

PHILADELPHIA WATER DEPARTMENT  
STATEMENT 3

BEFORE THE  
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

In the Matter of the Philadelphia Water Department's Proposed Change in Water, Wastewater and Stormwater Rates and Related Charges	Fiscal Years 2026 - 2027
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**Direct Testimony**  
  
**of**  
  
**Stephen J. Furtek,**  
  
**Vahe Hovsepian, Matthew Fulmer and**  
  
**William Dobbins**  
  
**on behalf of**  
  
**The Philadelphia Water Department**

Dated: February 2025

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**I. INTRODUCTION AND PURPOSE OF TESTIMONY**

**Q1. PLEASE STATE YOUR NAMES AND POSITIONS WITH THE PHILADELPHIA WATER DEPARTMENT.**

A1. My name is Stephen J. Furtek. I am the General Manager of the Engineering and Construction Division at the Philadelphia Water Department (the “Department” or “PWD”).

Testifying with me is Vahe Hovsepian, P.E., who is a Water Engineering Assistant Manager, Projects Control Unit; Matthew Fulmer who is the Department’s Capital Program Manager; and William Dobbins, who is a Manager, Facilities and Water & Sewer Sections, in the Design Branch.

**Q2. WOULD EACH OF YOU PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES, EXPERIENCE AND EDUCATIONAL BACKGROUND.**

A2. Our respective backgrounds and experience are summarized below:

Mr. Furtek

I am responsible for managing the Engineering and Construction Division which is charged with the implementation of the Water Department’s Capital Improvement Program, generation and maintenance of as-built drawings, and provision of engineering support to the Department at large. Duties for the Engineering and Construction Division also include administration of One Call mark outs, private development review, maintaining the Department’s Geographic Information System (“GIS”), and Act 537 management.

1 I hold a Bachelor of Science degree in Civil and Urban Engineering from the University of  
2 Pennsylvania and am a registered Professional Engineer licensed in Pennsylvania. I was  
3 appointed as General Manager of Planning and Engineering (now the Engineering and  
4 Construction Division) in March 2005. Since joining the Department in 1982, I have held  
5 several positions with increasing responsibility, including Supervisor of the Water and  
6 Sewer Design Section, Manager of the Design Branch and my current position. A more  
7 detailed overview of my relevant work experience is set forth in my attached resume which  
8 is marked as Schedule SJF-1.

9  
10 Mr. Hovsepian

11 I am a Water Engineering Assistant Manager, Projects Control Unit for the Department. I  
12 am responsible for the Department's Capital, Geographic Information System (GIS),  
13 Records, One Call, Sewer Connections, and Act 537 programs.

14  
15 I hold a Bachelor of Science in Mechanical Engineering and a Master of Science in  
16 Mechanical Engineering from the New Jersey Institute of Technology. I am also a licensed  
17 Professional Engineer. I started employment with the Water Department in September  
18 1986 and have held my current position since January 2022. I have more than 37 years of  
19 experience in the water and wastewater field. A more detailed overview of my relevant  
20 work experience is set forth in my attached resume which is marked as Schedule VH-1.

21  
22 Mr. Fulmer

23 I am responsible for the implementation of the Water Department's Capital Improvement  
24 Program, supervising the public works construction contracting and payment processing  
25 systems.

1  
2 I hold a Bachelor of Science degree in Civil Engineering from Rutgers University and a  
3 Master of Science degree in Water Resources and Environmental Engineering from  
4 Villanova University.

5  
6 I started employment with the Water Department in May 2013 as an entry level civil  
7 engineer. During my time with the Water Department, I worked in two different operating  
8 departments with increasing responsibility that led to my current position as the Capital  
9 Program Manager. A more detailed overview of my relevant work experience is set forth  
10 in my attached resume which is marked as Schedule MF-1.

11  
12 Mr. Dobbins

13 I am a Manager, Facilities and Water & Sewer Sections, in the Design Branch. I am  
14 responsible for the design of the Water Department's capital program, including the  
15 generation of biddable plans and specifications.

16  
17 I hold a Bachelor of Science in Civil Engineering from Penn State University. I am also a  
18 licensed Professional Engineer. I started employment with the Water Department in  
19 December 2001 and have held various positions since then. A more detailed overview of  
20 my relevant work experience is set forth in my attached resume which is marked as  
21 Schedule WD-1.

**Q3. PLEASE IDENTIFY THE SCHEDULES ATTACHED TO THIS TESTIMONY.**

A3. The following schedules accompany this testimony.

Schedule SJF-1      Resume of Stephen J. Furtek

Schedule VH-1      Resume of Vahe Hovsepien

Schedule MF-1      Resume of Matthew Fulmer

Schedule WD-1      Resume of William Dobbins

Schedule CP-1      Capital Program and Budget Process

**Q4. WHAT IS THE PURPOSE OF THIS PANEL'S TESTIMONY?**

A4. The purpose of our testimony is to describe: (i) the City's Capital Program and Capital Budget Process; (ii) the Department's current and projected Capital Improvement Program ("CIP"); (iii) the regulatory requirements impacting the CIP; (iv) factors impacting the capital program and related spending; and (v) the rate relief needed to support the capital program for Fiscal Year ("FY") 2026 and FY 2027 (together, the "Rate Period").

## **II. THE CITY'S CAPITAL PROGRAM AND CAPITAL BUDGET PROCESS**

**Q5. PLEASE DESCRIBE THE HOME RULE CHARTER REQUIREMENTS RELATED TO THE CITY'S CAPITAL PROGRAM AND CAPITAL BUDGET.**

A5. The Philadelphia Home Rule Charter requires that prior to the passage of the annual operating budget ordinance, Philadelphia City Council ("City Council") must adopt a capital program and capital budget. The capital program must show planned capital expenditures to be financed from funds subject to control and appropriation by City Council for each of the six ensuing fiscal years. The capital budget ordinance must show

the planned capital expenditures to be financed from funds subject to control or appropriation by City Council during the ensuing fiscal year.

**Q6. HOW IS THE CITY'S CAPITAL PROGRAM AND CAPITAL BUDGET DEVELOPED AND APPROVED?**

A6. The process for developing and approving the Capital Program and Capital Budget is described in Appendix I of the City's FY 2025-2030 Capital Program Book, a copy of which is attached to our testimony as Schedule CP-1.

**III. PWD'S CAPITAL IMPROVEMENT PROGRAM**

**Q7. PLEASE DESCRIBE THE DEPARTMENT'S CURRENT CAPITAL BUDGET FOR FY 2025.**

A7. PWD's FY 2025 Capital Budget, as currently adopted by City Council, includes approximately \$759.2 million as summarized below.

**Table 1**

**Approved Capital Budget FY 2025**

Improvements to Water and Wastewater Facilities	\$301,000,000.00
Wastewater Collector System/CSO/Flood Relief	\$281,000,000.00
Water Conveyance System (new and reconstruction)	\$155,100,000.00
Engineering, Administration and Material Support	\$22,100,000.00
<b>TOTAL</b>	<b>\$759,200,000.00</b>

The total amount shown is the amount appropriated by City Council during that fiscal year. The amount of the appropriation for capital projects does not always match the actual amount encumbered on capital projects in any given fiscal year. Any appropriated funds not encumbered in that year are carried-forward and may be encumbered in the next fiscal year.

**Q8. PLEASE DESCRIBE THE DEPARTMENT'S PROPOSED CAPITAL BUDGET FOR FY 2026.**

A8. PWD's Proposed FY 2026 Capital Budget includes approximately \$809.1 million as summarized below.

**Table 2**

**Proposed Capital Budget FY 2026**

Improvements to Water and Wastewater Facilities	\$255,000,000.00
Wastewater Collector System/CSO/Flood Relief	\$303,000,000.00
Water Conveyance System (new and reconstruction)	\$208,100,000.00
Engineering, Administration and Material Support	\$43,000,000.00
TOTAL	<u>\$809,100,000.00</u>

Again, the total amount shown is the amount of the appropriation that the Department will be seeking in the upcoming process for FY 2026. That amount does not include any appropriated funds carried-forward from prior fiscal years. We note that Black & Veatch projected carry-forward funds into FY 2026 from prior fiscal years as shown in PWD Statement 7, Schedule BV-1, Table C-7 (Line 13).



The proposed FY 2026 capital budget of \$809.1 million is \$44.9 million more than the FY 2025 due to increases in construction cost and new billing system improvements.

**Q9. PLEASE DESCRIBE THE DEPARTMENT’S PROPOSED CAPITAL BUDGET FOR FY 2027.**

A9. PWD’s Proposed FY 2027 Capital Budget includes approximately \$797.4 million as summarized below.

**Table 3**

**Proposed Capital Budget FY 2027**

Improvements to Water and Wastewater Facilities	\$255,000,000.00
Wastewater Collector System/CSO/Flood Relief	\$294,250,000.00
Water Conveyance System (new and reconstruction)	\$207,100,000.00
Engineering, Administration and Material Support	\$41,000,000.00
<b>TOTAL</b>	<b>\$797,350,000.00</b>

The amount shown is the amount of the appropriation that the Department anticipates seeking in the upcoming process for FY 2027. That amount is presented in FY 2026 dollars and is subject to adjustment for inflation. That amount does not include any appropriated funds carried-forward from prior fiscal years. We note that Black & Veatch projected carry-forward funds into FY 2027 from prior fiscal years as shown in PWD Statement 7, Schedule BV-1, Table C-7 (Line 13).

**Q10. HAS THE DEPARTMENT PREPARED A PROPOSED CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEARS 2026 THROUGH 2031?**

A10. Yes, the Department has prepared a proposed Capital Improvement Program for FY 2026 through FY 2031, which will be presented to City Council for approval in March of 2025. Currently projected expenditures for the CIP for FY 2026 through FY 2031 are summarized below.

**Table 4**

**Proposed Capital Improvement Program (FY 2026-2031)**

Improvements to Water and Wastewater Facilities	\$1,530,000,000
Wastewater Collector System/CSO/Flood Relief	\$1,874,250,000
Water Conveyance System (new and reconstruction)	\$1,187,600,000
Engineering, Administration and Material Support	\$140,000,000
<b>TOTAL</b>	<b>\$4,731,850,000</b>

The Department identified projects and maintenance activities for the Rate Period, FY 2026 and FY 2027. Those projects are included within the above-described Capital Improvement Program for FY 2026 through FY 2031.

**Q11. PLEASE DESCRIBE THE LARGEST INITIATIVES INCLUDED IN THE PROPOSED CAPITAL IMPROVEMENT PROGRAM FOR FY 2026 THROUGH FY 2031.**

1 A11. The largest initiatives in the Capital Improvement Program include: (i) the Renewal and  
2 Replacement of Other Older Infrastructure (ii) the Green City, Clean Waters Program; and  
3 (iii) the Drinking Water Revitalization Plan; all of which are discussed below.  
4

5 Replacement and Renewal of Other Aging Infrastructure

6 The Department continues to replace, rehabilitate, and/or update water and wastewater  
7 facilities in order to keep up with facility degradation and maintain system reliability. The  
8 replacement and rehabilitation of Water Department facilities is budgeted at \$3,781 million  
9 or 80% of the 6-year FY 2026-2031 budget.  
10

11 The Department also continues to invest in its water distribution and wastewater collector  
12 systems by replacing aging infrastructure to ensure reliability of service.  
13

14 The water main relay program looks to replace aging water distribution mains in order to  
15 increase service reliability. It targets failing components of our distribution system and  
16 failing prone mains. This effort over time will reduce water main breaks and disruption in  
17 service to our customers. Over the 6-year period FY 2026-2031, \$1,008 million or roughly  
18 20% is budgeted for this program.  
19

20 The collector system program consists of sewer reconstruction and rehabilitation which  
21 targets failing components of the sewer system in an effort to prevent disruptions in service  
22 by replacing sewers that are showing signs of deterioration in the amount of \$990 million  
23 over the 6-year period FY 2026-2031.  
24  
25

1       The Green City, Clean Waters Program

2       The *Green City, Clean Waters* Program (also referred to as “GCCW” or the Long-Term  
3       Control Plan – “LTCP”)<sup>1</sup> is one of the largest initiatives being undertaken by the  
4       Department in its capital program. The LTCP and the Water Revitalization Plan will  
5       require significant capital expenditures beyond the FY 2026-2031 period referenced above.  
6       Specifically, the LTCP addresses combined sewer overflows through large scale City-wide  
7       implementation of green stormwater management infrastructure along with installation of  
8       “grey” infrastructure improvements (storage and treatment plant capacity increases). This  
9       approach focuses on controlling pollution at its source and improving water quality by  
10      restoring the natural hydrologic cycle in the urban environment and is consistent with  
11      current United States Environmental Protection Agency (“EPA”) policy for addressing wet  
12      weather impacts. LTCP expenditures in the proposed FY 2026-2031 Capital Improvement  
13      Program total \$750 million.

14  
15      Drinking Water Revitalization Plan

16      Another large initiative in the Capital Improvement Program involves the Drinking Water  
17      Revitalization Plan (“WRP”). This multi decade plan provides a comprehensive roadmap  
18      for the Department to upgrade its facilities and to continue providing safe and reliable  
19      drinking water to Philadelphia residents now and in the future. In devising the plan, the  
20      Department set goals for a resilient and dependable drinking water system. After  
21      establishing these goals, the Department conducted a detailed evaluation of existing water  
22      treatment, pumping and storage facilities to document their current condition and identify

23  
24      

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<sup>1</sup> As explained in more detail in PWD Statement 4B, the Water Department entered into a Consent Order  
25      and Agreement (“COA”) with the Pennsylvania Department of Environmental Protection (“PADEP”) in  
    June 2011 and an Administrative Order for Compliance on Consent with the EPA in 2012. The COA  
    requires PWD to implement the LTCP (or GCCW) and report annual reports as to its progress.

1 repair, replacement or improvement needs. The Department also considered other planning  
2 drivers including water demand projections, water quality regulations, and environmental  
3 factors. PWD developed and evaluated a wide range of alternatives before identifying  
4 approximately 400 projects to be completed over the next multi decades at a cost of several  
5 billion dollars. The projects focus on the rehabilitation of existing facilities, the complete  
6 reconstruction of several existing facilities, and the construction of several new facilities.  
7 In sequencing and developing a schedule for specific projects, PWD took into  
8 consideration its other planned infrastructure improvements to avoid significant capital  
9 needs from occurring at the same time.

10  
11 **Q12. PLEASE DESCRIBE THE KEY WATER TREATMENT PLANT AND WATER**  
12 **FACILITY UPGRADES THAT ARE INCLUDED IN THE PROPOSED CAPITAL**  
13 **IMPROVEMENT PROGRAM FOR FY 2026 THROUGH FY 2027.**

14 A12. Each project in the CIP is important for operating and maintaining the infrastructure and  
15 organization necessary to reliably provide service.

16  
17 The following are a few highlighted Water Treatment Plant and Water Facility Projects for  
18 FY 2026 through FY 2027:

- 19 ○ George's Hill Pump Stations - \$35 million
- 20 ○ Queen Lane Filter Valves and Piping Betterment - \$5 million
- 21 ○ Queen Lane Filter Replacement - \$5 million
- 22 ○ Baxter Filter Replacement - \$5 million

23  
24 The above dollar amounts are provided to show the respective magnitude of those projects.

25 The amounts are not final estimates. The amounts reflect are merely planning level

estimates that will be further refined at the completion of the design process.

**Q13. WHY ARE PLANT UPGRADES IMPORTANT DURING THE RATE PERIOD, FY 2026 and FY 2027?**

A13. Plant and facility upgrades are required to keep up with facilities degradation due to aging infrastructure. These upgrades are needed to meet regulatory compliance and provide reliable service to our customers, as further explained in PWD Statement 1 and PWD Statement 4.

**Q14. PLEASE DESCRIBE THE LEVEL OF WATER MAIN REPLACEMENT THAT IS INCLUDED IN THE PROPOSED CAPITAL IMPROVEMENT PROGRAM FOR THE RATE PERIOD.**

A14. The Department has embarked on a program of accelerated main replacement which will significantly exceed historic main replacement. Over the last 28 years, PWD has replaced, on average, 19 miles of water mains annually. This level of main replacement has increased in the recent past based on a revised goal of replacing 42 miles of main in FY 2023. However, moving forward the goal has been revised to 32 miles of main to better account for rising construction cost and an observed reduction in water main break rates. The capital budget for water main replacement is \$168 million for 32 miles of reconstruction per year during FY 2026 through FY 2031.

**Q15. WHY IS THAT THE LEVEL OF WATER MAIN REPLACEMENT NECESSARY DURING THE RATE PERIOD, FY 2026 AND FY 2027?**

A15. The Water Department assesses its water main break rate against the optimal level of 15 breaks per 100 miles/year as defined by the Distribution System Optimization Program

1 under the American Waterworks Association Partnership for Safe Water. Currently the  
2 Water Department's five-year average breaks per 100 miles is 24 per year. In order to  
3 decrease the water main break rate, keep up with an aging water system, and increase  
4 system reliability, the Water Department has determined that 32 miles of water main  
5 replacement is warranted.

6  
7 **Wastewater Projects**

8 **Q16. PLEASE DESCRIBE THE KEY WATER POLLUTION CONTROL PLANT AND**  
9 **WASTEWATER FACILITY IMPROVEMENTS THAT ARE INCLUDED IN THE**  
10 **PROPOSED CAPITAL IMPROVEMENT PROGRAM FOR THE RATE PERIOD.**

11 A16. Each project in the CIP is important for operating and maintaining the infrastructure and  
12 organization necessary to reliably provide service.

13  
14 The following are a few highlighted Water Pollution Control Plant and Wastewater Facility  
15 Projects for FY 2026 through FY 2027:

- 16 ○ Northeast Aeration Betterment - \$110 million
- 17 ○ Southwest Sludge Feed System - \$50 million
- 18 ○ Northeast Sludge Screening Facility Betterment - \$8.6 million
- 19 ○ Northeast Primary Treatment Tank Betterment - \$55 million

20  
21 The above dollar amounts are provided to show the respective magnitude of those projects.  
22 The amounts are not final estimates. The amounts reflected are merely planning level  
23 estimates that will be further refined at the completion of the design process.

**Q17. PLEASE DESCRIBE THE LEVEL OF SEWER REPLACEMENT AND REHABILITATION IN THE PROPOSED CAPITAL IMPROVEMENT PROGRAM FOR FY 2026 THROUGH FY 2027.**

A17. Over the last 28 years, the Department has reconstructed and/or rehabilitated, on average, approximately 8 miles of sewer annually. The Department's Capital Renewal Program for FY 2024 budgeted for reconstructing 12 miles of sewers per year based on results of its Sewer Infrastructure Assessment Program and other condition reports. Some sewers are scheduled for reconstruction as a result of programmed water main replacement and the need to update infrastructure concurrently. Additionally, this budget will be allocated to increasing the size of sewers to enhance capacity and accommodate the effects of climate change.

The capital budget for sewer replacement and/or rehabilitation is \$86 million in FY 2025 for 13 miles of sewer reconstruction or lining, \$140 million in FY 2026 for 14 miles and \$150 million in FY 2027 for 15 miles.

**Q18. WHY IS THE LEVEL OF SEWER REPLACEMENT AND REHABILITATION NECESSARY IN THE RATE PERIOD.**

A18. This level of sewer replacement is required to keep up with an aging wastewater system and address system degradation so as to maintain system reliability. For sewer replacement (as well as water main replacement), information related to the break or failure history and the critical nature of the segment are evaluated. The most critical segments are expedited so they can be bid with priority. In order to decrease the sewer failure rate, keep up with an aging wastewater system, and increase system reliability, the Department has determined that 15 miles of sewer replacement is warranted.



**IV. REGULATORY REQUIREMENTS IMPACTING CAPITAL PROGRAM**

**Q19. PLEASE DESCRIBE NEW REGULATORY REQUIREMENTS THAT WILL IMPACT THE CAPITAL PROGRAM DURING FY 2026 AND FY 2027.**

A19. In addition to regulatory requirements related to the *Green City, Clean Waters* program and the Water Revitalization Plan mentioned earlier in this testimony, we would emphasize the following regulatory requirements:

Lead Service Line Replacement

Following the enactment of the EPA's 2024 Lead and Copper Rule Improvements, PWD has begun financial planning to comply with the mandated replacement of lead service lines. Addressing these requirements will likely necessitate significant expenditures to ensure compliance and protect public health. We have included the lead replacement budget in the current proposed capital plan. We will actively pursue grant opportunities to help offset the costs to the extent possible and to ensure the project's success.

PFAS

The introduction of new PFAS water treatment regulations has necessitated a comprehensive re-evaluation of our long-term planning strategies. These regulations, aimed at reducing the presence of per- and polyfluoroalkyl substances (PFAS) in drinking water, require significant upgrades to our treatment infrastructure. As a result, we are reassessing our financial and operational plans to ensure compliance while maintaining service quality and cost-effectiveness. This re-evaluation process involves exploring new technologies, securing additional funding, and adjusting project timelines to meet the

1 stringent new standards.

2  
3 Please also see PWD Statement 4B (Planning & Environmental Services Panel) for a  
4 discussion of regulatory compliance issues.

5  
6 **V. FACTORS IMPACTING CAPITAL PROGRAM AND RELATED SPENDING**  
7 **DURING RATE PERIOD**

8  
9 **Q20. PLEASE GENERALLY DISCUSS FACTORS IMPACTING THE PACE OF**  
10 **ANNUAL CAPITAL SPENDING.**

11 A20. We would highlight the following factors:

12  
13 Procurement/Contracting

14 The procurement process for PWD contracts has delayed the initiation of construction and  
15 the conformance of professional service contracts. These delays have also contributed to  
16 an increase in the carry-forward budget over the past couple of years. PWD is actively  
17 collaborating with Procurement and other stakeholders to identify and address bottlenecks,  
18 aiming to minimize future delays.

19  
20 Number of Large Projects and Associated Timing

21 A partial list of large projects currently being undertaken by PWD is provided earlier in  
22 this testimony (responses to Q12 and Q16). The timing of each project is affected not only  
23 by procurement/contracting but also by issues related to the supply chain, available labor,  
24 inflation and sometimes litigation related to a given project.

Capacity to Manage Large Projects

PWD's capacity to manage numerous large projects underway is constrained by the limited number of (i) engineering/design staff as well as (ii) other Department personnel managing these projects.

Carry-Forward Spending

Carry-forward expenditures are projected during the Rate Period based on project amounts that are authorized but will have not been fully utilized (encumbered and subsequently spent) in a prior fiscal period. Spending for these ongoing projects must be managed together with current projects. For example, there are carry-forward amounts projected by Black & Veatch for FY 2026 and FY 2027 as referenced above (response to Q8-Q9) and shown in Schedule BV-1 (Table C-7).

**Q21. PLEASE DESCRIBE PWD'S PLANS TO MANAGE ITS CAPITAL PROGRAM AND RELATED SPENDING DURING THE RATE PERIOD.**

A21. The Consent Order and Agreement and aging infrastructure necessitate a sizable CIP and related debt issuance. PWD expects most of funding to support its Capital Program to be in the form of new borrowing financed through revenue bonds. Additional grants and loans together with internal generated funds will also be used to support the Capital Program.

**VI. RATE RELIEF NEEDED TO SUPPORT CAPITAL PROGRAM**

**Q22. WHY IS THE PROPOSED CAPITAL IMPROVEMENT PROGRAM NECESSARY IN THE RATE PERIOD, FY 2026 AND FY 2027.**

1 A22. This level of capital investment throughout the projected period is required to address  
2 replacement of aging infrastructure, meeting regulatory requirements and to maintain  
3 reliable service to our customers.  
4

5 **Q23. PLEASE EXPLAIN HOW PWD PLANS TO FUND THE PROPOSED CAPITAL**  
6 **IMPROVEMENT PROGRAM FOR THE RATE PERIOD?**

7 A23. PWD expects most of such funding to be in the form of new borrowing financed through  
8 revenue bonds. Additional grants and loans together with internal generated funds will also  
9 be used to support the Capital Program. PWD Statement 2A addresses this issue in greater  
10 detail.  
11

12 **Q24. PLEASE EXPLAIN HOW THE ABOVE CAPITAL PROGRAM BUDGET**  
13 **RELATES TO THE PENDING RATE CASE.**

14 A24. The proposed rates will support planned capital expenditures in the Rate Period, FY 2026  
15 and FY 2027. As mentioned above, a significant portion of the costs of the Capital  
16 Improvement Program for these years will be funded with the proceeds of debt. Debt  
17 service requirements and contributions from current revenues are integral components of  
18 the revenue requirements for the Rate Period.  
19

20 **VII. CONCLUSION**

21 **Q25. DOES THIS CONCLUDE THE DIRECT TESTIMONY OF THIS PANEL?**

22 A25. Yes, it does.  
23  
24  
25

**Stephen J. Furtek, P.E.**

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<b><u>Education:</u></b>	<b>B.S. degree, Civil &amp; Urban Engineering, University of Pennsylvania (1978-82)</b>
<b><u>Experience:</u></b>	<b>Philadelphia Water Department (August 1982 – present)</b>
<b>3/2005 to Present</b>	<p><b><u>General Manager of the Engineering &amp; Construction Division</u></b> Responsible for the administration and management of the Engineering &amp; Construction Division of the Water Department. The Engineering &amp; Construction Division is responsible for the implementation of the Department’s capital program. The division is comprised of the following units:</p> <ul style="list-style-type: none"><li>• <b><u>Design Branch</u></b> – Responsible for providing in-house design services, as well as managing outsourced design services, for the capital program. In addition, Design provides technical support to the Department at large regarding water and wastewater issues.</li><li>• <b><u>Construction Branch:</u></b> - Construction Branch is responsible for administration and construction inspection of all capital program projects, including surveying and generation of as-built drawings.</li><li>• <b><u>Projects Control Section</u></b> – The Projects Control Section is responsible for developing, maintaining, and tracking the capital improvement program. This section is charged with maintaining the Department’s as-built drawings &amp; system maps as well as developing, implementing, and maintaining the Department’s Geographic Information System (GIS). This Section is also home to the One-Call Unit, which is responsible for implementing the State’s requirement that buried infrastructure, be field marked prior to excavation.</li></ul>
<b>10/1996 to 2/2005</b>	<p><b><u>Manager of Design Branch</u></b> Responsible for managing a multidiscipline design-engineering unit for the Water Department consisting of architectural, civil, structural, electrical, and mechanical personnel. This unit is responsible for the design of the Water Department’s capital program, including the generation of biddable plans and specifications. In addition, this unit is responsible for managing numerous professional engineering services contracts. These firms provide engineering services to supplement the Water Department’s in-house staff in designing the annual capital program.</p>
<b>1/1988 to 10/1996</b>	<p><b><u>Engineering Supervisor, Water &amp; Sewer Section, Design Branch</u></b> Supervised a group of design engineers and drafting technicians. Responsible for the oversight of the preparation of contract plans and specifications for the Water Department’s water main relay and sewer reconstruction capital program, using both in-house staff and engineering consulting firms.</p>
<b>8/1982 to 1/1988</b>	<p><b><u>Civil Engineer, Structural Section, Design Branch</u></b> Prepared contract plans and specifications and performed structural design as required to support various construction and/or rehabilitation projects of Water Department facilities.</p>
<b><u>Licensure:</u></b>	<b>Registered Professional Engineer in the Commonwealth of Pennsylvania.</b>

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## EDUCATION

**New Jersey Institute of Technology**  
*Bachelor of Science, Mechanical Engineering*

**Newark, NJ**  
May 1984

**New Jersey Institute of Technology**  
*Master of Science, Mechanical Engineering*

**Newark, NJ**  
May 1986

## EXPERIENCE

**Philadelphia Water Department**  
*Water Engineering Assistant Manager*

**Philadelphia, PA**  
January 2022 – Present

- In charge of the Projects Control unit managing the Capital, Geographic Information System (GIS), Records, One Call, Sewer Connections, and Act 537 programs.

**Philadelphia Water Department**  
*Water Engineering Projects Manager*

**Philadelphia, PA**  
April 2016 – January 2022

- In charge of the Design Branch managing/directing design functions for the Water Department's capital improvement and expansion program including the linear and vertical assets. Responsible for over \$200 million in capital projects on annual basis. In addition, responsibilities include managing a staff of 67 employees and over 37 consultants retained to perform assigned tasks on call basis.

**Philadelphia Water Department**  
*Water Engineering Assistant Projects Manager*

**Philadelphia, PA**  
April 2008 - April 2016

- Planned, directed and coordinated the work of in-house staff consisting of different engineering disciplines and also outside consultants for all capital (improvement and expansion) projects associated with the Philadelphia Water Department water and waste water facilities. Assigned projects to individual squad leaders, organized monthly progress meetings and prepared outside consultant contracts and task orders.

**Philadelphia Water Department**  
*Supervisor 2- Mechanical Squad*

**Philadelphia, PA**  
August 1999 - April 2008

- In charge of the Mechanical Squad directing and supervising the mechanical design functions for the Water Department's capital improvement and expansion program. In addition, responsibilities include direct the preparation of design drawings, technical specifications, cost estimates and technical reports.

**Philadelphia Water Department**  
*Supervisor 1- Mechanical Squad*

**Philadelphia, PA**  
October 1997 - August 1999

- Reporting directly to the supervisor of the Mechanical Design Squad. Responsibilities include review the design work and technical reports prepared by members of the Mechanical Squad and design projects submitted by consultants. Interact on a daily basis with subordinates and provide guidance and direction.

**Philadelphia Water Department**  
*Engineering Specialist- Mechanical Squad*

**Philadelphia, PA**  
July 1996 - October 1997

- Engineering specialist reporting directly to assistant supervisor of the Mechanical Squad. Responsibilities include the design of complex mechanical projects including pumping, plumbing and HVAC systems. Prepare cost estimates and review shop drawings submitted by contractors.

**Philadelphia Water Department**

*Mechanical Engineer 2- Mechanical Squad*

**Philadelphia, PA**

March 1993 - July 1996

- Mechanical Engineer 2 reporting directly to assistant supervisor of the Mechanical Squad. Responsibilities include the design of mechanical projects including pumping, plumbing and HVAC systems. Prepare cost estimates and review shop drawings submitted by contractors.

**Camden County College**

*Adjunct Faculty-Mathematics Department*

**Blackwood, NJ**

September 1990 – December 2021

- Adjunct faculty teaching college level mathematics course. Course taught include: Mathematics for Liberal Arts, Statistics, College Algebra and Trigonometry and Pre-Calculus.

**LICENSES**

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Licensed Professional Engineer in the Commonwealth of Pennsylvania, (PE) 1998.

## Matthew Fulmer

### EXPERIENCE

#### **Philadelphia Water Department** *Capital Program Manager* 2023 - Present

Manager of the Capital Programming Unit, responsible for overseeing the Water Department's annual capital budget, procuring public works projects, and coordinating the impacts of development projects on the Water Department's infrastructure.

- Create, manage, and analyze capital funding for the Philadelphia Water Department, overseeing an annual budget of \$800 million.
- Coordinate funding and construction of projects with various government and non-government agencies to prevent conflicts and ensure timely completion.
- Direct state and federal grant and loan applications, securing funding for critical infrastructure projects.
- Develop cost-sharing agreements with other agencies, fostering partnerships to support major initiatives.
- Oversee project bidding processes and prioritize construction schedules.
- Supervise reviews of modifications to Water Department assets by external agencies and companies.

#### **Philadelphia Water Department** *Assistant Manager* 2017 - 2023

The Philadelphia Water Departments Linear Asset Unit is responsible for water and sewer design in the public right of way. I was responsible for managing a squad of 18, tracking and reporting upon the squad's performance and coordinate design processes.

- Meet monthly with consultants to review and track design deliverables and invoicing. Help resolve issues with the design process and keep projects on track.
- Increased production of water and sewer projects by 50%.
- Manage construction contract specifications. Coordinate with construction contractors and engineers to determine the new requirements for contracts. Organize and run meetings with our contractors and engineers to discuss specification changes, engineering issues, utility coordination, and public affairs concerns.
- Oversee the permitting, estimating, and specification writing off all projects prior to bid.
- Coordinate with outside utilities to determine construction scheduling and design standards.

#### **Philadelphia Water Department** *Civil Engineer* 2013 - 2017

Worked within the Planning & Research group to develop plans, goals and schedules for long term planning. Worked closely with design and construction engineers to streamline the planning phase of the capital planning process.

- Created and led a new program to address national concerns of lead in Philadelphia's drinking water. After the Flint Michigan Crisis, Philadelphia responded by coordinating with contractors and residents to replace lead water service lines. I managed and formed the new program to mitigate the concerns of lead in the drinking water.



- Worked with a team to create a Wastewater Master Plan. Evaluated hydraulic capacity, treatability, and constructability of new sewers, pumping stations, stormwater infrastructure, and treatment processes at the water pollution control plants. Developed long term alternatives to regulator concerns and climate change.

**National Institute of Standards and Technology (NIST)** *Civil Engineer* 2012 - 2013

Reviewed safety procedures for the fabrication, construction, and testing of civil structures within the new National Fire Research Laboratory. Projects included:

- Creation of engineering drawings and calculations for thermally and physically stressed safety connections of laboratory equipment and test specimens.
- Calculated Maximum Allowable Daily Levels (MADL) for expected contaminants during testing.
- Wrote a Best Management Practices manual with detail safety requirements.
- Specified and developed cost alternatives for laboratory equipment, specimen and facilities.
- Established communication with construction contractors to evaluate future safety concerns.

**Federal Aviation Administration (FAA)** *Fire Safety Intern* 2009 - 2012

Conducted interdisciplinary research on fire safety of aircraft materials and systems at William J. Hughes Technical Center, Atlantic City International Airport, NJ 08405. Primarily worked alone and independently on research that required the ability to learn and apply new skills. Performed engineering experiments, design and analyses during summer and semester breaks including:

- Developed oxygen consumption method for measuring heat release rate during limiting oxygen index (LOI) test of polymers. Correlated material properties and flame heat flux with LOI.
- Fabricated and tested copper slug calorimeters as primary standards for Schmidt Boelter heat flux gauges.
- Measured halocarbon fire extinguishing agent concentrations in a B747 fuselage to estimate inhalation toxicity.
- Constructed and tested a gram-scale differential thermal analysis method for measuring heats of gasification of products and materials.
- Supported FAA/Boeing collaborative effort to improve accuracy and repeatability of heat release rate measurements for revision of Federal Administration Regulations on flammability of cabin materials.

## **EDUCATION**

**Villanova University**

Master of Water Resources and Environmental Engineering - 2016

**Rutgers University**

Bachelor of Civil Engineering – 2012

## PUBLICATIONS

Fulmer Matthew, R.Walters, et al, "*Effects of Airflow on the Heat Release Rate Measured in the Ohio State University Apparatus*" 13<sup>th</sup> International Symposium on Fire and Flammability, Royal Holloway College, UK, Jun 16-24, 2013.

R.E. Lyon, M. Zarzecki, M.R. Fulmer, R.N. Walters and S. Crowley, "*Burning of Plastics at the Limiting Oxygen Concentration*," Fire and Materials Conference 2011, San Francisco, CA, Jan. 31 - Feb. 2, 2011.

R.E. Lyon, M.R. Fulmer, S. Crowley and R.N. Walters, "*The Limiting Oxygen Index Test (Revisited)*," 21<sup>st</sup> Annual BCC Conference on Recent Advances on Flame Retardancy of Polymeric Materials, Stamford, CT, May 24-26, 2010.

**William E. Dobbins, P.E.**

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**Education:**                    **B.S. degree, Civil Engineering, Pennsylvania State University (1996-01)**

**Experience:**                    **Philadelphia Water Department (December 2001 – present)**

**1/2022 to present**            **Manager, Facilities and Water & Sewer Sections, Design Unit**  
Responsible for managing a multidiscipline design-engineering unit for the Water Department consisting of architectural, civil, structural, electrical, and mechanical personnel. This unit is responsible for the design of the Water Department's capital program, including the generation of biddable plans and specifications. In addition, this unit is responsible for managing numerous professional engineering services contracts. These firms provide engineering services to supplement the Water Department's in-house staff in designing the annual capital program

**4/2017 to 1/2022**            **Assistant Manager, Water & Sewer Section, Design Unit**  
Responsible for managing the Water and Sewer Section design-engineering unit for the Water Department. This section is responsible for the design of the Water Department's water main and sewer capital program, including the generation of biddable plans and specifications.

**10/2008 to 4/2017**            **Engineering Supervisor, Water & Sewer Section, Design Unit**  
Supervised a group of design engineers and drafting technicians. Responsible for the oversight of the preparation of contract plans and specifications for the Water Department's water main relay and sewer reconstruction capital program, using both in- house staff and engineering consulting firms.

**12/2001 to 10/2008**            **Civil Engineer, Water & Sewer Section, Design Unit**  
Prepared contract plans and specifications to support various construction and/or rehabilitation projects of Water Department water mains and sewers.

**Licensure:**                    **Registered Professional Engineer in the Commonwealth of Pennsylvania.**

# APPENDIX 1

## CAPITAL PROGRAM

AND

## BUDGET PROCESS

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### THE OFFICE OF THE DIRECTOR OF FINANCE

The Director of Finance is the chief financial and budget officer of the City and is responsible for the financial functions of the City. These functions include the development of the annual Operating Budget, Five Year Plan, Capital Budget, and Capital Program, as well as other financial functions. The Budget Office within the Office of the Director of Finance oversees preparation of the operating and capital budgets. Once the Operating and Capital Budgets are adopted, the Budget Office is responsible for monitoring operating spending by expenditure class code, department, and fund, and the capital budget by projects, budget lines, funding, historical records of bid awards, and cost overruns, as well as other fiscal and project information.

### ANNUAL BUDGET PROCESS

The Charter requires that, at least 30 days before the end of each fiscal year, City Council must adopt by ordinance an Operating Budget and a Capital Budget for the ensuing fiscal year and a Capital Program for the next six years. There are no consequences for budgets passed during the final 30 days of the fiscal year, but passage must occur prior to any spending. The Operating Budget and Capital Budget bills must be signed into law by the Mayor, like any other ordinance, although the Charter does authorize a line-item veto for budget bills. A budget process timeline is shown below:

# CITY OF PHILADELPHIA ANNUAL BUDGET PROCESS

The City of Philadelphia's fiscal year (FY) runs from July 1 to June 30

## JULY

July 1st - Fiscal Year Begins.

Controller provides opinions on the Five Year Plan to PICA.<sup>1</sup>

PICA votes on the Five Year Plan within 30 days of passage of budget and submission of Five Year Plan.<sup>2</sup>

## JULY - SEPTEMBER

Normal Business Operations.

**August:** Prior Fiscal Year Q4 Quarterly City Manager's Report (QCMR) released.

## OCTOBER - DECEMBER

Capital and Operating Budget calls and meetings.

**October:** Capital Budget call issued to departments

**November:** Capital Budget meetings held with departments and Current Fiscal Year Q1 QCMR released.

**December:** Operating Budget call issued and departmental meetings begin.

## JANUARY - MARCH

Operating Budget meetings with departments continue.

Capital and Operating Budget formulation and internal deliberation.

Mayor's Budget Address and introduction of Budget legislation.

**February:** Current Fiscal Year Q2 QCMR released.

## APRIL - JUNE

**April/May:** City Council holds Capital and Operating Budget hearings

**May:** Current Fiscal Year Q3 QCMR released.

**May:** PICA conducts meetings with City departments on the upcoming budget

**May/June:** City Council Budget hearings end; City Council passes annual Budget.

## JUNE

June 30th - Fiscal Year Ends

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<sup>1</sup> Dependent on the timing of Council budget approval.

<sup>2</sup> Dependent on the timing of Council budget approval.

The chart below notes the differences between the operating budget versus the capital budget:

OPERATING BUDGET AND FIVE YEAR PLAN	CAPITAL PROGRAM AND BUDGET
Annual budget, which is included in state-required five-year plan for longer-term fiscal stability	Annual budget, which is included in six-year program for future planning purposes
Appropriations do not carry forward from prior years	Carry forward funding from year to year
Includes all City departments	Only includes City departments with capital projects
Funding by expenditure classes as well as fund types (for example, General Fund and Grants Revenue Fund)	One class with different funding sources (for example, GO funds and private funds)

## BUDGET TRANSFERS

The overall level of appropriations in the operating budget in any fiscal year cannot be increased absent special circumstances. Transfers of appropriations between budget lines must be approved by City Council (except for transfers between Classes 300 and 400). Any capital appropriations that are not spent or encumbered at year-end must be either carried forward to the next fiscal year (for upcoming use) or canceled.

## RACIAL EQUITY IN THE BUDGET PROCESS

To embed racial equity in the City's budgeting, the Budget Office, in coordination with the Office of Diversity, Equity, and Inclusion (ODEI), incorporates a racial equity lens across the entire budget process. This includes:

- **Minority Contracting Goals:** Operating budget meetings include goal setting for spending with minority, women, and disabled-owned businesses. Goal setting previously was independent of the budget process.
- **Connecting Funding Requests and Racial Equity:** departments requesting new operating or capital funding were asked for both quantitative and qualitative information about the impact of new funding on racial disparities.

First, Departments received guidance about what racially equitable budget requests may include, such as:

- Those that support programs or services designed to advance equity.
- Increase transit and mobility options.
- Improve access to facilities and programs.
- Increase diverse representation at all leadership levels and advance a more inclusive workspace.
- Minimize negative impacts for communities of color, and other marginalized groups

Departments were then asked to respond to the following questions:

- Please briefly describe how the core functions of your agency intersect with the City's vision for racial equity. What major areas of opportunity are there for you to advance racial equity as part of the core work your department performs?
- What critical programs, initiatives, or policies does your office administer with your current budget to improve racial equity? In briefly describing this program, initiative, or policy, please include (a) how you measure its success (including any performance measures and/or data/tools available), (b) observable strengths in advancing racial equity, and (c) observable challenges or opportunities for growth in advancing racial equity.
- Please briefly describe how your department is using its budget to create an inclusive, anti-racist workplace, including shifting internal cultural practices, and hiring and promotional policies, if at all?
- Is there any critical unmet need within your budget that inhibits your department's achievement of its greatest racial equity priorities? If so, briefly describe.
- How have you involved internal and external stakeholders, including marginalized communities of color, in your department's budget process?

Employee-led scoring groups reviewed operating and capital funding requests for the FY25 budget cycle. The scoring groups were trained to use a rubric to evaluate new spending requests and core functions.

These measures were put in place for the City to be more diligent and intentional about creating conditions to address historic inequities and improve outcomes for all residents.

## COMMUNITY ENGAGEMENT IN THE BUDGET PROCESS

The City led a community engagement process with residents, business leaders, non-profits, arts and culture organizations, and frontline City employees to gather feedback on the City's budget. To understand the needs and sentiments of Philadelphians more thoroughly before budget proposals were developed, the process began earlier than in previous years.

With a focus on equity, transparency, collaboration, and actionable change, the FY25 Budget cycle aimed to improve on prior-year engagement efforts by using community focused processes to meet Philadelphia residents where they are. A combination of virtual and in-person feedback sessions were held with residents and employees. In these sessions, participants were paid for their time, allowing the City to hear from a broad range of perspectives in various communities. Specific focus was directed at formally incarcerated, seniors, and Chinese and Latino residents to provide a platform for less represented communities.

### KEY TAKEAWAYS FROM FALL ENGAGEMENT 2023

#### PUBLIC SAFETY

- Intentional relationship building with increased police presence.
- Addressing the root causes of crime through wraparound services that target social, emotional, and financial wellbeing of residents.
- Increased investment in public lighting/cameras.
- Increased investment in preventative services (workforce development, behavioral health, social emotional supports, etc.)

#### CLEANER AND GREENER

- Illegal dumping is a top concern citywide, with a desire for additional pickups and oversight.
- Equity lens regarding public space maintenance and sanitation services.
- Residents connect quality sanitation and maintenance services with overall quality of life. Desire for quicker response times and the ability to receive information/status accessibly.
- Climate friendly mitigation investments such as greenspaces and protecting flood zones.

#### EDUCATION

- Out of School Time and Workforce Development expansion
- Coordination between departments (public safety, education, and human services)



## COMMUNITY PRIORITIES AND THEMES

- Quality and Accessible City Services
- Public Spaces: Libraries, Parks and Rec Centers
- Community-led Solutions
- Education and Youth
- Housing, Homelessness, and Gentrification
- Public Safety
- Racial Equity

This feedback, along with that received from the 550+ community members who served across 13 policy-focused topical subcommittees during the Mayor's transition, helped to shape the Mayor's proposed FY25 budget and FY25-29 Five-Year Plan.

## OPERATING BUDGET

Submitted on an annual basis, the Operating Budget is a consolidated budget of all the operating obligations and expected revenues of the City. The Home Rule Charter requires the Operating Budget to be adopted by City Council at least 30 days before the end of the fiscal year. The City's fiscal year begins July 1st and ends on June 30th of the following calendar year.

Class 100	Personal Services
Class 200	Purchase of Services
Class 300	Materials & Supplies
Class 400	Equipment
Class 500	Contributions, Indemnities, Taxes
Class 700	Debt Service
Class 800	Payments to Other Funds
Class 900	Advances; Other Miscellaneous Payments

The operating funds of the City, consisting of the General Fund, 11 Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Acute Care Hospital Assessment, Budget Stabilization Reserve Fund, Housing Trust Fund, and Transportation Fund) and three Enterprise Funds (Aviation and Water) make payments into and receive payments from the General Fund, require annual operating budgets that must be adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards, and commissions by major class of expenditure within each department (shown above). Expenditures for the repair of any property, the repaving, resurfacing, or repairing of streets, and the acquisition of any property, or for any work or project that does not have a probable useful life to the City of at least five years and a cost of at least \$15,000, are deemed to be ordinary expenses provided for in the annual Operating Budget ordinance. Appropriations for the use of any departmental board or commission are made to the department with which it is connected.

The appropriation amounts for each fund are supported by revenue estimates and consider any deficits and surpluses to the extent necessary. All transfers between departments or major classes (except for materials and supplies and equipment, which are appropriated together) within the General Fund must have City Council approval. Appropriations that are not expended or encumbered at year-end are lapsed.

The annual review process for the Operating Budget has several stages. The process begins with the gathering of information on exogenous variables, factors that will drive spending and revenues beyond the control of city management, such as debt service payments and pension costs for retired City employees. This is followed by the Budget Call, where departments are required to submit their budget requests, including the following information: previous fiscal year actual expenditures, current estimates, the proposed current budget, the Five Year Plan estimates, and information on personnel projections. The information is sorted by major class and fund as legally required. Departments submit their budget requests, including the potential impact of their spending, which are then compiled and used by the Budget Office to discuss departmental requests (including potential areas of expenditure reductions or revenue measures) and make budgetary recommendations to the Mayor.

At least 90 days before the end of the fiscal year, the Operating Budget for the next fiscal year is prepared by the Mayor and must be submitted to City Council for adoption. Once the budget review process is over, the Budget Office assembles the proposed budget, which is submitted to Council in the form of a budget ordinance. After the budget ordinance is introduced in Council, the Operating Budget detail is prepared and distributed in time for Council's annual budget hearing process.

## CAPITAL BUDGET AND CAPITAL PROGRAM

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The Capital Program serves as a blueprint for capital expenditures and facilitates long-range planning for capital improvements in the City's physical and technology infrastructure, community facilities, specialized vehicles, and public buildings. The Capital Program is prepared annually by the City Planning Commission and the Budget Office to present the capital expenditures planned for each of the six ensuing fiscal years, including the estimated total cost of each project and the sources of funding (local, Commonwealth, Federal, and private) estimated to be required to finance each project. The Capital Budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing fiscal year, is adopted by City Council concurrently with the Capital Program. The Capital Budget must be in full conformity with the first year of the Capital Program.

The capital funds of the City consist of General Obligation bonds and self-sustaining revenue bonds, funding from other sources, including federal and state government, and private sources. These funds are appropriated by department and are shown in the major class real property (Class 600).

Class 600	Real Property
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The first year of the Capital Program, the budget year, reflects funds to be appropriated by Council. Years two through six represent the plans to continue necessary capital investment activities and, in significant instances, to prepare for investment in new facilities and major rehabilitations.

The annual review process for capital spending requests and recommendations has several stages. All departments requesting capital funding must submit a formal annual request to the City Planning Commission. In addition to their annual capital requests, the agencies are required to present their capital needs over a six-year period. After the submission period is over, the Planning Commission and the Budget Office meet with each agency, analyze the capital requests, and recommend projects for the Six Year Capital Program. The Capital Program is reviewed by the Mayor and transmitted to Council for deliberation and adoption. Additionally, the Planning Commission must vote on the Capital Program and Budget before final passage in Council.

# APPENDIX II

## CITY OF PHILADELPHIA CAPITAL ELIGIBILITY GUIDELINES

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**REVISED OCTOBER 2, 2020**

Capital projects must meet legal eligibility requirements pursuant to the Philadelphia Home Rule Charter, applicable bond covenants, and any additional requirements stipulated by federal, state, private, and other funding entities. The following capital eligibility guidelines provide criteria for determining whether expenditures or obligations can be funded through the capital budget.

The guidelines, including examples cited herein, should be viewed as guidelines only and not as an all-inclusive policy statement concerning capital eligibility.

If use of capital funding is contemplated for any project not clearly eligible under Section A or B below, the Capital Budget Office should be contacted for written approval prior to the obligation of funds. The Capital Budget Office will review the request, as appropriate, in conjunction with the Department of Public Property, the City Controller's Office, the Accounting Bureau, and Bond Counsel. No project may commence until the City Controller has certified the project as being capital eligible.

## SECTION A: LONG-TERM DEBT/LOAN FUNDS

The following guidelines provide criteria for determining whether expenditures or obligations may be funded by long-term debt or loan funds, including but not limited to General Obligation and Revenue bonds. Normally, expenditures that result in the acquisition, construction, or improvement of City owned tangible assets are eligible for long-term debt financing:

**Acquisition** refers to the purchase of land, buildings, equipment or machinery for City ownership:

- The cost of preparing plans and specifications and obtaining appraisals and legal assistance directly related to acquisition is an eligible capital expenditure. Planning studies, including master plan studies and feasibility studies, may be capital eligible when such studies are an intrinsic part of a design or appraisal process that is required prior to acquisition of a tangible asset. Generally, studies funded through the capital budget must generate preliminary plans and acquisition cost estimates. Studies that are primarily focused upon improving operating performance are to be funded through the operating budget.
- Although a study may have a bearing on the ultimate design or specifications of a capital project, if its goal is to improve, consolidate, expand or otherwise change operations, it may not be funded through the capital budget. Equipment or machinery purchased with loan funds must have a useful life of at least 5 years and must cost at least \$15,000. This requirement normally excludes the use of loan funds to purchase office supplies and equipment. For example, personal computers or workstations cannot be purchased through loan funds. However, loan funds may be used to purchase servers, mainframe computers, and network switches provided the cost is greater than \$15,000. If less than \$15,000, servers, mainframe computers, and network switches may be purchased only if they are an integral part of an otherwise eligible capital project.
- Vehicles that are also considered equipment and that have a cost of at least \$100,000 and a useful life of at least 5 years are eligible for the use of proceeds of general obligation bonds. The following list is not exhaustive but is meant to provide examples of vehicles that may be purchased using general obligation bonds: medic units, pumpers, tiller ladders, compactors, backhoes, tractors, sweepers, wheel loaders and paving machines.

**Construction** refers to building, erecting, or installing tangible assets that are owned by the City:

- Construction funded by long-term debt must result in the creation of a tangible asset with a useful life of at least 5 years and a cost of at least \$15,000.
- The cost of preparing plans and specifications that are required for construction is eligible for long-term debt financing. Planning studies, including master plan studies and feasibility studies, may be eligible for long-term debt funding when such studies are an intrinsic part of a design process that is required prior to construction of a tangible asset. Generally, studies funded by long-term debt must generate preliminary plans and construction cost estimates. Studies that are primarily focused upon improving operating performance must be funded through the operating budget. Although a study may have a bearing on the ultimate design or specifications of a capital project, if its goal is to improve, consolidate, expand, or otherwise change operations it may not be funded by long-term debt.
- The cost of soil tests, borings, and other architectural or engineering tests required to ensure competent construction is eligible for loan funding.
- When constructing a new facility, the cost of purchasing necessary furniture, fixtures, and equipment to operate the facility may be eligible for purchase with long-term debt provided that the furniture and equipment have a life expectancy in excess of 5 years. The following list is not exhaustive but is meant to provide examples of items that may not be purchased using long-term debt: folding tables, chairs, and stages; carts; trash receptacles; photocopiers; facsimile machines; microwaves and other small appliances; televisions; recreational and fitness equipment and supplies; movable shelving units; standalone clocks; cleaning equipment; hand trucks; portable microphone and sound systems; arts and crafts equipment and supplies; and bulletin and white boards. Capital Budget Office approval must be secured prior to the purchase of any equipment.
- Site preparation expenditures, such as demolition, that are directly attendant to a construction project, are eligible for long-term debt funding. The removal of and/or testing for hazardous materials, including but not limited to polychlorinated biphenyls (PCBs) and asbestos, is eligible for loan funding when directly related to an otherwise eligible construction project.

**Improvements** refers to renovation, rehabilitation, or reconstruction of buildings, structures, parkland, machinery, equipment or other tangible assets owned by the City. This includes landscape and pathway improvements to City-owned public space.

- Improvements funded by loan funds must result in extending the useful life of a building or any of its basic structural components, equipment, machinery, or other tangible asset by at least 5 years beyond that inherent in its original design, must cost at least \$15,000, and must substantially increase the asset value. Long-term debt may not be used to fund routine maintenance and repairs, even when those repairs require major expenditures. Loan funds may not be used to clean and seal buildings or to demolish buildings when not done in preparation for an eligible capital construction/improvement project. When completing a major facility rehabilitation or renovation, the cost of purchasing furniture, fixtures, and equipment may be eligible for long-term debt financing provided that the furniture, fixtures, and equipment have a life expectancy in excess of 5 years. The following list is not exhaustive but is meant to provide examples of items that may not be purchased using long-term debt: folding tables, chairs, and stages; carts; trash receptacles; photocopiers; facsimile machines; microwaves and other small appliances; televisions; recreational and fitness equipment and supplies; movable shelving units; standalone clocks; cleaning equipment; hand trucks; portable microphone and sound systems; arts and crafts equipment and supplies; and bulletin and white boards. Capital Budget Office approval must be secured prior to the purchase of any equipment.
- Painting, as well as carpeting and tiling projects, may only be funded through long-term debt when directly attendant to an otherwise eligible improvement project.
- Together, the cost of furnishings, fixtures, equipment, painting, and flooring shall not exceed 50 percent of the entire cost of the project if the furnishings, fixtures, equipment, painting, and flooring are to be funded using long-term debt.

Generally, **improvement projects on property not owned by the City are not eligible for loan funding.** However, under existing laws, the City is permitted to use long-term debt financing for reconstruction or replacement of curbs and sidewalks located within the legally open right of way in conformance with the City Plan. Although the City has an interest in the sidewalks, which allows it to use loan funds for their reconstruction or replacement, the City, given its limited resources, must establish reasonable criteria to determine when it will use capital funds to reconstruct or replace pedestrian pathways on property not owned by the City. The following policy has been established to determine when a sufficient public purpose, beyond the public interest served by reconstructing or replacing the pedestrian right of way, would be served by a curb and sidewalk project to warrant funding using long-term debt: The site improvement project must be an integral component of a housing development or redevelopment project approved by OHCD, a commercial development or redevelopment project approved by the Commerce Department, a street improvement project approved by the Streets Department, or a water/sewer improvement project approved by the Water Department. To be eligible for long-term debt funding, the site improvements must be incidental to a project that calls for revitalization of streets, water utilities, housing, or commercial development. Ideally, eligible projects will leverage significant state, federal and/ or private investment.

- Site improvements on property not owned by the city are not eligible for long-term debt funding unless they are incidental to a much broader public improvement project as indicated above.
- Site improvements that are part of a normal maintenance or repair activity cannot be funded by loan funds. Pursuant to Section 11-503 of the Philadelphia Code, the cost for normal maintenance or repair of sidewalks and curbs is generally assessed to the abutting landowner.
- The site improvement project and its attendant housing, street, water/sewer, or commercial development or redevelopment plan must be reviewed and approved by both the Capital Budget Office and the City Controller's Office. In order to be approved, the plan must, at a minimum, describe how the area or neighborhood targeted by the plan has previously deteriorated and how implementation of the plan will arrest and reverse that deterioration.



During the capital budget development process, when departments are requesting funding for site improvement projects, the development or redevelopment plan referred to above must be included for consideration. In order to be approved as part of the annual Recommended Capital Budget, the plan must, at a minimum, describe how the area or neighborhood targeted by the plan has previously deteriorated and how implementation of the plan will arrest and reverse that deterioration.

- The cost of preparing plans and specifications that are required for improvement purposes is eligible for long-term debt financing. Planning studies, including master plan studies and feasibility studies, may be eligible for loan funding when such studies are an intrinsic part of a design process that is required prior to improving a tangible asset. Generally, studies funded by long-term debt must generate preliminary plans and construction cost estimates. Studies primarily focused upon improving operating performance are to be funded through the operating budget. Although a study may have a bearing on the ultimate design or specifications of a capital project, if its goal is to improve, consolidate, expand, or otherwise change operations, it may not be funded by long-term debt.
- The cost of soil tests, borings and other architectural or engineering tests required to ensure competent improvements is eligible for long-term debt financing.
- Site preparation expenditures, such as demolition, that are directly attendant to an improvement project, are eligible for long-term debt financing. The removal of and/or testing for hazardous materials, including but not limited to polychlorinated biphenyls (PCBs) and asbestos, may be funded through long-term debt when directly related to an otherwise eligible capital improvement. Finally, demolition may be eligible for loan funding when it is undertaken to create or expand available public space for park or recreation purposes.

## SECTION B: OTHER FUNDING SOURCES

In accordance with applicable law and accounting policies including, but not limited to, the Philadelphia Home Rule Charter and Generally Accepted Accounting Principles, the City has established baseline standards for useful life, purpose, and cost that must be met for a project to be eligible for financing through sources other than long-term debt or loan funds. Other funding sources include but are not limited to General Fund and self-sustaining operating revenue; revolving funds; federal, state, and private grants; and funds from other governments or agencies.

Capital expenditures not funded by long-term debt or loan funds must meet the following criteria to be capital eligible:

- **Useful Life.** The Philadelphia Home Rule Charter dictates that a project's useful life must be at least 5 years to be eligible for funding through the capital budget. A qualified engineer, architect, information technology, or other professional with specific knowledge of the project must provide agency estimates of useful life.
- **Purpose.** The project must provide for the purchase, construction, reconstruction and/or betterment of buildings (including any element of the basic foundation therein), structures, facilities, or infrastructure that clearly results in an improvement to the City's asset. The purchase of new or replacement equipment is allowable under this criterion when updating the essential furniture, equipment, or technology at a facility, or extending the coverage, reach, range, or power of an equipment system.
- **Cost.** The cost of a capital project using funding sources other than long-term debt or loan funds must be at least \$5,000. The \$5,000 minimum refers to the total cost of all project components and subcomponents, excluding the cost of initial surface treatments, such as painting and carpeting.
- **Other.** The cost of a capital project using funding sources other than long-term debt or loan funds must be at least \$5,000. The \$5,000 minimum refers to the total cost of all project components and subcomponents, excluding the cost of initial surface treatments, such as painting and carpeting.