McPHERSON: This is a continuation hearing on Resolution 110161, the City's Five Year Plan; Bill No. 110135, the Capital Program for 2012 through 2017; Bill No. 110136, the Capital Budget for 2012; Bill No. 110137, the Operating Budget for Fiscal 2012; and Bill No. 110138 for the wage tax.

Today we're taking testimony on Bill No. 110137, the Operating Budget for Fiscal 2012, and our first department is the Department of Public Property.

(Witnesses approached witness table.)

COUNCIL PRESIDENT VERNA: Good morning. Welcome.

COMMISSIONER SCHLOTTERBECK: Good morning.

4/12/11 - WHOLE - BILL 110137

COUNCIL PRESIDENT VERNA: Please identify yourself for the record and proceed with your testimony.

COMMISSIONER SCHLOTTERBECK: Joan Schlotterbeck, Public Property Commissioner.

Council President Verna and members of City Council, I'm Joan Schlotterbeck, the Public Property Commissioner. It's a pleasure to appear before Council today in support of Public Property's budget request for FY12. I would like to briefly outline the role of the Department, detail some of our accomplishments during FY11 and discuss our initiatives for FY12.

The Department of Public Property's FY12 budget request totals approximately 200 million in all funds, an increase of approximately 2.7, or 1.3 percent, over FY11 estimated obligations. In the General Fund, in Class 100 we are requesting approximately 6.7 million, an increase of 71,000, which is about a 1.1

4/12/11 - WHOLE - BILL 110137

percent increase over FY11. The Department is budgeted for 129 positions. In Class 200, we are requesting approximately 142 million, an increase of approximately 2.6, or 1.9 percent, from FY11. In addition to the 66 million for the City support of SEPTA, the Class 200 General Fund request includes 18 million approximately for space rentals, approximately 32 million for utilities, and approximately 25 million for core departmental operations.

In Class 300, we are requesting approximately 900,000, an increase of 72,000, or 8.7 percent. In Class 400, we are requesting approximately 98,000, reflecting no change from FY11. We are requesting approximately 20 million in Class 800, a decrease of 6.4 percent from FY11.

In the Water Fund, we are requesting an additional 3.8 approximately in Class 200. This is an increase of approximately 1.2 million, or

4/12/11 - WHOLE - BILL 110137

almost 50 percent, from FY11 estimated obligations. This increase is due to an increase of rental cost and renovations for the Water Department's space at 1101 Market Street. In the Aviation Fund, we are requesting approximately 27 million, reflecting no change from FY11 estimated obligations.

The Department of Public Property, DPP's, mission is to efficiently maintain the physical infrastructure that supports government operations, including City-owned buildings and leased space. Our current initiatives will produce results in the core service areas of public safety, healthy and sustainable communities, and customer service.

As part of the Department's efforts to improve the management of our public facilities, we continue to focus on increasing efficiencies in order to better serve the various facilities and user agencies. The Department currently has maintenance responsibilities for over 150 facilities, including Police and Fire Department facilities. The Department continues to utilize the Construction Trades Unit, CTU, to implement small capital improvement projects and renovations as a result of tenant relocations as time and resources permit. This unit will reduce the need to contract with outside vendors for small jobs.

The Department has partnered with the Mayor's Office of Utilities and Transportation on the Energy Savings Company, ESCO, and utilities management database projects. DPP received $211,000 in rebates from PECO and saved $377,000 by participating in a demand response program.

DPP is continuing to identify new opportunities for lease savings as existing leases expire, as well as monitoring the use of City-owned space to ensure efficient allocation. As part of

4/12/11 - WHOLE - BILL 110137

these planning efforts, we implemented new City space standards and a system for purging excess equipment and files. The Department has been engaged with 67 space planning projects to date in FY11, including the design, construction and project management of those projects. The Department is also planning in FY12 and FY13 to relocate several agencies from leased space into City-owned space, as well as terminate some leases that are expiring.

The Department posted the inventory of City-owned property on the City's website, making it easier for the public and developers to search for City-owned property. In conjunction with that effort, the Department began a pilot marketing effort to sell individual vacant properties through a bidding process. Those efforts, in combination with our revenue from leases and other revenues generated by the Department, will result in $8.5 million in General

Fund revenue in FY11.

DPP was successful in its bid to acquire the two Federal Base Realignment and Closure, also known as BRAC, properties located on Wissahickon and Woodhaven Roads. The Department will take title during calendar year 2011 and will house a variety of Police Department functions, including the Police Training Academy. We have commenced the design work for two other properties and are working with various City agencies to obtain the necessary permits and zoning for the new uses.

The Department is also continuing its assessment of a building located at 4601 Market Street as a future site for a new police headquarters and morgue. A building design study to determine the feasibility of moving forward with the project was recently completed.

The City's Capital Projects Division provides architectural and

4/12/11 - WHOLE - BILL 110137

engineering support and project management services for Police, Fire, Prisons, Recreation, Fairmount Park, Health, Library, Human Services, Fleet, Office of Supportive Housing, Art Museum, Zoo and Public Property departmental operating facilities. Collectively, these departments include in excess of 1,000 facilities comprising over 11 million square feet and over 10,000 acres of park and recreation land. Major projects completed in FY11 include the City Hall Sprinkler Installation Phase 2, the President's House, the Criminal Justice Center Chiller Plant Upgrades, the Fire Department Diesel Emissions Point Source Capture Installations, and the Robin Hood Dell, completed in late FY10. In addition, small to medium projects were completed at three Department of Public Property facilities, two Fleet facilities, four Fire facilities, ten Police facilities, two Prison facilities, 17 Parks and

4/12/11 - WHOLE - BILL 110137

Recreation facilities, eight Health facilities, four Libraries and two Office of Supportive Housing facilities. Groundbreaking for the new Engine 38 facility is anticipated in FY11, and we anticipate groundbreaking for the new SWAT/Bomb/Police Tactical facility for the fall of FY12, which will also see the completion of the City Hall exterior restorations. In addition, construction continues on the new Youth Study Center.

The Capital Division continues its efforts to reduce carry-forward funding backlogs and improve capital timelines. FY11 has seen improvements in restoring staffing levels and the implementation of a Job Order Contracting, JOC, program. The Job Order Contracting program is a unit price structured, work order based requirements contracting system customized to specific project types. We anticipate that these contracts will result in accelerated implementation for small to medium projects, reducing project timelines by between 30 to 60 percent over normal public works contracting methods. The RFP for the JOC program was posted February 11, 2011, and we anticipate launching it in mid/late February 2012. Working with the Department of Technology, the Capital Projects Division is also anticipating the development of a capital asset management model which will establish facility conditions and provide more effective guidance in appropriation and application of capital investments.

The Department of Public Property is committed to supporting the Administration's goal of 25 percent minority, woman and disabled-owned business participation in City contracting. Therefore, based on the Department's available contracting opportunities for FY11, the participation goal is 32 percent. For FY11, the Department is at 44.42 percent participation, which exceeds its goal of

32 percent. Our actual participation for FY10 was 30.14. We have established a goal of 35 percent for FY12.

I'm now closing my testimony and would like to take this opportunity to thank you for your continued support of Public Property. Should any Councilmember wish to engage in further discussion or any other matters, my staff and I are happy to answer any questions you may have.

COUNCIL PRESIDENT VERNA: Thank you, Commissioner.

COMMISSIONER SCHLOTTERBECK: You're welcome.

COUNCIL PRESIDENT VERNA: How many employees do you have in your department?

COMMISSIONER SCHLOTTERBECK: We have 129.

COUNCIL PRESIDENT VERNA: And I'm sure that includes the administrative positions?

COMMISSIONER SCHLOTTERBECK:

4/12/11 - WHOLE - BILL 110137

Yes. That's the operating budget, yes.

COUNCIL PRESIDENT VERNA: How many employees are in the Construction Trades Unit?

COMMISSIONER SCHLOTTERBECK: About six at this point.

COUNCIL PRESIDENT VERNA: Six?

COMMISSIONER SCHLOTTERBECK: Yes.

COUNCIL PRESIDENT VERNA: And what type of projects are they capable of doing?

COMMISSIONER SCHLOTTERBECK: They do mostly interior renovation work.

COUNCIL PRESIDENT VERNA: Such as?

COMMISSIONER SCHLOTTERBECK: I'm going to ask Deputy Commissioner Joe Palantino to join me and answer that question.

DEPUTY COMMISSIONER PALANTINO: Good morning, Council President.

COUNCIL PRESIDENT VERNA: Good morning.

4/12/11 - WHOLE - BILL 110137

DEPUTY COMMISSIONER PALANTINO: How are you?

COUNCIL PRESIDENT VERNA: Fine. Thank you.

DEPUTY COMMISSIONER PALANTINO: My name is Joe Palantino. I'm Deputy Commissioner for Facilities.

The Construction Trades Unit typically do interior renovations or upgrades, tile -- replacement of ceilings, finishing out walls, painting walls, floor upgrades, most of your interior upgrades, but they're minor in nature, sort of cosmetic in nature.

COUNCIL PRESIDENT VERNA: Can you tell us the work backlog in the Construction Trades Unit?

DEPUTY COMMISSIONER PALANTINO: Yes. Currently, we're working at the Police Administration building fitting out Room 24 -- 204. We're also working at the 7th District for security partitions and lobby renovations. And we have planned for the remainder of FY11 the interior renovation for the tow squad at Macalester Street, and we plan an exterior upgrade at Valor Hall for replacing the siding.

COUNCIL PRESIDENT VERNA: We have 150 facilities and we have six employees -- I'll tell you, they may be magicians -- in the Construction Trades Unit. I don't know how anything ever gets done.

COMMISSIONER SCHLOTTERBECK: Council President, what we try to do, we're working towards a bigger unit, but we're not there yet. I mean, we're waiting for this Job Order Contracting system. I think the two of them once they're fully implemented, we can maybe increase our number of people we can move out of General Maintenance into the Construction Unit, but we're not there yet. But this is even a big leap forward for us to have six people that can just be dedicated to doing these small projects, get them done quickly.

COUNCIL PRESIDENT VERNA: You know, years ago I know we had -- and I don't know whether it was during your time -- we had plumbers, electricians, carpenters in Public Property.

COMMISSIONER SCHLOTTERBECK: We still do.

COUNCIL PRESIDENT VERNA: Well, if we do, do they do patch work or can they go out and replace a roof at a recreation center?

COMMISSIONER SCHLOTTERBECK: The answer is they can, and I guess I shouldn't -- I'm not a tradesperson. They can, based on the extent of the damage. So if it's something that's really far gone and it's gutters and roofs and possibly damage as a result of water to the exterior, we normally go through a capital improvement.

I forget. How many roofers do we have?

COUNCIL PRESIDENT VERNA: I just think we could be saving so much money if in fact we did have this unit in Public Property rather than spending all of the money that we have to spend with contractors going out to do the work. And, you know, I'll never forget, we had a contractor do a roof in one of our recreation centers. He neglected to put the flashing. Consequently, we had more damage in that rec center, because it rained that very night. The gym floor had to be replaced. The walls had just been painted, so they had to be repainted.

I just think that Public Property could do a much better job and a much cheaper job by doing it with City employees rather than putting it out under contract. I don't know whether you would agree or disagree, but I think if it worked before, it can certainly work again. Would you agree?

COMMISSIONER SCHLOTTERBECK: Well, I think there's always room for improvement and, yes, I would agree.

Some projects would be cheaper if they could be done in-house, but not all.

COUNCIL PRESIDENT VERNA: Well, I'll tell you, when we submit our capital budget and we get an estimated cost, I think it's just so outlandish the money that we have to spend, when I personally feel -- and I'm not a contractor, but I personally feel our own people could be doing the same job at a much cheaper cost. But that's only my opinion.

Do you have the sufficient number of employees in the Construction Trades Unit to effectively take care of its backlog?

COMMISSIONER SCHLOTTERBECK: There's always room for improvement. I think more would be better, but -- basically the backlog is something that we create ourselves. We analyze whether the project -- what portion of a project that's been requested by a user agency or facility that shouldn't be put out to capital, and that's how we end up establishing the difference.

COUNCIL PRESIDENT VERNA: You mention in your testimony that you're in the process of implementing a Job Order Contracting program. How many years has it taken for you to get this far? You've been working on this for quite a while.

COMMISSIONER SCHLOTTERBECK: I'm going to ask Gary Knappick to join us. He's actually -- he's done all the work on this. I don't think it's been that long.

DEPUTY COMMISSIONER KNAPPICK: Good morning, Council President.

COUNCIL PRESIDENT VERNA: Good morning.

DEPUTY COMMISSIONER KNAPPICK: We've been working on the Job Order Contracting system for about a year, a little more than a year right now. The whole process is relatively new in the industry, and we worked with Law and Procurement to make sure that we're meeting all the requirements of the City and the governing laws in implementing that. We cleared that hurdle, developed an RFP, put the RFP out. We have the RFPs in, and we're in the process of evaluating. We hope to have our consultant on board by the end of April -- no; let me say the middle of May, at which point we could start the process.

COUNCIL PRESIDENT VERNA: Can we be told what the current backlog of projects is in the Capital Budget Division?

DEPUTY COMMISSIONER KNAPPICK: I could give you a rough number now. It will take me a few minutes to calculate it, but it will be more in terms of the dollars. I'd have to go back and look at the projects for the FY12 and FY11 spread out.

COMMISSIONER SCHLOTTERBECK: We can submit it to you.

DEPUTY COMMISSIONER KNAPPICK: We can get back to you on that.

4/12/11 - WHOLE - BILL 110137

COUNCIL PRESIDENT VERNA: Would you, please.

DEPUTY COMMISSIONER KNAPPICK: I certainly would, Madam President.

COUNCIL PRESIDENT VERNA: Every year in the capital budget, the Administrations request to carry over tens of millions of dollars of prior year funds due to delays. How will the new Job Order Contracting program reduce the backlog, and shouldn't we save money on these projects if we are reducing the completion time?

DEPUTY COMMISSIONER KNAPPICK: Yes. We're looking at a completion time differential of between -- over normal public works contracting of --

COUNCIL PRESIDENT VERNA: I'm sorry. Over?

DEPUTY COMMISSIONER KNAPPICK: Over normal public works contracting -- that's the full-blown process of pre-design, design, bidding and award and construction -- of about one-third to two-thirds the time. The process basically eliminates by establishing unit prices for various types of construction. Job order contracting wouldn't apply to all construction, because there's about 13 different categories and specialties in the various trades of construction. But the type of projects we normally do would be reduced by that amount.

We took a look at the FY11 projects, and we feel about 50 percent of those projects would fall within job order contracting. So to answer your question, yeah, by reducing the timeframes, we should be reducing some form of cost. We won't know that until we really get our hands around it, our arms around it and start working with the system.

COUNCIL PRESIDENT VERNA: Well, we have projects, and I'm sure the District Councilmembers will agree with me, projects that are carried over year after year after year, and year after year after year, the price increases. Are you going to assure us that that's not going to happen?

DEPUTY COMMISSIONER KNAPPICK: I will assure you that we will be moving projects faster and that we will reduce the backlog by utilizing this system.

COUNCIL PRESIDENT VERNA: What City departments will be moving from leased space to City-owned space in Fiscal 2012?

DEPUTY COMMISSIONER HERZINS: There will be -- Council President, John Herzins, Deputy Commissioner, Real Estate. Good morning.

COUNCIL PRESIDENT VERNA: Good morning.

DEPUTY COMMISSIONER HERZINS: There are a number of police units that are currently in leased space that will be moving into the two BRAC facilities.

COUNCIL PRESIDENT VERNA: The two?

DEPUTY COMMISSIONER HERZINS:

4/12/11 - WHOLE - BILL 110137

BRAC facilities at Wissahickon and Woodhaven Roads. There are a number of units -- would you like those units in detail?

COUNCIL PRESIDENT VERNA: Yeah, please.

DEPUTY COMMISSIONER HERZINS: We have currently in leased space at 990 Spring Garden, we have the Gun Permitting Unit, the Civil Affairs Unit and the Audit Unit. We also have the Grants Unit and the Narcotics Units that are currently in leased space at the Frankford Arsenal that will be relocated into the Wissahickon BRAC site.

We also have the 9-1-1 Training Backup Unit and the Advanced Training Unit at 990 Spring Garden relocating to the Woodhaven site.

COUNCIL PRESIDENT VERNA: That's it? Okay. Can you tell us what are the savings associated with these moves?

DEPUTY COMMISSIONER HERZINS:

4/12/11 - WHOLE - BILL 110137

We can get you the dollar amounts for those. We plan to terminate the majority of those leases.

COUNCIL PRESIDENT VERNA: Thank you.

I have several other questions, but I see that my colleagues all want to be recognized.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good morning, Commissioner.

COMMISSIONER SCHLOTTERBECK: Good morning.

COUNCILMAN GOODE: First let me congratulate you on your consistent track record of business diversity, but this year I won't be dealing with participation rates. I want to actually walk through the process related to the largest contract that you expect to award in Fiscal Year '12. So can you tell me what that contract will be?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER SCHLOTTERBECK: What's my largest contract? That will be the U.S. Facilities contract. It's approximately -- I think it's approximately $12 million.

COUNCILMAN GOODE: And that is a renewable contract?

COMMISSIONER SCHLOTTERBECK: Yes, it is. Yes. It has three options. Two more options to go.

COUNCILMAN GOODE: So the firm has held the contract for -- this is the second year?

COMMISSIONER SCHLOTTERBECK: Yes.

COUNCILMAN GOODE: Can you briefly describe the contract requirements?

COMMISSIONER SCHLOTTERBECK: Basically it's what's considered in the high rise, it's a full-service contract. Everything goes through that contract. In other words, security, custodial, maintenance, pest control, anything that -- we do not pay for anything. Everything goes through the contract.

COUNCILMAN GOODE: And is that firm a certified disadvantaged business?

COMMISSIONER SCHLOTTERBECK: Yes. It's a minority firm.

COUNCILMAN GOODE: And is the firm currently in compliance with the City's living wage and benefits standard?

COMMISSIONER SCHLOTTERBECK: Yes, it is.

COUNCILMAN GOODE: Thank you. That's it.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

Good morning.

COMMISSIONER SCHLOTTERBECK: Good morning.

COUNCILWOMAN BLACKWELL: I

wanted to -- I have three issues. One, I still want to put in your mind that at some point the Mayor's Commission on African and Caribbean Immigrant Affairs would like a little space.

COMMISSIONER SCHLOTTERBECK: Okay.

COUNCILWOMAN BLACKWELL: Number two, I wanted to ask you if the City ever gives away old belongings, because the Liberians have come to us about trying to get a couple old trucks. Does the City dispose of it? Is there some way that can be worked out?

COMMISSIONER SCHLOTTERBECK: Okay. When it comes to vehicles, I do believe Jim Muller is here waiting to testify after we're through. But I believe that's done by auction, and as far as City equipment, that's also a process through the Procurement Department.

COUNCILWOMAN BLACKWELL: Okay. Number three, I really hope that before this budget is over -- and I thank you for your willingness to work with us. I want to bring up the Tiberino issue again for MSB, and we still put it out there that we'd like to get that resolved.

COMMISSIONER SCHLOTTERBECK: And I am aware of that and we are working both with Jane and with the Office of Arts and Culture to see if that's doable. The location is fine with me.

COUNCILWOMAN BLACKWELL: Okay. Thank you. And you said that initially, too.

COMMISSIONER SCHLOTTERBECK: Yeah.

COUNCILWOMAN BLACKWELL: Thank you.

COMMISSIONER SCHLOTTERBECK: You're welcome.

COUNCILWOMAN BLACKWELL: Thank you very much.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Good

morning. Good morning, everyone.

COMMISSIONER SCHLOTTERBECK:
Good morning.

COUNCILMAN RIZZO: Just a couple quick questions. Commissioner, I've been getting a lot of e-mails about certain City facilities, but before I get into the specifics, are your facilities, your buildings, City Hall, MSB, other City property, held to the same scrutiny as a private-sector building in the City? Do you have to -- are you inspected by L&I? Do you -- I know the schools are.

COMMISSIONER SCHLOTTERBECK:
Yes.

COUNCILMAN RIZZO: But what about the buildings? Because, you know, for years and years and years, we had dead bolts on the doors down here where if, God forbid, there was an incident, you couldn't get out because there were no panic bars, and it took five or six years to get that corrected.

I would like to know what

scrutiny you have. Do you go through the same thing as --

COMMISSIONER SCHLOTTERBECK: Yes, we do.

COUNCILMAN RIZZO: -- XYZ building on Market Street?

COMMISSIONER SCHLOTTERBECK: Yes, we do.

COUNCILMAN RIZZO: Then how come some of the conditions exist in our buildings that don't exist in other buildings, like asbestos and other issues?

COMMISSIONER SCHLOTTERBECK: If there's asbestos that's friable, we deal with it. We do not --

COUNCILMAN RIZZO: Tell me about the condition of the Police Administration building presently. Why are we getting so many e-mails about health issues, et cetera, there and the fact that L&I apparently isn't involving themselves? Are you telling me that it's not friable and it's appropriate?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER SCHLOTTERBECK: No. I actually don't know what you're speaking about, but I can tell you that we have an engineer on staff in the Capital Projects Division that has -- he's in charge of environmental problems. We don't -- City Hall, for instance, it's my golden rule that assume if you're going to do work, you have an environmental issue. So first you figure that out, whether it's tiles, whether it's asbestos, whatever the issue is, lead paint. And so we get that done. Same thing with the Police Administration.

We don't go into spaces without knowing what we're dealing with. We have a good handle on that. We have a report on this whole building. So we know what's where and what condition it's in.

COUNCILMAN RIZZO: Are there issues at the Police Administration building that --

COMMISSIONER SCHLOTTERBECK:

Not to my knowledge. I'm happy to have Joe and I meet with Jack Gaittens if there's anything I'm not aware of. To the best of my knowledge, there's nothing going on down there.

COUNCILMAN RIZZO: So let's say the Police Administration building, the same level of inspection is provided by the inspection agencies?

COMMISSIONER SCHLOTTERBECK: Yes.

COUNCILMAN RIZZO: They go there just like they would any other building?

COMMISSIONER SCHLOTTERBECK: Yes. And we pull permits, we do go through zoning changes. We're held to the same standard, absolutely.

COUNCILMAN RIZZO: Fire suppression, all those things?

COMMISSIONER SCHLOTTERBECK: Yes.

COUNCILMAN RIZZO: That's good to hear, because --

4/12/11 - WHOLE - BILL 110137

COMMISSIONER SCHLOTTERBECK: Yes. We have contracts for that. Yes. Absolutely.

COUNCILMAN RIZZO: Because the reason being that I bring that up is because when we had the dead bolts on the doors down here with no panic bars, people couldn't get out of this building unless they had a key. I was told that we're exempt, we don't really need to do that because we're a City building.

COMMISSIONER SCHLOTTERBECK: Not true.

COUNCILMAN RIZZO: Not true?

COMMISSIONER SCHLOTTERBECK: Not true.

COUNCILMAN RIZZO: So somebody who is --

COMMISSIONER SCHLOTTERBECK: And right now if there's a fire emergency in the middle of the night, the doors open.

COUNCILMAN RIZZO: But you know that wasn't the case for a lot of years?

COMMISSIONER SCHLOTTERBECK: I do know that.

COUNCILMAN RIZZO: Okay. Thanks. And, again, you guys do a great job with minimum resources.

COMMISSIONER SCHLOTTERBECK: Thank you.

COUNCILMAN RIZZO: It's appreciated very much. Thanks.

COMMISSIONER SCHLOTTERBECK: Thank you.

COUNCILMAN RIZZO: Thanks, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

Good morning.

COMMISSIONER SCHLOTTERBECK: Good morning.

COUNCILWOMAN TASCO: I have a couple of questions. You know, we've been trying to move property on

Cheltenham Avenue for over two years and I still don't know what the status of that is. I also was contacted by someone who tried to move a building on 4th Street and it took us an awful long time to negotiate the final settlement on that property, and I don't know what the holdup is in terms of how you all move these properties, but my question is, is there -- what is going on in terms of property disposition? And I know that you all are trying to get appraisals.

The one on Cheltenham Avenue, the appraisal changed. I don't know where that is, and the poor man is waiting to start a business and right now he's like in limbo.

The other question, as a result of all of the delay, how much does it cost the City in taxes and possibly people getting jobs because we don't move fast enough to get these properties on the tax rolls?

COMMISSIONER SCHLOTTERBECK:

Well, let me -- generally, as you know, the Administration is working very hard to come up with a citywide policy on acquisition and disposition of public property regardless --

COUNCILWOMAN TASCO: How long is that going to take?

COMMISSIONER SCHLOTTERBECK: We're close. We're very close.

As far as the Cheltenham Avenue and the 4th Street, I'm going to have John give you the update on those.

COUNCILWOMAN TASCO: Well, 4th Street was completed, but it was almost a year we were dealing with that. It wasn't my district, but a friend of mine called me and asked --

COMMISSIONER SCHLOTTERBECK: Do you know the address?

COUNCILWOMAN TASCO: It was 14 something North 4th Street, something like that, 401. I don't remember the address. It wasn't my district, but he had the support of the District

4/12/11 - WHOLE - BILL 110137

Councilperson.

COMMISSIONER SCHLOTTERBECK: Okay. Well, I think John can address that.

DEPUTY COMMISSIONER HERZINS: Councilwoman, on the Cheltenham, that was a sale handled by the Office of Housing through the VPRC program, and I know they did get two appraisals that I think valued the property significantly higher I think than the first appraisal, and it's my understanding that the first appraisal was low due to the fact that they didn't have -- or the appraiser didn't have the correct legal footprint to use. So they did get two independent appraisals, and I think the value they determined was somewhere around $500,000.

COUNCILWOMAN TASCO: And we talked about that.

DEPUTY COMMISSIONER HERZINS: Right.

COUNCILWOMAN TASCO: That space is not worth $500,000. That property has been vacant for 30 years, and every year I have to call the City to clean up the weeds, clean up the lot. The neighbors have -- and it's not going to go -- it's not -- I don't know how they could value it at $500,000. The poor man can't pay 500,000, and it's going to stay vacant, and the City at the end of the day is going to continue to spend money to clean the lot, clean the weeds and we're going to constantly get calls from the neighbors about that lot.

I just want to know how we're going to resolve that issue and find the middle ground so the poor man can buy the lot.

COMMISSIONER SCHLOTTERBECK: Well, we'll have to get --

COUNCILWOMAN TASCO: You know, I've been talking about this for, again, almost two years, and I think the City ought to find some way to come to a common agreement with this possible buyer, because you're losing revenue.

4/12/11 - WHOLE - BILL 110137

You're spending money to clean it up, call Tom Conway, go out and clip the grass, go out and clear up the trash. In the meantime, we're losing tax dollars, because nothing is being done.

DEPUTY COMMISSIONER HERZINS: Councilwoman --

COUNCILWOMAN TASCO: And possibly someone working there who is also paying wage tax.

DEPUTY COMMISSIONER HERZINS: Councilwoman, we'll schedule a meeting with the Director of Housing and take a look at the appraisals again, and we'll get back to you.

COUNCILWOMAN TASCO: But that's what you told me before. I'm still waiting. The problem with it is, I get a response, but I get no action.

DEPUTY COMMISSIONER HERZINS: Our last communication with them, they felt confident that the appraisals were a fair valuation. So we'll take a look at them and meet with her and get back to you again.

COUNCILWOMAN TASCO: Well, it may be in their mind a fair valuation, but I represent that district and I know that area and it's not going to go for that. It's not going to go for that amount. The value is not. The value of that land is not at $500,000. That guy can't pay it. Nobody is going to pay $500,000 for that lot, which presents a lot of problems even just trying to construct something on it. He's got the zoning approval and everything.

So that is my concern, because I think the delay -- and people ought to look at that in terms of what it costs us in terms of revenue and possibly job loss because we don't have -- we're not moving fast enough.

COMMISSIONER SCHLOTTERBECK: Okay.

MR. ABERNATHY: Thank you, Councilwoman. Brian Abernathy, Chief of Staff, the Managing Director.

The policies that we're looking for the disposition of public property get to exactly your point. We want to sell properties more quickly and more fairly and more predictably than we currently do. It's taken more time than we wanted to to develop those policies, but we do think we're close. And on this case specifically, I'm happy to work with your office to try and move this project forward more quickly and get you resolution.

COUNCILWOMAN TASCO: Well, we need resolution to it, because the summer is coming and I'm going to get calls every day about that lot with whatever is going on over there. And the poor man wants to build something and invest in the City, because it's right across the street from Cheltenham. He could go to Cheltenham.

MR. ABERNATHY: Understood.

COUNCILWOMAN TASCO: We want him in Philadelphia.

4/12/11 - WHOLE - BILL 110137

MR. ABERNATHY: I'll have my office reach out today.

COUNCILWOMAN TASCO: Thank you very much.

Thank you.

COUNCIL PRESIDENT VERNA: Councilwoman, are you finished?

COUNCILWOMAN TASCO: Yes. Thank you. I'm sorry, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Good morning.

COMMISSIONER SCHLOTTERBECK: Good morning.

COUNCILMAN GREEN: I apologize for missing your testimony, but I had the opportunity to read it. We were provided from the Budget Office budget reduction scenarios for each department that were prepared. You prepared a three percent budget reduction scenario, which included six items totalling $1.6 million in savings. I'd like to ask you about four of the items.

What is the 441,000 reduction for electric service, the three SEPTA reductions, 99,000 for Market East maintenance agreement and 191,000 for elevator and escalator maintenance. What are these services?

COMMISSIONER SCHLOTTERBECK: The Department of Public Property supports SEPTA. We pay for -- it's concourse related, general concourses that the City owns. The general rule of thumb, Councilman, is leading up to the PAID area is City owned and that these are -- these contracts have been probably 25, maybe 30 years old at this point. So we're paying for electric service. We have a contribution towards the Market East maintenance agreement for maintenance in general, custodial care. We have elevator and escalators. The escalator at 15th Street across from City Hall, 8th and Market, 15th and Locust, those elevators and escalators are Public Property's responsibility. And then the Center City District, we've joined with SEPTA for the custodial maintenance over all concourses. That's what they are.

COUNCILMAN GREEN: I understand they're 30 years old, but if we could cut them -- if you're required to have the three percent cut, why wouldn't we cut them today?

COMMISSIONER SCHLOTTERBECK: Actually, this cut represents the possible change in my budget when we change and update the relationship with SEPTA. We're in that process now.

COUNCILMAN GREEN: Well, because we give them $84 million a year for their operations and other stuff, which is far more than any other county. I think the highest surrounding county gives them $4 million. And I don't see why we just wouldn't say we're not paying for this.

COMMISSIONER SCHLOTTERBECK: Actually, we're in the process of the lease-leaseback. We are in the process of updating that relationship. We're in negotiations right now. What I'm suggesting is that we will -- if we can get there, where we want to be, we're negotiating with them. It's not -- I don't necessarily want to go into detail here, but these contracts then would be terminated. I would not have to fund these any longer.

MS. RHYNHART: If I could add to that. Rebecca Rhynhart, Budget Director.

Because there are contractual obligations, we can't just cut the SEPTA payment. That's why we didn't take these cuts in the budget process. If we could get these savings, that's great. That's something that we're working towards, but there are contractual obligations that we can't just decide to cut the payment to

4/12/11 - WHOLE - BILL 110137

SEPTA.

COUNCILMAN GREEN: We can actually with respect to the $84 million or portions of it cut that payment. So I mean we can --

MS. RHYNHART: That's not my understanding, actually.

COUNCILMAN GREEN: City Council has to appropriate that money. We can take it one side or the other.

MS. RHYNHART: I think -- and we could get some more information to you, but my understanding is that that amount is set forth in various different legal obligations. I'm not sure if it's at the state level, but it's a contract that's outside of the Council --

COUNCILMAN GREEN: There are formulas that are agreements that have been put in place with prior Administrations. I don't think the exact dollar amount of our contribution is required by state law or any written agreement.

MS. RHYNHART: Actually --

COMMISSIONER SCHLOTTERBECK: It is.

MS. RHYNHART: -- I think it is.

COUNCILMAN GREEN: The $84 million?

MS. RHYNHART: The SEPTA payment is set.

COUNCILMAN GREEN: We did a calculation in 2008 and we determined that we were paying more than the amount required by several million dollars as part of the 84. And so that still is available to us. I understand we want to negotiate it in the context, but in 2008 when we did the analysis, we determined that we are actually paying above what's legally required.

MS. RHYNHART: Yeah. My understanding is that we can't -- that those are set forth, but we can talk to -- I can look into that again, but I have asked about that, and the responses

I have received is that is set.

COUNCILMAN GREEN: That is the response I initially received in 2008, and then we went and actually looked at all the various documentation and other agreements, and we're paying slightly more by a couple million than we're required to.

MR. STOBER: Council President, Andrew Stober from the Mayor's Office of Transportation and Utilities.

Councilman, if Council were to decrease that appropriation, in all likelihood SEPTA would provide a commensurate decrease in service to the City. So we'd just be paying for it one way or another. So there would be less bus service. They would have to cut bus or other transit service to compensate for the reduction in funds they receive from the City.

COUNCILMAN GREEN: I doubt that very much. I hear what you're saying. The question is, is the $84 million more than we are legally obligated to pay to SEPTA? Do you know the answer to that question?

MR. STOBER: And we can follow up with that.

COUNCILMAN GREEN: Thank you. I believe it is. So I'm glad to hear that this potential for -- this potential money for the SEPTA reductions, as it was called in the three percent reduction scenario, is being negotiated. When will that be resolved?

MS. RHYNHART: I actually don't have a timeline for that.

COMMISSIONER SCHLOTTERBECK: I'm working very closely with Rina Cutler's office and Joe Casey. I don't actually know.

MS. RHYNHART: We can provide that to you.

COUNCILMAN GREEN: Will it be resolved before the end of this fiscal year?

MR. STOBER: In all likelihood,

it will not be resolved before the end of the fiscal year.

COUNCILMAN GREEN: One of the ways for us to deal with this is to bring it to a head by not appropriating the money, and then that will force negotiations. There's money requested for the Ethics Board, for other valuable things, and we've got to find it somewhere. This looks to be like fertile ground.

I'd like to hear more about the 149,000 potential reduction related to space rental at Eight Penn Center.

COMMISSIONER SCHLOTTERBECK: You're asking me about all the old-timers that I've inherited. That's probably a 40 -- however long the tower -- when they took the ice skating rink out and they built the Eight Penn Center towers. We're actually not paying that anymore. That is a sub-basement space, and the land is owned by SEPTA and the building is privately owned, and from the beginning of the lease until about, I think it was, maybe five years, six years back, it was a flat rate. I think it was $40,000, if my memory is right. There is a unique clause in the lease that says at any time in the relationship that this could be -- appraised value could be raised, some language like that. So this is before this Administration. The relationship was kind of strained and so they exercised that option and increased it to this high amount, but we are not paying it any longer.

COUNCILMAN GREEN: So why is it in the budget?

COMMISSIONER SCHLOTTERBECK: Is it in -- well, we're not paying it.

COUNCILMAN GREEN: It's under --

COMMISSIONER SCHLOTTERBECK: We're not going to pay it.

COUNCILMAN GREEN: It's Page 28, Section 22. There's not a line number, but it's about ten from the bottom.

COMMISSIONER SCHLOTTERBECK:
I've been working with Fran Kelly, Chief of Staff for Joe Casey, and we are not going to pay it. It is in the budget, but we are not paying the money.

COUNCILMAN GREEN: So we can transfer that $149,000 out of your department without it impacting anything that you have come and asked us for?

COMMISSIONER SCHLOTTERBECK:
Once I get the legal paper done, yes.

COUNCILMAN GREEN: Okay. Thank you.

COMMISSIONER SCHLOTTERBECK:
Provided that the Budget Director agrees. It's not my call, actually.

COUNCILMAN GREEN: Well, it's also our call. It's now -- the budget has now been given to City Council and, of course, we can make that change on our own.

COMMISSIONER SCHLOTTERBECK:
Understood.

COUNCILMAN GREEN: You noted that your department is planning in FY12 and FY13 to relocate several agencies from leased space into City-owned space as well as terminate some leases that are expiring. We heard the same testimony last year roughly and the year before also. But the detail shows that our Class 284 space rental is going up by about 2.8 million in FY12.

COMMISSIONER SCHLOTTERBECK: That's correct.

COUNCILMAN GREEN: And then coming down by about 650, less than 25 percent of this year's increase in FY13. Can you explain that?

COMMISSIONER SCHLOTTERBECK: Sure.

DEPUTY COMMISSIONER HERZINS: Councilman, the increase in the space rental is primarily due to two new big leases that the City is entering into, one for the Delaware Valley Intelligence Center down at 20th and Oregon as well as the --

COUNCILMAN GREEN: I'm sorry. For the what?

DEPUTY COMMISSIONER HERZINS: Delaware Valley Intelligence Center.

COUNCILMAN GREEN: Delaware Valley Intelligence Center?

DEPUTY COMMISSIONER HERZINS: Otherwise known as DVIC.

COUNCILMAN GREEN: Where were they prior to or --

DEPUTY COMMISSIONER HERZINS: It was a regional task force made up of four suburban counties that are police department units. They hadn't been in any location. That is a brand new consolidation of all their efforts.

COUNCILMAN GREEN: And so is there a reason we went into that space rather than space that we have currently that we're looking to reduce? In other words, if you go to, say, the second floor above where the Ethics Board is above Del Frisco's, in that building, there's a lot of empty space up there that's not in productive use. If you go into MSB and walk around the floors, there's a lot of empty carrels and other spaces that's not in productive use.

Why do we go outside of a building or space that we already control and spend money on that instead of locating people in existing space?

DEPUTY COMMISSIONER HERZINS: The task force was charged with finding a location away from the core downtown area. This would be an agency or a group of people, individuals and groups, that would be dealing with things like if there was a terrorist attack or some kind of emergency downtown. So from the beginning, we were looking at areas outside of the core downtown.

COUNCILMAN GREEN: How much space did they need?

DEPUTY COMMISSIONER HERZINS: Forty thousand.

COUNCILMAN GREEN: Forty

thousand square feet. And how much are we paying a square foot?

DEPUTY COMMISSIONER HERZINS: This including -- the base rent is $8 a square foot, plus the fit-out costs amortized.

COUNCILMAN GREEN: Plus the fit-out costs amortized, which brings it up to?

DEPUTY COMMISSIONER HERZINS: Per square feet, $46.

COUNCILMAN GREEN: Forty-six dollars a square foot? Center City office space is $27 a square foot with improvements. That's not market. That's -- I mean, you could go into the Budd complex down where Temple University put space in for far less than $46 a square foot.

Who owns the building?

COMMISSIONER SCHLOTTERBECK: Defense Realty.

DEPUTY COMMISSIONER HERZINS: Defense Realty.

COUNCILMAN GREEN: Defense Realty? Okay.

MR. ABERNATHY: Councilman, again, Brian Abernathy, Chief of Staff to the Managing Director.

The fit-out cost is significant in large part because of the specialty needs for this type of operation, and I think having that on the record is important. This isn't your normal office space. This is a Homeland Security facility.

COUNCILMAN GREEN: Well, if you could please provide the Chair with details of the fit-out cost, because I can't imagine it includes the cabling required or other things like that that are going to be done by the City for communications, et cetera. And it seems to me if it includes that, it shouldn't, because if it's Homeland Security, we can get federal funding or E911 or other money for that kind of stuff. Fit-out cost is furniture, it is walls, it is --

4/12/11 - WHOLE - BILL 110137

MR. ABERNATHY: We'll supply a full breakdown of that lease, including the federal funds that are paying for the majority of the project.

COUNCILMAN GREEN: Okay. Thank you.

COUNCILWOMAN TASCO: Mr. Abernathy, before you go, point of information. How long is the lease?

MR. ABERNATHY: I believe it's ten years.

DEPUTY COMMISSIONER HERZINS: Ten years.

COUNCILWOMAN TASCO: Did you bring it to Council?

DEPUTY COMMISSIONER HERZINS: Yes.

MR. ABERNATHY: Yes.

COUNCILWOMAN TASCO: When was that?

DEPUTY COMMISSIONER HERZINS: In December. I think it passed in December.

COUNCILWOMAN TASCO: Okay.

Thank you.

COUNCILMAN RIZZO: Point of order.

COUNCILWOMAN TASCO: Point of order. Councilman Rizzo.

COUNCILMAN RIZZO: Okay. We had exhaustive conversations about this and I'm hearing a whole different story. I have a pretty good memory, and I remember that there was -- this task force was supposed to be -- this expense was supposed to be shared by suburban counties.

COMMISSIONER SCHLOTTERBECK: That's correct.

COUNCILMAN RIZZO: You never even mentioned that.

COMMISSIONER SCHLOTTERBECK: There's funding sources. We will supply that to the Chair.

MR. ABERNATHY: We'll supply the entire -- I don't have the details, Councilman. I'm happy to supply to the Chair the full details.

COUNCILMAN RIZZO: Well, one of the big questions was that since this is a shared facility, that the counties are pitching in, that we're picking up the entire electric utility cost for that facility also, correct?

COMMISSIONER SCHLOTTERBECK: The answer to the question is yes. It doesn't mean that we're going to pay it. It doesn't mean that -- we're going to have a relationship that goes on, so the task force will always be part of the reimbursables. There's a relationship. It's not -- City is not paying 100 percent of this.

COUNCILMAN RIZZO: And I'm going to get the transcript, because I was under the impression that we were getting this building for -- I thought it was some type of a federal facility that we were getting with not fit-out -- maybe fit-out cost, but not rent. I'm hearing a whole lot of -- I'm hearing something entirely different than I understood when we had the hearing. I'm going to refresh my memory for sure, but explain the federal aspects of this, because, again, you didn't mention that today.

MR. ABERNATHY: Sure. And, Councilman, I'm not prepared to go into detail, but what I will do is provide the financials to you and also work with Everett Gillison to get a meeting with you and any other Councilmember that would like to discuss it in detail.

COUNCILMAN RIZZO: I don't need to beat this thing to death other than the fact I'm hearing something a little different than I heard at the hearing, and I have, again, a pretty good recollection of things.

MR. ABERNATHY: Understood. And I just want to make sure the primary on our side is in the room and can answer the questions better than I can.

COUNCILMAN RIZZO: Okay. Because we have it all as a matter of that transcript --

MR. ABERNATHY: Of course.

COUNCILMAN RIZZO: -- that is very helpful --

MR. ABERNATHY: I know it well. Thank you.

COUNCILMAN RIZZO: It's very helpful with memories.

MR. ABERNATHY: Yes, sir.

COUNCILMAN RIZZO: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Councilman Green, do you want to continue, because we interrupted your line of questioning. Please proceed.

COUNCILMAN GREEN: Thank you.

Okay. I'll be interested in seeing how we're spending 46 bucks a foot, and I'll ask the Budget Office to show us where in the budget the funding from the federal government and any cooperation or related funding from the state budget comes from. Just provide that detail when you provide the information about the lease and we'll take a look at it.

COMMISSIONER SCHLOTTERBECK: We will. It's in there. No problem.

COUNCILMAN GREEN: Okay. I've raised concerns in past years about office space leases, including those at the Curtis Center and Aramark building, which seem to rise year over year. I know it's an issue that you care about also, and even though we're talking about consolidating, we're actually spending more money every year on leases, which is, I guess, the opposite of what we talk about in our testimony.

But taking the Aramark building in FY12, our General Fund cost is going up around 14 percent, or $320,000, and our Water Fund cost is going up by almost 50 percent, or $1.2 million. Can you tell us about these cost increases?

COMMISSIONER SCHLOTTERBECK: Sure.

DEPUTY COMMISSIONER HERZINS: Councilman, as far as the Water Fund increase, we received a request from the Water Department. They plan to renovate over a period of time their space on the floor, as well as they received some grant money to hire some additional people. So they may also need additional space rented in the building.

COUNCILMAN GREEN: And why do we choose to do renovations in that building versus consolidating them into some other City-owned facility elsewhere that exists? I mean, there is space in City-owned buildings if you consolidate departments off different floors, move things together. Testimony has been in previous years that a study was being done to look at available space at MSB and One Parkway and City Hall, in the triplex and other places, and I think that report should have been done well over a year ago based on -- because we talked about this in 2008 and 2009, and it doesn't seem to me that we're doing that kind of consolidation within those buildings that would free up space, which would allow us to not spend money outside of facilities that we control.

DEPUTY COMMISSIONER HERZINS: Actually, Councilman, we continue to consolidate space in those two buildings. Last year a big project we completed was consolidating the Commerce Department, the Office of Economic Opportunity and PCDC. PCDC used to be in leased space at the Packard building, and OEO was in MSB. We plan to backfill the space in MSB with other agencies from One Parkway.

We are consolidating. We have a plan to try to, when leases come up to term, to see if there is a possibility in fact to consolidate into either MSB or --

COUNCILMAN GREEN: If that's our plan, why spend money in a building outfitting or expanding space rather than sort of making people fit into a space that they're in so that we can terminate that lease when the time comes?

DEPUTY COMMISSIONER HERZINS:

The footprint of the Water Department could not fit into either of the two buildings, the amount of vacant space there is.

COUNCILMAN GREEN: What are we paying in those buildings per square foot?

DEPUTY COMMISSIONER HERZINS: In Aramark it is roughly between $13 and $14 a square foot, plus operating costs.

COUNCILMAN GREEN: So it's triple net?

DEPUTY COMMISSIONER HERZINS: Yes.

COUNCILMAN GREEN: Does that explain the increase in rent?

DEPUTY COMMISSIONER HERZINS: Yes.

COUNCILWOMAN TASCO: Councilman --

COUNCILMAN GREEN: And the 9.9 percent property tax increase?

DEPUTY COMMISSIONER HERZINS: Right.

COUNCILMAN GREEN: Yes, Madam Chair.

COUNCILWOMAN TASCO: You can come back. We're not timing you, but I think you met your time limit right now.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair.

Good morning.

COMMISSIONER SCHLOTTERBECK: Good morning.

COUNCILMAN CLARKE: I got actually a couple of quick ones.

In your testimony you talked about the energy cost savings working with the department -- well, actually, the Mayor's Office of Utilities and Transportation. Actually, I think this Thursday City Council will be approving the appointees to the Energy Authority, and one of the things that we will be asking the Energy Authority to look at is alternative energy sources and opportunities. Right now under state law we are restricted to as a municipality of only providing direct energy to and for a publicly owned facility or operation, but this Energy Authority we think will give us an opportunity to very aggressively look at other opportunities simply beyond certain cost saving measures provided by PECO or some of the other existing providers. One of the thoughts that we had was creating an opportunity given the fact that the Energy Authority affords us an opportunity to enter into contracts five years and beyond that may be more attractive to a provider. Say, for an example, if we looked at some of the larger municipally owned facilities such as MSB, Criminal Justice Center, those types of facilities, and we enter into a 10, 15-year contract with a provider who was going to place solar panels on the roofs of those buildings, therefore providing direct energy where we can essentially eliminate any cost as it relates to PECO or any other provider, with the exception of a situation where there is some breakage, kind of converse what Temple does, because Temple and some other universities I understand have generators on site in the event that there's a break in power source, they can kick in. So we're looking at just the opposite.

Are you all having those kind of conversations to the degree that I think we should be?

MR. STOBER: Yeah. Andrew Stober from the Mayor's Office of Transportation and Utilities.

Councilman, we absolutely are, and I think the Energy Authority and the City will be well positioned to work together. Already the Water Department has installed one -- what you're describing is called behind-the-meter facility -- at the Southeast Wastewater Control Treatment Plant using a combination of capital funds in that instance and stimulus funds, a solar facility that's going to provide power for the blowers at that facility.

We currently -- there's an RFP that's been awarded for a cogeneration facility at the Northeast plant, and I think we're going to be well positioned to take advantage of those kinds of options.

COUNCILMAN CLARKE: Will the terms of that contract be beyond the five-year limitation?

MR. STOBER: Yes.

COUNCILMAN CLARKE: So we'll be able to use the Authority?

MR. STOBER: I'm not sure if on that specific agreement we'll want to move more quickly and bring that to Council before the Authority has all of its bylaws or not, but certainly the Authority will be well positioned to take advantage of those kinds of opportunities.

COUNCILMAN CLARKE: Because I

4/12/11 - WHOLE - BILL 110137

know when I talked to Lance, I know it was something that they said that they may need to move relatively quickly --

MR. STOBER: Right.

COUNCILMAN CLARKE: -- prior to the establishment.

MR. STOBER: But this is exactly one of the benefits, important benefits, of an Authority.

COUNCILMAN CLARKE: Right. And we're going to also looking at -- I know Council, we approved -- we adopted a resolution that approved actually Council to do an RFP for alternative energy opportunities, and we're looking at the hydro, where you place the devices or the machinery in the water, in the river, and actually the flow of the river actually generates electricity, those kinds of things.

MR. STOBER: There are a wide range of alternative energy opportunities, and having this Authority in place will create an opportunity for

4/12/11 - WHOLE - BILL 110137

us to look at all of them.

COUNCILMAN CLARKE: Not to belabor the point, will we also be looking at -- I know there's a timeframe associated with us implementing this -- some of the smaller facilities, like some of the rec centers, the big rec centers --

MR. STOBER: Yeah.

COUNCILMAN CLARKE: -- solar panels, whatever, on the roofs?

MR. STOBER: Yeah. And you can look at them regardless of the size of the facility and see if the numbers make sense for -- so as you described, a power purchase agreement for solar or another kind of alternative energy.

COUNCILMAN CLARKE: Okay. Thank you. I'm glad to see we're going down that path.

On the sale of properties -- and I know Councilwoman Tasco talked earlier about some of the challenges relating to appraisals. I'm a little more -- and I know that Mr. Abernathy is probably going to jump up here in a minute -- a little concerned about the inconsistency in criteria for disposition/acquisition of the properties, and I know that was one of the main things that we're going to be focusing on. But in the shorter term, Public Property has put on its website available properties, and we've been relatively successful, but we also have these glitches, like the Spooky Garden issue and some of the other issues as it relates to our sales where they're not, in my view, not being critical, but not necessarily the appropriate prohibitions or limitations on the reuse of the property. Such as, an example, when the Redevelopment Authority sells a property, they have these redevelopment agreements that gives you a timeframe to develop it and they give you a list of all the things you can and cannot do, and then they actually have a default provision that if you don't do it in that timeframe, they take it back.

Conversely, Public Property basically says the highest price, you got the property, sign over the deed, thank you very much. And I kind of personally like something in the middle.

Given the fact that we had a couple of problems, is there any thought to changing some of the provisions to put a little more teeth in the reuse? Right now that's limited to basically what the property is zoned, but in a lot of areas, if you got a C-2 zoning, it gives you wide latitudes in terms of what you can do. Can you talk to me about the need or the possibility of --

COMMISSIONER SCHLOTTERBECK: Actually, all the agencies, every single one of us, have been at the table now probably six months going over the issues such as the one that Councilwoman Tasco and the things that you're bringing up. Everything is not going to be perfect, so we have to put in to the new policy some contingencies, some abilities to be a little flexible when things don't line up.

As for us, what we're doing right now, again, our sales are single lots in the middle of rows and we are following them closely and they've all been developed. We haven't had any glitches yet. I don't know that we will, but there's always -- like I said, there's always that possibility.

So, I mean, Brian is welcomed to come up here, but we're working very closely with everyone to try and -- because we all know what some of the glitches have been all too well. I mean, sometimes it's our issue directly. Sometimes it's an appraisal from RDA or -- it goes the whole gamut, so we're all working really close to come up with one policy.

COUNCILMAN CLARKE: Okay. You know, we all work together, but, I mean, the timeline on the broader policy seems to go on forever. I'm not being critical, but at some point -- but in the short term, I'm more concerned about the public property, because we have a lot of property in our district and we're working with you and I would -- couldn't you possibly come up with some interim strategy in terms of reuse of the property?

COMMISSIONER SCHLOTTERBECK: I mean, we can talk about it.

COUNCILMAN CLARKE: I'm just saying --

COMMISSIONER SCHLOTTERBECK: Yeah. We can talk about it.

COUNCILMAN CLARKE: Because I got a couple now that are coming down the pike and it's timeline, reuse, community notification, those kind of things.

COMMISSIONER SCHLOTTERBECK: Okay.

COUNCILMAN CLARKE: I don't think we should have to wait until we finish the broader.

MR. ABERNATHY: Thank you, Councilman. Those are --

COUNCILMAN CLARKE: I knew you'd be up here.

MR. ABERNATHY: I was trying to avoid it.

COUNCILMAN CLARKE: I was going to keep talking until you came up here.

MR. ABERNATHY: We understand. Those issues that you just raised, timeline, community notice, use of the property, all of those things we are looking to make uniform across the agencies. And you're absolutely right, the timeline for the finish of this policy has been pushed out, and I'm not going to deny that. The complexities of the issue are significant, and personally I'd rather get it right than get it done fast. I'm trying to do both and balance both. But to get it right has taken more time than I think any of us expected, and certainly hopefully within the next few weeks, we'll be bringing that back to Council and having more in-depth conversation about some of the more specifics.

COUNCILMAN CLARKE: Well, I hear what you're saying, you want to get it right as opposed to expediting the process, but the reality is is that we're still disposing properties and we're getting it wrong and we're, one, not selling properties because the policy is wrong, but, two, we're selling properties to people that haven't been adequately appraised that are under these various criteria.

So I'm saying, I understand you want to be 100 percent correct, but meanwhile, people are --

MR. ABERNATHY: Absolutely, sir.

COUNCILMAN CLARKE: It would be one thing if you said a moratorium, we're not doing anything until we get it right.

MR. ABERNATHY: Well, we

haven't set a moratorium. We are still --

COUNCILMAN CLARKE: No. I'm just saying if you said that, We're going to impose a moratorium on sales until we get it right, but you're continuing to move with the disposition.

MR. ABERNATHY: We've maintained the policies that were in place as we're developing the current policies. And as we have consistency, we've tried to implement certain policies. For example, the VPRC backlog we've started to work on and tried to move those properties out as quickly as possible.

But your point is taken, and I think we'll need to more fully explore it, especially if our timeline gets pushed back anymore. We need to resolve this, and the sooner, the better. We understand.

COUNCILMAN CLARKE: Okay. I mean, I actually don't think -- again, it's not part of my direct responsibility, but I just don't see why we don't just say this is the policy and move on.

MR. ABERNATHY: Understood.

COUNCILMAN CLARKE: If everybody will adopt this policy. Sometimes you can over-think things. I mean, at one point we did have a policy and then we got into the aggressive property disposition issue and then everybody kind of established their own criteria, I think, 10, 15 years ago.

All right. Well, I'm not going to ask you when you think we'll be there, because I'm sure you don't have an answer, but at some point we still have challenges with these appraisals.

MR. ABERNATHY: I appreciate you pushing, too.

COUNCILMAN CLARKE: All right. Okay.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA:

4/12/11 - WHOLE - BILL 110137

You're welcome.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

Still good morning. How are you?

COMMISSIONER SCHLOTTERBECK: Good morning. I'm good. Thanks.

COUNCILMAN JONES: I have, along with my colleagues, introduced Bill No. 110143 and corresponding Resolution 100848, which deals with the concept of cost-benefit analysis as it relates to contracting out. In light of that, I want to ask a couple of questions.

At the height of your department, how many employees did you have and what were some of their functions?

COMMISSIONER SCHLOTTERBECK: I just looked at Charlie McPherson. I wanted him to go back in time with me.

I would say it could have been

4/12/11 - WHOLE - BILL 110137

as high as a couple of thousand at one point. It was really high initially. In the '50s and '60s it started to dwindle.

COUNCILMAN JONES: You weren't around then, so -- okay. So --

COMMISSIONER SCHLOTTERBECK: I was around, but I wasn't working.

COUNCILMAN JONES: I want to clearly say that for the record.

But during those times, what were some of the functions by way of Public Property?

COMMISSIONER SCHLOTTERBECK: Public Property at that time then would have included Historical Commission, Art Commission, Labor Standards, Fleet. In other words, there was a lot of spinoff over the years.

COUNCILMAN JONES: So "spinoff" meaning went to other departments?

COMMISSIONER SCHLOTTERBECK: Decentralization.

COUNCILMAN JONES: Decentralization. But what about the function of property management, construction, repair? Focus in on that aspect of your duties. What was that unit's complement of employees at its height, rough guess?

COMMISSIONER SCHLOTTERBECK: I --

COUNCILMAN JONES: What about under your time?

COMMISSIONER SCHLOTTERBECK: I actually did have it at one time. In my time? I've always pretty much been at the end of the -- do you have any numbers? I have it somewhere.

COUNCILMAN JONES: So could you describe was -- would you describe some of the maintenance and construction functions that were under you? Like I know you put up stages.

COMMISSIONER SCHLOTTERBECK: One of the things that happened once I became Facilities Director before Commissioner, two things that were spun off as part of decentralization was the maintenance of Police and Fire facilities. They actually had small units in each of those operations. We took those back. They're now back in Public Property. The staffing was transferred and funding. Basically the responsibilities to operate, maintain and improve facilities has always stayed with the Department of Public Property.

COUNCILMAN JONES: And how many facilities are we talking about? What is that universe?

COMMISSIONER SCHLOTTERBECK: We had 150.

COUNCILMAN JONES: And that includes recreation departments?

COMMISSIONER SCHLOTTERBECK: No.

COUNCILMAN JONES: Did it ever?

COMMISSIONER SCHLOTTERBECK: No.

COUNCILMAN JONES: So Recreation had its own maintenance facility?

COMMISSIONER SCHLOTTERBECK: Recreation, Fairmount Park always maintained, libraries always on their own.

COUNCILMAN JONES: So between those two functions for the City, we're talking about a large contingent of folk, and over time you've reduced down in your department to what?

COMMISSIONER SCHLOTTERBECK: There's 129 people in my department.

COUNCILMAN JONES: For 150 facilities? Which do not include Recreation Department facilities, libraries and the like?

COMMISSIONER SCHLOTTERBECK: Correct.

DEPUTY COMMISSIONER PALANTINO: Councilman Jones, this is Deputy Commissioner Joe Palantino. I can give you some stats of what you're looking at.

COUNCILMAN JONES: I would appreciate giving that to the Chair.

DEPUTY COMMISSIONER PALANTINO:

Oh, okay.

COUNCILMAN JONES: And sharing it with Council.

DEPUTY COMMISSIONER PALANTINO: Okay.

COUNCILMAN JONES: I get to that to say cost-benefit analysis. Over time how much of those internal activities have been subcontracted or contracted out?

COMMISSIONER SCHLOTTERBECK: So at the beginning of the Rendell Administration, the first contracting initiative which affected civil servants was the custodial privatization of City Hall. When the Municipal Services Building was closed down and rehabbed, there's contract maintenance over there. That's the triplex. Every one of those buildings privately contracted for those services. So we've had that happen. That's about it. And then we have internal contracts to support our staff, certifications of fire systems, elevators, pest controls. We don't, nor did we ever, do it all. We always had supplemental contracts.

COUNCILMAN JONES: So typically when a Police Department's bathroom goes out of whack, smaller jobs, do you still do those?

COMMISSIONER SCHLOTTERBECK: Yes, we do.

COUNCILMAN JONES: At what point is the threshold where you consider contracting out, and what analysis drives you towards that?

COMMISSIONER SCHLOTTERBECK: So basically I actually had this conversation preparing for this very hearing, and the answer that I gave -- and it is the best answer I can give -- is that depending on what the situation is. So if we're in a crisis mode, we're responding to an emergency, it's affecting the police officers' abilities to perform their job and I don't have a plumber around, I'm going to have to go to a contractor. But if we can plan and we can foresee, we take the smaller jobs with our Construction Unit and we do them in-house.

COUNCILMAN JONES: What's the size of your Construction Unit?

COMMISSIONER SCHLOTTERBECK: Six people.

COUNCILMAN JONES: Six people for how many buildings?

COMMISSIONER SCHLOTTERBECK: It's -- we -- yes, it's not enough. We would like to have more.

COUNCILMAN JONES: Okay. I had to drag that out of you. For the record, the Administration listening, she did not do that of our own free will to say that.

What I want to go to is, is it safe to say that there was a point in time in government where we considered doing these type of maintenance on recreation centers, which are not your department, I got that, libraries, Police and Fire facilities internally more than externally for smaller jobs? We did it in-house?

COMMISSIONER SCHLOTTERBECK: Well, actually we still do do it. To the extent that we can and we have the resources and I have contracts in place to buy materials, we still do it. We haven't abandoned the idea of doing it. We just --

COUNCILMAN JONES: My question becomes, what I'm getting to is, at what point does the City, not just you -- and I know you have to work within the construct of what management says that is above you -- do we analyze that we at some point took a left turn and said that subcontracting to the private sector was good? And "good" meant cost effective, "good" meant efficient, "good" meant those kinds of buzz words. But where is the supporting data that has analyzed that over time to make that a true statement, to verify the fact that we are saving money to do that? I don't think

4/12/11 - WHOLE - BILL 110137

we've done that, and that's what this bill calls for. And I don't know how you're going to answer that, but...

COMMISSIONER SCHLOTTERBECK: Well, actually we do do it.

COUNCILMAN JONES: Tell me how you do it.

COMMISSIONER SCHLOTTERBECK: Because we know the union wage out there for certain things. It's not -- I mean, there are standards. We're both members of BOMA. We do analyze that. Joe has spent time looking at things like that because --

COUNCILMAN JONES: So there is a formula that you can present to this Council?

COMMISSIONER SCHLOTTERBECK: I wouldn't call it a formula. I would call it basically that we do have that discussion in my department. If we do this in-house, how does it help the Capital Project team, what can we take away from them. If we go to the police station and work on a small renovation inside, what does that do. We do -- Joe has numbers. We can send it. I wouldn't want to represent it that it's every Monday morning we sit and go through this kind of a dialogue, but we do do it.

COUNCILMAN JONES: I know in the private-private sector there is a concept called dumping, and what that does is basically, generically speaking, is that they do a thing and put product on a market and usually undervalue it, sell it cheap, until they drive away the competition, and then at that point, they begin to steadily increase price. Monopolies do it in order to recoup what they did to drive away their competition.

Over time when we start talking about the cost of an ink pen to the cost of new construction, people tend to drive prices up. Having a procurement background in another life, there was the concept that it is easy to put another 20, 25, 30 percent on City jobs because of issues they say of slow pay. No problem from you, but from our departments, our treasury departments. They build that cost in.

I think it's time with our budget choices that we're making to take a look and revisit whether or not it's better to hire an extra person in your department or extra ten people to do a specific category and type of work versus automatically subcontracting or contracting it out. I'm from Missouri today. Show me. And I'm going to ask that through this bill and this resolution that we take a look at and revisit that.

If indeed what you or other departments suggest is true, that it is cheaper to do it that way, so be it. But if not, we're going to have to take a look at whether or not we're being penny wise, yet pound foolish. And that's my driving point in this.

I'm going to yield and then I'm

going to come back for some more questions. If my colleagues have none, I'll pick back up.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

In last year's budget hearings, you and the Budget Office made a strong case for investing in a new five-person maintenance assessment team that would, quote -- and this was written in a letter to President Verna on 4/29/10 -- identify, coordinate and prioritize all infrastructure, capital and maintenance issues, end quote. We supported this initiative and did not include it in the list of proposed budget cuts.

The detail indicates that the five positions were not filled and are not included in the proposed FY12 budget. How is the Department pursuing this work

4/12/11 - WHOLE - BILL 110137

without the team?

COMMISSIONER SCHLOTTERBECK: There is a correction that we have to do to the budget. There is the funding for two assessment people. Not five, but two. We are working with -- the whole shift in thinking was, we wanted to be able to have the job order/work order complement. We wanted to be able to have some technology. We wanted to be able to take these people, get them off the ground running.

So we have every intention of hiring two.

COUNCILMAN GREEN: And that's not in the budget yet?

COMMISSIONER SCHLOTTERBECK: The funding is still there. We have to -- we're going to hire them probably in the summer.

DEPUTY COMMISSIONER KNAPPICK: Councilman, Deputy Commissioner Gary Knappick.

We've looked at that. Really

4/12/11 - WHOLE - BILL 110137

the driver on proceeding with asset management is the technology. We've been working with the Department of Technology to try to identify when we can, within their prioritization, fit us in to procure that technology.

Secondly, I think because of the magnitude of --

COUNCILMAN GREEN: Sir, when you talk about technology, is that a job order entry system or is that --

DEPUTY COMMISSIONER KNAPPICK: No. The job --

COUNCILMAN GREEN: -- a facilities management technology?

DEPUTY COMMISSIONER KNAPPICK: Asset management technology. The job order contracting technology we'll be bringing now. We have that working.

COUNCILMAN GREEN: So we've discussed asset management technology and the fact that there's commercial off-the-shelf software available for property management --

4/12/11 - WHOLE - BILL 110137

DEPUTY COMMISSIONER KNAPPICK: That's correct.

COUNCILMAN GREEN: -- at previous budget hearings. Have we considered simply issuing an RFP for software companies to come and present?

DEPUTY COMMISSIONER KNAPPICK: I believe that's being considered by the Department of Technology right now within their prioritization of the things that they have to do. It's certainly -- they're certainly out there and available.

COUNCILMAN GREEN: I mean, private companies use commercial off-the-shelf software to manage all their properties, including costs, maintenance needs, et cetera, all the time.

DEPUTY COMMISSIONER KNAPPICK: That's correct, Councilman.

COUNCILMAN GREEN: And we don't yet?

DEPUTY COMMISSIONER KNAPPICK:

4/12/11 - WHOLE - BILL 110137

Not yet, sir.

MS. RHYNHART: If I could just add one thing to that response. As Gary said, this is part of the prioritization process, and we also want to make sure that if there's an asset management system that benefits Public Property, that it also could benefit some other departments in the City as well, so that the investment is the right one for the entire City. But that will be part of the prioritization process that we will get information to you on in the next few weeks.

COUNCILMAN GREEN: So when you say it's part of the process, you mean it hasn't been decided where it is within the priorities of DOT or planned, I assume -- would this be capital spending?

MS. RHYNHART: Right. This would be capital spending. So it would be part of the $121 million capital spend. So the prioritization process is looking at all of the technology needs across the City and seeing what's available to be funded with the $121 million. So this is something that we feel obviously is important, but it needs to be looked at as part of the overall what are the technology needs of the City, and that's what the prioritization process is, and that's what we'll be getting information to you on. I think we talked about it on the capital side.

COUNCILMAN GREEN: Thank you. In his budget address, the Mayor said, quote, We'll find new savings by creating a task force to examine all City facilities and assets, determining where we can consolidate and which ones we no longer need.

There wasn't any reference to the task force in the Capital Program document or testimony or in your testimony. What role is the Department of Public Property going to play in the work of the task force?

COMMISSIONER SCHLOTTERBECK: I

4/12/11 - WHOLE - BILL 110137

actually participated in a meeting that the Mayor chaired, and we have submitted information as requested by the Managing Director, and I'm anticipating another meeting. They were asking for detailed leasing information and things like that, so we gave it to them, and I'm anticipating that he'll be chairing another meeting. So we are playing an important role.

COUNCILMAN GREEN: So in response to my question about leases outside the City and outside our buildings and other things, an answer could have been that's one of the things the task force is going to look at and make recommendations on?

COMMISSIONER SCHLOTTERBECK: Yes, they will. Yes.

COUNCILMAN GREEN: You testified that the Department is working with DOT to develop a capital asset management model.

COMMISSIONER SCHLOTTERBECK:

Yes.

COUNCILMAN GREEN: Sorry. I sort of asked that question.

Last year -- we have -- I have a bunch of questions about unfilled positions. You don't have many, but you don't have a vacancy allowance either, and so I'm wondering from a fiscal standpoint, this indicates that all budgeted positions will be filled the entire fiscal year, and that doesn't seem realistic or likely.

COMMISSIONER SCHLOTTERBECK: Well, every department has some form of attrition. Sometimes we know it's coming and a lot of times we don't. And my department is one of the ones that often I don't.

COUNCILMAN GREEN: So what's your usual attrition rate?

COMMISSIONER SCHLOTTERBECK: I don't know that I know that off the top of my head.

COUNCILMAN GREEN: If you could

provide that to the Chair.

COMMISSIONER SCHLOTTERBECK: Sure.

COUNCILMAN GREEN: Do you have tests and lists -- do you have lists available for every position that --

COMMISSIONER SCHLOTTERBECK: Yes.

COUNCILMAN GREEN: -- could come vacant this year?

COMMISSIONER SCHLOTTERBECK: Yes. Well, I don't know about every position. Often what I do when I know that something is becoming vacant, I make sure it's the right position, and sometimes the delay in filling is a direct result of my decision, that maybe I really don't need another architect or maybe I don't need another plumber, but I really need some more HVAC mechanics. So sometimes you have to make those tough decisions.

COUNCILMAN GREEN: That's great. I guess my point is, there should

4/12/11 - WHOLE - BILL 110137

be some vacancy allowance in your budget, shouldn't there? Because the way the budget is presented, every position is filled for the entire 12 months of the fiscal year.

COMMISSIONER SCHLOTTERBECK: We do know that people will be leaving. There is some automatic built-in contingency.

COUNCILMAN GREEN: Well, every -- I don't want to say "every," but the departments we've looked at so far have all had something called vacancy allowance, which is subtracted from Class 100, taking into account the usual attrition vacancy rate of four percent roughly for most departments and the current vacancies in the departments sort of as the normalized norm. Your department doesn't have that. So if you could please provide the Chair what you think the vacancy rate will be for your department or what you think should be the appropriate vacancy allowance for your department so that we can build that into the budget, I would appreciate it.

COMMISSIONER SCHLOTTERBECK: Okay.

COUNCILMAN GREEN: I will yield for now. Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thanks, Madam Chair.

Commissioner, we had this conversation, but sometimes things fall between the cracks and especially in government where you rent a piece of equipment and you expect to rent it for a month and you wind up putting it off to the side and paying for it for six months, eight months. It leads me to something that every time I drive by -- and I'm not sure it's still there because I haven't been by this week. My luck, it would have been removed yesterday.

4/12/11 - WHOLE - BILL 110137

At the Fire headquarters, there's a rental generator that's been there for months and months and months. Why don't we, if we need a generator, put a generator in? I imagine that's not a cheap ticket, and I just out of curiosity would appreciate somebody providing to the Chair how long it's been there, how much we pay monthly for that generator. I think there's two of them, matter of fact.

So could somebody and I can't -- we can't expect you to pull all this stuff out of the air.

COMMISSIONER SCHLOTTERBECK: We can submit it.

COUNCILMAN RIZZO: But can somebody just tell me about this generator? I understand it was there for renovations. That was the word that was used.

DEPUTY COMMISSIONER KNAPPICK: Councilman, that was part of a full-load generator project that we've undertaken around the City for emergency facilities. The situation at the Fire Administration building was such that the generators that were there could not provide full service to the facility. In other words, the air conditioning system, et cetera, would go in the event of a big emergency.

So we brought in the new generators, sized them up, and there was a paralleling gear, because there were two generators, that were supposed to work in sequence and come online as they were needed. Pretty sophisticated piece of equipment. And unfortunately there was a leak that happened in the patio, which just happened to be right over the paralleling gear, which created a problem, which extended our need for those generators on the site. So that was -- those generators were there temporarily to service the facility in the event that there was a problem and to be able to make power transfers during testing.

COUNCILMAN RIZZO: No need to send me that info. That's the kind of answer, straight problem, we understand things don't happen perfectly all the time. But I can imagine that we'd like to get rid of that rental equipment as quickly as possible.

DEPUTY COMMISSIONER KNAPPICK: It is -- the generators are working. They've been commissioned, and that has been removed.

COUNCILMAN RIZZO: Good. Those generators are gone?

DEPUTY COMMISSIONER KNAPPICK: Yes.

COUNCILMAN RIZZO: How long ago?

COMMISSIONER SCHLOTTERBECK: Yesterday.

COUNCILMAN RIZZO: Now you know why she's Commissioner.

DEPUTY COMMISSIONER KNAPPICK: I know. All the time.

COUNCILMAN RIZZO: Thanks.

4/12/11 - WHOLE - BILL 110137

Thanks, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

Just an update on how we're doing with publicly owned property that we deal with with SEPTA. How are we doing on the renovations of those stations? Can you give us an insight to that and the concourse work or the study? Not exactly work.

COMMISSIONER SCHLOTTERBECK: I really -- I'm not prepared to answer questions about SEPTA station renovations. That would be probably more appropriately addressed to them when they get here, Councilman. But the concourse, we're still in the partnership with SEPTA and Center City District.

COUNCILMAN JONES: You've given me a briefing. I just wanted to know have we gotten any further on that study as to what we can do down in the concourse?

COMMISSIONER SCHLOTTERBECK: Actually, we did -- we are still working on that. We don't have a timeframe. Andrew was up speaking to questions that were brought up from Councilman Green. So, yes, we are still working on it.

COUNCILMAN JONES: Okay. So SEPTA might be able to give us an update on that.

Do you do work out of the Water Fund at all?

COMMISSIONER SCHLOTTERBECK: Well, we're funded for in our rent account. So, yeah, we do -- it's their money, but it's in our budget. They pay their own rent and their own -- they pay their way.

COUNCILMAN JONES: Do you do renovations for them?

COMMISSIONER SCHLOTTERBECK: We coordinate the work through the management firm for them, yes.

COUNCILMAN JONES: What does that mean? Is that a contract?

COMMISSIONER SCHLOTTERBECK: They're funding -- it gets funded through the rent account. So they're doing some renovations right now. John had talked about it earlier.

COUNCILMAN JONES: What type of renovations are there?

COMMISSIONER SCHLOTTERBECK: They're hiring more people, so they need additional space and they're going to upgrade areas that are in need of it. That lease has been in place since 1981.

COUNCILMAN JONES: What do I see, 67 space planning projects? Is that what you're talking about, and who owns that facility?

COMMISSIONER SCHLOTTERBECK: Girard.

DEPUTY COMMISSIONER HERZINS: Girard Trust, Councilman.

COUNCILMAN JONES: Can you

speak in the mike?

DEPUTY COMMISSIONER HERZINS: Councilman, Girard Trust owns 1101 Market Street building.

COUNCILMAN JONES: And how much is the total cost of the renovations?

DEPUTY COMMISSIONER HERZINS: We're still actually in the stages of drafting an RFP to see for the design work.

COUNCILMAN JONES: Are we talking work stations?

DEPUTY COMMISSIONER HERZINS: Yes.

COUNCILMAN JONES: Isn't that the kind of work that kind of we could have done in-house? Was it too large?

DEPUTY COMMISSIONER HERZINS: All the furniture in the system -- in the building on those floors are almost 30 years old. So they're all going to have to be replaced. And the type of systems that were used at the time no longer conform to our space standard. And we don't do work in rented buildings.

COUNCILMAN JONES: Public Property doesn't?

DEPUTY COMMISSIONER HERZINS: Right.

COUNCILMAN JONES: So all of our rental space is done through contracting out?

DEPUTY COMMISSIONER HERZINS: It's done through the lease.

COUNCILMAN JONES: Through the lease, okay.

Where are we with -- well, I'll yield on that.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

Are there any other questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Thank you very much.

COMMISSIONER SCHLOTTERBECK: You're welcome.

4/12/11 - WHOLE - BILL 110137

COUNCIL PRESIDENT VERNA: Let me tell you something, I congratulate all of you.

COMMISSIONER SCHLOTTERBECK: Thank you.

COUNCIL PRESIDENT VERNA: I just remember when Public Property had ample amount of employees to do the job. I don't know how you're managing, but whatever you're doing, let me say congratulations.

COMMISSIONER SCHLOTTERBECK: Well, I mean, these guys do a great job and the staff. We're just a bunch of dedicated folks, to be perfectly honest, and we do the best we can.

COUNCIL PRESIDENT VERNA: That's quite obvious.

COMMISSIONER SCHLOTTERBECK: Thank you.

COUNCIL PRESIDENT VERNA: You're welcome.

MR. McPHERSON: Fleet Management.

4/12/11 - WHOLE - BILL 110137

(Witnesses approached witness table.)

COUNCIL PRESIDENT VERNA: Good morning. As usual, you've been extremely patient. Thank you.

MR. MULLER: Thank you so much.

COUNCIL PRESIDENT VERNA: Please identify yourself for the record and proceed with your testimony.

MR. MULLER: James Muller, Fleet Management.

Good morning, President Verna and distinguished members of City Council. I am James Muller, Fleet Manager for the City of Philadelphia. Thank you for the opportunity to present testimony in support of the FY 2012 Operating Budget request for the Office of Fleet Management. OFM's 2012 General Fund budget request is for $53,651,989, including $4 million for the purchase of new vehicles and equipment and $4.5 million for the Vehicle Lease Purchase Program.

The breakdown of the funding is as follows: $15,824,382 in Class 100; $9,364,396 in Class 200; and $28,463,211 in Class 300 and 400. Class 200 funding has increased by a net of $3,256,000, an increase of $3,500,000 for the lease payment of vehicle financing and a reduction of 244,000 in vehicle washing and heavy equipment repairs. Class 300 funding has decreased by $144,000 in parts purchases and Class 400 has increased by 1 million for new equipment and vehicles.

Mission statement: OFM is responsible for the centralized formulation, coordination and execution of policies concerning the acquisition, assignment, utilization and maintenance of all City-owned vehicles. OFM's goal is to increase availability, improve safety and ensure reliable and safe vehicles. OFM provides the City's departments with quality service in the most economically prudent manner, which

4/12/11 - WHOLE - BILL 110137

makes it possible for departments to deliver a higher standard level of City services.

Department efficiencies: Vehicle availability: OFM explains its mission as consistently providing safe and reliable vehicles and equipment to operating departments. OFM meets daily requirements of 100 percent for radio patrol cars, medic units and compactors, which are all considered a high priority for the safety and security of our citizens.

Fleet auction and revenue generation: In FY 2011, OFM has continued the strategy of Internet auctions for vehicle relinquishment and to generate revenue. Internet auctions attract a large amount of potential customers and thus increase auction revenue. Year to date, 357 vehicles were auctioned for a total of $409,127. Correspondingly, in 2010 OFM realized 942,665, all funds, by selling 481

4/12/11 - WHOLE - BILL 110137

vehicles.

Fleet Vehicle Inventory Control System, our FVICS: In 2010, OFM developed a customized computer program addressing the quality and quantity of vehicle repairs. This system is helping OFM to determine the amount invested in each vehicle both in parts and labor.

Departmental accomplishments: Cost savings: In FY 2004, OFM advocated to substitute the more fuel-efficient V6 engine Chevy Impala to replace the use of the Ford Crown Victoria V8 engine for radio patrol cars. Now the City is reaping savings through the reduction in cost of acquisition and fuel consumption. The average purchase price of a Chevy Impala was 6,000 less than the average price of a Ford Crown Victoria. This change in purchasing decisions has enabled the City to buy more radio patrol cars within the same budget.

In FY 2004, our total fuel purchases were 8,536,046 gallons, which

4/12/11 - WHOLE - BILL 110137

was reduced to 7,464,519 in 2010, a reduction of 1,071,527 gallons of fuel. In today's market price, the FY 2011, the City's savings in fuel cost would be $2,800,000. The City's vehicle reduction strategy and purchases of more fuel-efficient vehicles are also contributing factors in the reduction of fuel consumption.

Fixed fuel pricing: OFM bought fuel in bulk for future use at fixed prices for the second quarter in FY 2011. With the help of a very important and dependable analyst from Sunoco, the diesel fuel price was fixed at $2.27 per gallon and gasoline was fixed at $1.94 per gallon. The average actual market price of fuel for the period when the gas would otherwise have been bought was $2.64 for diesel and $2.64 for gasoline. This has led to a cost savings of $700,000 in 2011.

Environmental initiatives: OFM is committed to supporting the

Administration's environmental initiatives. In FY 2008, OFM started a bio-diesel fuel program with usage of 107,630 gallons of bio-diesel fuel. OFM's 2012 bio-diesel fuel target is 1,080,000 gallons. Currently, OFM operates five active bio-diesel fuel facilities, and more than 36 percent of the City's diesel fuel consumption is now five percent bio-diesel. Since FY 2008, the City's bio-diesel program increments cost has been funded by the Pennsylvania Department of Environmental Protection, which will continue in FY 2012. As part of its environmental initiatives, OFM added two more hybrids this year. The number of gas and electric hybrid vehicles in the City's fleet is now 106 vehicles. OFM continues to search for avenues to increase the use of hybrid vehicles.

Vehicle financing: Let me take this opportunity to thank City Council and the Administration for enabling and approving our Vehicle Lease Purchase Program. This program will allow OFM to replace old equipment and vehicles with technologically advanced and more fuel-efficient vehicles and equipment. Through the Lease Purchase Program, OFM will acquire approximately 95 vehicles and equipment for the Streets Department at an estimated cost of $14,561,500, approximately 36 vehicles and pieces of equipment for the Fire Department at an estimated cost of $12,900,000. The average life cycle of this equipment and vehicles is more than ten years. The Vehicle Lease Purchase Program will enable OFM to satisfy the longstanding requirements of timely replacement of heavy equipment in Fire and Streets Departments, which is considered pivotal for the safety and security of our citizens.

Fuel Utilization Management Environmental System, our FUMES, Modernization Program: OFM is now upgrading the existing 16-year-old FUMES technology. This system will enhance fuel security. For the first time, gas cans and motorcycles and other type of small equipment will be linked to our FUMES fueling without regarding the override of an attendant or a supervisor. The upgraded Vehicle Identification Unit, VIU, will only use -- will not only secure all fuel transactions, but also give OFM the ability to calculate mileage and to stay current with the technology and upgrades in the industry.

New initiatives for FY 2012:

High school internship program: Working within the existing budget, OFM will bring back the high school internship program, which allows extending OFM's support to the Administration's educational initiatives and after-school programs. This will also enhance good public relations. This program will enable OFM to train and develop students in a career-oriented automotive training program.

Electric cars: OFM is now studying avenues for the introduction of electric cars. OFM believes that the environmental friendly and fuel-efficient electric cars will enhance the Administration's environmental commitment. Recently OFM administered a demonstration of the electric car, the new Chevy Volt, for City Council and other City members. However, this new technology comes at a premium cost at around $40,000.

Participation in economic opportunity: The Department is committed to supporting the Administration's goal of 25 percent minority, woman and disabled-owned business participation in City contracting. OFM is very happy to report that year to date participation with W/M/DSBE is 42 percent and the target for FY 2011 is 51 percent, which will also remain OFM's goal in 2012.

This concludes my testimony. I

would be happy to answer any questions. Thank you very much.

COUNCIL PRESIDENT VERNA: Thank you. May I just say on my behalf -- and I'm sure that all of my colleagues feel the same way -- I think you and your department do a fantastic job, and I wanted to publicly thank you.

MR. MULLER: Thank you very much, President Verna.

COUNCIL PRESIDENT VERNA: You're welcome.

MR. MULLER: We have a wonderful staff of people, very dedicated, hard-working department, and I appreciate all their help and dedication.

COUNCIL PRESIDENT VERNA: Well, with someone like you, I'm sure they feel like family.

MR. MULLER: Yes. Thank you.

COUNCIL PRESIDENT VERNA: That's how things get accomplished.

What vehicles will you be replacing in Fiscal 2012 and how do you

4/12/11 - WHOLE - BILL 110137

determine when a vehicle needs to be replaced?

MR. MULLER: There's different types of vehicles. We have a leasing, as we just said, vehicle leasing. We're going to replace 20 pumpers, 12 medics, four ladders --

COUNCIL PRESIDENT VERNA: I'm sorry. You're leasing.

MR. MULLER: This is the Lease Purchasing Program that's going to go into effect.

COUNCIL PRESIDENT VERNA: What are you replacing in '12?

MR. MULLER: In '12? Well, we have 100 police vehicles that we're going to replace, some pickup trucks for the Streets Department, emergency patrol wagons, unmarked police vehicles, plus we have this $28 million initiative for leasing, which we're going to purchase street compactors, I believe it's 60 compactors, sweepers, mechanical sweepers, road tractors, dump trucks, bucket trucks. As I said earlier, medic units, pumpers, ladders, ADA capacity for buses for the Recreation Department.

COUNCIL PRESIDENT VERNA: Mr. Muller, on Page 5 of your budget detail, it reflects a saving in regular overtime of $458,537. Can you tell us how you plan on achieving these savings?

MR. MULLER: I'm going to turn that over to K. Wilson, my Administrative Services Director to my right.

MR. WILSON: Good afternoon.

COUNCIL PRESIDENT VERNA: Good afternoon, Mr. Wilson.

MR. WILSON: Good afternoon, Madam President and all the members of the City Council. My name is K. Wilson, Administrative Service Director for Office of Fleet Management.

Our strategy to reduce the overtime is mainly because we needed to hire more employees on board. Mainly because I remember that in FY10, Council President, you mention that reducing overtime and bringing more people into board is a good idea. We tried in FY11 to do the same, but due to some reasons, we could not bring more people into board. But in FY12, we're targeting to bring additional employees to the department by reducing the overtime.

COUNCIL PRESIDENT VERNA: And how many employees do you anticipate?

MR. WILSON: We are anticipating six new employees to apply total.

COUNCIL PRESIDENT VERNA: And how many vacancies?

MR. WILSON: Right now we are identifying only six, because since our target for FY12 is 283 positions General Fund, so in General Fund, we are identifying six positions.

COUNCIL PRESIDENT VERNA: So do I understand you to say you'll have a full complement of employees?

MR. WILSON: Please say it again.

4/12/11 - WHOLE - BILL 110137

COUNCIL PRESIDENT VERNA: Do I understand you to say that you will have a full complement of employees when you hire the six?

MR. WILSON: Yes.

COUNCIL PRESIDENT VERNA: Very well. That's good to hear.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam President.

Good afternoon.

MR. MULLER: Good afternoon.

COUNCILMAN GREENLEE: First, I join the Council President and her praise of what you and your department are doing.

MR. MULLER: Thank you very much.

COUNCILMAN GREENLEE: Just two quick questions. One on the -- it's really good news about the fixed fuel price. Is that something you've been doing before or is this a new initiative?

MR. MULLER: We did it in the

past a couple times, and just recently we were looking to do it again, but the gentleman that we spoke to at Sunoco has since retired. He was our inside track guy. So right now gas is -- fuel is just crazy.

COUNCILMAN GREENLEE: We all know that.

MR. MULLER: It's just ludicrous, but we're going to try. We're still trying to see if we could lock in again.

COUNCILMAN GREENLEE: Okay. And on the Internet auction issue, it seems like that's going pretty well too, right?

MR. MULLER: Yes.

COUNCILMAN GREENLEE: When do they have those auctions and how do you advertise? How do people know about it?

MR. MULLER: It's roughly every month. You just go online at govdeals.com with Procurement. But I believe there's another vendor that's going to take over starting July 1st. That's all done through the Internet auction.

We're having people coming up from Alabama, from Florida. It's amazing. And it gives everybody a fair chance. Not like before where I could talk to you and you let me get this vehicle and I'll let you get the next one. Now everything is right online and you get a chance to bid just like everybody else.

COUNCILMAN GREENLEE: Transparent, like everybody wants to talk about, right?

MR. MULLER: Yes.

COUNCILMAN GREENLEE: It sounds good. Thank you.

MR. MULLER: Thank you very much.

COUNCILMAN GREENLEE: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

4/12/11 - WHOLE - BILL 110137

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam Chair.

Again, I echo the good work that you do, and matter of fact, I've talked to some other municipalities around the country. I gave them your idea about that purchase of fuel, and they thanked me on numerous occasions. So you were ahead of the game there.

The other thing that I want to mention is that during this terrible weather that we had this winter, that Fleet Management really stepped up. And I've talked to again all the operating departments that just said without your crew, they would have really, really been in big trouble. A lot of people don't realize what you do when it's the worst conditions that we can be experiencing. So, again, thanks for all you do, and you've got a great group of people that you work with and feel very close to all of you. Thanks.

MR. MULLER: Thank you. Like I said, we're just one cog in the wheel and we all work together with the Streets Commissioner and my Deputy, Chris Cocci, and all the guys. To tell you the truth, with all the snow we had, I was amazed. I kept saying, Chris, these numbers, they can't be right.

He said, Jim, we're doing really good. And I'm just really thankful to the people that work for me. They're dedicated and do a great job.

COUNCILMAN RIZZO: And they all kept their composure.

MR. MULLER: Yes. Thank you.

COUNCILMAN RIZZO: That's a good thing. Thanks a lot.

Thanks, Madam Chair.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good afternoon, Mr. Muller.

4/12/11 - WHOLE - BILL 110137

MR. MULLER: Good afternoon.

COUNCILMAN GOODE: First, I congratulate your department on its record of business diversity. Your numbers look very good. I want to ask a couple other contracting questions.

From your testimony it appears that your largest contract is for the Vehicle Lease Purchase Program, or what is your largest contract expected to be for Fiscal Year '12?

MR. WILSON: Our largest contract for FY12 should be the fuel contract, which right now is with the Superior Plus Energy.

COUNCILMAN GOODE: And how much is that contract for?

MR. WILSON: It is approximately $20 million.

COUNCILMAN GOODE: And is it a renewable contract?

MR. WILSON: Yes. Initially it is for one year and after three one-year renewal.

COUNCILMAN GOODE: So it's in its first year of the contract?

MR. WILSON: We're going to bid it out this fiscal year.

COUNCILMAN GOODE: You're going to bid it out this year?

MR. WILSON: Yes.

COUNCILMAN GOODE: Can you describe the contract requirements briefly?

MR. WILSON: That is a fuel delivery to all of our City fuel sites.

COUNCILMAN GOODE: And the firm that holds the contract, is it a certified disadvantaged business?

MR. WILSON: At this point we are not aware of all that, but our department is coming to work with OEO and Procurement Department to make sure that those portions are upheld.

COUNCILMAN GOODE: I'm saying is the firm that holds the contract now, is it a certified disadvantaged business?

MR. WILSON: No.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN GOODE: Does it do any subcontracting with disadvantaged businesses?

MR. WILSON: No.

COUNCILMAN GOODE: Was there a participation goal in the RFP for disadvantaged businesses?

MR. WILSON: It is not written in the bid, but as I mentioned, we will work with the Procurement and the OEO to make sure that necessary portion will be included.

COUNCILMAN GOODE: So it was not put in the bid; it was not put in the contract?

MR. WILSON: Yes.

COUNCILMAN GOODE: Okay. Has there ever been a participation goal for this work for disadvantaged businesses?

MR. WILSON: At this point we are not aware of all that.

COUNCILMAN GOODE: Are there subcontracting opportunities within the contract?

MR. WILSON: Not in this case of fuel delivery.

COUNCILMAN GOODE: Why not?

MR. WILSON: At present there is no subcontract for the fuel delivery. That is what I mean.

COUNCILMAN GOODE: Why could there not be subcontract opportunities?

MR. WILSON: We will look into that for the bid process.

COUNCILMAN GOODE: I understood what you said, that you're going to work with the Office of Economic Opportunity to create a goal. The question is not what the goal should be. The question is, you're procuring the service. You know what the service is.

MR. WILSON: Yes.

COUNCILMAN GOODE: You put it out to bid. Someone has the contract, whether it's a renewable contract or not. Either there are opportunities within that contract for businesses owned by women and people of color or there are not, and either you identify them or you don't. And if they exist and you don't identify them, then that's a problem. If you identify them, then they should go within the RFP and then you should have responses, and you'll see what response you get in terms of opportunities that will be offered to disadvantaged businesses. And then if you select a firm that has set a goal and you put it in that contract, you hold it to them. And then guess what? The next year you don't renew the contract unless they've met that goal and can explain why they haven't met that goal, and then you still look for more opportunities. That's the way we do this. Not we've never seen opportunities there before, so we're not going to pursue them. But it's actually your job not just to get it cost effective, but to make sure we're getting total economic benefit from it. It's a $20 million contract, right?

MR. WILSON: Yes.

4/12/11 - WHOLE - BILL 110137

MR. MULLER: Once this thing goes out again, that will be included in the RFP.

COUNCILMAN GOODE: Okay. Is the firm currently in compliance with the City's living wage and benefits standard?

MR. WILSON: At this point we are not aware of all that, and going forward we will evaluate each contract and certainly we intend to comply with the procedure.

COUNCILMAN GOODE: So the firm will be required to be in compliance with the City's living wage and benefits standard for Fiscal Year '12?

MR. MULLER: That's correct.

MR. WILSON: Yes.

COUNCILMAN GOODE: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

There's a line item for parking

charges in the budget. What is that? Is that off-street parking?

MR. MULLER: Yes.

COUNCILMAN GREEN: Last year you testified that the Office of Fleet Management took over the off-street parking program for City cars and, quote, plans to bid out the contract for competitive pricing, which will help save substantial amounts in coming years, end quote.

In a follow-up letter to the Council President on April 15th, 2010, you noted that Fleet planned to bid the contract in early Calendar Year 2010 and expects to save at least 10 to 15 percent of the current-year obligation.

Based on the budget presented, the line item went down $7,000, not 10 to 15 percent, which would be $70,000 to $105,000. Can you explain what's happened, did you bid out the contract, et cetera?

MR. WILSON: The Department's

intention was to bid out that parking contract. We brought the specification in FY10, the end of FY10, and we sent out that bid specification to Procurement, and they are evaluating that. And there was a problem with bidding those contract out because the available opportunity out there is very specific. Right now we realized that. We have agreed with many of the parking facilities, and the Managing Director's Office is working now to consider that and to save more money in future.

COUNCILMAN GREEN: So we're not planning to bid out the contract?

MR. WILSON: Not right now. Mainly because if we bid out -- we try to do that, and by the time, some of the parking facilities came to us to renew their contract. So their intention was to increase the parking cost. So we know that once we bid out, the price going to be up. So the Department is right now negotiating with those facilities. We explain that our budget constraints, and we are now working with the Managing Director's Office to get a good deal with all of the parking garages so that we can move on.

COUNCILMAN GREEN: I don't understand why we would prefer negotiation to bidding it out. I recognize that people may have to walk an extra block or two, but there are within City Hall, within the three or four-block radius of City Hall, many, many, many parking garages. If you go down to 12th, you've got all of that. If you go up to 17th, 18th, I mean --

MR. MULLER: We're using all those lots that you're specifically talking about. We're also looking to meet with the Parking Authority, because we're paying the full rate of the Parking Authority, and we're looking to meet with them to find out if we can get a discounted price, because we're going to be there every day. So that's what we're working on, and it's not completed as we had stated last year. We're still working on that process.

COUNCILMAN GREEN: Are we paying the Parking Authority daily rate at the garages they own or monthly rate?

MR. WILSON: I can clarify that, Councilman. Right now with the Parking Authority, we are paying a monthly rate as low as $80. If we bid out, definitely that price going to be up. We believe that. Because these parking facilities came to us and they want to increase the parking rate right now, but we negotiated with them, and right now that is staying in $80 per parking spot for 136 parking space. And we have also 103 parking space for $140 per month. So if we are giving an option to them, bid out or let these limited facilities there, that price going to be going up.

COUNCILMAN GREEN: How many cars are in parking lots?

MR. WILSON: We have 433 monthly permit and we have 41 daily permit. A total of 474.

COUNCILMAN GREEN: 474.

MR. WILSON: Yes.

COUNCILMAN GREEN: So for 474 cars, we're paying $760,000 a year?

MR. WILSON: Yes.

COUNCILMAN GREEN: Wow. Almost --

MR. WILSON: That is why our Administration is trying to work with MDO's office to reduce the cost and also evaluating again the eligible parking list to reduce the cost of parking.

COUNCILMAN GREEN: How much do we get in rent for the Love Park parking garage?

MR. MULLER: I have no idea. That would be Public Property. I guess they could tell you. I don't know offhand. That's not --

COUNCILMAN GREEN: If you could -- if the Budget Office could just provide the Chair with information on how much we receive for rent for the parking garages we own, because it seems to me we have -- we own spaces in that amount.

MS. RHYNHART: If you just want me to provide it to you, that's --

COUNCILMAN GREEN: That's fine.

MS. RHYNHART: That's fine. We can do that.

COUNCILMAN GREEN: Thanks.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

Are there any other members that would like to be recognized?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing no one, thank you so very much.

MR. MULLER: Thank you.

COUNCIL PRESIDENT VERNA: The Committee will stand in recess until 1:30.

(Short recess.)

COUNCIL PRESIDENT VERNA: Good

afternoon. This is a continued public hearing of the Committee of the Whole. The first department to testify will be the Streets Department.

I would ask the Commissioner and her staff to please come to the witness table, identify yourself for the record and proceed with your testimony.

(Witnesses approached witness table.)

COUNCIL PRESIDENT VERNA: Good afternoon. Welcome.

COMMISSIONER TOLSON: Good afternoon.

COUNCIL PRESIDENT VERNA: Please proceed.

COMMISSIONER TOLSON: Good afternoon, Mrs. Verna.

To Council President Verna and members of City Council, good afternoon to you. I am Clarena Tolson, Commissioner of the Streets Department. I'm here today to present testimony on behalf of the Department's proposed FY

2012 Operating Budget.

Highlights of the budget proposal: We request a General Fund appropriation of over $120 million and an all funds appropriation of over $167 million. With full funding of our Fiscal 2012 request, the Department will maintain core services that support our mission of clean and safe streets. In Fiscal 2012, the Department will continue to increase curbside recycling, maintain our high on-time service levels for trash and recycling collection and provide for basic maintenance of our City's streets and roadways.

The Streets Department remains committed to supporting the Administration's goal of 25 percent minority, woman and disabled-owned business participation in City contracting. Our Department's participation goal for 2012 is 33 percent.

Our largest division,

Sanitation, manages the City's municipal solid waste plan and develops and implements strategies to improve trash and recycling collection. Under the leadership of Deputy Commissioner Williams, the Division has implemented single-stream weekly collection of recycling citywide, the innovative Philly Recycling Rewards program and maintained an on-time trash collection rate of 97 percent.

Some of our most exciting successes have come in the area of recycling, where we have seen an increase in diversion to over 18 percent for the first two quarters of Fiscal '11 and an increase of 13 percent in recycling tonnage collected for the same period as compared with Fiscal 2010. With a new contract for recycling, processing and current marketing conditions, we expect to realize several million dollars in revenue for this fiscal year as compared to just $120,000 in Fiscal 2010. The

City currently receives $50 per ton -- I'm sorry; $65 per ton for recycling, coupled with the landfill cost of $66.55 for trash. We realized a net savings of over $120 for every ton diverted from the waste stream. Recycling is green in more ways than one. Since Mayor Nutter took office and elevated recycling to the highest priority, we have seen an increase in the diversion rate from seven percent to 18 percent and the combined recycling rate for both curbside and commercial recycling to over 37 percent.

Last year we introduced an exciting new technology to address litter in Center City, the solar-powered litter compactor, also known as Bigbelly. The overwhelming success of the Bigbellys has reduced litter, reduced collection costs by $875,000 and introduces the public to recycling to lead us to -- I'm sorry; introduce the public to recycling for litter at the curbside on corridors citywide. The City of Philadelphia now holds the distinction of having the largest deployment of Bigbellys in the country. By the end of the fiscal year, we will have placed 1,355 Bigbellys throughout the City.

The Transportation Division, our other division, who is under the leadership of Deputy Commissioner Stephen Buckley, has a wide and varied charge with responsibility for maintaining over 2,200 miles of roads, bridges and extensive traffic control and street lighting system and primary responsibility for snow removal operations.

November 2010 saw the reopening of the South Street Bridge, the largest public works project ever managed by the Streets Department. This important connector between Center City and West Philadelphia opened on budget and six weeks ahead of schedule. In accordance with the Mayor's "Complete Streets" policy, the new bridge was furnished with pedestrian and bicycle amenities, including wider sidewalks, dedicated bicycle lanes, pedestrian friendly traffic signals to make travel across the bridge easier for all travelers.

The Division completed design work on several major transportation initiatives, totalling $32 million. These projects are now moving to construction, including the 40th Street bridge replacement, streetscape projects along 52nd Street, Market, Berks and a traffic signal improvement project along Lancaster Avenue.

The Department will complete conversion of all traffic signals from incandescent bulbs to energy-efficient LEDs in early summer of 2012. This conversion reduces both the electric and maintenance costs for the system. This work is funded by the U.S. Department of Energy and incentive payments from PECO.

With regard to winter weather, as with last year, my testimony would be incomplete if I did not take a moment to thank those who worked on winter weather and talk about it a little bit.

Over the last two winter seasons, the City has seen snow totals well over 100 inches, an unprecedented amount for our area. Though we all experienced delays because of the timing and nature of the storms, the City was able to maintain operations, and businesses were able to continue to serve their customers. This would not have been possible without the support of nearly 400 employees from a host of operating departments. This supplemental staff allows us to avoid the use of contractors, except during those few large storms that exceed the combined capacity of the Streets Department and supporting agencies. I would like to thank the citizens for their patience, City Council for your support and, most of all, the men and women of the Streets Department, Park and Recreation

Department, the Water Department, License and Inspections, Public Property, Fleet Management, Prisons, Revenue, the Mayor's Office, 3-1-1, CLIP and the Managing Director's Office. These employees sacrificed greatly to keep Philadelphia safe and on the move.

I am also pleased to announce that the Administration has dedicated an additional $4 million to our budget specifically for snow operations. This, coupled with the $1.9 million we have budgeted annually for the last two years, provides us with an excellent base to fund winter operations.

In conclusion, the Streets Department and its employees continue to rigorously pursue our mission of clean and safe streets. Fiscal 2000, the Department was budgeted 2,232 employees. Our Fiscal 2012 request is 1,783, nearly 450 positions fewer, a 20 percent reduction of our workforce. However, during that same period, we have expanded services, including the addition of residential snow operations and weekly single-stream recycling. We continue to consistently deliver services in an effective and cost-efficient manner that directly impacts the quality of life for all City constituents. The budget proposed here allows the Department to continue to provide such core services. Therefore, we request your favorable consideration of this budget request. And I am certainly here to answer any questions that you may have.

COUNCIL PRESIDENT VERNA: Thank you, Commissioner.

You are requesting an increase of $12.8 million in the Grants Revenue Fund, $8.4 million in Class 200 and 4.1 in Classes 300 and 400. How will these funds be used and what contracts will be let?

COMMISSIONER TOLSON: Deputy Commissioner Michael Zaccagni will give you the details for each of those

4/12/11 - WHOLE - BILL 110137

spending variances.

DEPUTY COMMISSIONER ZACCAGNI: The Grants account funding are for grants that we anticipate -- the Grant funding is for grants that we anticipate in the Transportation Division, and Deputy Commissioner Buckley can certainly talk to those. What we also see in the additions are the additional monies for the snow contracts and also for additional monies needed for increases in the 205 for disposal.

COUNCIL PRESIDENT VERNA: You mention snow contracts. It's not just $4 million. Isn't it a total of $5.9 million?

DEPUTY COMMISSIONER ZACCAGNI: We have -- I'm sorry. We have an additional $4 million that was provided to the budget specifically for snow contractors, should they have to be called out. We also have monies that are set aside for salt within the budget of about, I believe, $1.7 to $1.9 million.

COMMISSIONER TOLSON: And another small amount for mobilization of those contractors that you were talking about.

COUNCIL PRESIDENT VERNA: Thank you.

Who is the funding source for these funds and could this funding be jeopardized due to the uncertainty of the federal budget?

DEPUTY COMMISSIONER BUCKLEY: The source of funding for -- my name is Deputy Commissioner Steve Buckley.

The source of these funds, we are anticipating a grant from PennDot and ultimately we applied for an application program last year and they awarded us approximately $8 million in grant funding.

COUNCIL PRESIDENT VERNA: On Page 7 of your budget detail, you are requesting the exact amount for full-time employees in Fiscal 2012 as you spent in Fiscal 2011. The increment run of

December 10th indicates you had 1,659 filled positions and you are requesting 1,783 positions for 2012, the same as you were budgeted for in the Fiscal 2011. Will you be able to fill the 124 vacancies that you had in December?

COMMISSIONER TOLSON: Council President, in part due to the nature of how the budget is structured and how we choose to do our staffing, we will increase our staffing throughout the year, what we call seasonal staffing up. So in the wintertime, we will allow our numbers to fall through attrition because our demand, say, on waste collection, which is a large portion of our staffing, the demand drops in the winter season. On the same hand, in the springtime, the collection amounts and demand on the system increase, so we hire back up. So we allow ourselves to kind of peak at a different time. The run that is in the budget is based upon December. So later in the year, we will see a higher number of staffing that we will need to support, and those numbers for us are intentionally varied throughout the year because of those demands.

COUNCIL PRESIDENT VERNA: Do you call the same people back?

COMMISSIONER TOLSON: This is -- it's not that we rotate people. We just allow our numbers -- as people leave the Department, we will not rehire new people. We simply let the numbers go down, and then we will do a large hiring in the springtime in preparation for the impact of larger quantities of trash and recycling on the street. So there's no rotation of staff. It's just hiring new people. We don't do much hiring in the winter. We save it for the spring when we need the staff. And that's an efficiency move to be more effective with the use of our funds and the resources.

COUNCIL PRESIDENT VERNA: Does that hold true for the 124 vacancies that you have?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER TOLSON: Yes. Some of those positions will rotate out. So we don't plan to have at any one time everybody on staff and full time and -- we would not have everybody on staff and fill those positions year round. We intentionally let some positions wane at different parts of the year.

COUNCIL PRESIDENT VERNA: Thank you.

On Page 100 of your detail, it indicates you are requesting an increase of $1.4 million for landfill costs. Why isn't this amount going down to the diversion of recycling initiatives?

COMMISSIONER TOLSON: In part because the funding that we had for this year was a little lower than we had for previous years. So we had some level of reduction. We want to try to put it back up to meet the numbers that we have. Our recycling is going very well. So we do have the benefits of the recycling. However, our tonnage was reduced in

Fiscal '11. So in Fiscal '12, we're trying to put it back up. I'm not saying the tonnage. I'm sorry. The budget amount was reduced somewhat in Fiscal '11. So in Fiscal '12 we're trying to put it back up to a reasonable level.

Also, I should note that we are seeing -- and it may be in part due to the economy -- that our tonnage in both recycling and trash are going up. More is being generated, and that might be because the economy is improving a little bit.

COUNCIL PRESIDENT VERNA: I know you did mention it, but how much are we collecting on the recycling?

COMMISSIONER TOLSON: How much we're being paid? We're being paid $65 per ton. That number is adjusted quarterly and that is the number that we are facing that we've been advised of for this quarter, which began April 1st.

COUNCIL PRESIDENT VERNA: Thank you. And I'd like to congratulate you and your staff for the snow removal. I know you can't make everybody happy, but I think on the whole, it just worked out beautifully.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good afternoon, Commissioner --

COMMISSIONER TOLSON: Good afternoon.

COUNCILMAN GOODE: -- and Deputy Commissioners.

I'm asking each department about their largest contract to sort of sift through the contracting process. What is the largest contract that you expect to award in Fiscal Year '12?

COMMISSIONER TOLSON: Give me one moment, please.

It would be our Waste Management contracts and the largest vendor amongst those would be to Republic.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN GOODE: The largest contract for Waste Management is for what amount?

COMMISSIONER TOLSON: That is $6.4 million. I'm sorry. I'm sorry, Councilman. Let me change that one second. The largest contractor is Waste Management at 15.8.

COUNCILMAN GOODE: 15.8. And is that a renewable contract?

COMMISSIONER TOLSON: I'm giving you Fiscal '11 information. Is that all right or do you want Fiscal '12?

COUNCILMAN GOODE: I want to know, one, which contracts you will award. It will be for Waste Management. You expect it to be around the same. And the next question was, who holds the contract now and is it a renewable contract.

COMMISSIONER TOLSON: It's the same one. So the number I just gave you is Fiscal '11. The total contract was 15.8. In Fiscal '12, their contract will be 14.2.

COUNCILMAN GOODE: And so it is a renewable contract?

COMMISSIONER TOLSON: Yes. This is the last year of their contract. It was a four-year contract with three one-year renewals.

COUNCILMAN GOODE: So the firm has held the contract for three years?

COMMISSIONER TOLSON: I'm sorry. Say that question again.

COUNCILMAN GOODE: So the firm has held the contract for three years?

COMMISSIONER TOLSON: No. It was a four-year contract with three one-year renewal years. So this will be their seventh year.

COUNCILMAN GOODE: Excuse me?

COMMISSIONER TOLSON: This will be their seventh year.

COUNCILMAN GOODE: When was the last time the contract was bid?

COMMISSIONER TOLSON: Six years ago.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN GOODE: Is the firm a certified disadvantaged business?

COMMISSIONER TOLSON: No, they are not.

COUNCILMAN GOODE: Do they contract with disadvantaged businesses?

COMMISSIONER TOLSON: Yes, they do.

COUNCILMAN GOODE: What was the participation goal that was put in the RFP six years ago?

COMMISSIONER TOLSON: Six years ago we negotiated the goals -- the participation rates, I should say, with the vendors. I believe that we stated between 25 and 30.

COUNCILMAN GOODE: Within the RFP?

COMMISSIONER TOLSON: I believe so, Councilman. I would like to confirm that.

I'm being told that's correct.

COUNCILMAN GOODE: So what is the actual goal within the contract?

COMMISSIONER TOLSON: The actual participation rate?

COUNCILMAN GOODE: What's the actual goal that was put in the contract?

COMMISSIONER TOLSON: Hold one moment, please. Let me confirm that.

In the contract was 25 percent.

COUNCILMAN GOODE: And how has the participation goal changed during your tenure?

COMMISSIONER TOLSON: Our Fiscal '12 rate will be 65 percent.

COUNCILMAN GOODE: For that contract?

COMMISSIONER TOLSON: Yes.

COUNCILMAN GOODE: So subcontracting opportunities have changed?

COMMISSIONER TOLSON: That's correct.

COUNCILMAN GOODE: Is that firm currently in compliance with the City's living wage and benefits standard?

COMMISSIONER TOLSON: Yes.

4/12/11 - WHOLE - BILL 110137

DEPUTY COMMISSIONER ZACCAGNI: We'll be looking at those contracts and all of our contracts to make sure everything complies to determine what does comply, and we will be looking at those contracts in the future.

COUNCILMAN GOODE: But all of those contractors will be required to comply in Fiscal Year '12?

DEPUTY COMMISSIONER ZACCAGNI: Yes.

COUNCILMAN GOODE: Moving away from who is actually getting the contracts to some extent, I want to move to the area of what we're contracting out and why. Within your testimony it says Fiscal Year 2012 represents -- Fiscal Year 2012 request is 1,783 employees, nearly 450 positions fewer, 20 percent reduction in our workforce. That's from 2,232 in Fiscal Year 2000.

Obviously the budget has not been necessarily reduced by that amount since Fiscal Year 2000, so the question is, how has your budget changed since Fiscal Year 2000? You talk about a 20 percent reduction in workforce, but how has your actual budget changed?

COMMISSIONER TOLSON: Certainly there are some services that are no longer provided. The Department took significant cuts a few years ago, so things such as bulk collection are no longer here, mechanical cleaning.

COUNCILMAN GOODE: I'm asking actually in terms of budget dollars, how has the budget changed from Fiscal Year 2000 to Fiscal Year 2012.

DEPUTY COMMISSIONER ZACCAGNI: Councilman, what I look at, if 2000 is we had 115 million, but when you adjust that for inflation, you're closer to 150 million.

COUNCILMAN GOODE: I'm sorry?

DEPUTY COMMISSIONER ZACCAGNI: With adjusted for inflation from 2000, our General Fund budget would have been close to 150 million.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN GOODE: Then?

DEPUTY COMMISSIONER ZACCAGNI: Adjusted for inflation.

COUNCILMAN GOODE: So what is it now?

DEPUTY COMMISSIONER ZACCAGNI: The budget currently? Our request for 2012 is 120.

COUNCILMAN GOODE: Okay. So technically it went up; adjusted for inflation, it went down?

DEPUTY COMMISSIONER ZACCAGNI: Yes.

COUNCILMAN GOODE: In terms of contracting dollars, how has that changed since Fiscal Year 2000?

COMMISSIONER TOLSON: Councilman, we have to get those numbers for you. We did not prepare for that.

COUNCILMAN GOODE: Along with that information -- and I think you know where I'm going with this -- is, we're beginning to challenge what needs to be contracted out and why. Simply saying

4/12/11 - WHOLE - BILL 110137

that we reduced the workforce by 20 percent doesn't necessarily make sense to us, particularly if you have shifted some of that money toward contracting dollars and particularly for me if those contracts are with non-local firms. So the next question -- if you have that information, you can provide it; if not, provide it through the Chair -- is what percentage of contracts you have are going to non-Philadelphia firms?

COMMISSIONER TOLSON: We do have that information, sir.

DEPUTY COMMISSIONER ZACCAGNI: For our personal services contract, it breaks down about 50/50, give or take a few percentage points.

COUNCILMAN GOODE: And other contracts?

DEPUTY COMMISSIONER ZACCAGNI: Excuse me?

COUNCILMAN GOODE: Other contracts.

DEPUTY COMMISSIONER ZACCAGNI:

I don't have the information other than the personal services contracts.

COUNCILMAN GOODE: Do you know --

DEPUTY COMMISSIONER ZACCAGNI: Class 200 contracts.

COUNCILMAN GOODE: Do you know even anecdotally how much you contract out? In other words, let me ask the question. Is Waste Management a local firm?

DEPUTY COMMISSIONER ZACCAGNI: No.

COUNCILMAN GOODE: So Waste Management is not a local firm. Do you know who your second largest contract goes to?

DEPUTY COMMISSIONER ZACCAGNI: For example, for Fiscal Year '11, which we actually have the actual contracts, Servelli is one of our larger contracts for this fiscal year. That is a Philadelphia firm, and that's --

COUNCILMAN GOODE: That's not

the way we're going to do it. The way we're going to do it is, either you have a number in terms of percentage of contracts that's going to non-local firms or you don't.

DEPUTY COMMISSIONER ZACCAGNI: I'm sorry. I'm having trouble hearing you.

COUNCILMAN GOODE: Do you have a number in terms of percentage of contracting dollars that's going to non-local firms or not?

DEPUTY COMMISSIONER ZACCAGNI: Let me double-check just to make sure. I may have that.

I have the actual percentages breakdown. I don't have the actual dollar figures.

COUNCILMAN GOODE: You have the percentage --

DEPUTY COMMISSIONER ZACCAGNI: I have the number of contracts. It's about 50 percent. I don't have the actual dollar figures associated with that, but we can get that to you.

COUNCILMAN GOODE: So half the contracts are going to non-Philadelphia firms?

DEPUTY COMMISSIONER ZACCAGNI: Yes.

COUNCILMAN GOODE: And what percentage of contracts are going to disadvantaged firms?

DEPUTY COMMISSIONER ZACCAGNI: I don't have the breakdown of the specifics on the disadvantaged. I'd have to add that up for you. The participation rates are there.

COUNCILMAN GOODE: You can forward all that information.

Before this work was contracted out -- or I should ask, when did this work begin to be contracted out?

COMMISSIONER TOLSON: Comparing what we have now versus 2000, what additional work have we contracted out? We will supply that information to you.

COUNCILMAN GOODE: We don't

know any of that offhand?

COMMISSIONER TOLSON: I wouldn't know that I'd be all inclusive of specific. I don't think that there is much more that is being contracted out now that wasn't done before, but I'd rather get you the exact information.

COUNCILMAN GOODE: Because if there's a reduction of personnel by 20 percent, the dollar amount before adjusted for inflation is actually higher in terms of our spending, we don't necessarily know what we're contracting out, but we know to some extent before we're contracting out, those dollars economically were being captured locally. If the work was being done by City workers, we know those workers live within the City of Philadelphia. We know they spend within the City of Philadelphia. We know they're being employed by the City of Philadelphia. When we begin to contract out 50 percent to non-local firms, we're giving that business to non-Philadelphia businesses. They're not necessarily employing Philadelphia workers, and we don't know what dollars are captured there.

So, one, I'm not sure we've proven that we're more cost efficient yet by reducing the workforce by 20 percent. I'm not trying to debate that point yet, but if 50 percent of our contracts are going to non-Philadelphia firms, I will say that even if we were being cost efficient, which I will still challenge whether we are, economically it doesn't work, and particularly as we go through some of the larger departments in the City, when people think they're finding efficiencies, they'll also find that we're not making the right type of investments economically if we're not securing -- first of all, if we're not finding opportunities to look at whether that City work can be done by City workers. Then, two, if it's not going to be done by City workers, at least have it be done by local firms with fair opportunities for disadvantaged businesses. And to me, I take that very seriously, not just whether we're reducing the workforce or not, because at the end of the day, that's not the ultimate goal for me.

COMMISSIONER TOLSON: Yes. Thank you, Councilman. We will certainly provide the information that you requested. I think that in large, it will show that I am certainly not equating efficiency or reduction with staff so that reducing staff means efficiency. A significant portion of the reduction for our department comes in our disposal. But I will gladly share the information with you and display what I'm saying.

COUNCILMAN GOODE: And if you can prove we can do it cheaper by contracting out, then you still have to prove to me we can do it cheaper by contracting out to outside firms and it's not impacting us economically. At the end of the day, I believe it has to be impacting us economically, particularly when you go through every department the amount that they're contracting out to non-Philadelphia firms.

COMMISSIONER TOLSON: We'll supply what you asked for.

COUNCILMAN GOODE: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam President.

Good afternoon, everybody. First, getting back to the recycling, the numbers certainly have increased significantly. I think one of the things that helped is some of the folks that went out and went to community meetings and other forums and kind of educated folks, if you will. Now, I was told --

and I don't know if this is accurate -- that they were called recycling specialists or something like that. What were their terms -- or their titles? I'm sorry.

COMMISSIONER TOLSON: At one point, we did have a civil service position called a recycling specialist, yes, whose sole job was to focus on changing, improving recycling. We've had that position for probably close to 20 years. We no longer have recycling specialists. Instead what we have is just as a matter of course and policy for our department a mindset that recycling and recycling management is a part of the overall system of properly managing the waste stream. So we no longer have people who are just dedicated only to recycling and maybe not able to figure how to manage that to move it to the entire system. So we eliminated the position of recycling specialist a few years ago.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN GREENLEE: And how many were there?

COMMISSIONER TOLSON: Two or three. There were two or three and a supervisor.

COUNCILMAN GREENLEE: But they weren't the folks that went out to the meetings and all, or were they?

COMMISSIONER TOLSON: They did some meetings. However, the large part of the meetings were done by people we called ambassadors. We used part-time TANF workers as well as other staff within Sanitation to attend meetings, as well as people from the Philly Recycling Rewards program, those who were staffed at Recycle Bank and the like.

COUNCILMAN GREENLEE: Is that still being done to some extent?

COMMISSIONER TOLSON: Yes. We still attend community meetings. Absolutely.

COUNCILMAN GREENLEE: On the Bigbellys, I know they've become very popular and a lot of people request them. Are they still primarily in commercial areas or are they spread out now?

COMMISSIONER TOLSON: We have Bigbellys across the entire City, and by the time that we finish our implementation, we'll have nearly 1,400, about 1,355 of them, citywide. They are in -- they're primarily on corridors with heavy pedestrian activity. So those are largely commercial corridors. We did some work with the Commerce Department that may have dictated that some go in places where other work was being done, some streetscape work and things like that, which may not have optimized the high pedestrian, but it kind of collaborated with other work that was being done and utilizing leveraging funds that made Bigbellys available to us. But we do have a significant amount that are in communities outside of Philadelphia -- I'm sorry; outside of Center City.

COUNCILMAN GREENLEE: How about

the heavy public transportation areas where a lot of people might gather to either get on or off buses? Is that one of the considerations?

COMMISSIONER TOLSON: Certainly it is part of the consideration, but it's not for bus stops. It's not intended for that.

COUNCILMAN GREENLEE: Why?

COMMISSIONER TOLSON: So where we have hubs, there are thousands of bus stops.

COUNCILMAN GREENLEE: No; I understand. I'm just wondering the ones that are particularly heavily used, I would think that that would also be a place that people are looking to put trash.

COMMISSIONER TOLSON: Some of those -- it will align. You'll have a significant commercial corridor aligning with a major hub for buses, and there you probably will have a Bigbelly in place.

COUNCILMAN GREENLEE: Speaking

4/12/11 - WHOLE - BILL 110137

of sanitation, I know Mr. Williams and I have had conversations about the violations that are written sometimes. They were all set up within the Department? That's not in the Code exactly, the standards? Am I making sense in that question?

DEPUTY COMMISSIONER WILLIAMS: Hi. Deputy Commissioner Carlton Williams from the Streets Department.

Just to clarify, are you asking how we go about enforcing the regulations as opposed to --

COUNCILMAN GREENLEE: And determining what's a violation. You know where I'm going with it.

DEPUTY COMMISSIONER WILLIAMS: Yes. We've had several conversations, yes, sir.

COUNCILMAN GREENLEE: That's your own -- you set up those --

DEPUTY COMMISSIONER WILLIAMS: Yeah. Our procedure is set up to actually implement the Code. So how we enforce the violation is a policy matter from the Streets Department, correct.

COUNCILMAN GREENLEE: All right. I won't get into a debate on that. You know I have some issues with some of the violations, but I'll leave that go for the time being.

DEPUTY COMMISSIONER WILLIAMS: I understand.

COUNCILMAN GREENLEE: Last thing. Street lighting, particularly alley lighting, Commissioner. I know again we talked about the program. I think you have folks out there checking to see what alley lights are operating and whatever.

COMMISSIONER TOLSON: Yes.

COUNCILMAN GREENLEE: Is the goal eventually to fix those lights or was this more -- because I had heard something it might be just some dispute with PECO about how many are working and what you're paying for them and that kind of thing. Is the idea eventually to get all those lights repaired?

COMMISSIONER TOLSON: Our goal certainly is to have as many operable as possible. So there are some constraints in the system, and we are out surveying all of our alley lights and finalizing that data right now. Then we'll be going back to try to do the remedies and repairs. There may be various causes for reason why lights are out. Certainly where we can change a bulb, we can tackle that. We also have some problems with vandalism, which may make such that those lights will not operate in the future, because people will constantly put them out.

COUNCILMAN GREENLEE: And I know that's often a problem in the higher crime areas, people disable those lights in various ways.

COUNCIL PRESIDENT VERNA: Excuse me.

I know years ago we would put a screen on the bulb around the bulb area.

Why wouldn't you do that now?

COMMISSIONER TOLSON: We have a problem with people throwing rocks, but also bullets.

COUNCIL PRESIDENT VERNA: They what?

COMMISSIONER TOLSON: They shoot them out.

COUNCILMAN GREENLEE: And aren't there some cutting of wires, too? I've heard that.

COMMISSIONER TOLSON: Yes. There's lots of various damage. When people intend to disable a light, it's difficult to work around them.

COUNCILMAN GREENLEE: And I guess you don't have the numbers now, but will there be a point where you can give us numbers as far as like percentage of how many are disabled what looks like intentionally, some are just bulbs, that kind of thing?

COMMISSIONER TOLSON: Yes.

COUNCILMAN GREENLEE: Because I

think we all get a number of complaints about alley lights, and oftentimes it's in those areas, as I said, where they might be disabled that they're needed the most. So I know it's a difficult situation.

COMMISSIONER TOLSON: It's a catch 22.

We will certainly work on that. Our present focus with the survey was to understand what was on versus off, so that we can kind of manage what we're paying for the system. We don't yet have the causes or the final solutions or remedies intact, but that will come as we move through those locations.

COUNCILMAN GREENLEE: So when those guys went out, they didn't necessarily see what was wrong; they just saw whether they were on or not?

COMMISSIONER TOLSON: Yes. Because we tried to cover the entire City. So it's a very arduous task.

COUNCILMAN GREENLEE: No. I

can imagine. And I know it was difficult. That's what you and I talked about, some safety issues with going up those alleys for the workers and all that kind of thing.

COMMISSIONER TOLSON: That's correct.

COUNCILMAN GREENLEE: All right. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Commissioner, when do you think your department will be completed with the alley light study?

COMMISSIONER TOLSON: We have done the physical reviews and we're right now doing our tallies and trying to go through the data to make sure it's accurate. So very shortly we'll have a complete understanding of what's on and what's off.

COUNCIL PRESIDENT VERNA: And when do you see the problem being addressed?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER TOLSON: We're starting with our repairs -- not just starting. We're continuing with our repairs, but we're ramping up this month to march through those that we can repair easily with bulbs. As I said, we'll know that answer once we go out there, but we're marching through that beginning this month.

COUNCIL PRESIDENT VERNA: I bet there is every Councilman in here that could give you a list of what alley lights are not functioning, and perhaps that could help you and help us to let our constituents know, A, what's wrong with the alley light and, B, when will it be repaired.

COMMISSIONER TOLSON: Council President, I would certainly gladly receive your list. As I said, we've done the survey, but I will gladly receive the list in terms of who has contacted you and said this is a highlighted problem for us. So that would be helpful for us

4/12/11 - WHOLE - BILL 110137

to receive your list and the list from any Councilperson that may have one.

COUNCIL PRESIDENT VERNA: I'm sure you'll receive it now from the Councilmembers. Thank you.

The Chair recognizes Councilman Kelly.

COUNCILMAN KELLY: Thank you, Madam President.

Good afternoon.

COMMISSIONER TOLSON: Good afternoon, sir.

COUNCILMAN KELLY: I just want to follow up with alley lights for a minute. Could you tell me what the criteria is? We had a request from a constituent who is requesting repair of an alley light, and they went out there and they removed it. So I just want to know what the criteria is about removing an alley light rather than repairing it.

COMMISSIONER TOLSON: There will be occasion where we may have an unsafe situation or one that we cannot repair. Removal may come into play. So removal becomes -- that is not certainly our preference for us, but --

COUNCILMAN KELLY: But it wouldn't be replaced, in other words; it would just be removed?

COMMISSIONER TOLSON: The immediate thing to do may be to remove it until a solution can be determined. And if we have a problem like, say, with the vandalism where people are intentionally exposing wires or causing a hazard situation, then we're going to take that out of play, because we need to figure out how to stop that or thwart it.

COUNCILMAN KELLY: Do you have a list of the locations that you've removed those lights?

COMMISSIONER TOLSON: Yes. We keep a tally or a record of actions taken.

COUNCILMAN KELLY: And they are scheduled to be replaced then?

COMMISSIONER TOLSON: As soon

as we can determine how to safely reinstall.

COUNCILMAN KELLY: Okay. I just want to again thank you for taking care of a constituent request that we've made many, many months ago. In fact, I didn't want to bother your office or your staff because of the problems you were having with snow and blizzards and everything else, and finally it was 85 degrees yesterday and I'm sure most of the snow is melted by now, I guess. But I just want to say that the reason why this is important for us is because it was made by a company who employs over 600 employees paying over 1.2 million in taxes and wage taxes to the City as well as numerous other taxes, and it was so important for them just to have a painting of a crosswalk, which doesn't seem like a big deal, but for them it was a big deal for their employees. So I really appreciate your response and hoping that this will be completed very,

4/12/11 - WHOLE - BILL 110137

very soon.

COMMISSIONER TOLSON: Yes indeed.

COUNCILMAN KELLY: The other question I had was bicycle lanes. What do you plan to do -- are any more bicycle lanes planned for this year?

COMMISSIONER TOLSON: In the very near future, Councilman, I think it's been stated that we will be adding some lanes through the City. Bicycle safety is very important to us as well as use of bicycle as a mode of transportation. So to the extent that it's possible, we are encouraging safe travels for bicyclists.

COUNCILMAN KELLY: Where is the locations going to be? Is it Center City or is it going to be all over the City, bicycle lanes?

COMMISSIONER TOLSON: We have added bike lanes throughout the City. Where we have opportunity with streets that are wide enough to accommodate bicycles as well as vehicles, we've added a dedicated bike lane. We have over 200 miles of streets with bike lanes, probably an additional 40 if you look at the trails and the parks and things like that. So for a very long time, bicycles and bike lanes have been important to us. So our activity has been citywide with bike lanes.

COUNCILMAN KELLY: There seems to be some controversy over especially the Center City lanes causing some congestion and traffic problems there. Do you take that into consideration?

COMMISSIONER TOLSON: Yes, Councilman. There was certainly some discussion when probably a much larger lane was dedicated to bicycles on a couple streets in Center City allowing a significant east/west movement for bicycles on some downtown streets. Prior to those lanes being installed, however, there was significant study and analysis of what the potential impacts could be for the bicycles as well as vehicular traffic, and certainly we were concerned about negative impacts such as backups or heavy traffic as you describe.

Also, there was some contact and dialogue with neighbors in those communities to make sure --

COUNCILMAN KELLY: Do you plan on changing any of those routes at any time?

COMMISSIONER TOLSON: No. Those routes have been installed and they're working quite nicely.

COUNCILMAN KELLY: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

I know it has been touched on about employment. You know, I was stopped today by some employees saying that when it comes to striping and some other services, striping and holes in the street and all of that, that we have employees who are not able to keep their jobs, and when it's put out on bids, the charges are much higher, and you could get it done for one-third of the price by the employees you already have. Could you respond to that?

COMMISSIONER TOLSON:

Councilwoman, I think that we certainly look for opportunities to utilize our employees to the best and highest extent possible. However, when we have challenges with providing the service that's needed within our workforce, we then have to look for supplemental help. Certainly not by eliminating our employees, but by finding additional resources to support what we do.

We've done that with snow, and we certainly have, because of our inability to keep up last year with line striping, had to do it with line striping as well.

COUNCILWOMAN BLACKWELL: Obviously we want the job done first, but certainly before everything, we want to protect our City workers and the people who live and work in our City and who are the reason why we all sit here today. They pay our salaries.

So we are very serious and very concerned about that issue, because people approached me emotionally today and that is why I bring up this issue and I said I would.

I would like you to repeat for the record -- people call me several times a week on these issues. One is the Market Street repaving. Would you say when it's supposed to start again and how long that project will be?

COMMISSIONER TOLSON: I'm going to let Commissioner Buckley.

DEPUTY COMMISSIONER BUCKLEY: Hi.

COUNCILWOMAN BLACKWELL: Hi.

4/12/11 - WHOLE - BILL 110137

Thank you.

DEPUTY COMMISSIONER BUCKLEY: The contract was awarded, I believe, last week. So the contractor, NTP, is supposed to probably be in about four to six weeks. So we're expecting mid May construction will start, and the first phase will be, they will be doing some spot repairs to Market Street on the roadway surface.

COUNCILWOMAN BLACKWELL: But Market Street is supposed to be redone.

DEPUTY COMMISSIONER BUCKLEY: Correct, and the first phase we're going to be doing some spot repairs, then they're going to be doing the median, the bulb-outs and the traffic signals, and then at the very end, it will be entirely resurfaced from 46th to 63rd Street.

COUNCILWOMAN BLACKWELL: Right, 46th to 63rd. And that will be -- so it will start like May and when will it be finished?

DEPUTY COMMISSIONER BUCKLEY:

My guess is -- I can get that information for you. I would suspect the resurfacing probably wouldn't be able to be completed until next spring.

COUNCILWOMAN BLACKWELL: But it will start in May and it will keep going until it's completed?

DEPUTY COMMISSIONER BUCKLEY: Correct.

COUNCILWOMAN BLACKWELL: The other thing I'd like for the record is the issue of the 40th Street bridge.

I could be rich, Madam President, if I had money for the questions I get asked on Market Street repaving and on -- I thought SEPTA was hard, but to ask you every meeting.

And also on the 40th Street bridge, that is supposed to start -- again, it's in your testimony. Is it November?

DEPUTY COMMISSIONER BUCKLEY: It's under construction right now. The construction started in, I believe it was, March and demolition is working through probably June.

COUNCILWOMAN BLACKWELL: Okay.

COMMISSIONER TOLSON: Councilwoman, you may be referring to 41st Street. Last year we did have to discuss 40th Street bridge.

COUNCILWOMAN BLACKWELL: Well, you can mention both bridges, because I have 40th, 41st and 42nd, and one is open and you can give us the timelines on the other two.

COMMISSIONER TOLSON: So at our last Council meeting, we did have discussion about 40th Street bridge, and Deputy Commissioner Buckley has given you an update on that. And on 41st Street bridge -- because these are all coordinated. We're moving traffic from one to another. We're moving gas lines from one to another, which means we can't get them all done at one time because of how we had to stagger the work.

But 41st Street is currently in

design and we expect the notice to proceed on that December of 2012.

COUNCILWOMAN BLACKWELL: So 42nd Street is open, 41st Street you'll do -- we're already in -- so you'll start 42nd Street in November, am I correct, and then the 40th Street the year after; am I correct?

COMMISSIONER TOLSON: 41st Street I have notice to proceed in December of 2012. 40th Street is currently underway.

COUNCILWOMAN BLACKWELL: So when do we think that will be done?

DEPUTY COMMISSIONER BUCKLEY: Basically probably early 2013, at which time we will be able to start demolition on 41st Street. So basically we have to relocate utilities from 40th -- I'm sorry; from 41st to 40th before we can begin work on 41st Street.

COUNCILWOMAN BLACKWELL: So 40th is next?

DEPUTY COMMISSIONER BUCKLEY:

40th is under construction. 41st will be next.

COUNCILWOMAN BLACKWELL: They do have cranes out there. 40th Street is next, and that will be done in 2012?

COMMISSIONER TOLSON: And when that's done, 41st.

COUNCILWOMAN BLACKWELL: See, I get it all mixed up -- okay. When that's done, then you'll do the third one?

DEPUTY COMMISSIONER BUCKLEY: Correct.

COUNCILWOMAN BLACKWELL: And then before I retire, we'll have all three bridges operational.

DEPUTY COMMISSIONER BUCKLEY: Yes, ma'am.

COUNCILWOMAN BLACKWELL: All right.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Green.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN GREEN: Thank you, Madam Chair.

Good afternoon.

COMMISSIONER TOLSON: Good afternoon.

COUNCILMAN GREEN: I want to thank you and your team for the work that you do all year long.

I know this applies not just to you but to all departments. It's our job to question what's presented to us and try to improve upon it and make it better once the Administration gives us a budget. So what we are asking is an attempt to do that. And I know you appreciate the process, but I just want to make that clear. Of course, that applies to everybody.

So I've got some implementations about the -- some questions about the implementation of the dumpster bill, which passed Council in 2009. Do you know what percentage of dumpsters are in compliance with the RFID tag requirement today? And if you don't, that's fine. If you can just get the information back to the Chair.

COMMISSIONER TOLSON: I know how many licenses have been issued, but the percentage of dumpsters --

COUNCILMAN GREEN: Well, how many licenses have been issued?

COMMISSIONER TOLSON: We have over 3,000. It's about 3,130.

COUNCILMAN GREEN: Three thousand one hundred and thirty so far?

COMMISSIONER TOLSON: Yes.

COUNCILMAN GREEN: And do you know how many of those are recyclable versus regular dumpsters?

COMMISSIONER TOLSON: I know how many on private property and how many are in the right-of-way.

COUNCILMAN GREEN: That would be interesting. That would be great.

COMMISSIONER TOLSON: Twenty-seven hundred and sixty are in public property and 360 are in the public right-of-way.

COUNCILMAN GREEN: Three hundred and sixty?

COMMISSIONER TOLSON: Yes. The actual numbers are 366 and --

COUNCILMAN GREEN: Three sixty-six. In conducting a survey in preparation for implementation of the bill, my staff and some interns went around, I think it was, within a ten-block radius of City Hall, and I'm like 90 percent sure we counted over 500 in the public right-of-way just within ten blocks of City Hall. And so I'm not sure why it would be the case that we'd have that -- that number does not seem right to me. But at any rate, and that's just here versus the entire City.

Do you know how many tickets have been issued since the RFID system has gone into effect?

COMMISSIONER TOLSON: In Fiscal '11, 9,659.

COUNCILMAN GREEN: And how does

that compare with --

COMMISSIONER TOLSON: Issued and paid.

COUNCILMAN GREEN: Issued and paid. And how many -- so what's the collection rate on these violations in terms of the percentage collected?

COMMISSIONER TOLSON: That information I'd have to get from OAR, but I will gladly get that for you.

COUNCILMAN GREEN: So how many were issued and not paid?

COMMISSIONER TOLSON: I will get that as well from OAR.

COUNCILMAN GREEN: That's fine. The reason I'm asking this is because of the collection rate under the old system was 24 percent of all violations issued, and one of the intended effects of this was to increase compliance and increase our ability to collect fees and fines. So I'm just curious how that's working, if it's working as intended.

The implementation of this,

4/12/11 - WHOLE - BILL 110137

there was great collaboration, I must say, between the Streets Department and L&I and the Managing Director's Office and the Bureau of Adjustment and Adjudication. They put together a working group of people who organized the dumpster bill implementation and it consisted of basically supervisors from all the departments. In the original implementation it was contemplated even in my discussions with the Administration that we would have the SWEEPs officer issue the ticket and then have the ticket electronically go right to the BAA for sending out. Unfortunately what happened is, supervisors in Streets look at an electronic ticket, supervisors in other places look at it and then it goes to BAA. So we went from what would have been a one to two-step process to issue a ticket to a three or four-step process. That is better than the eight-step process that existed prior to your RFID tag, but I'm wondering if you're looking at streamlining that any further in the next year, if that's something you would look at.

COMMISSIONER TOLSON: Councilman, let me just clarify one thing, and certainly Deputy Commissioner Williams can add to what I'm saying.

The process for the ticketing and the use of handhelds allows that once tickets are written by an officer, they go directly to BAA. However, because of a system that we built in kind of like a screen or a filter, any that may have a problem -- let's say a ticket is written, I'll make up an example, a ticket is written for a litter basket and there's no name on it. Well, you can't issue that type of ticket. That goes to a file that we call kind of data not processable, and those are the tickets that then are reviewed by the supervisors. So the supervisors don't review all the tickets. They only review those that are going to be problematic.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN GREEN: That's terrific. So my question really related to dumpsters' RFID tags only. So what you're saying is -- Chris Rupe, who serves on my staff, was part of the implementation team and worked with everybody, and the way it was reported back to us is, there were still going to be supervisors in between the SWEEPs officer and the BAA. What you're telling me is in the actual implementation, that is not correct.

DEPUTY COMMISSIONER WILLIAMS: That's correct, Councilman. When we met with OAR, when we put the implementation of the handhelds in, one of the problems that caused the backlog in their system is that when they get violations that don't have all the information related to it, it goes into the system, creates a backlog, but you can never send it to anybody.

COUNCILMAN GREEN: Which doesn't exist for RFID tags.

4/12/11 - WHOLE - BILL 110137

DEPUTY COMMISSIONER WILLIAMS: That's correct, because we already have the information already.

COUNCILMAN GREEN: That is fabulous. Thank you very much. I've been using this as an example as how we can make government even more efficient just through a simple change. And I've been wrong for a couple months. So I'm glad we straightened that up, and I'm very pleased to hear that that is the process. And I make the point everywhere I go that it's just one small example of the elimination of paper-based processes that can reduce the cost and size of government over time. That is one simple thing where we issued thousands of tickets even so far this year that used to require eight City employees to touch it that now, based on your testimony, requires two City employees to touch it. And we have thousands and thousands of more forms and papers and tickets and other things that we can do these small kind of changes to through the implementation of technology and save us a lot of money. So I want to congratulate you then and thank you for that work, and look forward to the rest of the data you have on that.

We've heard from several people about issues related to contracted services for snow removal, and specifically the concern is that contractors are being called in at midnight and paid to wait until the snow comes, when City employees are not called in until the snow actually starts hitting the ground like 4:00, 5:00, 6:00 a.m., et cetera.

Can you just tell me what your policy is and whether or not you believe that to be the case. It's anecdotal to us, so I'd just be curious as to, once and for all, where that stands.

COMMISSIONER TOLSON: Yes. Thank you. Relative to snow, contractors are used to supplement City forces

4/12/11 - WHOLE - BILL 110137

because we don't have sufficient equipment to cover the numerous miles of streets that we have to tackle the City, particularly now that we also do residential streets. We require equipment from as large as tractor-trailers to tri-axles to as small as small pickups and small front-end loaders.

Contractors are called in always to supplement City forces. They are never used or never called in in advance of City forces. We will call -- we will make the phone call to bring contractors in, because we have to give them some advanced notice, but they will never be arriving prior to the time that we also told our own forces or City forces to come in. And when I say "our own," I mean Streets Department as well as the 400 employees who come from other departments, Water and Fairmount Park and Parks and Recreation, L&I and the like. So in all cases, vendors will work

4/12/11 - WHOLE - BILL 110137

alongside City forces to tackle snow removal.

You may have a case where City forces that may be assigned to residential snow operations are not called in because of the quantity of the snow and we may not have need for them and we are using contractors on large primary and secondary streets, but it would not be the case where -- but even in that case, I should say, there will be City forces that are working the large primary and secondary streets. But it will not be the case ever where we have contractors out working and we don't have City forces working as well.

COUNCILMAN GREEN: Well, I mean, I just wonder if we could take one of the snowstorms last year at random, maybe the middle-sized snowstorm, whatever we had, and take a look at when we actually called people in and what the process was. I'm just curious to see how that happened, because obviously we're clearly hearing from DC33 and others that they're not called in until, say, 6:00 in the morning, when contractors have been on since midnight. And obviously our own workforce, it's our belief, is going to be cheaper than contracted out. And I'll just let it go at that, because I'm confident Councilman Jones and others may have questions in this regard.

So my last question is, last year -- every year I ask departments about new and unfilled positions, and I just note in your budget in two departments, in Traffic Engineering where there are eight vacancies and in General Support where there are nine long-term vacancies, between those two areas there's only a $50,000 vacancy allowance in your budget. In Traffic Engineering it implies that all eight positions will be filled for the entire -- all eight currently vacant positions will be filled for the entire fiscal year starting July 1st, 2011 ending June 30th, 2012. Is that likely to be the case?

COMMISSIONER TOLSON:
Councilman, no. The way our budget is structured and the way we operate, we do seasonal staffing up and we allow attrition to occur. So we don't have the budget to support the number of personnel that may be our maximum number of personnel year round, because we allow during certain seasons the numbers to go up and then to come down.

So, for example, the budget here, there's a reference to December '10 increment run. Our numbers are fairly low on that, but then when springtime comes, we will then hire up, start bringing back more people -- I shouldn't say bring back. We'll institute more hirings and raise our level of staffing. We'll have a very high number of staffing through the summer, and then in the fall and through the winter again, we'll let it drop down some. That's a reflection of the amount of work that we have in terms of what we face throughout the year. It does vary. It's cyclical, and we let our staffing follow that.

COUNCILMAN GREEN: Right. With respect to Traffic Engineering, do you have seasonal workers?

COMMISSIONER TOLSON: No. We don't have seasonal workers anywhere. What we do is, we allow attrition to occur, and then we --

COUNCILMAN GREEN: So in Traffic Engineering, what did you actually spend in dollars last year in Class 100?

COMMISSIONER TOLSON: In Traffic Engineering how much did we spend?

COUNCILMAN GREEN: Not what was budgeted, but what did you actually...

COMMISSIONER TOLSON: Give me one second, Councilman. I'll look in our budget.

COUNCILMAN GREEN: In other words, it's my premise that there should be a vacancy allowance for that Traffic Engineering Division, because you will not have all eight vacant positions unfilled the entire year.

DEPUTY COMMISSIONER ZACCAGNI: Excuse me, Councilman. You said that there was a $50,000 vacancy allowance?

COUNCILMAN GREEN: That's in General Support.

DEPUTY COMMISSIONER ZACCAGNI: In Traffic, there's --

COUNCILMAN GREEN: Zero.

DEPUTY COMMISSIONER ZACCAGNI: Zero. The vacancy allowance is actually what we take off the entire amount that we plan to spend. It's not to fund those nine positions.

COUNCILMAN GREEN: I understand. So in Traffic Engineering, shouldn't there be a vacancy allowance because it's not likely that the eight positions that are budgeted will be filled the entire year?

DEPUTY COMMISSIONER ZACCAGNI:

Actually, this year the reason that doesn't show vacancy allowance is because some of the ARRA funding that we will be getting in will offset what we would normally see in the vacancy allowance. But you are correct that in each division from year to year, we have to let our numbers float a bit in order to meet our budget. So we may have a vacancy that occurs -- it's easier obviously in the larger divisions.

COUNCILMAN GREEN: Right, but you have eight vacant positions now.

DEPUTY COMMISSIONER ZACCAGNI: Right.

COUNCILMAN GREEN: And you have no vacancy allowance.

DEPUTY COMMISSIONER ZACCAGNI: The vacancy allowance is a planned number that we place into the budget to account for the fact that we don't have, as you said, the additional monies to cover all 86 positions in the division.

COUNCILMAN GREEN: Well, that's

not -- the Budget Office and I would say the vacancy allowance is to reflect the fact that you won't be at 100 percent of the positions requested during the course of the year, right? I see it from your perspective, but if you're going to have vacancies in Traffic Engineering, there should be a vacancy allowance.

Ms. Rhynhart.

MS. RHYNHART: Hi. If there's a vacancy allowance, then the total funding would go down for full-time positions, right. I mean --

COUNCILMAN GREEN: Either reduce the number of full-time positions to reflect what the hiring will be or have an accurate vacancy allowance to take into account the fact that some of the eight positions will be vacant for some portion of the year. In other words, it looks to me like we could cut Class 100 in Traffic Engineering without impacting your operations, because you have eight vacant positions and you're not likely to have them filled for the entire 12 months.

MS. RHYNHART: I see your point. I think there's often an increase -- I see your point. There's often an increase in overtime that if there was a -- in general, because I know you've asked this of an earlier department, that in Class 100 if full-time positions were hired, the money would move from overtime to salaries, but I see your point. I think one thing with Streets in general and not just on Traffic Engineering is that they have had snow overtime, which is a big expense.

COUNCILMAN GREEN: Yes. And other divisions have appropriate vacancy allowances. I just think every division needs one if they're going to have vacancies. So if you could get back to the Chair about what you think the appropriate vacancy allowance is for Traffic Engineering, I'd appreciate that.

MS. RHYNHART: We can get that

4/12/11 - WHOLE - BILL 110137

to you.

COUNCILMAN GREEN: Thank you. I mean, it could be $100,000 that we could spend on a rec center or keeping the pools open another week, something like that.

Okay. I think I made my point. I have the same question for General Support, and I don't think 50,000 is an appropriate vacancy allowance for that department given the fact that there are nine long-term vacancies in that department and they won't be filled for the entire 12 months. So if you could revise that number and get it to the Chair, I'd appreciate it.

COMMISSIONER TOLSON: Yes.

COUNCILMAN GREEN: Thank you very much, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Clarke, if he's in the room.

(No response.)

4/12/11 - WHOLE - BILL 110137

COUNCIL PRESIDENT VERNA: I don't see him. The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

Good afternoon.

COMMISSIONER TOLSON: Good afternoon, sir.

COUNCILMAN JONES: Commissioner Tolson and your Deputies have been wonderful. I want to say that on the record. This is the year of budgeting where I lead with positive reinforcement first and then questions second. But I want to say that during the two snow events that we had, we had a good working relationship with you guys and were able to deal with some of the issues that we had in the 4th Councilmanic District. Always responsive. Even if the answer wasn't absolutely yes, it was always absolutely an answer, and sometimes that at least allows us to get back to constituents in that regard.

One of the things that was raised by my colleague -- and I thank him, Councilman Goode -- was that we are looking at a cost-benefit analysis as it relates to how we contract out and when we contract out, with an eye towards dispelling the myth that instant privatization, instant outsourcing actually means savings.

I told some people in prior testimony that today I'm from Missouri, Missouri, Philadelphia, Missouri Street in Philadelphia, which is show me. I want to start to look at whether or not some of these companies that in the past have come in and what they do in the private sector is under price the product in order to drive out competition and then bring that product slowly up and so that we are held captive.

So what I want to do -- and I mentioned this to you before -- is start to look at that process when it comes to outsourcing and contracting out to see if in fact we are getting value, to see if taxpayers are getting their monies worth. As we look at a shrinking workforce that has been downsized over time, whether or not it is better to just hire someone to do a recurring activity, job and/or service. So we're looking at that and wanted to get your thoughts on that and whether there was an analysis as to what we were doing in areas of snow removal and other big-ticket areas, whether it's street maintenance and, what is that, lining of the -- painting of the streets, for example, as a perfect example of whether or not it is cost effective to outsource.

COMMISSIONER TOLSON: Yes. Thank you, Councilman, and I thank you for your opening statements, and now I'll try to deal with the issues.

COUNCILMAN JONES: And they were sincere.

COMMISSIONER TOLSON: I appreciate that.

We have looked at specifically on snow, to answer your question, looked at the value and impacts of snow contracting. As I mentioned earlier, the intent of using contractors to supplement the City workforce and City equipment. Because of our limitations of equipment, we have to hire out contractors who bring anywhere from small front-end loaders and pippins to large tri-axles or tractors, and we hire them by the hour to work with our staff.

If we were to be desirous of having all that we contract out for specifically when we need to contract out for it, if we were to look at hiring that same staff and then also bringing in that same equipment, there would be significant costs to the City. Projected annual salary for salary and benefits for 160 to 260 employees would be anywhere between $12 million and $22 million per year. The same capital investment to go along with that would be $18 to $28 million per year to buy the equipment and the trucks that I mentioned.

Over the last five years, we've averaged $4 million a year for snow contractors. So that's a 4 million comparison to the much larger number as an annual cost. We only use the contractors when we expect to have snow of significant levels to help us. We don't call them in for every snowfall that we have. Unfortunately we've had a lot of snowfalls in the last two years.

COUNCILMAN JONES: Yes, we have.

COMMISSIONER TOLSON: But there's also been years when we've had nearly none, so the contract community did not receive much work from us.

COUNCILMAN JONES: If I could interject a question. I understand purchasing equipment is an up-front capital cost that may be cost prohibitive. What is the idea behind leasing or renting, and have we done those analysis as well?

COMMISSIONER TOLSON: Fleet Management is heavily involved in analysis of looking at opportunities to lease equipment. I think there's some movement on that with Council's help to do more to purchase equipment, but still there's limitations in terms of the quantity of materials, vehicles, that can be purchased within that. And I would think that an investment of $28 million for Streets Department to support snow would be a real challenge, but that's what it would take for us.

Now, as I mentioned, $4 million per year has been our actual cost, and contractors are a significant cost during snow operations. It's probably our largest cost area when we have to call in contractors. Over the last five years, we've called out contractors about nine times and we've had 50 events, but nine times we called in contractors.

We also looked at the

opportunities that could be gained if we were to have the staff and the equipment year round. We're not just looking at just the value during snow time, what would be the value and impact during off season. Off season we could have additional paving done and probably could get 60 miles of paving done, but then we'd also need another $6 million in asphalt to support those paving crews. So in addition to the cost of the staff, the cost of equipment, we then would have additional material costs to support the crews that we would then have.

We need to purchase additional pavers, which we don't using during snow, but are needed in order to support the paving crews, and those would be an additional $1.2 million.

We could also take care of having additional pothole crews on the street, but we're already meeting the goals that we have of response in less than ten days. And I should also mention that there's, along with the paving, that there is a need to have handicap ramps to go along with the work that's done on the paving, and that is probably an additional $10 to $15 million.

COUNCILMAN JONES: I appreciate your --

COMMISSIONER TOLSON: I'm sorry. I said 10 to 15. It's $26 million.

COUNCILMAN JONES: I less appreciate --

COMMISSIONER TOLSON: I forgot to add my 10 and 15 together. I'm sorry.

COUNCILMAN JONES: I appreciate your at least attempt at review as you see it by way of what the short-term, long-term benefits of contracting out versus keeping a staff and equipment on hand. What I'd like to do is take that look at each of the major food groups within the department. I want to get maybe the help of the Private Sector Round Table, Initiative, Task Force, whatever they call it, Bill, to look at these issues, along with a representation of labor, so that we're comparing apples to apples, oranges to oranges, and really go down some of our big food groups and put our heads together to see if there's some suggestions, added information maybe that we're overlooking to look at that. That's the intent of that bill, to kind of scrutinize where in categories that from time to time we need to go back to the analysis.

We don't know what impacts energy have on things, what the cost of gas going from -- I guess it's the same gas that you buy whether you contract out or contract in, but I want to take a look at what happens with the cost of asphalt, for example, which is a derivative of gas, what does that mean to our bottom line. We really need to start looking at that by way of labor, by way of contracting out, by way of materials so that we can get the best combination of things and constantly look at it. It does nothing -- if nothing else, it keeps the people that benefit from that contracting out pencils sharp, because they know we're looking. They know we care. They want -- we know we want the cost contained.

That is not to say that you don't do that, and I know from my procurement days that departments keenly aware of budget constraints do that. But I want us to kind of uniformly move to a point where we periodically do that to see what's in the best benefit of workforce and to make sure that we don't over time get gouged by contractors that know that because we've laid off, downsized that department, that they can begin to ratchet up the price.

So that's the intent of it. The devil is in the details, obviously. I want to get us all at a table from time to time, and not slow down the contracting process but at least sharpen our pencils, and that's the intent of the legislation.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam President.

You're making me hungry with all the food group conversation.

COUNCILMAN JONES: It's that time of day.

COUNCILMAN KENNEY: Yeah.

First of all, I'd like to say that I think overall your department does a really good job with all the tasks that are assigned to it. I know the snow removal stuff really becomes a major issue, because everyone has, I think, somewhat greater expectations than are possible when it comes to snow removal. It's kind of the Cat in the Hat syndrome where all the snow goes back into the cat's hat magically, which we know doesn't happen.

But I think in every area that you deal with, I really do admire the work that you do, and you have really good people working for you and you're responsive. So thank you for that.

Let me just go for a minute to snow removal. And maybe it's a good day to have it, because it's raining, it's not snowing and we're getting into the spring and summer.

Have we looked at either the lease or purchase of various types of equipment that would deal with what I think our major problem with snow removal is and that we really don't remove it. We push it. And in some areas of the City, pushing it works, and in some areas of the City, pushing it sometimes makes it worse, especially on little streets and especially in areas where there are storm drain inlets, because a lot of times you notice in very large snow events, if we don't get to those intersections and inlets in enough time, we have what's called a partial thaw, then freeze, and then the water really has nowhere to go.

In Boston, I think in Chicago, there are these vehicles called Snow Dragons, which I'm sure you've seen them, that are as long as a tractor-trailer, and they're not cheap, but they have heating elements inside, so that instead of pushing the snow in areas like Manayunk and in East Falls and Mount Airy and Oak Lane where streets aren't necessarily in perfect square intersections, where snow could be lifted and placed in the Snow Dragon, melted and allowed to go down the storm drain. I don't think it works for every neighborhood and I don't think it's something we can necessarily immediately do in every neighborhood in the City, but have we talked about different ways in lifting and taking away and melting as opposed to pushing?

COMMISSIONER TOLSON: Yes. Thank you for that question, Councilman. It's an excellent question. You probably would be amazed how much we talk about options, opportunities, change in technology with regard to snow and actually with all of our services. We as a department are not ever satisfied with where we are and how well we've done. We're always looking to do it better and faster. That means look at the equipment and types of equipment we use, whether it be a melter or even blowers. We're not necessarily satisfied with just pushing it, as you call it, or plowing. Removal would be ideal.

In Philadelphia, we have some challenges with regard to the configuration of our streets. A significant amount of one-way streets is part of a challenge, a large number of very narrow streets. We probably have over a thousand miles of streets that are under 18 feet and with parking on one side. So when you combine that with parking and in snow, it's a real challenge. And probably another of that, more than 500 miles that are probably under 14 feet or 13 feet with parking as well.

So we continue to look at the equipment issue, what's out there that could be a better use for us, as well as policy, and that's something that we probably will have to look to Council to offer some assistance and commentary upon. But we have not taken away the notion or forsaken the notion of being able to remove more and more frequently.

I recently was in Montreal and I met with the snow managers for that city. They average 90 inches of snow a year. And you'll remember last year, we had almost 80 ourselves. Their 90 inches of snow, they regularly remove the snow. Everything over five inches of snow, they remove it from the streets. And I just

4/12/11 - WHOLE - BILL 110137

sat amazed and I was humbled by that notion. I felt that I was sitting in front of greatness, the fact that they would remove snow after five inches, and they did it in less than a week across the entire city.

As I had that discussion with them, I certainly was also digging into the facts, understanding, well, how did they do that. Their budget of $136 million for just snow is how they can do that. They take snow very seriously. Obviously they're a northern city, they get snow regularly, they can depend upon that, but that's what it takes in order to be able to remove snow, because removal is a slower process, you don't move as fast as plowing. And I think that what we have done is to just try to be effective to allow people to navigate the streets safely. It hasn't always been pretty, you know, picking it up and moving it elsewhere.

COUNCILMAN KENNEY: One of

the --

COMMISSIONER TOLSON: We will continue to look at our options there, because we haven't given up on opportunities there to do a better job.

COUNCILMAN KENNEY: One of the complaints that we've been hearing relative to neighborhoods that don't have a typical grid is that the -- what kind of coordination do we do with SEPTA in kind of prioritizing their routes? Because I think the key to moving around the first few days of a snow event is probably transit. I mean, obviously the subway and the El really never stop. What do we do about bus routes? Because we were getting complaints that some bus routes were still tundra-like even ten days after a snowstorm. Do we coordinate with SEPTA to try to get the priority routes cleared first, even if they're running through a neighborhood?

COMMISSIONER TOLSON: Yes. We work very closely with SEPTA, and that relationship has improved greatly. Deputy Commissioner Buckley has a regular contact there during snowstorms. We share regular reports, and what we expect of SEPTA is to give us direction with regard to their priority routes and locations of their problems. So we're now at the point in the midst of snowstorms, our dialogue goes like this, What's the important route?

Okay. Let's say Route 15 is important.

Where exactly is the problem?

Well, we got a turnabout at this location. Snow piles or dumping in the street doesn't allow us to properly turn a corner or to navigate at that point, which is shutting down an entire route. City, work with us.

So we can then work very closely with them. So not only are they in the EOC, Emergency Operations Center, looking at overall City issues, but they're also working very closely with us as a department to tackle their specific concerns and needs.

COUNCILMAN KENNEY: I guess what I'd like to suggest if it's possible -- and you can tell me we can talk later whether it's not -- sometime in July when it's 90, could we maybe have a couple days of discussion about the upcoming season, the snow removal, with maybe some Council staff so they understand what your constraints are, and maybe there's some ideas or folks we could bring in to kind of -- I assume after each event, you debrief and talk about where the complaints are and what didn't get done or what you would like to have done. I really would like to understand your thought process in attacking these events, and I think to do it when it's 90 is better to do it than right afterwards, because everybody is freaking out about something. So if you would be willing to do that sometime in the summer when it's a little -- I guess it's a little slower generally, would that be something you'd be interested in doing?

COMMISSIONER TOLSON: Absolutely, Councilman.

COUNCILMAN KENNEY: Okay. Great. And in general, I think you guys do a really good job.

The other thing I do is, I see you out in the neighborhood all the time, block captains events, community events, community meetings. Carlton is out. He's always all over the place, and so are you. And it's really -- you're doing a really good job, and I appreciate all your efforts.

Thanks.

COMMISSIONER TOLSON: On behalf of the Department, I thank you.

COUNCILWOMAN TASCO: The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair.

I too want to join in with my

colleagues and thank the Department for all of your hard work and collaboration. When I started three years ago, I had the largest litter index, and I still have some of them, but I've seen the mass improvement, and I really want to thank you both on the recycling and on the trash removal end.

Over the last couple weeks with the Mayor's cleanup, I had an opportunity to witness some of the hard-working folks from the Department around the tracks, and I want to acknowledge that through your coordination, Conrail stepped up to the plate a little bit. They only brought in like 20 folks. They could have had 100 folks and we wouldn't have cleaned up all those tracks, but the fact that they were out there with your folks was very important and, for the community, very symbolic, because I got screamed at a little bit and -- people were happy that we were there, upset it took us so long to get there, but they were happy that we were. You know how this is. It could be thankless sometimes.

But one of the things that I continue to see is some of the short dumping. So I just want to get kind of an update as to where we are with the persistently problematic dumping sites and our ability to move the cameras around. I was very encouraged by Mr. Conway when we put the camera temporarily around 2nd and Bristol and the fact that we were able to catch people and that they weren't from the neighborhood, they were people coming from outside. Where are we with that?

COMMISSIONER TOLSON: We project that we'll collect about 20,000 tons of illegal dumping this year, which is certainly an unfortunate number, because the cost of doing that, certainly we would love to spend it on other things, but it costs about $1.6 million to tackle illegal dumping.

4/12/11 - WHOLE - BILL 110137

We do work with Tom Conway in Neighborhood Services, sometimes with Police to try to address not just the remediation but the enforcement and also the deterrent of having people out there.

But we continue to work on cleaning around the City. We continue with our education efforts. We've done a great deal of work with our campaign. The "UnLitter Us" campaign has been very successful. People understand it, they get it. Whether they're 8 or 80, they get it. And the notion of cleaning up is starting to catch on. It's a vision of the Mayor to clean our city up, and people are beginning to understand that in a different way. They understand that it means that individual behavior is necessary in order to make it happen, not just having it as a theme or a big-screen vision.

But we continue to work with those organizations and certainly, as you mention, with people who want to be good stewards in their own communities and just step out and do their part.

The Philly Spring Cleanup is bigger and bigger each year. This year we had 252 project sites and 12,500 volunteers. That's an amazing factoid. We removed over 1.2 million pounds of trash and almost 150,000 pounds of recycling and 1,100 blocks were cleaned.

We continue to increase those community partnerships. We are encouraging neighborhood organizations and individuals who want to clean up and then have the City pick up afterwards, we encourage them to continue that work. At times we're able to offer supplies. We do whatever is necessary to try to collaborate, all with the goal of getting the City cleaner. And it is somewhat cleaner, but we have a long ways to go. We want all areas of the City to be relatively clean, and we're getting there, but it does take time.

COUNCILWOMAN SANCHEZ: As it

relates to the cameras, how are we doing with those? Have they really helped? I mean, I know people always request them, particularly in chronic dumping sites.

COMMISSIONER TOLSON: I believe that Mr. Conway presently has ten cameras. He's had them out for a couple of years, and more than 60 tickets have been issued from that.

COUNCILWOMAN SANCHEZ: As it relates -- I know we do the annual Tire Up. That's another area where I continue to see many tires. Is there any way we can expand that program? I really believe that we have to figure out -- I mean, it costs us so much money to remove them. Is there any way that we can expand on the Tire Up program?

COMMISSIONER TOLSON: One of the things that we're looking at now is more ways to control tires once they're received from vendors who are charging to receive the tires. Not all the tires that are dumped are being -- most tires that are dumped are not coming from citizens who have one or two tires in their garage or their basement and getting rid of it. Nowadays people when they get a tire change, they leave the tire behind, and what we're seeing is wholesale dumping of tires that have been paid for relative to their proper disposal.

So we are considering regulations or legislation to try to help manage the tire disposal process so that we can better understand who is receiving tires and where they are disposing of them to make sure they're properly disposed of.

COUNCILWOMAN SANCHEZ: That's encouraging, because I do think that we have to -- these businesses that are getting paid for receiving these tires who then dump them, we need to figure out a way of tracking them. If someone is in that business, we should be able to see by who they're paying for the dumping whether they are in fact cooperating or not.

I have about 150 at least small auto places, and I'm just seeing an uptick, and obviously you've seen the uptick, and I'm just wondering what else we can do. I know other than that one annual Tire Up -- how many do we collect during that Tire Up program?

COMMISSIONER TOLSON: One second, Councilwoman.

Councilwoman, we'll get you that exact number later.

COUNCILWOMAN SANCHEZ: So I'd be interested in looking at how we do that, and maybe we can do it in a zone and maybe we do as part of some of the work that we're doing with the PSAs or something, but I'd like for us to kind of tackle that and figure it out. Part of having a safe neighborhood is having a clean neighborhood, and all the stuff kind of piles up, but I'm interested in really tackling the tire next.

We've asked and we'll continue to ask people to be better, and obviously now that we have a lot more trash cans, Commissioner Williams, but I'm very concerned about this tire situation that I see more and more, and as the spring comes up -- I've seen it and your guys were out there in the April cleanup. I saw them remove like 300 tires from a small geographic area. It was just -- it was very concerning to me.

So I just think we need to figure out if it's more cost beneficial for us to do some more preventive stuff by expanding some of the Tire Up stuff. So I'd be interested in working at that. Again, if we can maybe tie it into a PSA that we're working on, maybe that becomes a kind of pilot to see if it's more cost effective. But I'm tired of the tires.

Thank you. Thank you, Commissioner.

COMMISSIONER TOLSON: Thank you.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam Chair.

I neglected to say when I spoke earlier to thank our Commissioner Tolson, to thank Deputy Commissioner Carlton Williams and Stephen Buckley for all that we ask you to do, all that you do, for all the affairs, from the Town Watch to our block captains and for all the things that you do and for always being on call when we reach out to you. We do appreciate it. I neglected to say that, but we do say thank you.

COMMISSIONER TOLSON: It's our honor to support you all.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: The Chair

recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Actually, I was going to say similar things. First, I forgot to thank you for all the positive work you do in the City. Obviously the snow removal, but everything else. So I appreciate it. Even though Carlton and I disagree on that one issue.

But one more thing on alley lights, and I guess a real basic question. What funding do we have for that, for repairing alley lights? What money do we have for that?

COMMISSIONER TOLSON: We're using our operating funds, Councilman, to tackle the problems that we have with the alley lights.

COUNCILMAN GREENLEE: And any money that's been targeted for that? I mean, how much?

COMMISSIONER TOLSON: No specific funding. We simply are using resources that we have.

COUNCILMAN GREENLEE: Just what we can? Okay. All right. Thank you.

Thank you.

COUNCILWOMAN TASCO: Well, that's it. Thank you so much for all the good work you do. I appreciate your support in the 9th Councilmanic District and your quick response to calls when we make them, and we're just looking forward to the driveway legislation. Thank you very much.

COMMISSIONER TOLSON: Thank you.

MR. McPHERSON: Our next department is the Water Department.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good afternoon.

COMMISSIONER NEUKRUG: Good afternoon.

COUNCILWOMAN TASCO: Would you state your name for the record, please, and begin your testimony.

COMMISSIONER NEUKRUG: Yes. Good afternoon. My name is Howard Neukrug and I am the Water Commissioner testifying on behalf of the Philadelphia Water Department's FY 2012 Operating Budget request.

I'd like to just start, Councilwoman, with just recognizing all the people here from the Philadelphia Water Department. If you can raise your hands.

(Members of audience raise hands.)

COMMISSIONER NEUKRUG: I'm the new Water Commissioner. I've been here for two months, and the people behind me are people who have been really valuable to providing support and putting together this testimony.

As a new Water Commissioner, I will continue the utility's commitment to providing the highest level of service to the citizens of Philadelphia, ensuring that Philadelphia's drinking water meets and surpasses all state and federal quality standards, that we continue to treat the City's wastewater to award-winning levels, we protect and enhance our rivers, streams and watersheds and we control costs to keep rates affordable to all of our customers.

I am pleased to report that despite the current economic climate, the Water Department remains fiscally strong. Our history as an industry leader is recognized nationally by our peer utilities and regulatory agencies and on Wall Street, where all three major rating agencies consider us a Grade A range investment.

We look forward to the new fiscal year knowing that challenges will likely remain due to the combined impacts of the economy, the environment and rising costs. Our customer base is not growing, while operating, capital and pension costs are rising. Therefore, the

4/12/11 - WHOLE - BILL 110137

Water Department has aggressively taken to charging to do more, better and more efficiently with less.

Our proposed budget for Fiscal Year 2012 is augmented by an additional set of funds for the Water Fund activities, which include the Water Revenue Bureau, debt service, employee fringe benefits and central agency support, for a total Water Fund budget of $655.2 million. This is $27 million higher than our Fiscal 2011 budget. Over half this increase, $15 million, comes solely from the increased pension costs.

Because of the challenges ahead, our goal has to become America's model 21st century urban water utility, a utility that fully meets the complex responsibilities and opportunities of our time. We aim to strike a balance between our many mandates, our fiscal responsibilities and our mission to bring the utmost value and service to our communities.

4/12/11 - WHOLE - BILL 110137

As we take on new processes, solutions and partnerships to meet our regulatory mandates in a cost-effective, sustainable approach, we are emphasizing our commitments to environmental integrity, green infrastructure design and community enrichment. We call our program "Green City, Clean Water" and is supported by the efforts of other City agencies and the Mayor's Greenworks initiative.

We are rehabbing streams, parks and streets and working with government and community partners to create economic and functional synergies, while reducing the overflows of stormwater and sewage into our rivers and streams. We are reaching out to many communities, our staff, contractors, institutions, landowners, homeowners, businesses and other partners so that everyone may fully participate in the opportunities presented by these new approaches. We look forward to continuing our collaboration with you on these projects.

We also recognize that learning is mutual. We are committed to listening to and responding to the concerns of our customers and our City leaders and improving our processes as we do so. For example, we have listened to the concerns of our customers who have been most negatively impacted by the recent changes to our stormwater fee structure. We are in the process of preparing a stronger program to support these most aggrieved customers. We look forward to follow-up meetings with both City Council and our customers to describe our new thinking.

As an immediate action, I would like to request that our Fiscal Year 2012 budget be increased by $5 million so we may be able to further support costs for stormwater management on properties highly impacted by the new fees. This request is supported by the Administration.

In addition, we are in the

process of forming a new Customer Advisory Committee that will represent a diversity of interests and concerns about the stormwater fee. Our goal is to allow an informed and engaged customer group to make recommendations on potential rate relief options, revisions to our current credit regulations and other issues that customers have brought to our attention.

Despite what it seemed like at times, this past winter the Department's programs to limit main breaks and water losses remain strong and our overall rate of pipe breakage is well below the national average. We remain an industry leader in the science technology of water system loss control, and we also continue our positive trend in reducing non-revenue water. Last year we surveyed over 1,100 miles of pipe for leaks and abated over one and a half million dollars in water leakage.

Our energy management portfolio now includes a new 250 kilowatt solar project at the Southeast Wastewater Pollution Control Plant. We have a ribbon cutting on April 25th, and all City Council is invited to attend. We next plan to install a five megawatt solar electric system at Baxter and a 5.6 megawatt biogas cogeneration project for Northeast Philadelphia at the Northeast Wastewater Treatment Plant.

Our Water Department-Synagro project to create Class A biosolids remains a positive and strong program, providing significant cost savings that exceed initial projections, a cleaner environment and no reductions in our most valuable resource, our employees.

Finally, the Water Department is committed to supporting the Administration's goal of 25 percent minority, women and disabled-owned businesses participation in City contracting. The Water Department FY12 participation goal is 25 percent.

In closing, I would like to

4/12/11 - WHOLE - BILL 110137

take a moment to recognize the Water Department's dedicated professional staff, many of whom hold leadership positions in our industry's professional organizations where the culture and the environment on business ethics of our industry is cultivated, and the many others who serve as advisors to the region's top environmental and regulatory bodies, as well as those who contribute to the body of international scientific and technical literature. It is because of these professionals that PWD is recognized as among the best and the most innovative utilities in the world.

Finally, I would like to recognize the more than 1,600 union-represented employees of the Department, the folks that you see making emergency repairs night or day to our water mains and sewers, cleaning and clearing storm drains to prevent flooding, removing debris from our rivers and streams, and those who working behind the scenes ensure that our water and wastewater treatment facilities perform at their highest and best performance levels.

These are the real heroes of our department and these are the real heroes of our city.

I look forward to a continued strong partnership with City Council, and at this time be happy to answer questions.

COUNCILWOMAN TASCO: Thank you very much.

Commissioner, on Page 2 of your testimony, you mention that you will need $2.3 million for a new rate study and conduct a rate case. When do you anticipate holding the rate hearing?

COMMISSIONER NEUKRUG: We are looking at next fiscal year to have the beginnings of a rate case.

COUNCILWOMAN TASCO: So how long will that process take once you get started, do you believe?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER NEUKRUG: Joe.

DEPUTY COMMISSIONER CLARE: Hi there. Joe Clare. I'm Deputy Commissioner of Finance in the Water Department.

We're planning on starting the rate study at the beginning of Fiscal '12. It will take approximately six months to do the study, and we plan on approaching Council with the results of that study sometime in November or December of this year. The process after that will take about one year to complete the public and technical hearings, the hearing officer selection, the Commissioner's decision and the amended regulations.

COUNCILWOMAN TASCO: When was the last time you had a water rate increase?

DEPUTY COMMISSIONER CLARE: The last Commissioner's decision took effect November 1st, 2008. The rate case started during Fiscal '07 and took about

4/12/11 - WHOLE - BILL 110137

nine months to conclude.

COUNCILWOMAN TASCO: Which of our surrounding neighbors purchase water and/or wastewater services from us and at what rate?

COMMISSIONER NEUKRUG: We have ten wholesale wastewater customers, 11 wholesale waste customers and two water customers. The wastewater customers include DelCORA, Bucks County Water and Sewer Authority, Upper Darby, Cheltenham, Lower Merion Township, Lower Southampton, Springfield Township-Erdenheim, Springfield Township-Wyndmoor, Bucks County for Bensalem and Abington Township and Lower Moreland Township. On the water side -- the total revenue from those in Fiscal Year 2010 were $34 million.

On the water side, we have two customers. One is Bucks County Water and Sewer Authority and the other one is Aqua Pennsylvania, and total revenues were close to $9 million, for a total wholesale customers in 2010 of $43 million.

COUNCILWOMAN TASCO: So they don't pay the rate that the residential customers pay in Philadelphia; they pay a discounted rate?

COMMISSIONER NEUKRUG: They do not pay a discounted rate. They pay a cost of service rate. It's a wholesale rate that includes the full cost of the utility provided to them. And I should like to point out that we are about to close a deal with Bucks County Water and Sewer. Their 45-year contract has expired, and we are close -- or we have reached a tentative agreement with them that includes a significant increase in their rates, practically a doubling of their rates, which includes a 12 percent management fee and new language for billing and payments and just a much cleaner, more modern approach to water billing for Bucks County. We look to continue that with our other customers as their contracts expire.

COUNCILWOMAN TASCO: Will the contract come to City Council? How is the contract negotiated?

DEPUTY COMMISSIONER CLARE: The wholesale contracts were enabled by Council ordinance. The Water Department has authority to enter into those long-term contracts on its own.

COUNCILWOMAN TASCO: Okay. I'm sure we'll get some questions from Councilman Goode about that. I'll leave it to him.

Commissioner, you also mention on Page 2 of your testimony that you will be increasing your Class 200 budget by $3 million for the Biosolids Recycling Center. Was this increase factored into the cost-benefit analysis that was done?

COMMISSIONER NEUKRUG: Yes, Councilwoman, it was.

COUNCILWOMAN TASCO: On Page 3 of your detail, you mention stormwater rates. I'm happy to hear that you want to increase your loan pool to help businesses to reduce their water runoff. However, are you closing the permit-deed loophole?

COMMISSIONER NEUKRUG: We're looking forward to working with City Council to provide an ordinance and would be very happy to work with you to deal with the deed-permit issue.

COUNCILWOMAN TASCO: You haven't started yet?

COMMISSIONER NEUKRUG: We are ready to bring that before City Council.

COUNCILWOMAN TASCO: Okay. Thank you very much.

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good afternoon, everyone. If I could just follow up on that stormwater management issue and the program. How exactly does that work? How do entities apply for that?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER NEUKRUG: I'm sorry. For?

COUNCILMAN GREENLEE: For the incentive program, the loan.

COMMISSIONER NEUKRUG: The incentive program is being -- you mean the loan program?

COUNCILMAN GREENLEE: Yeah, the loan program.

COMMISSIONER NEUKRUG: The loan program is being administered by PIDC on behalf of the City, and we have contributed $5 million in Fiscal Year '11 and another $5 million in Fiscal Year '12. In addition, we're putting an additional 5 million. So that will be a total of $15 million that's available for low-interest loans through PIDC.

COUNCILMAN GREENLEE: So the customers will apply through PIDC for it?

COMMISSIONER NEUKRUG: Yes.

COUNCILMAN GREENLEE: And what are the criteria? What's the criteria for it?

DEPUTY COMMISSIONER CLARE: The criteria generally have to do with how much mitigation they're doing, how many gallons are captured, the cost per gallon, whether it's in a combined or separate area, you know, the financial strength of the company as to how many they employ and where they employ and that kind of thing.

COUNCILMAN GREENLEE: So it's rather involved, it sounds like.

DEPUTY COMMISSIONER CLARE: Yes.

COUNCILMAN GREENLEE: And this money, do you see with that additional 5 million being able to take care of all the prospective applicants or is that -- I guess that was the idea?

COMMISSIONER NEUKRUG: I've said in my testimony we've heard from our customer base of the concerns that they have, particularly a certain part of our customer base, which is those who typically have a two to five-acre impervious lot, a warehouse facility, an industrial facility where it's very difficult and very expensive the amount of the increase that's happened from start to finish. So we've been adjusting and looking at our programs to see how we can particularly assist those folks, while at the same time looking at the impact on all our customer base, which includes the residential customers and the many commercial customers who don't fall into this aggrieved business.

So we're trying to balance this all right now, and I think that we have a pretty good solution, and we're still working out the numbers, so I'm not here to present that to you today, but I think over the next several weeks and months, we will have a solution that probably will still not make everybody happy, but I think it will take us a long way towards resolving this.

COUNCILMAN GREENLEE: And I know it was a complicated thing and it hit a lot of people. Although you had sort of told people it was coming, I think when they saw the bill, a lot of them were obviously, as we saw at that hearing, upset.

I know one of the things that was mentioned at that hearing, I think by actually some Councilmembers, was there a way to stretch out the increase over a longer period of time. Has that been looked at at all? Are you open to that?

COMMISSIONER NEUKRUG: Probably the most important thing that we're doing is putting together a Customer Advisory Council. They're going to meet for the first time April 28th, and we're looking to bring everyone together, and we're looking for City Council support of this and to have a good group, with support from consultants to be there to be able to analyze any changes that we could possibly think about making to a future rate case, so that you can permanently change what's already been determined in the last rate case. That is something that would come in as advice to the next group and be brought to the Water Commissioner at some future date as one idea of how to solve this problem long term.

COUNCILMAN GREENLEE: You answered my next question. So the April 28th, you say, is the first?

COMMISSIONER NEUKRUG: April 28th.

COUNCILMAN GREENLEE: Great. And just one thing, just a comment. I think all offices direct people to your HELP program when there are violations given, and I think that's really saved a lot of people having many days without water, because that seems to work very well and people get the work done and they pay off -- hopefully they pay it off. But that's a great program, so I just want to end with that.

COMMISSIONER NEUKRUG: Thank you.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN GREENLEE: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good afternoon, Commissioner.

COMMISSIONER NEUKRUG: Good afternoon.

COUNCILMAN GOODE: What is the largest contract that you will award in Fiscal Year '12?

COMMISSIONER NEUKRUG: Sorry. I do have the answer for you.

The largest contract that we issued in 2012 was a relief sewer on State Road. It was a $49 million project.

COUNCILMAN GOODE: Actually, the question was, what's the largest contract you will award in Fiscal Year '12?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER NEUKRUG: Well, in Fiscal Year '12, the largest that we will be awarding is the Venice Island stormwater retention basin.

COUNCILMAN GOODE: And that contract does not exist in this fiscal year?

COMMISSIONER NEUKRUG: That's correct.

COUNCILMAN GOODE: And do you intend for it to be a renewable contract?

COMMISSIONER NEUKRUG: It will be a public works contract that will span several years.

COUNCILMAN GOODE: So it will have to come to Council for approval?

COMMISSIONER NEUKRUG: No.

COUNCILMAN GOODE: Why would it not have to come to Council for approval?

COMMISSIONER NEUKRUG: It's a Capital Program low bid project.

COUNCILMAN GOODE: Where are you in the RFP process on that?

COMMISSIONER NEUKRUG: We

are -- it's not an RFP. It's a public bid, and we're very proud of the MBE and WBE goals for that project. It's at 30 to 35 MBE and 20 to 25 percent WBE. We're pushing the limits here with this project. We don't know whether the contractors will be able to meet those kinds of numbers, but we've been working with the OEO to take this and make this a very special project in terms of meeting minority and disabled business.

COUNCILMAN GOODE: Briefly describe the contract requirements.

COMMISSIONER NEUKRUG: The contract requirements is to construct a 3 million gallon tank for stormwater and to build a Performance Arts Center on the lower portion of Venice Island.

COUNCILMAN GOODE: And you have identified the subcontracting opportunities as what?

COMMISSIONER NEUKRUG: We'll have to get back to you with that information. It's available. I just don't have it in front of me.

COUNCILMAN GOODE: How do you know you're pushing the goals if you don't know what the subcontract opportunities are?

COMMISSIONER NEUKRUG: Well, I do not know. My staff certainly knows, because they've been working very diligently on this project, but --

COUNCILMAN GOODE: You made the statement that you're pushing the goals.

COUNCILWOMAN TASCO: We have Ms. Angela Dowd-Burton who is trying to help you out here.

COMMISSIONER NEUKRUG: Okay.

MS. DOWD-BURTON: Good afternoon, Councilman Goode. My name is Angela Dowd-Burton, Executive Director, Office of Economic Opportunity.

The goals for the Venice Island project fall into three areas, portions of the general contracting piece, the HVAC -- that's heating, air conditioning, ventilation -- the plumbing component and the electrical as well. And the goals were reached basically looking at the number of companies in our registry that have the capability to perform those components of the capital project.

Right now we're looking at capacity, of course, of the size of the contracts and we are working with the contractors to see if those goals, which are aggressive, are realistic as well.

COUNCILMAN GOODE: Okay. Ms. Dowd-Burton, while you're sitting there, I have to take this opportunity. The Water Department actually didn't put goals within their written testimony, did they?

MS. DOWD-BURTON: In their original testimony?

COUNCILMAN GOODE: In their written testimony.

MS. DOWD-BURTON: They actually had two parts of their testimony. One was submitted as a written testimony, a narrative, and they also had a schedule that they attached to the document.

COUNCILMAN GOODE:

Commissioner --

MS. DOWD-BURTON: Would you like to see a copy?

COUNCILMAN GOODE: No. We were given written testimony. Most departments absolutely include those goals within their written testimony. They included it at the beginning of the testimony when they talk about how their budget is broken down or they include it at the end of the testimony. It's been fairly consistent. Why wasn't it in the written testimony?

COMMISSIONER NEUKRUG: The paperwork was prepared and was submitted, but I assume that somewhere along the line, the two attachments were not put together. It's as simple as that. And I have a copy of it here in front of me and was not aware that it was not part of the testimony that was prepared.

COUNCILMAN GOODE: I'll accept

that.

What's the largest contract that you are awarding this year?

COMMISSIONER NEUKRUG: That we awarded this year? It's relief sewer in State Road, $49 million project, again public works, and it had participation of 12.4 percent.

COUNCILMAN GOODE: Was that the goal in the RFP?

COMMISSIONER NEUKRUG: No. The goal in the RFP I don't have in front of me.

Twenty-five percent.

COUNCILMAN GOODE: And the goal within the contract is?

COMMISSIONER NEUKRUG: I'm sorry?

COUNCILMAN GOODE: And the goal within the contract is?

COMMISSIONER NEUKRUG: Is 12.4 percent.

COUNCILMAN GOODE: Okay. How do you reconcile that?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER NEUKRUG: That was -- again, it was a public works bid, low bid.

COUNCILMAN GOODE: Are you serious? Is that your serious answer, that it came in at whatever and so you consider that to be a responsible bid? Were there 25 percent in contracting opportunities identified within the project or not?

COMMISSIONER NEUKRUG: Is there somebody here who worked more closely with this?

MR. MOHL: Good afternoon. Brian Mohl, Capital Program Manager, Water Department.

The project on State Road was a large box sewer. The --

COUNCILMAN GOODE: My question was, you put out an RFP. You identified subcontracting opportunities. You set a goal of 25 percent. Why did you set a goal of 25 percent if the opportunity did not exist?

MR. MOHL: Well, we thought that they did exist.

COUNCILMAN GOODE: Then why is it 12 percent in the contract?

MR. MOHL: The contractor showed that it didn't exist.

COUNCILMAN GOODE: How did the contractor show that it did not exist?

MR. MOHL: They did their good-faith effort by soliciting minority firms in accordance with the OEO.

COUNCILMAN GOODE: You said they showed that it did not exist.

MR. MOHL: That's correct.

COUNCILMAN GOODE: Then you said they did their good-faith effort. Those are two separate things.

MR. MOHL: No. They're basically the same thing. The contractor --

COUNCILMAN GOODE: No, they're not.

MR. MOHL: The contractor has to show us why they can't reach those goals, and they solicit minority firms in those areas and actually all areas of where they think that they can --

COUNCILMAN GOODE: You're going to be here a while.

MR. MOHL: Excuse me?

COUNCILMAN GOODE: You're going to be here a while.

MR. MOHL: Okay.

COUNCILMAN GOODE: Go ahead.

MR. MOHL: In the areas where they think that they can perform those tasks, if the contractor proves or shows that either a contractor or a sub does not exist in those areas or any of the areas where he can't do the work or can't do it cheaper --

COUNCILMAN GOODE: By "exist," you mean exist or available?

MR. MOHL: Available, exist. Available, exist, basically the same thing.

COUNCILMAN GOODE: They're not the same thing. If you identify 25 percent in opportunities and then you end up with 12 percent in the contract --

MR. MOHL: Which is a goal.

COUNCILMAN GOODE: -- the issue is, 25 percent could exist in terms of opportunity and then there may only be 12 percent availability, which I still don't buy.

Ms. Dowd-Burton, I don't need any assistance right now.

So what did the contractor tell you he did?

MR. MOHL: I would have to pull those files.

COUNCILMAN GOODE: You don't remember?

MR. MOHL: No.

COUNCILMAN GOODE: But you say the contractor established for you that 25 percent of a $49 million contract was not available, that only 12 percent of a $49 million contract was available?

MR. MOHL: That's correct.

COUNCILMAN GOODE: But you

don't remember why?

MR. MOHL: That's correct.

COUNCILMAN GOODE: Go to your second largest contract. What is that?

COMMISSIONER NEUKRUG: The second largest contract is BRC.

COUNCILMAN GOODE: Speak louder, please.

COMMISSIONER NEUKRUG: Is BRC, our Biosolids Recycling Center.

COUNCILMAN GOODE: And that is a for-profit?

COMMISSIONER NEUKRUG: That is a for-profit operating contract for interim operations of the facility, design of the facility, construction of a new pelletizing facility and long-term operations.

COUNCILMAN GOODE: For how much?

COMMISSIONER NEUKRUG: Well, the total, which is a 20-year contract, is $58 million.

COUNCILMAN GOODE: Okay.

COMMISSIONER NEUKRUG: But for the current fiscal year, it's a much smaller amount.

COUNCILMAN GOODE: So it's a 20-year contract?

COMMISSIONER NEUKRUG: It's a 20-year contract.

COUNCILMAN GOODE: That did not have to come to City Council?

COMMISSIONER NEUKRUG: Yes, it did. It did. And it has a total participation of 32 percent.

COUNCILMAN GOODE: Okay. How many years has the firm held the contract? How old is the contract?

COMMISSIONER NEUKRUG: The contract is two years old -- three.

COUNCILMAN GOODE: What was the goal identified in the RFP?

COMMISSIONER NEUKRUG: Fifty, 5-0.

COUNCILMAN GOODE: So the goal identified within the contract was 50 percent?

4/12/11 - WHOLE - BILL 110137

COMMISSIONER NEUKRUG: That's what I'm hearing from my staff, yes.

COUNCILMAN GOODE: And the goal --

COMMISSIONER NEUKRUG: I don't think that's right.

MS. DOWD-BURTON: I think there is some confusion between what was in the actual bid or RFP and what the actual contract document stipulates. I will say that this project even though it has been in place prior to my coming to OEO, it includes equity participation and --

COUNCILMAN GOODE: Ms. Dowd-Burton?

MS. DOWD-BURTON: Yes, sir.

COUNCILMAN GOODE: I'm questioning the Water Commissioner.

MS. DOWD-BURTON: I'm sorry?

COUNCILMAN GOODE: I'm questioning the Water Commissioner.

MS. DOWD-BURTON: Oh, I'm sorry.

COUNCILMAN GOODE: What was the

goal in the RFP?

COMMISSIONER NEUKRUG: I'm looking at a piece of paper here that gives me that there are five different phases and each phase has a different goal.

COUNCILMAN GOODE: Was there an overall goal in the RFP?

COMMISSIONER NEUKRUG: The overall goal -- I'd say no. For example --

COUNCILMAN GOODE: Was there a total contract dollar amount?

COMMISSIONER NEUKRUG: I think we don't have the answers for you and we'll have to get back to you.

COUNCILMAN GOODE: No. We're going to stay here.

COMMISSIONER NEUKRUG: Okay.

COUNCILMAN GOODE: What's the total contract amount?

COMMISSIONER NEUKRUG: The total contract amount is $58 million.

COUNCILMAN GOODE: What was the

total DBE goal?

COMMISSIONER NEUKRUG: Well, as I said, there are different pieces to this. There's an interim operations goal. That's a 16 million point 6 -- because it's broken up into five different phases.

COUNCILMAN GOODE: I'll wait while you do the math, and then tell me what the total DBE goal is.

MR. BOLNO: Hello, Councilman. My name is Jim Bolno. I've been involved with the privatization project at the BRC since its inception and --

COUNCILMAN GOODE: So do you know what the total DBE goal is?

MR. BOLNO: I'll have to check what the RFP goal is. However, I know that --

COUNCILMAN GOODE: Do you know what the total DBE goal is?

MR. BOLNO: I know what we've been achieving. I'm not sure what the goal is. I do know we have been exceeding our goal.

COUNCILMAN GOODE: I'm actually asking about the RFP right now.

MR. BOLNO: Okay. I'll have to double-check that. I think our goal was 50 percent and we have been achieving about 75 percent in the first three years of the contract. This is considered a great success story by the Office of --

COUNCILMAN GOODE: What percentage of the contract has been implemented?

MR. BOLNO: Percentage of the contract as implemented?

COUNCILMAN GOODE: In terms of contract dollars.

MR. BOLNO: A hundred percent of the contract is implemented. It is a 23-year contract.

COUNCILMAN GOODE: So 23 years are over?

MR. BOLNO: No. We are --

COUNCILMAN GOODE: Then the entire contract has not been implemented.

MR. BOLNO: Okay. Excuse me. I didn't understand what you were saying. But we are in the third year of a 23-year contract and we are surpassing by, I believe, about 25 percent the goals that were established.

COUNCILMAN GOODE: I asked you a specific question. I asked you what percentage of the 23 years worth of work has been done in the three years. What percentage of total contract dollars, of the 23 years in contract dollars, has been spent in the first three years. Because if you want to tell me you're achieving 75 percent on two percent of the contract or five percent of the contract or ten percent of the contract, we're still going to be here for a long time.

DEPUTY COMMISSIONER McCARTY: If I may, Councilman. Debra McCarty. I'm the Deputy Commissioner of Operations.

It's a phased contract.

COUNCILMAN GOODE: I get that.

DEPUTY COMMISSIONER McCARTY: So the first three to five years, the contractor is operating the facility, the de-watering facility and --

COUNCILMAN GOODE: How much does the contractor get paid for the first three years?

DEPUTY COMMISSIONER McCARTY: Well, the first -- the interim fee for Fiscal '09 was 21,813 -- $21,813,824; Fiscal '10 was $20,792,641; and Fiscal '11 is estimated to be 22,593,167. So during the first three to five years, the contractor is also building the heat-drying facility.

COUNCILMAN GOODE: My question is, what percentage of those contract dollars have gone to disadvantaged businesses?

DEPUTY COMMISSIONER McCARTY: What phase?

COUNCILMAN GOODE: Over the last three years.

4/12/11 - WHOLE - BILL 110137

DEPUTY COMMISSIONER McCARTY: That is -- so that's been about 75 percent. Yeah, 75 percent for the last -- this phase that we're in now.

COUNCILMAN GOODE: Explain that.

DEPUTY COMMISSIONER McCARTY: I'm sorry. What?

COUNCILMAN GOODE: Explain that.

DEPUTY COMMISSIONER McCARTY: The contractor is responsible for operating the facility, the de-watering facility, and land applying -- or moving the sludge, the de-watered sludge, out of that facility. So the contractor is -- 75 percent of the contract is being spent -- a large portion of it is to move the material off site and dispose of it.

COUNCILMAN GOODE: Which disadvantaged businesses got the work and how much did you pay them?

DEPUTY COMMISSIONER McCARTY: Well, we have a contract with Synagro and they have the contract with these vendors.

COUNCILMAN GOODE: And which disadvantaged contractors got the work with Synagro and how much did Synagro pay them?

MR. BOLNO: We'll have to get back to you with that information.

COUNCILMAN GOODE: I told you you're not. You're going to give me that information now.

DEPUTY COMMISSIONER McCARTY: We'll work on getting that for you. We don't have --

COUNCILMAN GOODE: You don't know because you're not tracking it.

DEPUTY COMMISSIONER McCARTY: Not off the top of our heads, sir.

COUNCILMAN GOODE: Well, did you bring the information with you?

DEPUTY COMMISSIONER McCARTY: Possibly.

COUNCILMAN GOODE: Okay. We'll wait.

(Pause.)

COMMISSIONER NEUKRUG: Councilman, I'm sorry to report that we don't have that information in this room.

COUNCILMAN GOODE: So you have contracts for tens of millions of dollars that you're letting. You claim you have participation goals. You put out RFPs that may go out at 25 percent and the contract comes back at 12, another RFP that goes out at 50 percent and the contract turns out to be 32 percent.

You know these questions are going to be asked. There's no excuse for not actually bringing the information with you. My guess is, you don't have the information. My guess is, Synagro didn't give you the information, and whatever they reported to you, they don't think that you're going to hold them responsible. But since it's a 23-year contract, we're going to discuss this every year that I'm here, and you're not just going to get back to me with information, you're coming back with the information.

COMMISSIONER NEUKRUG: And, Councilman, respectfully I appreciate what you're saying. In many ways you're absolutely correct, more information should have been brought here. I did not know that --

COUNCILMAN GOODE: And you're coming here with the information.

COMMISSIONER NEUKRUG: Just so you know, I'm with you. I get where you're trying to head, and I agree with you and I agree with the policy, and we'll do everything we can to make sure that we live up to your expectations on the policy.

COUNCILMAN GOODE: Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you very much.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: I did

have a question, but it can wait until they return. Thank you.

COUNCILWOMAN TASCO: Are there any other questions?

(No response.)

COUNCILWOMAN TASCO: All right. Thank you very much.

COMMISSIONER NEUKRUG: Thank you.

MR. McPHERSON: The next department is the Division of Aviation.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good afternoon.

MR. GALE: Good afternoon.

COUNCILWOMAN TASCO: Thank you for coming. Would you please state your name for the record and begin your testimony.

Could we ask those who are leaving to leave quietly, please. Thank you.

MR. GALE: Good afternoon,

Madam Chair and other members of City Council. My name is Mark Gale. I'm the Chief Executive Officer at Philadelphia International Airport and I'm here to provide testimony to you today on behalf of Division of Aviation's FY 2012 Operating Budget.

I believe you have a copy of my full testimony. Would it be permissible, Madam Chair, to read an abbreviated version just highlighting the testimony?

COUNCILWOMAN TASCO: Yes, please. Thank you.

MR. GALE: Thank you.

Philadelphia International Airport is one of the largest economic engines in Pennsylvania, generating over $14 billion annually for the regional economy. Over 200 businesses linked to the Airport employ some 141,000 workers. In 2010, PHL accommodated 30.8 million passengers, including 4.1 million in international passengers on close to one-half million takeoff and landings.

Thirty airlines operate nearly 600 daily flights to 120 cities, including 60 daily non-stop flights to 36 international destinations.

The state of the airline industry has improved since last year, and while challenges and uncertainties still remain, there is a strong sense of optimism and signs of recovery. During Calendar Year 2010, enplanements at PHL increased by 0.3 percent only, but recent activity shows a much more positive trend. A snapshot of the most recent six months shows an increase of 4 percent over last year. Airline consolidation practices continue to change the landscape of the airline industry. The continued use of ancillary fees, such as baggage fees and preferred seating charges, by most major airlines increased operating revenue to help return the airline industry to profitability.

Just anecdotally, a recent announcement from U.S. Airways, in 2010 they recorded their second highest profit in the company's history and an earnings improvement of nearly $1 billion versus 2009.

To meet both current and future demands, the Airport is moving forward with facilities improvements and modification programs. The $300 million expansion and renovation of Terminals D and E is nearing completion, and a $117 million renovation and expansion of Terminal F is beginning this month.

From power ports to pet ports, PHL has repeatedly been recognized for enhancing the traveler's experience and overall customer service. Examples include the Airport's arts and exhibitions program, the cell phone lot, free WiFi for all passengers every day all day and power passenger ports to charge cell phones and laptops free of charge. Also, in partnership with Albert Einstein Health Care Network, ten airlines and the Transportation Security

Administration, the Airport has initiated a program that allows children affected with autism to become more familiar with the sites and sounds of travel before taking a real trip on an airplane. This program has garnered national attention and it's being imitated currently at other U.S. airports, and we are helping in that endeavor.

A key customer service aspect continues to be the quality of our concession program. With many new offerings being added all the time, our concession program at the Airport just received an industry recognition when it was named the "Airport With the Best Concession Management Team" by Airport Revenue News.

In regard to financial resources necessary to fulfill its mission, the Division of Aviation Operating Budget request for Fiscal 2012 totals 155.1 million, an increase of 700,000 from Fiscal 2011 original appropriation of 154.5 million. Requested Fiscal 2012 appropriations will provide sufficient resources to operate and maintain the 3.1 million square feet terminal complex and 2,400-acre PHL site, as well as our Northeast Philadelphia Airport. Estimated obligations for Fiscal 2012 total 142.5 million, 12.6 million less than FY 2011 appropriations.

Philadelphia International Airport is committed to diversity and inclusion. To facilitate that effort, the Airport will be hosting formal diversity outreach events to encourage participation in future contracting opportunities.

Again, just anecdotally, yesterday, Madam Chair, the Airport held an Economic Opportunity Forum down at the Airport at the Airport Marriott attended by over 350 representatives from over 200 firms, and of those 200 firms, over 70 percent of those firms were DBE firms that came looking for future

4/12/11 - WHOLE - BILL 110137

opportunities at the Airport. It was, I think, a great event, and we're going to be doing much more of that in the future.

In addition, the Airport continues to provide the City's Office of Economic Opportunity outreach seminars and is advancing the Administration's goal of 25 percent minority, women and disabled-owned business participation in City contracting. To that end, actual participation during FY09 and FY10 totaled 23.3 percent in each year. Through the mid-point of FY11, the Airport achieved a DBE participation level of 23.6 percent. PHL has established an FY 2012 participation goal for the Airport of 32 percent based on projected contracting opportunities.

Certain Airport projects that receive federal financial assistance are undertaken pursuant to the U.S. Department of Transportation Disadvantaged Business Enterprise Program. These Airport projects totaled

24.9 million in FY 2010, with a participation level of 13.3 percent.

In addition to promoting and monitoring DBE participation in the professional service and public works, the Airport focuses on minority, female and disabled participation in PHL's concession program. Total sales in Calendar Year 2010 totaled $154 million, of which 36 percent, or 56.4 million, were by DBE operators.

In terms of DBE ownership, 70 of the 194 leases include minority or female participation, representing 36 percent of our total leases.

Federal regulations established the Airport Concession Disadvantaged Business Enterprise Program in 2005. PHL reports annually based on the federal fiscal year, and for federal Fiscal Year '10, 60.4 percent of new concession program revenue was earned by ACDBE firms.

On the environmental front, the

4/12/11 - WHOLE - BILL 110137

Airport is committed to promoting the Greenworks Philadelphia agenda and green initiatives.

Again, anecdotally, we were just notified within the last couple of days, Madam Chair, that the Airport is the recipient of the Governor's Award for Environmental Excellence for its clean fuel project to replace diesel-fueled ground service equipment at the Airport with electric vehicles, again something that we're proud of.

In addition, the Airport's current Public Venue Recycling Program is on target to recycle over 300 tons of materials annually. This number will increase with the implementation of curbside waste sort designed to capture outside terminal building recyclables, something that we don't currently do today.

Air quality initiatives continue to benefit under the FAA's Voluntary Airport Low Emissions Program,

4/12/11 - WHOLE - BILL 110137

which has provided over $14 million in grant awards. These programs help to reduce greenhouse gases through the replacement of fossil fuel equipment vehicles with electric units.

One of the most significant events in PHL's recent history occurred in December of 2010. A ten-year planning process and an extensive seven-year environmental review process culminated with the FAA issuing its record of decision approving the Airport's Capacity Enhancement Program. Receipt of this final document enables the Airport to proceed with the next steps required to expand and make critically needed improvements to ensure the Philadelphia International Airport is strategically positioned to meet future air service demands, enhance competition in a very global competitive market and maintain the region's economic vitality. The CEP, or the Capacity Enhancement Program, is extremely important in order to not only adequately address the problem of chronic delays that have impacted PHL for a prolonged period of time, but also provide needed capacity for future demand.

Over the past 40 years, total number of passengers using PHL has grown at an average of 4.1 percent, from 6.6 million passengers in 1971 to 30.8 million passengers in 2010. In 2030, less than 20 years from now, passengers at the Airport are forecasted to rise to more than 52 million and 760,000 takeoff and landings. The Capacity Enhancement Program is truly vital to ensuring the Philadelphia International Airport is strategically positioned to effectively handle this anticipated growth, as well as attract additional air service, especially new international destinations. Not proceeding with the CEP is a move our region cannot afford to make.

The CEP will create over

100,000 jobs during the 12-year construction period as the Airport expands. Moreover, expansion and growth will generate hundreds of millions of dollars in tax revenue for the region. It is projected that the regional economic impact will increase from 14.4 billion in 2006 to 26.4 billion in the year 2025, a 4.4 average annual increase.

The Airport is targeting 25 to 35 percent DBE participation on a $6 billion program. Anticipated DBE participation through 2025 will be in the $1.5 to $2 billion range.

The Capacity Enhancement Program is strongly supported by the regional business and tourism communities, including the Greater Philadelphia Chamber of Commerce, the Greater Philadelphia Tourism Marketing Corporation, the Philadelphia Convention and Visitors Bureau and Select Greater Philadelphia, which recognize the importance of a viable major international airport to a region's economic stability in the global marketplace.

In closing, the Airport will continue its mission of operating and maintaining a premier air transportation facility, with the highest levels of safety and security, convenience and efficiency, but will also take the necessary steps to build a facility to meet future needs of tomorrow's passengers.

In moving forward, the Airport will be presenting to City Council later this spring a request to extend the current use and lease agreement with our airlines. That four-year agreement, which was effective July 1st, 2007 governing the airlines' rates and charges for operating at PHL, will expire this June 30th. The Airport and the airlines have agreed upon a two-year extension. As part of that extension, the airlines have granted approval for PHL for $250 million in pre-approved capital airport projects, which will actually begin the implementation of the Capacity Enhancement Program.

I thank you for the opportunity to testify in front of you today on our FY12 Operating Budget. I and senior Airport managers will be happy to answer any questions. With me to my right is Mr. Caleb Gaines. He is our Director of Compliance at the Airport. And to my left is Thomas Becker, my Assistant Director of Aviation for Budget and Central Services.

COUNCILWOMAN TASCO: Thank you very much. Very nice testimony. We have Councilman Kenney who has some questions.

COUNCILMAN KENNEY: Thank you, Madam Chair.

Mr. Gale, I just want to compliment you. I think that you and your staff run a terrific airport. I know a lot of times there are issues relative to delays and other things that are beyond your control, weather related, FAA related, but I do believe you've done, since you've been there, done a tremendous job.

MR. GALE: Thank you, Councilman.

COUNCILMAN KENNEY: I'm going to go into an area that is not going to be that pleasant, and I want you to understand that it's nothing to do with my opinion of how you run this airport or the job that your people do.

On Friday -- and I do -- let me preface it by saying I do listen to your testimony relative to the CEP, and I understand the importance of all that.

On Friday last week, Councilman Jones and I had promised previously to go out to Tinicum. Councilman Jones had a family situation and was not able to be there, but his Chief of Staff, Al Spivey, was there, and we spent three hours in that community. Generally, Tinicum to me was something I drove by on the way to 95 to go deeper into Delaware County or to go to the Airport, and I can tell you, even in light of your comments relative to the importance of the CEP, that's a real viable, decent, blue-color, tax-paying, hard-working community, and it's not a blighted area with empty houses and things falling down. There are people there who have lived and improved their properties and take pride in their homes and they have -- matter of fact, their grade school, which they were nice enough to take us on a tour of, was one, I think, 200 in the nation that are Blue Ribbon schools.

It's beyond my imagination that I could ever participate in casting a vote either in the Finance Committee or on the floor of this Council that would take 80 of those properties away from those folks and take 20 of their businesses away. There are 4,500 people who live in the community daily, and every day during the week Monday through

Friday, there are 20,000 people in that community doing work and making a living and paying taxes.

Now, while I recognize the importance of progress, I don't know how we rationalize what we're going to do there, what the plan is there. The movement of UPS, which is part of this Plan A, to me -- in private conversations with folks, they're not all that thrilled about the move. They're scheduled to be moved into what I view as an environmental area that may have all kinds of problems. They're going to be constrained in their ability to expand, and basically we're going to take 80 houses for a setback for a runway.

And the other issue, frankly, is that if we continue to move in this direction, we could lose the Airport. I mean, we understand that there is enough of a rumble or rumbling within the republican-controlled House and Senate and the republican Governor's Office that if we continue to go in this direction, we could lose our Airport by way of Parking Authority, by way of the port, and I don't want to see any of that happen.

Now, the bonds that are necessary to do this overall project, is it all for the runway or is it various parts and pieces of improvement there? Could you explain?

MR. GALE: I will, Councilman. And, first, thank you for your comments. I do want to clear up at least one misunderstanding, if you will, in terms of the approach for the Airport with respect to the community and the sensitivity of what's at stake here.

We at the Airport have never downplayed the seriousness that we have homes that we have proposed to voluntarily acquire and that people live in those homes and some of them have lived in there for generations. It's not an easy thing. At the same time, we're trying to balance the future needs of this entire region and put Philadelphia into a position where it can compete with our neighbors to the north in Newark, which we've discussed before, that unfortunately do a much better job in terms of getting across the globe than we do, and to our south in Washington Dulles area. We want those travelers to come through our airport. We want the businesses that a global airport will attract here, and certainly the jobs that are created and the economic growth that goes along with an airport expansion project like that has been repeated in not only in this house but outside. So I want --

COUNCILMAN KENNEY: Have the Airport representatives met with and spent that kind of time with the people that we spent with last Friday?

MR. GALE: Councilman --

COUNCILMAN KENNEY: Because I've asked that question. I said has anybody from the Airport kind of done this tour and talked to these people and looked at these homes, and they said no. So I wanted to know what you felt the engagement of the Airport was.

MR. GALE: We have spent a lot of time in the Township. Again, I'm a 20-plus year employee at the Airport. I've had countless meetings in Tinicum Township over the past two decades, and I think our relationship could have been classified as better or sometimes worse at others, and I think that this unfortunately may fall into the situation where it's not as good as we would like it to be.

As recently as last month, knowing that we were trying to continue to work things out not only with Tinicum Township but Delaware County and the Interboro School District, who they have sued us in order to stop expansion of the Airport and that currently resides in federal court, we have never shied away from opportunities to try to seek some type of resolution or settlement in order to move forward with this. I asked for our attorney to reach out to their attorneys to offer to meet, and we unfortunately received an answer back that they were not interested in meeting.

We have continued an open-door policy with respect to that, and we continue to try to search out ways that would meet the needs of not only being able to relocate UPS, keep those jobs and that tax revenue in Delaware County for their purposes, provide for the new runway that will set Philadelphia up not for next year or five years or ten years from now but literally for 20, 30, 40 years, long-range planning to put Philadelphia in the proper place, but yet at the same time, what can we do that wouldn't necessarily require the acquisition of the homes and the businesses.

Unfortunately, it's a finite

4/12/11 - WHOLE - BILL 110137

parcel there, and UPS, you've stated, they've been good about talking to us. They understand the long-range need for this, but they also want to have a long-range need here at Philadelphia themselves. So we've been working with them to try to accommodate a replacement facility for UPS. They sit on over 200 acres of land right now, and even on our best efforts, trying to accomplish a relocation of UPS and provide for future growth for the Airport, international terminal growth, cargo growth, it requires everybody to take something much, much less, and we're not really sure that the much, much less is going to work for UPS in this case here.

COUNCILMAN KENNEY: The issue of revenue replacement, I mean, the 80 homes alone, there's no -- where is the potential to replace that revenue for their township, which goes to pay for their schools and public services when it's now a runway or a setback for a

4/12/11 - WHOLE - BILL 110137

runway and not a tax ratable?

MR. GALE: I think we've always been open to discussions about how we might come to some type of an agreement to replace lost revenue in terms of moving forward with the Airport. The Airport had an agreement with Tinicum Township and the taxing authorities for ten years, which expired in 2007. That was a settlement agreement that was done in order to provide for the land necessary to build the new international terminal, something that I think has been wonderful for this entire region and has permitted U.S. Airways to grow its gateway.

COUNCILMAN KENNEY: Is that a PILOT?

MR. GALE: PILOTs are illegal, Councilman. We're not allowed to use the term "payments in lieu of taxes."

COUNCILMAN KENNEY: What's a legal term?

MR. GALE: Settlement.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN KENNEY: So what's the issue relative to 2007 when the payments stop? Is that the end of the agreement?

MR. GALE: The agreement expired in 2007, yes.

COUNCILMAN KENNEY: Has there been any effort to talk --

MR. GALE: Since 2007, they've been -- my predecessor, Charlie Isdell, actually was involved in discussions. They go back that far. Unfortunately, I think that the Airport and the Township in particular reached an impasse whereby it is the basis for a lawsuit right now. And I don't want to get too far into the litigation with my attorney here, but I think that we've always been open to try to settle the differences between the Township, the County and the School District to provide for the appropriate replacement of revenues that they may lose, but yet balance the needs of the region and the Airport in order to grow.

4/12/11 - WHOLE - BILL 110137

COUNCILMAN KENNEY: But what you're telling me is that the plan that's currently on the table is the only iteration that's possibly done? I understand there's 29 different iterations of this expansion of the Airport. We whittled it down to three, and now there's a recommending of one, and that's the only one that's possible?

MR. GALE: That only one that's possible or the preferred alternative of the three that were boiled down to, Councilman --

COUNCILMAN KENNEY: What about the other 26?

MR. GALE: The other 26 --

COUNCILMAN KENNEY: Who boiled down the 29 to three?

MR. GALE: The 29 in the Airport's Master Plan was really a very, very unconstrained approach. It had runways going in all different directions. It really had no limits, no boundaries. When you start to apply boundaries and criteria, that you might not be able to move I-95, you're not going to be able to move the John Heinz Wildlife Refuge, you're not going to be able to move the river, there are two huge bridges, the Platt Bridge and the Girard Point Bridge, which represent obstructions to aircraft arriving, all that criteria whittled those types of different concepts down. There was one concept that we thought had a lot of merit, but the FAA took it out for safety considerations, which would have changed the direction of the runways, but it would have had airplanes flying over the John Heinz Wildlife Refuge, which for safety considerations they took that out.

So the three alternatives that were finally put -- that the FAA reviewed, the no-built alternative, do nothing, and the two alternatives, Alternative A and Alternative B, both alternatives called for a new runway in the location that UPS currently resides, and both alternatives called for the relocation of UPS over into the northwest corner of the Airport.

COUNCILMAN KENNEY: But who boiled down the 29 to three?

MR. GALE: Well, the original boiling down was done by the Airport with its master planning consultants. Then that review was picked up by the FAA and analyzed over the last eight years.

COUNCILMAN KENNEY: But that was not a public process, the boiling down of 29 to three?

MR. GALE: I think it was not necessarily a matter of public process, but in Master Plan committees -- as far back as 2002, Councilman, the Airport Master Plan committees that were set up that had different types of representation on it, some of them were technical in nature, some of them were airlines, some of them were different stakeholders, there was stakeholder representation from the Township. We had at least two Tinicum Township Commissioners that sat on our committees as far back as 2002 when these plans were discussed.

COUNCILMAN KENNEY: Has the EPA been involved in any of this planning or any of this boiling down to three? Because the area that I saw which is proposed to be the UPS location seems to me to be kind of an environmentally important area. I mean, it's not the John Heinz Wildlife Center, but it's certainly land that seems to be wooded and green. Are there any --

MR. GALE: The proposed location for UPS?

COUNCILMAN KENNEY: Yeah. It's the end of the street, at the end of that one street where it backs up against this wooded area.

MR. GALE: Notwithstanding pure acreage, in order to do the Airport's Capacity Enhancement Program as laid out through the documents, there are some

1,130 acres of land that need to be acquired or readjusted in some form or fashion. The residential property accounts for less than one percent of that, or about 7.7 acres of land. But it's still a very, very important 7.7 acres, particularly if you live in one of those homes.

The area that's behind the homes is undeveloped property right now, which is commercially available and --

COUNCILMAN KENNEY: The original question was, did the EPA have any input or express any opinion relative to where -- relative to the location of the UPS --

MR. GALE: Sure.

COUNCILMAN KENNEY: -- and the filling in of the river to accommodate the runway? And EPA has signed off on both?

MR. GALE: Councilman, as part of the environmental impact statement process, in 2002 the Airport's project was one of 13 projects named by then Secretary Mineta as a high infrastructure or high priority infrastructure project. We were the only airport project on that original list of 13.

In July of 2003, the notice of intent was filed in order to move that environmental process forward. As part of that package, being the first airport, we were named under a Presidential Executive Order for environmental streamlining, and what that meant was, in order to streamline the process, given its high value and priority and importance not just to Philadelphia but to the entire national airspace system, some 17 regulatory agencies, including the EPA, signed on and were part of the review process, working side by side with the FAA and a multitude of consultants over the last eight years.

COUNCILMAN KENNEY: And that includes the filling in of the portion of the river that's needed for the runway?

MR. GALE: Yes.

COUNCILMAN KENNEY: So there's no -- I mean, we lost the food center at the Navy Yard for two brown eagles. So you're telling me that there's no wildlife issues, fish issues, riverbed issues? Everything can be --

MR. GALE: No, I'm not telling you that at all, Councilman. I'm saying that in the record of decision, we are still required to, as we move forward, to follow all federal, state, local environmental permitting and other procedures, so --

COUNCILMAN KENNEY: So we don't know at this point whether we can proceed?

MR. GALE: I think we'll hit issues along the way, but I think there's been sufficient study. We know, for example, that there are a number of wetlands that will be impacted as part of this process. That was identified. We will not be able to move forward with the project until such time as we mitigate and provide replacement wetland opportunities.

In addition, the fill that goes in for the river, the 23 and a half acres, we have to accommodate for that. We have to replace wetlands and waterways in order to accommodate those things.

This isn't something that is blessed and everybody has reviewed it and they're going to walk away from the table. This still is an effort that's going to require ongoing looks from the Pennsylvania DEP, the EPA and many other agencies.

COUNCILMAN KENNEY: Let me just finish with the political potential. And, again, if you feel that you're not qualified to discuss the political potential, I understand. But the anger within the Legislature in that area I believe is sufficient to potentially move something that would take it away from us. What does that do to your plans? I mean, what does the advent of an authority potentially, heavy Governor, heavy Legislature do to the Capacity Enhancement Plan if in fact we no longer can direct our own airport?

MR. GALE: I don't know if I can answer your question in full, Councilman. I think that over the last decade-plus, there have been a variety of bills that have been put forth in the State House to speak to some type of either governance change of the Airport, put it in with other airports around. I'm not really sure whether or not that authority exists for the state to fully do that. Maybe it does. I think that's for legal minds to figure out in this case here.

What I would say is that regardless of what happens with the governance of the Airport, the problems will remain the same. The congestion and the chronic congestion and delay issues will still be there regardless of whether the City of Philadelphia is running the Airport or somebody else.

COUNCILMAN KENNEY: Well, I can tell you that when those other ideas were floated, there were other people in the Legislature at the time that had the capacity and the tenure and the ability to fight them off. They're not there anymore. I mean, there's -- what happened to State Representative Evans happened, that was the last of our real leverage there.

So I would just caution you from my experience that they take what they want to take when they want to take it, and this is a reason that they will utilize to take it.

Now, you talked about congestion. I wanted to know if you could rank for me the reasons -- the following reasons why for congestion and delays at the Airport. Could you give me the number one reason why there's congestion at the Airport?

4/12/11 - WHOLE - BILL 110137

MR. GALE: I think it changes frequently, Councilman. The number one reason for delay at the Airport typically ends up in bad weather conditions, Philadelphia International Airport does not have the ability to run the type of approaches that eight out of the top ten airports in the country currently have the ability to do. The two that don't have the ability to do that, one of them is Philadelphia. The second one is Las Vegas. The other ten all have the ability to run dual simultaneous independent approaches into their facility.

COUNCILMAN KENNEY: So it's got less to do -- it's got more to do with that than it has to do with the fact that the airspace that's available between New York and Washington is constrained in bad weather. So that whole anecdote about having the FAA pull airspace from us to accommodate JFK, Newark and Dulles is not accurate?

4/12/11 - WHOLE - BILL 110137

MR. GALE: The FAA has admitted, Councilman, that airspace changes need to occur as well as on-the-ground changes. Our runways, our two primary runways, are spaced too close together in order to allow those type of operations to continue.

Having said that, I put it this way: We can do all the changes on the ground that we might want to do, but if we don't work side by side with the FAA in terms of airspace changes, in terms of implementing new technology that come about as part of what you've heard is NextGen, then I don't think we will have accomplished very much. Likewise, the FAA can do all the airspace improvements that they want, including NextGen, but if we don't do the improvements that are necessary on the ground, we won't accomplish anything that way either. It has to be something that goes hand in hand and something that we've talked very frankly with the FAA, and they've committed that they will be working with us over the next ten years as the runway would be developed.

COUNCILMAN KENNEY: Well, just in closing, I just want to reiterate my position that I am very uncomfortable with doing anything in an omnibus type of bond request that would include the taking of these homes and businesses. I would be happy to vote for something that would get the other work started at the Airport, because I think we need the jobs and we need the opportunity there to improve our facilities, but I just want to give you a heads-up that at least from this particular member, what I saw there Friday makes it very difficult for me to cast a vote to take those people's homes.

MR. GALE: Councilman, I remain committed to not only trying to work things out with the Township and the County on the appropriate path forward, I remain committed to try to answer all your questions and make you more comfortable with the situation.

You asked an earlier question that I didn't get a chance to answer, which was when we talk about a multi-billion-dollar expansion plan, is it all toward the runway. No, it's not. Probably less than half of the total plan goes to the runway and the runway extensions that are proposed. The other half go towards improvements, such as an automated people mover system that you find today in Dallas and Detroit, new terminal buildings, new cargo facilities so that we can actually compete better with the likes of JFK instead of shipping it up the Turnpike and --

COUNCILMAN KENNEY: I can vote for all that stuff tomorrow.

MR. GALE: So all of those things, Councilman, are part of that larger package.

COUNCILMAN KENNEY: But I do believe if it comes all in one, there may be a problem.

4/12/11 - WHOLE - BILL 110137

MR. GALE: Understood, Councilman.

COUNCILMAN KENNEY: By the way, keep up the good work.

MR. GALE: Thank you, Councilman. I appreciate it.

COUNCILMAN KENNEY: Thank you.

COUNCILWOMAN TASCO: Thank you very much.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good afternoon, Mr. Gale.

MR. GALE: Good afternoon, Councilman.

COUNCILMAN GOODE: Mr. Gale, I just finished having a conversation with the Water Department about two contracts, one which was roughly 50 million, the other one was roughly 60 million, which is about one percent or less than this expansion project. What we found in the process was that they issued one RFP for

4/12/11 - WHOLE - BILL 110137

25 percent, 25 percent participation, then only had 12 percent participation in the contract. For another RFP, they cited 50 percent participation rate and then in the actual contract, it was only 32 percent.

In both your participation rate for expansion project and for your department during the fiscal year, you use the 32 percent figure. Where did that 32 percent figure come from and why are those figures the same for both department within one year and expansion project? In other words, why should I believe the 32 percent number is real and what does it really represent?

MR. GALE: If I might, Councilman. Cal Gaines, my Director for Compliance, who not only is highly familiar with the DBE program, but the federal side of DBE program and how it changes back and forth between the two, as well as our airport concession program, which has a totally different disadvantaged business program, I think is prepared to answer the question of how those numbers came about.

COUNCILMAN GOODE: Good afternoon.

MR. GAINES: Good afternoon, Councilman Goode. How are you?

COUNCILWOMAN TASCO: Would you identify yourself for the record, please.

MR. GAINES: I'm sorry. My name is Caleb Gaines. I'm the Director of Compliance for the Airport.

COUNCILMAN GOODE: The question is simply where did the 32 percent figure come from.

MR. GAINES: The 32 percent was a projection of what we believe for FY12 we would be able to achieve. That was based upon what the goal was, what we achieved the last time, plus what the federal dollars would be. When we add in the federal dollars to the FY goal, we believe in everything that it will exceed the 32 percent.

COUNCILMAN GOODE: What does the 32 goal for the Airport expansion represent?

MR. GAINES: That represents in everything the overall goal of what we believe and everything based upon what the expenditures will be that we will be able to achieve that particular 32 percent. We want to keep that goal to be consistent.

COUNCILMAN GOODE: That does not tell me what the 32 percent goal represents in terms of real opportunities.

MR. GAINES: That goal is -- the opportunities would be construction management. It would also be accounting opportunities, we think graphic design opportunities. There's also design opportunities as well as a part of that.

COUNCILMAN GOODE: I get that it's a $6 billion project. I believe actually the range -- I've been using 32 percent. The range is actually 25 to 35 percent. It represents $1.5 billion or $2 billion. The issue is, how real is that for disadvantaged businesses? And even if you put out an RFP at one percentage level, what are you going to do to ensure that? And the further question is more specifically -- and I know that you are well versed in both the federal program, transportation program, and the City program. Part of what we've been trying to do with economic opportunity plans and we passed an ordinance a couple years ago, it wasn't originally being implemented. Recently I've had the conversation about making sure that certain provisions are implemented regarding whenever someone submits an economic opportunity plan, they have to submit their diversity track record.

So my question is, to what extent in terms -- when you go out to bid these things and when you award these contracts, to what extent are you holding contractors responsible from the very beginning of telling you what they've achieved in the past?

MR. GAINES: Well, what we're going to be doing is, we will be monitoring those contracts. We have monthly meetings to track project by project to make sure --

COUNCILMAN GOODE: My question was, what are you doing to make sure that these potentially prime contractors give you their diversity track records within the RFP process and within the contract award process to make sure they've actually practiced diversity in the past before you assume they're going to be able to do it now?

When I was talking to the Water Department a few moments ago, they said that the contractor told them that even though there's a 25 percent goal, only 12 percent was attainable. The question I would ask the Water Department if I brought them up again is, what has that contractor achieved in the past. Maybe the contractor couldn't find subcontractors because the subcontractor isn't good at finding subcontractors, and so maybe that contractor should not have received that award, or maybe there should have been more due diligence in the beginning by the department to make sure that the contractors that are even being invited to bid have to tell you what their diversity track records are so that you know they're serious in that regard.

MR. GAINES: That's a very good point you raise, Councilman Goode. I think what we would have to do with these particular contractors and everything is do our homework and go back and review their participation, their records and what they've done, and then we can use that in terms of evaluating whether or not a contract should be awarded to that particular firm. If they have not achieved significant participation with minorities and women in the past, then we should not be dealing with them. They should not get a contract. But we have to go back and to review their record.

COUNCILMAN GOODE: Because if I was upset about a $50 million contract or a $60 million contract, you know I'm going to be upset about a $6 billion project and in terms of whether we've been inviting people to bid who don't practice diversity or never practice diversity or not willing to prove it.

MR. GAINES: I understand that, Councilman.

COUNCILMAN GOODE: Thank you.

MR. GALE: Councilman, if I can add just one point on the back side of that. The outreach forum that I spoke about in my testimony that we held yesterday at the Airport with over 200 firms, 75 percent of them were DBEs. Many, if not all, were local firms here.

The contract that we have out on the street now, the request for qualifications for program management services to actually start to put the administrative legs under the CEP, I've met with all of the firms that intend to prime on that, and they know that I am dead serious when I said, before everyone left the office, You need to make sure that you not only meet these goals, but you do every attempt to exceed these goals, and that was reiterated yesterday and it's going to be reiterated again and again and again in additional future outreach forums, in addition to the monitoring piece that Cal has talked about. And when qualifications are submitted, we're going to be taking a look to see how they've competed in the past.

COUNCILMAN GOODE: That makes it even easier. If you believe you know who the potential prime contractors are, you can directly request from them what their diversity track records are and you can forward that information through the

Chair.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam Chair.

Good afternoon.

MR. GALE: Good afternoon.

COUNCILMAN JONES: I had an opportunity to be debriefed by my Chief of Staff who went out to Tinicum Township. We equally offered you guys also and would look forward to taking advantage of taking a tour of that area from your perspective as well.

I'm deeply concerned about 83 households and a major portion of Tinicum Township being impacted by this. That's the humane thing to do. That's the good neighbor thing to do.

I'm more concerned about the potential of a takeover of one of our major assets, and we need to navigate that political minefield carefully.

So having said those things and looking forward to going down and taking a look at what your plans are, let me ask two quick questions. One is, can we de-couple some of the project to deal with the runway or does the timeframe require us to move down both construction tracks? I know you're doing two terminals, one runway and a people mover, if I understand the construction, and the relocation of UPS. So are you doing it in phases that allow for the permits, the negotiations, the potential lawsuits to work themselves out, thus de-coupling the procurement opportunity?

MR. GALE: Councilman, I would say that to some degree, the de-coupling that you speak of will be there in terms of we will be letting individual RFPs, RFQs go for pieces of the project, trying to bundle those pieces together so that if it, let's say, has to do with a runway extension, that we have all the pieces

4/12/11 - WHOLE - BILL 110137

that were necessary, but it may have multiple contracts that go along with that. And we will be doing that in a phased approach over the next 13 years, consistent with not only the ability to go out and bond for several billions of dollars, but also to be working with our stakeholders as we make our way through the process.

I can't do a $6 billion project in three years. The cash flow just does not permit it. I'd like that the project would be done quicker than later, but it is a long burn. There's a lot of phasing and there's a lot of complexity that go along with this.

What we want to try to make sure is -- and I've said this before -- in the process of trying to make the Airport better, I don't want to make the Airport worse, and that's going to be something that we have to very, very carefully navigate through over the next decade, that as projects are being done, that we're making sure that we have all the stakeholders involved in the process.

The way the FAA looked at the EIS process, though, they do not really give us the ability to, quote, say we're only going to do the runways and not do the terminal buildings, or we're only going to do the terminal buildings and not the runways. To them it truly is you need to do the entire project. If for some reason events in some time in the future occur that derailed where we were, we would probably have to go back to the FAA and have a supplemental environmental process convened.

COUNCILMAN JONES: I don't relish the idea of working with such a large bureaucracy. They take yes's very seriously and very slowly, and then when you ask them again a second time, it could be not in our lifetime. So I want to proceed with caution.

MR. GALE: I have a request into them for over half a billion dollars in funding, so I won't say anything negative right now.

COUNCILMAN JONES: I understand.

Let me get to some other background. Now, for the record, you deal with both the Northeast Airport and the main airport, correct?

MR. GALE: We do.

COUNCILMAN JONES: I asked in one other budget session how do people -- have you done a study on how people get to the Airport and different modes of transportation, and have you assessed what they mean by way of growth, whether it's how do people -- do they come by vehicle, do they come by train and the like, or bus?

MR. GALE: For Philadelphia International, yes, we've undertaken those studies in the past to try to parse out how many come by the Airport rail line, how many are being dropped off by private vehicle. Forty percent of the travelers that come through the Airport are just connecting from one plane to the other. But those that are coming via land side, are they arriving via the interstate, the Blue Route, I don't have those figures here with me, Councilman. We can probably go back and dig out the percentages of the means and methods of how they've gotten to the Airport for you.

COUNCILMAN JONES: I think that's important as we start to look at the PATCO expansion. Is that planned to go into the Airport?

MR. GALE: No, not currently.

COUNCILMAN JONES: If my briefing memory serves me correctly, they were only going to go maybe a mile away from the Airport, and I don't understand why the connectivity didn't happen with that. Not that you can speak for PATCO, but I see a more knowledgeable person on intermodal transportation coming to the mike.

4/12/11 - WHOLE - BILL 110137

DEPUTY MAYOR CUTLER: Councilman, Rina Cutler, Deputy Mayor for Transportation and Utilities.

The PATCO study in fact did not go to the Airport. There was a subsequent study that was done which actually brought the SEPTA line, the Broad Street line, down to the Navy Yard. So those were two separate studies.

At this point, it is not clear to me that the PATCO study is going to go. There's, as you are aware, been a large turnover of Board members at DRPA and that funding is still in question.

One of the things we were looking for -- so it wasn't PATCO that was ever coming down that far. They were actually going to stop somewhere down near the retail businesses on Delaware Avenue, Columbus Boulevard.

COUNCILMAN JONES: They did a briefing in the Caucus Room and, again, if memory serves me correctly, where they were going to stop was approximately one mile from the Airport, and I didn't -- I asked them then and didn't understand. And maybe all of this is moot because the funding is gone.

DEPUTY MAYOR CUTLER: It may be one mile as the crow flies, but you actually -- there's water, there is Army Corps dredge sites. So you actually can't go a mile to get to the Airport under that configuration.

One of the things we have said we should look at is, we consider the Navy Yard to be sort of what we call an edge city to the Airport. So one of the pieces we will look at for the people mover system is whether we can get from the Airport to the Navy Yard and make the connection that way.

COUNCILMAN JONES: Because theoretically someone from Chestnut Hill wanting to catch the train could come in that way.

DEPUTY MAYOR CUTLER: Well, they would go to 30th Street and then take the SEPTA line to the Airport. Although we are in very serious discussions with Amtrak, because we want Amtrak to stop at the Airport. We believe it currently stops at both Newark and Baltimore, and we are upset that it doesn't consider us to be a stop on the line. So one of the pieces -- there are Amtrak tracks that come past the Airport on their way to Baltimore, and one of the pieces we're looking at is whether ultimately we can push the envelope of the Airport out to get to those tracks in order to have an Amtrak stop at the Airport. So in that case, you could either switch at 30th Street to the SEPTA Airport line or you could come all the way through on the Amtrak line. But both of those, whether it's a PATCO expansion or whether it's an expansion from the Airport to the Navy Yard or whether it's an Amtrak stop at the Airport, they are all well down the road and will all need to be studied individually as part of the expansion.

COUNCILMAN JONES: It's, I think, important for us to be cognizant of where our travelers come from, the means by which they arrive at the Airport and to try to reinforce that usage that way. Working in a coordinated effort regionally might be one of the good things that we can do with this new Governor and working with him on transportation.

DEPUTY MAYOR CUTLER: Yes. Actually, those are numbers that are available. We have a pretty good sense of not only where they come from, but how they get to us. And obviously the Airport is very much a regional facility, not just on the economic development side but also obviously on the mobility side. And while there is often discussion about airlines being told to fly out of facilities other than Philadelphia, we have not seen a lot of people who want to drive to Allentown to get a flight and nor have we seen airlines willing to fly out of there, that the business case just can't be made.

So we do consider it a regional facility, and we certainly -- notwithstanding the current issue with Delaware County, the vast majority of both our travelers and employees in and around the Airport actually come out of the neighboring counties as well.

COUNCILMAN JONES: I appreciate that.

By way of your master plan and relocation and construction of terminals, airports and people mover, in the kind of switch-around, where does that put the car rental? Are they impacted at all in this master plan?

MR. GALE: They are. Currently, the conceptual plan calls for what we refer to as a consolidated ground transportation facility that's located on the footprint where the car rental agencies are today, and that's envisioned that that facility would be a multi-modal type facility. It not only will house car park for rental cars as well as additional Airport parking, but the people mover system that we referenced that would service all the different terminals would actually come right through that facility. So if you got off, let's say, at Terminal B, you would jump on the people mover system, and the people mover system would come right through the heart of this multi-modal ground transportation facility, which you could then connect, go downstairs, get a car, jump on the SEPTA bus, the SEPTA Airport line. That will be a hub of activity right there.

COUNCILMAN JONES: Currently, all of those car rental facilities are in Philadelphia County, right?

MR. GALE: Correct.

COUNCILMAN JONES: In your master plan, will they continue to be in Philadelphia County?

4/12/11 - WHOLE - BILL 110137

MR. GALE: The ground transportation center shows the car rental facilities still on the Philadelphia County side right now.

COUNCILMAN JONES: That's very important, because we receive revenue, a tax from that, and wanted to know if that was going to continue that way.

Thank you -- one other question. We still have an Airport Advisory Committee, right?

MR. GALE: There was an Airport Advisory Board that was named by the Mayor last year.

COUNCILMAN JONES: Last year? And could you provide us the names of the folk?

MR. GALE: Absolutely. We'll submit it to the Chair.

COUNCILMAN JONES: Thank you very much, Madam Chair.

COUNCILWOMAN TASCO: Thank you very much.

The Chair recognizes

Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

Good afternoon, gentlemen.

MR. GALE: Good afternoon.

COUNCILWOMAN BROWN: My comment and question will be brief. I want to first thank you for your willingness to sit down with Councilmembers one or two weeks ago to give us a thorough, detailed big picture of this enormous opportunity coming to the region, and know that we appreciate and will follow the progress.

Secondly, I want to underscore all of the remarks, concerns, interests raised by Councilman Goode and how much that matters to so many of us here, and given the enormity of this project, we would hope that we could have regular updates, if you will, on how well you're faring around this continuing, some might call it concern, others will say issue, equity for disadvantaged businesses.

MR. GALE: Will do,

Councilwoman.

COUNCILWOMAN BROWN: Knowing full well that your contracts may not call for an annual review, but please provide that to us.

MR. GALE: Will do.

COUNCILWOMAN BROWN: And then lastly, if you look at the numbers our city -- well, your budget is 399 million and you're asking the City for a little over 25 percent of that. How does that figure compare with similarly situated cities? It gives me a perspective on where Philly sits compared to other like cities when it comes to local support.

MR. BECKER: Tom Becker.

When we look at other airports, we look more at metrics in terms of cost per enplanement as a competitive factor. We sit right in the middle of the top 30 airports. In that term, at $10.41 per cost per enplanement. Likewise, in terms of domestic one-way fares, we're right at the median in the top 30 airports.

Now, in terms of the City, we have appropriations in Police, Fire. Our appropriations for the Division of Aviation is $155 million. There are appropriations in Finance for pensions and healthcare, debt service under the Sinking Fund, and Law Department, we have 20 attorneys. Fleet Management, we have two garages that we fund.

Every dollar generated at the Airport needs to stay to support that $399 million, and we like to point out is that there are no tax dollars, no General Fund dollars that come to support the Airport. It's all by landing fees and terminal rents and concession revenues --

COUNCILWOMAN BROWN: Okay.

MR. BECKER: -- to support our operation.

COUNCILWOMAN BROWN: All right. I'm developing a growing interest in this area of transportation, particularly as it relates to sustainability, the environment, recycling, et cetera, et cetera, et cetera. So it's not an interest where I've been in the past, but under the influence of my colleague here, Councilman Jones, I'm just taking a greater interest. I've been inspired, if you will.

Secondly and lastly, if you had to look at one or two major achievements from this past year, what would they be?

MR. GALE: Well, certainly, Councilwoman, coming out of ten years worth of planning and close to an eight-year environmental review process, the culmination of our work with the FAA to reach a point in time now that the Capacity Enhancement Program can actually start to come to fruition, I don't -- I think that this is probably one of the most significant moments in PHL's history. We are not looking to make modifications that will help the Airport one year or two years. We're looking to actually create a premier multi-modal transportation facility, focusing on air transportation, but that's going to serve this region for decades to come. And so I think that that's first and foremost.

Beyond that, I think that the Airport has just continued on its mission of trying to provide the amenities and the services that our passengers want on a daily basis, whether it's air service, good concessions. Last summer -- and we're getting ready to run it again this summer -- was a customer service appreciation program called Just Plane Fun. We truly value the customers that come through the Airport. We are not going to take them for granted, and we're going to continue to do facility improvements that I talked about, the D/E expansion, a $300 million facility. That construction is nearing completion this year, and we're getting ready to start a $117 million expansion on Terminal F, again providing new amenities, baggage claim facilities, new security checkpoints, new concessions and whatnot, to our traveling public. They deserve it. They find it at other locations, and I think it's incumbent upon us to actually make those improvements come to reality.

COUNCILWOMAN BROWN: Okay. All right. Well, thank you for that. The last comment I would make is, having the good fortune to travel other airports, aesthetics really do matter, and I appreciate Philadelphia leadership wrapping its arms around the display of art of all genres and all ages, and I would ask that you continue to do that. It really does add a very non-tangible experience, if you will, for those who are traveling, travelers. And to the extent that we can always feature Philadelphia artists who bring what they bring from various neighborhoods, it just makes it that much more enriching.

MR. GALE: Thank you, Councilwoman. And I would remiss if with my own Deputy Mayor sitting behind me that if we didn't mention one of the largest art projects anywhere, our How Philly Moves mural that's going on the side of the garages as we speak to be the second largest mural in the United States, which will be completed near the end of this summer, which emanated out of the fine head of Deputy Mayor Cutler. So it's a project that's near and dear to our heart, but you are going to actually be able to see not only artwork as you walk through the Airport, so if you were just changing planes, you'll get a taste of Philadelphia and its artwork just going from plane to plane, but if you're on I-95, you're going to see How Philly Moves from the interstate as well.

COUNCILWOMAN BROWN: Brilliant. Thank you very much.

MR. GALE: Thank you, Councilwoman.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

COUNCILWOMAN TASCO: Well,

thank you very much. It's nice to hear about what's going to happen there. I just hope you'll get straight with Terminal F and the pickup. That has been a problem.

MR. GALE: One of the first things we're going to do, Councilwoman.

COUNCILWOMAN TASCO: Okay. Thank you very much. Thank you.

This Committee will stand in recess until Wednesday, April 13th at 10:00.

Thank you.

(Committee of the Whole adjourned at 5:00 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 April 12, 2011, and that this is a true and correct transcript of same.

MICHELE L. MURPHY

RPR-Notary Public

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