COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

BEFORE THE COMMITTEE ON FINANCE

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, December 3, 1997
9:30 a.m.

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BILL 970396 - Amending Section 19-201 of the Philadelphia Code, entitled "City Depositories," by authorizing the City to deposits funds in Crusader Bank.

BILL 970649 - Authorizing PAID to sell a certain tract of land situate on the northeast corner of Holstein Avenue and Bartram Avenue to Ottens Flavors Co.

BILL 970712 - Approving FY 1998 Capital Budget and the Forecast for FY 1999 through 2003 providing for expenditures of PGW.

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PRESENT:

COUNCILWOMAN ANNA CIBOTTI VERNA, Chair

COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN JAMES F. KENNEY
COUNCILMAN W. THACHER LONGSTRETH
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN FRANK DiCICCO

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BILL 970396

CHAIRWOMAN VERNA: Good morning everyone. I want to apologize for the delay.

This is the Committee of Finance Public Hearing.

I would ask the clerk to please read Bill No. 970396.

THE CLERK: Bill No. 970396, amending Section 19-201 of the Philadelphia Code entitled "City Depositories," by authorizing the City to deposit funds in Crusader Bank under certain terms and conditions.

CHAIRWOMAN VERNA: Do we have someone here to testify on this bill?

Good morning. Please identify yourself for the record and proceed with your testimony.

MR. QUEENAN: Good morning. How are you today?

CHAIRWOMAN VERNA: Fine, thank you.

MR. THOMAS QUEENAN: My name is Thomas Queenan, I am City Treasurer. I am here in regards to a bill requesting that Crusader Bank be listed as an authorized depository bank in the City of Philadelphia.

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Pursuant to my review of the documents that Crusader Bank provided to this office, I have determined that Crusader Bank does meet the basic requirements to become an authorized depository bank for the City of Philadelphia.

That is, they have been in business for more than five years, they have been profitable for the last two years, they are federally insured, and they have assets in excess of $100 million.

CHAIRWOMAN VERNA: Thank you.

Any questions from anyone?

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Mr. Queenan, who are the principals of Crusader Bank?

MR. QUEENAN: Just a moment, please.

The information that I have with me today is, the Chairman of the Board of Crusader Bank is Thomas Knox, and the President of Crusader Bank is Joseph Crowley. That's the information I have with me today.

I do not have a list of the Board of

Directors with me at this time.

COUNCILMAN NUTTER: Okay. If you would be kind enough to give that to the Chair for distribution, I would appreciate it.

MR. QUEENAN: Yes, I can do that.

COUNCILMAN NUTTER: The President's name was Joseph --

CHAIRWOMAN VERNA: Crowley.

MR. QUEENAN: Crowley. That's C-R-O-W-L-E-Y. Joseph T, period, Crowley.

COUNCILMAN NUTTER: And, I am sorry, as you were going through the list of the criteria, they were that they had been in business more than five years?

MR. QUEENAN: Yes.

COUNCILMAN NUTTER: They have been profitable for the last two years?

MR. QUEENAN: Yes, that's correct.

COUNCILMAN NUTTER: That they have deposits in excess of $100 million?

MR. QUEENAN: That's correct.

COUNCILMAN NUTTER: And what was the fourth?

MR. QUEENAN: That they be federally

insured.

COUNCILMAN NUTTER: Okay.

And is it my understanding that this bill had been listed once before, and there was some concern as to whether or not this particular institution met these four criteria?

MR. QUEENAN: Well, my understanding is that this particular bill had been introduced at an earlier date; however, this is the first public hearing.

Based on the financial statements of 1997 -- no, 1996 and 1997, they do meet the criteria.

COUNCILMAN NUTTER: Had there ever been a point in time when they did not meet the criteria recently?

MR. QUEENAN: Well, I have also reviewed their financial statements for '95, as well.

And based on their criteria for 1995, or their financial statements for '95, they just missed some of the minimum requirements to be considered as a depository bank.

COUNCILMAN NUTTER: For the 1995

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statements?

MR. QUEENAN: Yes.

COUNCILMAN NUTTER: Okay. Thank you.

CHAIRWOMAN VERNA: Are there any other questions?

Thank you, gentlemen.

MR. QUEENAN: Thank you.

Do we have anyone else to testify on this bill?

The clerk will please read Bill No. 970649.

THE CLERK: Bill No. 970649, an Ordinance authorizing the Philadelphia Authority for Industrial Development, notwithstanding any temporary requirements of the Philadelphia Industrial and Commercial Development agreement between the City, the Philadelphia Authority for Industrial Development, and the Philadelphia Industrial Development Corporation, to sell a certain tract of land, with the buildings and improvements thereon, situate on the northeast corner of Holstein Avenue and Bartram Avenue, parcel F-10 in the Eastwick Urban Renewal Area, Stage A, to

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Ottens Flavors Company for consideration not to exceed $116,000, upon written approval of the Director of Commerce.

MR. PAUL DEEGAN: Good morning. Paul Deegan, PIDC. Good morning, Madam Chairperson, members of the committee.

This bill authorizes PAID to sell approximately 11 acres of ground for a reduced purchase price.

The property is in the Eastwick industrial area, at the northeast corner of Holstein and Bartram Avenues.

The land is being sold to Ottens Flavors Company. And their representatives of the company are here today.

Ottens Flavors, which is now located at 1220 to 1230 Hamilton Street, intends to construct a 65,000-square-foot building for its corporate headquarters and for the development and manufacture of food flavoring products.

The company will increase their employees from 55 to 65 as a result of this move.

The property is being sold to Ottens Flavors for 10,000 per acre. And this is being done

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as an incentive to keep the company in the city, and also to compensate for the poor soil quality of the site.

The existing site conditions will add an estimated 8 to 10 dollars per square foot to the construction cost. And this cost could be avoided if they found another site, somewhere else in the city or in the suburbs, where there is available land with much better soil conditions.

The reduction in the sales price is a compensation for the increased construction cost.

There is also a portion of the site, I might add, that has some wetlands. And I think as the Councilwoman knows, Eastwick, you know, over the years, was filled in extensively. And the soil conditions and some environmental problems make it a little bit more expensive to build down here.

So that's the reason why we are asking Council approval to write down the cost of the land below the market value.

The development has been presented to the Eastwick PAC, and it has been approved by the Eastwick PAC, the Project Area Committee.

I ask that the committee give a

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favorable recommendation to the bill, and that the Rules of Council be suspended to permit first reading at the next regularly scheduled meeting of the Council.

CHAIRWOMAN VERNA: Thank you, Mr. Deegan.

And I do have in my possession a letter from the Eastwick PAC, with their approval.

And I want to commend the owner for staying in the city. And certainly I think that means a great deal to that general area.

MR. DEEGAN: I think it does, Councilwoman. They have been a good citizen for many years.

I think Mr. LaMastro, who is the Chief Operating Officer and Vice-President, is here today, and George Robinson also from the company, if you would like them to say a few words.

But they are real manufacturing jobs. They are not -- they are the kind of jobs that we are really trying to target at PIDC. They are manufacturing jobs. They are going to increase the number of employees.

And Mr. LaMastro said to me that,

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really, in anticipation of this move, they are already starting to increase their employment.

So they are really getting ready. They are anxious to go. And, as you can see, they were the first ones in the room this morning.

CHAIRWOMAN VERNA: We noticed.

MR. DEEGAN: So they are anxious to get going.

CHAIRWOMAN VERNA: And we are just as anxious to have them relocate in the city.

MR. DEEGAN: I have a nice brochure, also, if you would like to keep this as part of the record.

CHAIRWOMAN VERNA: That would be fine, if you don't mind sharing that with us.

COUNCILMAN DiCICCO: Thank you for staying.

COUNCILMAN NUTTER: We appreciate it.

CHAIRWOMAN VERNA: Are there any questions of Mr. Deegan?

COUNCILMAN LONGSTRETH: I have not got a question.

I would just like to get on the

record that I am a Board member of PIDC, and have been for 30 years, and I am also a Board member and Vice-Chairman of PAID.

CHAIRWOMAN VERNA: Thank you.

Any other questions or comments from members of the committee?

Anyone else to testify?

We really don't have to hear from anybody else. Thank you.

Excuse me, sir. You really don't have to wait. I am sure you are very busy. But I want to thank you for coming in promptly at 9:00 and staying.

And certainly, again, I want to thank you again for relocating in the city. Thank you.

MR. DEEGAN: Thank you, Chairwoman.

CHAIRWOMAN VERNA: You are welcome.

The clerk will please read Bill No. 970712.

THE CLERK: Bill No. 970712, an Ordinance approving the Fiscal Year 1998 Capital Budget and the forecast for Fiscal Years 1999 through 2003, providing for expenditures for the capital purposes of the Philadelphia Gas Works,

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including the supplying of funds to be obtained in connection therewith so as to provide for the normal additions and replacements which occur annually in the Gas Works.

CHAIRWOMAN VERNA: Good morning, gentlemen.

We have, all the members of the committee, received a copy of your Capital Budget briefing and your written testimony, which has been made available to all members of the committee and will certainly be made part of the record. We will give your copy to the stenographer.

I would ask you at this time if you would simply abbreviate your testimony. Thank you.

MR. GREGORY D. MARTIN: Good morning, Chairwoman Verna and members of the committee. I am Gregory Martin, Executive Vice-President and Chief Operating Officer --

CHAIRWOMAN VERNA: Mr. Martin, I am sorry to interrupt you. You are going to have to speak into the mike.

MR. MARTIN: Good morning, Chairwoman Verna and members of the Finance Committee. I am Gregory Martin, Executive Vice-President and Chief

Operating Officer of Philadelphia Gas Works.

Today I have with me Mr. Dennis Stenson, who is Vice-President of Operations, and Mr. James Spidatto, who is our Transportation Director.

We are here to answer any questions that you may have concerning PGW's Fiscal 1998 Capital Budget and any questions you may have concerning Bill No. 970712.

We ask the committee to suspend the Rules to permit first reading of the bill tomorrow, and to favorably recommend to the full Council approval of our Fiscal '98 Capital Budget.

CHAIRWOMAN VERNA: Mr. Martin, are there any statements that you would like to make?

I had asked that you abbreviate your testimony, but you didn't give us any at all.

MR. MARTIN: Okay.

COUNCILMAN NUTTER: That's the most abbreviated testimony.

MR. MARTIN: Very good.

I submitted in advance my testimony; therefore, I am summarizing it at this point.

Briefly, PGW proposes and seeks

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authorization of a Fiscal Year 1998 Capital Budget totaling $79,597,000.

I am hereby asking the committee to suspend the Rules, permit first reading of the bill, and to report favorably on PGW's Fiscal 1998 Capital Budget.

The proposed Capital Budget supports PGW's strategic priorities, particularly the priorities relating to improving customer service, reducing costs, and increasing efficiency.

Moreover, the proposed capital spending supports PGW's obligation to maintain the gas properties in good order and condition, consistent with the best and most economical processes that are usual and customary for regulated gas utilities.

In view of the foregoing, we are here seeking your authorization and recommendation on the bill. And we are here to answer any questions that you may have.

CHAIRWOMAN VERNA: Thank you.

Mr. Sharbutt, is there any statement you would like to make?

MR. MARTIN: Mr. Sharbutt is not here

at the present. This is Mr. Stenson.

CHAIRWOMAN VERNA: Oh, I'm sorry.

Mr. Stenson, is there anything you would like to add to the testimony, sir?

MR. STENSON: Not at this time.

CHAIRWOMAN VERNA: Thank you. Then I guess we are ready for some questions.

What were the major objectives in formulating the 1998 Capital Budget?

MR. MARTIN: The major objectives, Madam Chairwoman, relate to our strategic priorities.

Those strategic priorities are improving customer service, increasing efficiency, and reducing cost; to grow the core business, to enhance our business operations, and to transform our corporate culture.

CHAIRWOMAN VERNA: The Gas Processing Department's Capital Budget includes only two miscellaneous additions and replacements in two budget categories.

Could you comment on the fact that the budget does not include specific projects in these two categories?

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MR. DENNIS STENSON: The Gas Processing budget in the past has been as high as 3 to 5 million dollars, as perhaps some of the members may remember.

We are undergoing at the moment an extensive study of the gas processing facilities, primarily our liquefaction facilities, the liquefaction of natural gas, and we are not quite prepared yet to determine exactly what needs to be done for the L & G facilities.

So this, to some extent, is a budget to maintain the existing facilities in the condition that they are now, which is a good condition, and allow us to finish this study to determine what the future will be for L & G facilities. And at that time we would come back to you with our plans for the future.

That's why there are no specific replacement items in this year's budget.

CHAIRWOMAN VERNA: For the record, please tell us why the budget for distribution facilities has been reduced in 1998.

MR. STENSON: One of the major reasons is, last year we had budgeted a project, a major project, to supply a major customer at $1.4 million. And that money that was not expended last year is being expended this year.

So last year's budget was at least 1.4 million higher because of that major project. And there is no similar project in this year's budget.

We have also had a reduction due to a budgeting decision, or an accounting decision, to take the cost of removals, which last year was $1,750,000, out of the Capital Budget and make it part of the Operating Budget. This was an accounting decision by our controller.

And the third item was an increase in productivity and efficiency in the way we do, for the most part, paving restoration, or the lack of paving restoration.

We have found a number of new techniques which allow us to replace main in a block by making two small openings, or perhaps three small openings, in a block, rather than opening up the entire block.

And this has allowed us to reduce anywhere from 25 to 35 percent of the cost of a

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capital construction job because, A, we don't have to break the paving, and, B, we don't have to restore the paving.

They are the three major reasons why the Capital Budget in the Distribution Department has been reduced.

CHAIRWOMAN VERNA: Can you tell us what major service main replacements are anticipated for 1998?

MR. STENSON: There is --

CHAIRWOMAN VERNA: Do you have a schedule at this point in time?

MR. STENSON: There is a project right now that's ongoing to supply the Jefferson Smurfit Corporation, up in Manayunk, off of Flat Rock Road. It is about a 1.2 to 1.4 million dollar project, being funded by '97 funds, to supply those folks with natural gas.

Right now they use a combination of oil and coal to fire their boilers. It is a paper recycling plant. And they are going to go -- partly because of environmental reasons, but partly because of efficiency improvements -- they are going to go to natural gas.

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CHAIRWOMAN VERNA: What is the Service Abandonment Program, and what is the funding level for the '98 budget?

MR. STENSON: The answer -- the reason we are having a problem is, this is part of the accounting change that was made by the Accounting and Budget Department at PGW.

Removals and abandonments used to be funded anywhere from a million to 2 million dollars a year in the Capital Budget. For 1998 they decided to move the funding for this to the Operating Budget.

Mr. Martin remembers that the amount of money for abandonments is about $4 million this year.

MR. MARTIN: Subject to check, Madam Chairwoman. It is about four and a half million dollars.

CHAIRWOMAN VERNA: For '98?

MR. MARTIN: $4.5 million.

CHAIRWOMAN VERNA: I am asking, is that the figure that we're referring to for 1998?

MR. MARTIN: For Fiscal 1998 is correct.

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CHAIRWOMAN VERNA: Good.

Can you tell me how often the Department of Licenses & Inspections has been updating you on abandoned properties?

MR. STENSON: Literally, every day.

CHAIRWOMAN VERNA: Really?

And can you tell us how many such shutoffs have occurred during 1997?

MR. STENSON: I don't have those figures with me. But from the top of my head, what I remember, is something in the neighborhood of 750 to 1,250 a year come from the Department of Licenses & Inspections.

That's subject to check, but that's about what we end up getting from L & I.

CHAIRWOMAN VERNA: It appears to me that it is taking a long time to get the automatic meters installed. I think that the Water Department is doing it much more expeditiously.

Can you tell us how many meters will be installed this year? And will this essentially complete the installation process?

MR. STENSON: About 77,000-plus meters will be installed this year.

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The program began in earnest in 1994. And the intent at that time was to be a seven-year program. That's the way we decided to fund it in the beginning.

And while we did expedite it for a while, we have gone back to our original program.

It should be completed by the Year 2000, the entire city should be converted.

CHAIRWOMAN VERNA: So how many have we --

MR. STENSON: 365,000 as of last month. And there is about 510,000 residential customers that need to be converted.

CHAIRWOMAN VERNA: And I notice in your briefing that you mentioned about the replacement of batteries in the meters, and they are less than five years old.

MR. STENSON: The initial units we bought, the batteries only had, I believe, a seven-year warranty.

As we began to buy these units, we kept complaining about that 7 years, and now the battery is up to about a 15-year life.

We have not seen -- we have seen some

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failures, but we have not seen any wholesale failures. The unit is 99 percent reliable and accurate.

CHAIRWOMAN VERNA: And how much is it going to cost to replace the batteries?

MR. STENSON: You end up spending probably in the neighborhood, because of the labor involved, 25 to 30 dollars, because you have got to take the unit off.

Basically, it is a sealed unit. You have to send it back to the manufacturer, they replace the battery, and they send it back to you.

CHAIRWOMAN VERNA: And you are saying the new batteries will have a 15-year life?

MR. STENSON: The new batteries are projected to have a 15-year life.

CHAIRWOMAN VERNA: Okay.

I notice that you are going to have to build a new warehouse facility. Can you tell us why it is necessary and where you propose to build?

MR. MARTIN: Madam Chairwoman, we haven't decided where to build the warehouse. That's one of the things that we are looking at, evaluating, where to place it.

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We would like to make it centrally located for all of our outlying stations.

The reason that we are proposing to replace the warehouse is that we have a lease that is expiring this year, and the owner wants his property back.

CHAIRWOMAN VERNA: When you say "this year," you are referring to 1998?

MR. MARTIN: In 1998.

CHAIRWOMAN VERNA: And we don't know where we are going to build a new warehouse yet?

MR. MARTIN: Well, we are including the cost of perhaps building a warehouse.

We have a number of buildings of PGW's now that we are evaluating for their suitability for use as a warehouse.

And that's the reason that I am saying to you that we don't know that we will build a warehouse, as opposed to renovating some of the buildings that we may have currently and using that for warehouse space.

CHAIRWOMAN VERNA: Can you tell us about the condition of your phone system, and why is such a large expenditure necessary to improve them?

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I believe it is $1.275 million.

MR. MARTIN: Yes.

Our telephone system, Madam Chairwoman, was installed somewhere in the early 1980s. The capacity of that phone system is not able to handle the demand of telephone calls that we have coming in and out of PGW right now.

As an example, we get approximately 2 million calls into our telephone center every year.

And because of the capacity, the lack of capacity, that we have, customers sometimes will get a busy signal and have the telephone hang up on them until there is space in the que for a person to get into our telephone call center.

In addition to that, the telephone system has to be compatible with computer technology today.

We have digital technology today. And our telephone call center -- rather, our telephone system is built on an analogue basis, which is incompatible with the technology that's in place, modern technology, in the 1990s and the Year 2000.

CHAIRWOMAN VERNA: Mr. Martin, I

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think it sounds like it is something that has to be done. And I would like to offer you a friendly suggestion.

MR. MARTIN: Yes, ma'am.

CHAIRWOMAN VERNA: Once these phones are installed, may I suggest that many of the people answering the phones be trained to be courteous, to be customer friendly, and not to be rude.

It is absolutely horrible how some customers are treated. And I know for a fact that they just don't want to be bothered. They sometimes literally hang up on people. I think that's terrible.

So if you are installing new phones, I would also suggest that you have some training for the operators.

MR. MARTIN: Madam Chairwoman, if I could say that that is something that we are sorely aware of.

And one of the things that we are doing, we have contracted with Drexel University. They have a Customer Relations Department at Drexel University. And we have contracted with the university to train our customer service agents to

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do exactly as you are describing.

CHAIRWOMAN VERNA: Well, I am happy to hear that.

Because I will tell you, if anyone on my staff dared talk to people the way some of your employees have done, they would be walking outside of City Hall, believe me.

MR. MARTIN: I appreciate that.

CHAIRWOMAN VERNA: It is my understanding that PGW suffers from a high rate loss of inventory.

Can you share with us what measures are being taken to reduce the loss?

MR. MARTIN: I am not sure what inventory you are speaking about.

CHAIRWOMAN VERNA: According to your report, and when we had a briefing from the gentleman from PGW he said, there was a high rate of loss in their inventory.

You are not aware of that, Mr. Martin?

MR. MARTIN: Well, I am aware that there was an audit report that was done which showed that there was some inventory in the field services

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area that was, and the automotive area, that we needed to gain some control of. And I was just trying to make sure I understood your question.

We are implementing a work and asset management system, as well as a financial management system, financial and materials inventory system, as part of the information technology infrastructure that we are putting into place.

Those two systems will help us to not only control the inventory, but to know how much we have, where it is at any point in time, and to value it.

And those are the primary systems that we are putting into place to deal with our inventory.

CHAIRWOMAN VERNA: I have several other questions that I would like to ask; however, I don't want to dominate this hearing.

And I know that my colleague to my right is almost biting his lip, so I would refer to Councilman Nutter.

COUNCILMAN NUTTER: I thought you were talking about Councilman Kenney.

CHAIRWOMAN VERNA: No. He never

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bites his lip.

COUNCILMAN NUTTER: Good morning, Mr. Martin.

MR. MARTIN: Good morning, Councilman Nutter.

COUNCILMAN NUTTER: Mr. Stenson, I am sorry. I did not catch your title.

What is your position with the company?

MR. STENSON: I am the Vice-President of Operations, Councilman.

COUNCILMAN NUTTER: I don't think we have had the occasion to talk to you before.

MR. STENSON: I don't believe so.

COUNCILMAN NUTTER: Let's talk about your gas line replacement program.

Councilwoman Verna had asked you a question earlier about that. And you began to talk about a particular company up on Flat Rock Road. I actually took the question to have a broader meaning.

Do you have a regular schedule of anticipated gas main replacement? Do you have a program?

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MR. STENSON: Yes, sir.

COUNCILMAN NUTTER: Where you regularly replace gas mains?

MR. STENSON: Yes, sir.

COUNCILMAN NUTTER: Do you put out a schedule? I mean, is that something, subsequent to this hearing, would you be able to tell me where in the 4th District or the 2nd District or anywhere else in the city where you anticipate over the next year or two replacing mains?

MR. STENSON: The schedule usually doesn't go out quite that far. But, yes, we have a schedule -- not by district, but citywide -- of replacement mains to be replaced in the next three to six months.

A lot of it is driven, as maybe perhaps you know, by the city Water Department, the Streets Department. We do a lot of work in conjunction with them.

When they replace a water line or a sewer line, it often means relocating or replacing the gas line, as well. So often their schedule becomes our schedule.

COUNCILMAN NUTTER: I understand.

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And I have seen some of that coordination take place.

Mr. Martin, you were answering questions earlier about the warehouse. I would like to go back to this area.

Where is this much-discussed warehouse?

MR. MARTIN: The warehouse is what we call at Hunting Park. And that's in the North Central Section of the city, on Hunting Park Avenue.

MR. STENSON: Around Whitaker and Hunting Park.

COUNCILMAN NUTTER: Whitaker and Hunting Park?

MR. STENSON: Yes, sir.

COUNCILMAN NUTTER: Okay. And when does the lease expire?

MR. MARTIN: I believe the lease expired in August of 1998.

COUNCILMAN NUTTER: Okay. And your testimony earlier is you were looking at some current PGW facilities, as well as, I guess, you are scouring the market for either land where you might be able to build your own building, or are you looking at other existing facilities?

MR. MARTIN: We are looking at all those options, Councilman Nutter.

COUNCILMAN NUTTER: And when do you expect to have made a decision?

MR. MARTIN: Some time in the early part of 1998. By the end of the first quarter; that is, by March 31.

COUNCILMAN NUTTER: Okay. And how much space do you anticipate needing?

MR. MARTIN: I'm sorry; I didn't hear you.

COUNCILMAN NUTTER: How much space do you anticipate needing?

MR. MARTIN: Approximately 45,000 square feet.

COUNCILMAN NUTTER: And what's in this warehouse? Is this where the equipment is kept?

MR. MARTIN: We keep various sundry equipment, from uniforms, to shovels, to you name it, and almost any type equipment we would use.

COUNCILMAN NUTTER: Mr. Martin, when

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you came by for the briefing, yourself and Councilwoman Land, you had shared some information which I guess is recaptured in Page 1 of the Capital Budget overview, in the large book.

The first two items, improve customer service, number one, and, number two, improve efficiency and reduce costs, seem to capture about 90 percent of this Capital Budget.

Could you go into a little more detailed explanation of what those two items are?

MR. MARTIN: Right.

In the area of customer service, we have identified approximately -- these totals: About $8.7 million for billing, collection, and customer service system; that is, to replace our current customer information system, which was installed in about the early 1980s.

$1.275 million for the call center, replacing the technology in the infrastructure there.

COUNCILMAN NUTTER: I am sorry to interrupt. The material that you are reading from, would I find that somewhere else in this larger book?

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MR. MARTIN: It would be in the document that I provided to you.

COUNCILMAN NUTTER: The smaller blue one?

MR. MARTIN: Yes, sir.

COUNCILMAN NUTTER: Okay.

MR. MARTIN: About $2 million for the financial and materials management system, $5.3 million for a work and asset management system, and the $2.6 million associated with the warehouse.

Those are the primary dollars that are associated both with the improving customer service and reducing costs, and efficiency.

COUNCILMAN NUTTER: Let me ask you this question: After you, hopefully, get through FY '98 Capital Budget, and having spent in excess of about 70-some-odd million dollars, how do you evaluate whether any of this has worked in improving customer service?

When we had the painful PGW/QST hearings, I seem to recall that on the electric service, the company had set a goal of a customer rating of a 7 in that regard, and the company would feel that customers were being served well.

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Does PGW have a similar rating system, or a customer satisfaction rating, that it tries to attain?

And do any of these projects and programs help to drive, hopefully, that number upwards?

MR. MARTIN: Yes. We expect to do customer satisfaction survey research, that's for one, using an independent party.

Secondly, we have internal metrics that we will be using.

For example, in the call center, we are setting a benchmark of answering 85 percent of our calls within 90 seconds in the telephone call center, which is comparable to any telephone call center, whether it be a utility company or be General Electric, or Sears service call center that you would call into.

So I guess what I'm saying to you is, is that we have a number of metrics that we will be using. And I would be glad to provide those to you.

COUNCILMAN NUTTER: Mr. Martin, you are saying that answering a call in 90 seconds is some kind of industry standard?

MR. MARTIN: Yes, sir.

COUNCILMAN NUTTER: What industry?

MR. MARTIN: Call center, telephone call centers in general, whether it be utility industry or -- I'm sorry. I said, "90 seconds." 20 seconds. I apologize.

COUNCILMAN NUTTER: If I were to sit on the phone for 90 seconds waiting for you guys, I think I would call Jim Hawes.

MR. MARTIN: 20 seconds.

COUNCILMAN NUTTER: 20 seconds?

MR. MARTIN: Yes.

COUNCILMAN NUTTER: So you want 85 percent of the calls answered within 20 seconds?

MR. MARTIN: Answered within 20 seconds, that's correct.

We would like to be able to give our customers appointments, when they want it, 70 percent of the times.

Currently we basically have a.m. and p.m. appointments, and you have to choose.

COUNCILMAN NUTTER: You have to sit around waiting for somebody to come?

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MR. MARTIN: That's correct.

And we would like to be able to give you an appointment when you want it.

COUNCILMAN NUTTER: All right. My last question is -- actually, I have two last questions.

Councilwoman Verna asked you a number of questions about the batteries with the automatic meter reading system.

If you have one of the early systems, and I guess you have one of the seven-year batteries, how would a customer know that their battery was about to expire or potentially was malfunctioning?

MR. STENSON: The customer doesn't need to know.

The system is designed to send a low battery signal back to the computer that's in the van that's riding down the street.

So we will get an early warning signal that the battery is expiring, and then it is our job to do a maintenance on that particular AMR unit.

COUNCILMAN NUTTER: What impact, if

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any, does a low battery reading have on the capability or the functioning of the AMR?

MR. STENSON: Once the battery reaches a certain level -- I don't know the exact level -- the unit stops functioning.

It is, basically, a little radio transmitter that is sending a signal from the meter.

COUNCILMAN NUTTER: I understand that. What impact does that have on its ability to calculate how much gas I am using?

MR. STENSON: If the battery is dead, you can't get anything.

The meter continues to run. The manual meter in the house continues to run. This is simply the device that's transmitting the reading.

So you always have a reading, as long as you can get in the house, obviously.

COUNCILMAN NUTTER: So your testimony is that if my battery stops working, it doesn't mean that my meter is going to go haywire or that I am going to go from paying a $100-a-month bill to somehow a $500-a-month bill because the battery stopped working?

MR. STENSON: That's correct.

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COUNCILMAN NUTTER: Okay. Thank you.

CHAIRWOMAN VERNA: Any other questions from members of the committee?

I just have a couple other questions I would like to ask you.

According to the data that you have provided, $75 million in new bond funds will be requested during Fiscal Year 1998. Of that amount, only $18.4 million will be used for the 1998 program.

What projects do you anticipate will occur in 1999 that will take the bulk of the $75 million?

MR. MARTIN: In Mr. Sharbutt's testimony, Chairwoman Verna, he notes that we will use $18.4 million from --

CHAIRWOMAN VERNA: '98?

MR. MARTIN: I'm sorry?

CHAIRWOMAN VERNA: For 1998?

MR. MARTIN: For 1998. I am speaking of 1998. From external sources.

$19.4 million will be from capital leasing, and $38 million will be internally

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generated funds.

And the way that he --

CHAIRWOMAN VERNA: Mr. Martin, I think you may have misunderstood my question.

MR. MARTIN: Okay.

CHAIRWOMAN VERNA: I had asked, of the $75 million in new bond funds, of that amount, only $18.4 million will be used for the 1998 program.

What projects do you anticipate will occur in 1999 that will take the bulk of the $75 million?

MR. MARTIN: I don't know the answer to that, Madam Chairwoman, and I will find the answer for you.

CHAIRWOMAN VERNA: Would you give us that information in writing, please.

MR. MARTIN: You will get it today.

CHAIRWOMAN VERNA: Thank you.

I also note that there are capital expenses through the life of the program of $40 million for information technology.

Can you elaborate on that, please?

MR. MARTIN: Yes. As I mentioned

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earlier, we are proposing to replace much of the information technology infrastructure at PGW, which was primarily installed in the early 1980s, which don't meet our current needs today.

For example, to be able to do accurate and timely billing for our customers.

There are a number of systems that we are proposing to put into place: A billing collection and customer service system, a financial and material management information system, a work and asset management system, a call center technology and other technology infrastructure; for example, recabling all of our stations, our headquarters, and all the buildings that we have with current information technology, i.e., telephone, cabling, and computer technology. That's what we are planning to spend the bulk of the $40 million on.

Then there are about $10 million which would be usual and customary information technology expenditures that we would make.

The way the $40 million breakout is, about every year we spend about $10 million to replace computer technology, hardware and software,

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and the maintenance of it.

And the other dollars, $8.7 million, for billing collection and customer service system, $2 million for financial information system, $5.3 million for work and asset management system, $1.275 million for a telephone call center, and then, also, the operating system to run all of our software on.

CHAIRWOMAN VERNA: Thank you.

Are there any Capital Budget items associated with PGW's participation in the electric pilot program?

MR. MARTIN: There are no Capital Budget items, dollars, associated with the participation in the electric pilot program.

CHAIRWOMAN VERNA: Well, do you anticipate submitting any revisions to the budget in the future to include such items?

MR. MARTIN: Not at this time, Madam Chairwoman, we do not.

Well, I just asked my colleague, wouldn't we need that for QST?

MR. MARTIN: I'm sorry; I didn't hear you.

CHAIRWOMAN VERNA: It is my

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understanding that we sat for three days having hearings regarding QST.

COUNCILMAN NUTTER: Two weeks.

CHAIRWOMAN VERNA: Isn't that the pilot program?

MR. MARTIN: That is the pilot program, Madam Chairwoman.

CHAIRWOMAN VERNA: And why wouldn't there be capital budget items associated?

MR. MARTIN: If the Chair would recall, the Council put a condition on our participation in the pilot program.

And that condition was that PGW spends no more money with respect to the electric pilot than what was spent up until the time that --

CHAIRWOMAN VERNA: We had the hearing?

MR. MARTIN: That's right.

COUNCILMAN NUTTER: Actually, I think it was October 23, was the date.

MR. MARTIN: That's correct.

And, therefore, we don't plan to spend any money, capital or operating, past the amount of money that was spent at that time.

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COUNCILMAN NUTTER: So the assumption there is that if there were a capital need, that QST would assume that cost?

MR. MARTIN: That is correct, Councilman Nutter.

COUNCILMAN NUTTER: Okay.

CHAIRWOMAN VERNA: Can you bring us up to date on the status of the negotiations between QST and PGW?

MR. MARTIN: Madam Chairwoman, I am not that close to that particular project.

It is my understanding that there are some terms and conditions of the Joint Venture Agreement between PGW and QST that still must be worked out.

And that there probably will be a recommendation made to the Council, but I'm not quite clear on what those terms and conditions are.

COUNCILMAN NUTTER: Well --

CHAIRWOMAN VERNA: I thought we had entered into an agreement?

When were they supposed to start?

COUNCILMAN NUTTER: Wasn't there a November 1 start date?

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MR. MARTIN: That is correct.

COUNCILMAN NUTTER: Has the program started?

MR. MARTIN: It has, Councilman Nutter.

And if you recall, the City Solicitor's explanation about what would happen to customers in the event that there was not a consummation of the agreement between PGW and QST, her response was that the customers are QST's customers until such time as there is an agreement between PGW and QST.

COUNCILMAN NUTTER: So anyone who is participating is technically participating now as a QST customer, anticipating that they would subsequently participate in this joint venture between QST and PGW?

MR. MARTIN: That is correct.

COUNCILMAN NUTTER: Okay.

CHAIRWOMAN VERNA: Thank you.

COUNCILMAN NUTTER: I am sure you will keep us informed.

Just one last quick question for myself. I notice that we have testimony from

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Mr. Sharbutt. And Councilwoman asked you a Capital Budget question which kind of put you in a difficult position.

Just for the record, where is Mr. Sharbutt?

MR. MARTIN: Councilman, I was expecting Mr. Sharbutt to be here.

I know that he is meeting at PGW with some outside parties, and I am not sure of the nature of that meeting.

But we expected him to show up here this morning.

COUNCILMAN NUTTER: You might want to share with Mr. Sharbutt that for the few times that PGW actually does have to come over, it is generally not a good practice to miss the Capital Budget hearing for the company.

I respect his schedule, but we have one, also. And today would be a good day for him to be in Council chambers.

MR. MARTIN: I appreciate that, Councilman Nutter, and I will take that message back.

COUNCILMAN NUTTER: Thank you.

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CHAIRWOMAN VERNA: Are there any other questions or comments from members of the committee?

The Chair recognizes Councilman Longstreth.

COUNCILMAN LONGSTRETH: First I would like to thank Mr. Sharbutt and former Councilwoman Land for coming to see me yesterday and giving me an opportunity to get a little one-on-one type of informative questions and answers. And it helped my understanding of what was going on today.

I am still a little bit confused on exactly what lease financing is. Could somebody explain to me what lease financing is, in layman's terms?

MR. MARTIN: Councilman, not being responsible for the financial area, I don't know.

I sort of loath trying to explain that for you. What I will do is try to get some written explanation to you today.

COUNCILMAN LONGSTRETH: I realize that. But I don't know.

So if you could get somebody to drop me just a note with a one-page evaluation of what

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lease financing is and give me a better understanding the next time I see it as a means of raising capital.

MR. MARTIN: Very well. I will get Mr. Sharbutt to develop that.

CHAIRWOMAN VERNA: Excuse me, Councilman.

Again, Mr. Martin, if we are talking about a budget, don't you think somebody from the Finance Department should be here with you?

I think everything is taken so much for granted around here.

Councilman, did you have another question?

COUNCILMAN LONGSTRETH: I am finished, thank you.

CHAIRWOMAN VERNA: Are there any other questions or comments?

Are there any statements that you would like to make before we conclude our hearing?

MR. MARTIN: I do not, Chairwoman.

CHAIRWOMAN VERNA: Thank you very much.

This concludes the Public Hearing of

the Finance Committee.

(Public Hearing adjourned.)

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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

of the

COMMITTEE ON FINANCE

- - -

Wednesday, December 3, 1997

- - -

Public Meeting conducted by the Committee on Finance, held in Room 400, City Hall, Philadelphia, Pennsylvania, on the above date, to consider action on the following:

BILLS 970396, 970649, 970712

- - -

PRESENT:

COUNCILWOMAN ANNA CIBOTTI VERNA, Chair

COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN JAMES F. KENNEY
COUNCILMAN W. THACHER LONGSTRETH
COUNCILMAN MICHAEL A. NUTTER

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PUBLIC MEETING

CHAIRWOMAN VERNA: We will now go into our Public Meeting.

The Chair recognizes Councilman Kenney regarding Bill No. 970396.

COUNCILMAN KENNEY: Thank you, Madam Chair. I move that Bill No. 970396 be reported out of this committee with a favorable recommendation.

CHAIRWOMAN VERNA: Do I hear a second?

(Duly seconded.)

CHAIRWOMAN VERNA: Properly moved and seconded that Bill No. 970396 be reported out of committee with a favorable recommendation.

All in favor will signify by saying aye.

Those opposed.

The ayes have it. The motion is carried.

The Chair recognizes Councilman Longstreth with regard to Bill No. 970649.

COUNCILMAN LONGSTRETH: Moved.

(Duly seconded.)

CHAIRWOMAN VERNA: Excuse me. I believe there was a request for a suspension of the

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Rules.

COUNCILMAN LONGSTRETH: I move that, too.

(Duly seconded.)

CHAIRWOMAN VERNA: Properly moved and seconded that Bill No. 970649 be reported out of committee with a favorable recommendation and a recommendation that the Rules of Council be suspended so as to permit first reading at our next session of Council.

All in favor will signify by saying aye.

Those opposed.

The motion is so carried.

The Chair recognizes Councilman Nutter regarding Bill No. 970712.

COUNCILMAN NUTTER: Madam Chair, I move that Bill 970712 be reported out of committee with a favorable recommendation, and a further recommendation that the Rules of Council be suspended so as to permit first reading at our next session.

(Duly seconded.)

CHAIRWOMAN VERNA: Properly moved and

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seconded that Bill No. 970712 be reported out of committee with a favorable recommendation, also a recommendation that the Rules of Council be suspended so as to permit first reading at our next session of Council.

All in favor will signify by saying aye.

Those opposed.

The motion is carried.

This concludes the Public Meeting of the Finance Committee.

Thank you all very much.

(Public Meeting adjourned at 10:20 a.m.)

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

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Wednesday, December 3, 1997, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COMMITTEE ON FINANCE

DEBRA A. WHITEHEAD, RPR