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COUNCIL OF THE CITY OF PHILADELPHIA

3

PUBLIC HEARING

4

COMMITTEE ON FINANCE

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Room 696, City Hall
Philadelphia, Pennsylvania
Tuesday, November 18, 2003
10:25 a.m.

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BILL 030660- an Ordinance amending Title 13
of The Philadelphia Code, entitled "Water
and Sewer," by adding certain standards for
the Water Department rates and charges by
requiring the collection of rates to fund a
system of City Payment or consumer credits
for the cost of work performed to maintain
certain water and sewer connections, under
certain terms and conditions.

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PRESENT:

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COUNCILWOMAN JANNIE BLACKWELL, Chair

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COUNCILMAN DARRELL CLARKE

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COUNCILMAN FRANK DICICCO

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COUNCILMAN JAMES KENNEY

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COUNCILMAN BRIAN O'NEILL

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I N D E X

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2 COUNCILWOMAN BLACKWELL: Good
3 morning. There being a quorum, the Committee
4 on Finance will hold public hearings with
5 regard to Bill No. 030660, water laterals. To
6 my right is Councilman O'Neill; to his right,
7 Councilman Kenney; and to his right,
8 Councilman DiCicco. The Chair also notes that
9 Councilman Darrell Clarke is here, and we
10 thank him.

11 The Clerk will please read the title
12 of the Bill.

13 While doing so, we would ask Mr.
14 Kishinchand, Commissioner of the Water
15 Department, Kumar Kishinchand, come to the
16 witness table with whomever you would like.
17 Thank you.

18 THE CLERK: Bill No. 030660, an
19 Ordinance amending Title 13 of the
20 Philadelphia Code entitled, "Water and Sewer,"
21 by adding certain standards for Water
22 Department rates and charges by requiring the
23 collection of rates to fund a system of City
24 payment or consumer credits for the cost of
25 work performed to maintain certain water and

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2 sewer connections, all under certain terms and
3 conditions.

4 COUNCILWOMAN BLACKWELL: Thank you
5 very much.

6 Does anyone have an opening
7 statement?

8 Councilman O'Neill, opening
9 statement, or are you prepared for the Water
10 Department to speak?

11 COUNCILMAN O'NEILL: Well, I just
12 want to offer some background on how this bill
13 came about.

14 It's really been 24 years of seeing
15 the senior citizens, families with very
16 strapped incomes with two people working,
17 trying to put their children through school,
18 having something happen to them that is no
19 fault of their own, but has an expense
20 attached to it of about \$3,000 to \$6,000, and
21 that is if a water lateral, for whatever
22 reason, it breaks, it gets crushed, it cracks,
23 but it needs to be replaced, the water or
24 sewer lateral. And while I think it's unfair
25 to have a homeowner be responsible for that in

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2 any respect, really from the curb out to the
3 main, whether it be the sewer main or the
4 water main, that is under the street. And I
5 believe it is just absolutely unfair and
6 something that should be corrected. And the
7 homeowner should not be responsible for
8 something under the City street. The City
9 street is a public domain. And no more than
10 we would want a homeowner to fix a pothole or
11 a sink hole in front of their house, would
12 shudder to even suggest it, I don't think this
13 is really any different.

14 The Water Department and the
15 Managing Director's Office have been very
16 helpful. And I don't want this to sound
17 anything adversarial, because they have
18 actually turned the bill I had back in
19 September into an Administration bill, which
20 is before us, so that we can move forward
21 together on this. They recognize the
22 situation as much as I do, and I applaud them
23 for it.

24 I also think we'll have some
25 testimony about a warranty program for the

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2 part of these laterals that will be on the
3 homeowner's property, and their
4 responsibility, where they can buy a small
5 insurance policy to cover that.

6 I really want to thank the
7 Commissioner and the Managing Director for
8 their help with this.

9 COUNCILWOMAN BLACKWELL: Thank you.
10 Thank you, Councilman.

11 Commissioner Kishinchand.

12 MR. KISHINCHAND: Good morning,
13 Chairwoman Blackwell and Members of the
14 Finance Committee. My name is Kumar
15 Kishinchand, Water Commissioner for the City
16 of Philadelphia. I would like to thank City
17 Council for providing me the opportunity to
18 testify regarding Bill No. 030660, introduced
19 by Councilman O'Neill. I do have extra
20 copies.

21 COUNCILMAN O'NEILL: I'd like to say
22 cosponsored by every Member of City Council.

23 MR. KISHINCHAND: Let that go on the
24 record that it is cosponsored by the other
25 City Councilpersons.

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2 Section 13-101 and 13-201 of the
3 Philadelphia Code direct the Water
4 Commissioner to consider many factors when
5 setting rates and charges for customers
6 connected to these systems. Bill 030660 would
7 require the Water Commissioner to consider a
8 new set of factors, that is, the costs of
9 customers of replacing certain water and sewer
10 pipes that connect their properties to the
11 City system. I am here today to testify in
12 support of Bill 030660 and to provide
13 information about its impact on the City's
14 Water Department and our citizens.

15 From my discussions with Councilman
16 O'Neill, I know that the goal of this
17 legislation is to protect our customers from
18 the expensive and unexpected costs to replace
19 pipes in the public right-of-way. Our
20 customers have the responsibility for
21 maintaining certain water pipes in the public
22 right-of-way under the Philadelphia Code,
23 Article 13-502, and for sewer pipes under
24 Title 53, Section 14794 of the state's laws
25 governing the Cities of the First Class.

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2 Most water and sewer utilities and
3 municipalities that provide water and sewer
4 services currently cover the cost of
5 replacement of the customers' water and sewer
6 pipes in the public right-of-way through
7 charges in their rates. There is a public
8 benefit to having these costs covered.
9 Leaking water and sewer pipes, if not promptly
10 repaired, can cause serious damage to the
11 public infrastructure and adjacent private
12 properties. This bill provides a valuable
13 tool for better managing the impacts of both
14 the leaks and the repair work associated with
15 the customers' pipes.

16 Bill 030660 would direct the Water
17 Commissioner to ensure that the City's Water
18 Fund has sufficient funding to pay for the
19 costs of the repair and replacement of the
20 pipes owned by the property owners, or
21 alternatively, provide funds for a system of
22 credits to property owners for repair work or
23 replacement of pipes. The money for any
24 program must come through a formal rate
25 process to cover the cost.

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2 Now I'll address our HELP Program.

3 For many years the Water Department has been
4 concerned about the costs to customers of the
5 repair and replacement of water and sewer
6 pipes. In the early 1990s, the Water
7 Department established a Homeowner Emergency
8 Loan Program, which we called HELP. Over the
9 years we have improved that program to ease
10 that burden on homeowners of getting estimates
11 and choosing a plumber under emergency
12 conditions. The City currently contracts
13 directly with 15 plumbers to provide service
14 through HELP to about 1,000 homeowners each
15 year. The zero percent interest loan is now
16 available for five years.

17 However, despite access to this
18 program, many customers choose not to fix
19 their water and sewer leaks. Additionally,
20 for the poorest of our customers, HELP is not
21 a solution. Many property owners cannot
22 afford the additional monthly cost of even a
23 zero percent interest loan. For this reason,
24 the Water Department, with the support of the
25 Office of Risk Management, has been

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2 investigating pipe warranty programs that
3 could help all our customers.

4 Over the last three years, the City
5 officials have met with several companies that
6 provide repair and replacement warranties for
7 water and sewer pipes. Commonly, these
8 programs are offered through the utility as an
9 option for the customers. For example, the
10 customer would pay about \$60 per year
11 additional for the pipe warranty. The
12 warranty companies contract with local
13 plumbers to provide needed repairs or
14 replacements, much like the City does in the
15 HELP Program.

16 Our concern about these voluntary
17 programs has been that the property owners
18 that most need the security of the warranty
19 program would not participate. In addition,
20 at any given time, there are thousands of
21 customers that are not current on their water
22 and sewer bills who may also neglect to pay
23 the warranty charges and lose coverage. The
24 Water Department also believes that a program
25 that includes all customers would have much

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2 lower costs per participant. From estimates
3 we have received from the potential vendors,
4 we believe that cost for a warranty for water
5 and sewer pipes, for both water and sewer
6 pipes as described in Bill 030660, would cost
7 less than \$4 per property, per month.

8 Warranty companies provide the
9 advantage of management of the risks
10 associated with the numbers of pipes that
11 fail, the responsibility for assessing
12 eligibility, managing contracts with the
13 plumbers and bolstering customer service
14 functions. Warranty companies may also be
15 interested in providing coverage on an
16 optional basis for the portion of the
17 customers' pipes that are not in the public
18 right-of-way. The Water Department recommends
19 that the City further investigate a warranty
20 program as a system of City payment.

21 Instead of a warranty program, the
22 City could manage the repair and replacement
23 of the property owners' pipes in a manner
24 similar to the HELP Program. The Water
25 Department currently manages HELP by utilizing

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2 licensed plumbers to provide repair and
3 replacement of pipes. A City plumbing
4 inspector is assigned to each job. He
5 provides an initial assessment of the required
6 work. The plumber is selected by a computer
7 system that uses several factors determining
8 which plumber is at the top of list. The
9 plumber and inspector are in communication
10 about the progress of the work and the changes
11 to the initial assessment. The inspector
12 makes a final inspection prior to the
13 approval.

14 The Water Department currently
15 manages about 1,000 repairs in this manner
16 using two inspectors and 15 plumbers. From
17 the permit records and other information
18 available, we expect that there would be 6,000
19 to 8,000 jobs annually eligible under Bill
20 030660 and through HELP for pipes not in the
21 public right-of-way. The cost per job for the
22 residential properties covered by HELP is
23 \$2,500. The Water Department would need to
24 hire additional staff, including an estimated
25 six more inspectors, two supervisors and

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2 office support. Budgeting for the entire cost
3 of the program will be difficult in the
4 beginning given the uncertainty about number
5 of repairs. Initially, we expect that about
6 \$20 to \$25 million in new Water Fund revenue
7 would be needed.

8 The Water Department has concerns
9 about a consumer credit program. We believe
10 that the credit program could result in
11 inefficient, costly and inconsistent repairs.
12 We base this on our experiences with the early
13 design of the HELP, which was similar to a
14 credit program. The loan applicants were
15 required to hire their own plumbers. The City
16 required multiple estimates to make sure that
17 the work recommended by the plumbers was
18 consistent and that the applicant got the
19 lowest price. In many cases the work was
20 delayed for long periods of time until the
21 plumbers responded. Under the current design
22 of the HELP Program, the City contracts with
23 the licensed plumbers and oversees their work.
24 Thus, the jobs are quickly and effectively
25 repaired.

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2 There are other issues to be
3 considered. Bill 030660 does not cause the
4 City to take on additional responsibility for
5 claims related to leaks, clogged drains or
6 injuries caused by conditions on the sidewalk
7 or street. Property owners will retain the
8 responsibility for maintaining their
9 properties and avoiding placing of materials
10 in drains that will clog them. This is very
11 important, since there are 500,000 customer
12 locations that the City cannot regularly
13 inspect.

14 Bill 030660 does not differentiate
15 among the classes of customers who would be
16 covered by the funding. The costs associated
17 with residential and small commercial water
18 sewer pipe replacements can be reasonably
19 estimated. Costs for replacement of large
20 sewer pipes would be more variable. In
21 addition, the Water Department does not know
22 the size of the sewer pipes that connect large
23 facilities, such as office buildings,
24 apartment buildings, parking lots and
25 industrial sites to the sewer system. Our

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2 billing system is based on the size of the
3 water meters. The size of sewer pipes is not
4 recorded in the system. However, it should be
5 possible to develop a system that pays for a
6 portion of the cost incurred by the customer
7 with large pipes.

8 Should this ordinance be passed by
9 City Council, a process will follow during
10 which the Department, in consultation with
11 City Council and the Mayor's Office,
12 determines which program would be most
13 advantageous and least costly to the citizens
14 and the City. After that, PWD would hold a
15 formal rate process and seek City Council
16 budget approval to obtain the funds to cover
17 the costs of the chosen program. Then,
18 depending on the program, we will either go
19 through the bidding and contracting process to
20 acquire a warranty company, or go through a
21 planning and hiring process to find outside
22 plumbers or additional staff. Thus, it is
23 important to note that this new program will
24 not be available to homeowners immediately.
25 Full implementation of the program is

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2 estimated to take upwards of one year.

3 In summary, Bill 030660 will provide
4 important benefits to the City water and sewer
5 customers and provide valuable protection to
6 the City's infrastructure.

7 Thank you for your time and
8 attention. My staff and I are available to
9 answer any questions you may have about the
10 impact of this Bill. Thank you.

11 COUNCILWOMAN BLACKWELL: Thank you,
12 Commissioner.

13 How would this affect the Water
14 Department's capital program?

15 MR. KISHINCHAND: We expect to run
16 this program on our operating budget. We
17 don't expect this to be a capital program.

18 COUNCILWOMAN BLACKWELL: I know you
19 mentioned \$25 million. Would the Water
20 Department find itself needing to borrow money
21 to fund this initiative?

22 MR. KISHINCHAND: No. We would
23 expect to modify the rates in order to raise
24 the funds to cover this particular program.
25 We would need to go through the public hearing

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2 process as we normally do and inform the
3 Council about the need for the rate increase
4 and the amount.

5 COUNCILWOMAN BLACKWELL: Great. And
6 again, who would do this new service? Would
7 it require bids for contractors?

8 MR. KISHINCHAND: If we choose to go
9 with the warranty program, as I've outlined,
10 we would go through the Request for Proposal
11 process in selection of the companies. There
12 aren't too many firms that provide this
13 warranty service. There are two or three of
14 them. Risk Management has been very helpful
15 in identifying some of those firms, and we
16 talked to some of them. So I think the
17 process would be to go through the RFP process
18 to choose a warranty program, if that is the
19 direction City Council and the Administration
20 wants to go.

21 COUNCILWOMAN BLACKWELL: If we pass
22 this out of Committee today, which we assume
23 we will, and pass it in City Council, how long
24 would it take before the program would start?

25 MR. KISHINCHAND: It would take

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2 about a year for this program to really get
3 going because we need to go through the rate
4 hearing process, raise the funds, get approval
5 from City Council for appropriation authority
6 and go through the RFP process, select a
7 vendor. Vendor contracts. It's a very
8 arduous process, as you probably are aware.
9 We expect it would probably take about a year
10 to do so.

11 COUNCILWOMAN BLACKWELL: And we
12 assume that, in terms of advertising that, I
13 assume the ratepayers would receive notices in
14 their mail with their bills, et cetera, so
15 that there is a City-wide and absolute effort
16 to reach every customer?

17 MR. KISHINCHAND: We will attempt to
18 do that. As you know, we have bills sent out
19 every month to every residence, and we can put
20 a bill stuffer in them to inform them what the
21 program would be like once we decide which
22 direction to go, whether it's going to
23 internal or warranty.

24 COUNCILWOMAN BLACKWELL: Thank you.

25 Further questions?

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2 Councilman O'Neill and then
3 Councilman Kenney.

4 COUNCILMAN O'NEILL: Commissioner,
5 it seems clear from the testimony that while
6 there may be a thousand or so a year that get
7 replaced now, the laterals, there's probably
8 6,000 to 8,000 out there that should be
9 replaced. And when they're not replaced,
10 which they're not being replaced right now --
11 only those that are the very worst, that are
12 causing the most severe problems -- these
13 pipes that aren't being replaced that need to
14 be replaced are causing other problems,
15 sometimes very significant below the surface
16 of the street.

17 MR. KISHINCHAND: I think, perhaps,
18 I might be misleading this particular
19 testimony. The 1,000 are the ones that come
20 to us for HELP loans, and we follow-up on
21 them. There are a number of folks who do not
22 come to us for HELP loans. They go directly
23 to the plumber and replace them once they get
24 the violation notice and do it on their own.
25 So these 6,000 to 8,000 are actually the

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2 numbers that we've derived from the folks who
3 get the permits to repair them. So these are
4 being repaired, but in some cases perhaps not
5 as speedily as we would like to see them.

6 COUNCILMAN O'NEILL: So you think
7 there are 6,000 to 8,000 a year that are being
8 replaced?

9 MR. KISHINCHAND: That is correct.

10 COUNCILMAN O'NEILL: Now, how many
11 would you estimate need to be replaced and
12 aren't that are out there that you're going to
13 have to deal with once this change takes
14 place?

15 MR. KISHINCHAND: That's a number we
16 have not been able to really estimate well
17 enough. My sense is that -- because we see
18 the depressions occurring in the streets or on
19 the sidewalks, et cetera, and we send our
20 customer service people to advise those folks
21 they need to fix them, we think that 6,000 to
22 8,000 would probably be the number that's done
23 on an annual basis. But that's still a soft
24 number.

25 COUNCILMAN O'NEILL: Your rate

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2 change will be based on a 6,000 to 8,000
3 number?

4 MR. KISHINCHAND: That's correct.

5 COUNCILMAN O'NEILL: Not some other
6 number that is out there, but not being dealt
7 with today?

8 MR. KISHINCHAND: Unless we in
9 further study find that we missed something.
10 We may have to modify that. But it's not
11 going to be significantly higher if we go
12 beyond 8,000.

13 COUNCILMAN O'NEILL: I know you
14 mentioned upwards of a year, but could this be
15 done in six months, before Council adjourn in
16 the summer, if everybody really put their nose
17 to the grindstone?

18 MR. KISHINCHAND: That would be very
19 hard to do so. Because as you know, we have
20 not even started on the rate hearing process
21 yet and we have not informed City Council that
22 there would be a rate change as a result of
23 this. And the budget will be passed some time
24 in April, I suspect. It's after that that we
25 go through the RFP/RFQ process and get

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2 somebody under contract. So that would be a
3 pretty fast turn-around for City agencies to
4 do that. We will attempt to do it as fast as
5 we can.

6 COUNCILMAN O'NEILL: Do you know how
7 many other water systems have the homeowner
8 being responsible for the entire run of the
9 laterals?

10 MR. KISHINCHAND: The entire run of
11 the laterals?

12 COUNCILMAN O'NEILL: As we do today?

13 MR. KISHINCHAND: Most of the
14 utilities actually cover the portion in the
15 public right-of-way. They pay for it and pay
16 through the rates.

17 COUNCILMAN O'NEILL: Could you say
18 that again?

19 MR. KISHINCHAND: Most of the
20 utilities actually cover the cost of
21 replacement of these pipes in the public
22 right-of-way.

23 COUNCILMAN O'NEILL: Which is where
24 we are going with this bill?

25 MR. KISHINCHAND: This is where we

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2 are going. As far as the rest is concerned, I
3 don't have numbers.

4 COUNCILMAN O'NEILL: I think it
5 varies on the rest.

6 Thank you.

7 COUNCILWOMAN BLACKWELL: You're
8 welcome.

9 Councilman Kenney.

10 COUNCILMAN KENNEY: Thank you, Madam
11 Chair.

12 Commissioner, is there any
13 coordination between the Streets Department
14 and the Water Department relative to street
15 repairs that are affected by a lateral
16 disintegration? Because it seems that a lot
17 of the curbside repairs that are done are as a
18 result of bad laterals that are washing away
19 the under-soil, causing the lateral to degrade
20 even further, and also sinking the street. Is
21 there any type of information that you guys
22 have kind of coordinated together to figure
23 out how many are related to lateral
24 disintegration and what the cost is? There
25 may be an ability to compare the two, cost of

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2 the street repairs and the lateral
3 replacement, reimbursement, whatever kind that
4 is.

5 MR. KISHINCHAND: There is a lot of
6 coordination between Licenses and Inspections,
7 the Streets Department and the Water
8 Department on this particular issue. In fact,
9 we had a committee formed to look at this so
10 that we would coordinate and respond in a
11 timely fashion, not only to repair the
12 underground infrastructure, but the service
13 line that's leaking or a lateral that's
14 collapsed, but also then pass that information
15 on as soon as it's fixed through the Streets
16 Department, because they share our customer
17 information system. Then they follow-up and
18 repair it.

19 Generally what happens is, once the
20 lateral is repaired, we backfill that repair,
21 make it safe, and then subsequently the
22 Streets Department comes in and finishes off
23 the job. Occasionally, it takes a couple of
24 months. They've been trying very hard to
25 bring that timeline down to about one month to

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2 complete the job. So there is a lot of
3 coordination between the Streets Department
4 and the Water Department.

5 COUNCILMAN KENNEY: Do you envision
6 the possibility that once this program is in
7 place, the ability to prioritize the laterals
8 that need to be replaced with the incentive or
9 the credit or reimbursement, or whatever form
10 the reimbursement takes, to prioritize those
11 areas first? Because one of the things I
12 notice is that a lot of times the Streets
13 Department goes back two or three times and
14 fixes the same area by the curb, and the
15 lateral hasn't been replaced. And they just
16 keep on doing the same redundant job of
17 replacing the sinkhole.

18 MR. KISHINCHAND: Our hope is that
19 this particular program will give incentive to
20 the homeowner to advise us as soon as he or
21 she sees that there is a problem in that area.
22 And because they don't have to pay for it
23 anymore in the public right-of-way, they would
24 hopefully call either the Water Department or
25 the warranty company, whatever process we set

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2 up for them.

3 COUNCILMAN KENNEY: One of the other
4 issues is one of style, too. I don't think
5 the Water Department does this. It's probably
6 either L&I or Streets. When someone calls
7 about a sinkhole or a curb depression or the
8 street by the curb is depressed, they're
9 issued a violation.

10 One of the things that bothers
11 people is that the issue of a violation, that
12 somehow they did something wrong, I think
13 needs to be looked at and perhaps changed.
14 Because from a homeowner attitude standpoint,
15 they're being cited, which means they've done
16 something wrong, which means that the City --
17 you know, us versus the City kind of
18 mentality. If there is some way of changing
19 even the term of what it is by not issuing a
20 citation to anyone, by not issuing a
21 violation, that would be a big help in
22 changing the kind of attitudes about people
23 wanting to report these things. Because once
24 they report them, an inspector comes out and
25 issues them a violation. It's like, why did I

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2 bother calling because now I'm in trouble. So
3 it's just something in your thought process,
4 in your coordination with the other
5 departments involved in this would be helpful.

6 Secondly, do we get warranties now
7 when a contractor replaces a water main or
8 sewer? Is there a warranty associated with
9 that work and that equipment?

10 MR. KISHINCHAND: There is a
11 one-year warranty.

12 COUNCILMAN KENNEY: There is a
13 one-year warranty on all new main sewers and
14 main water service?

15 MR. KISHINCHAND: Yes, sir.

16 COUNCILMAN KENNEY: Why then would
17 it be difficult to get similar warranties on
18 laterals, since it's done as a matter of
19 course?

20 MR. KISHINCHAND: Under the HELP
21 Program, there is a one-year warranty.

22 COUNCILMAN KENNEY: I misunderstood
23 you. I thought you said there were only one
24 or two companies that would provide warranties
25 for laterals.

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2 MR. KISHINCHAND: These are the
3 companies that would take on this particular
4 whole program and provide the warranty once we
5 put them under contract with us. That would
6 be a warranty program for repair of these.
7 And subsequent of that, of course, there would
8 be a one-year warranty for any subsequent
9 defect that is found.

10 COUNCILMAN KENNEY: The plumbing
11 contractors we deal with now, do they provide
12 a warranty under the work for the laterals for
13 the work they do under the auspices of the
14 City?

15 MR. KISHINCHAND: That's correct.
16 They provide a warranty for work that they
17 have done repairs on.

18 COUNCILMAN KENNEY: That's including
19 laterals?

20 MR. KISHINCHAND: Including
21 laterals, yes. This particular warranty
22 program, this would be a warranty City-wide
23 for all customers. And so when the customer
24 essentially finds that there is a defect in
25 the street, they could call up this warranty

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2 company and get it fixed, because they've
3 already been paying a certain amount of charge
4 on a monthly basis. So that is a different
5 kind of warranty than the warranty on work
6 that has already been done.

7 COUNCILMAN KENNEY: Thank you.

8 Thank you, Madam Chair.

9 COUNCILWOMAN BLACKWELL: You're
10 welcome.

11 Are there any more questions from
12 Members of the Committee?

13 Seeing none, that will end our
14 public hearing part of this -- further
15 questions? I'm sorry. Let us complete the
16 witness list.

17 Mr. Jim McStravock, plumbing
18 contractor.

19 Is Mr. Earl Callaway here,
20 Treasurer, Master Plumbers? Is Mr. Callaway
21 here?

22 MR. CALLAWAY: Yes, I am.

23 COUNCILWOMAN BLACKWELL: You two are
24 coming up together.

25 And then Naomi Zaslow, Public

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2 Relations Director for HAPCO. They are the
3 three witnesses.

4 Good morning. Thank you for your
5 patience. Please begin your testimony.

6 MR. CALLAWAY: Good morning. I'm
7 Earl Callaway. I'm a member of the Master
8 Plumbers Association of Philadelphia. We are
9 a local and professional trade association
10 with state and national affiliations. I'm
11 here this morning to say that this Bill will
12 cause a loss of revenue and jobs to the City,
13 neither of which it can afford.

14 Small plumbing businesses, which
15 account for a majority of our membership, do
16 this type of work. We employ excavating
17 contractors, the people who dig for us. They
18 employ operators, laborers, mechanics,
19 secretaries and accountants. We employ
20 plumbers, plumber apprentices, laborers
21 accountants and our wives, who are our
22 secretaries. So now you know who the real
23 boss is around the office. We pay licenses
24 fees, permit fees and taxes to the City. Boy,
25 do we pay taxes. We purchase our materials,

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2 tools, equipment and trucks from local
3 suppliers. We pay more taxes. Boy, do we pay
4 taxes.

5 We, the small businesses of
6 Philadelphia, create jobs and we generate
7 revenue for the City. If you think that
8 turning over this work to the public sector is
9 more beneficial to the City than leaving it to
10 the private sector, then I totally disagree
11 with you. Thank you.

12 COUNCILMAN O'NEILL: Can I respond?

13 I didn't hear anything from the
14 Commissioner that indicated in either of his
15 plans that the public sector is going to start
16 doing this work.

17 Could you please respond to that,
18 Commissioner? Because I didn't hear that from
19 you.

20 MR. KISHINCHAND: Essentially, the
21 programs that we've been considering are going
22 to be the ones whereby we would hire the
23 plumbers in the private sector to do all the
24 repairs. We would just oversee the work. If
25 we were to do it in-house, within the Water

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2 Department, we would hire only the inspectors
3 to inspect the work that the private plumber
4 would be doing.

5 COUNCILMAN O'NEILL: That's similar
6 to the HELP Program today?

7 MR. KISHINCHAND: That is similar to
8 the HELP Program today.

9 And if we go with the warranty
10 company, it is our expectation that the
11 warranty company would contract with the
12 plumbers in the local areas and proceed with
13 the work on that.

14 COUNCILMAN O'NEILL: Isn't it true
15 that there will be no less work for the
16 private sector, but there should be a lot more
17 work because of those laterals that are
18 causing problems that aren't getting fixed
19 because the homeowners can't afford it?
20 Somebody will now be responsible to pay for it
21 and there should be more work than less?

22 MR. KISHINCHAND: We expect that
23 there would be. Because as I mentioned
24 earlier, we don't know of the folks who are
25 ignoring repairs of these and causing the

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2 problems in the streets, et cetera. And what
3 it also does is, when things get really bad,
4 sometimes you get properties that are
5 abandoned, and perhaps that would be saved.

6 I think as far as the plumbing
7 industry in Philadelphia is concerned, they
8 should not expect to see any reduction of work
9 for them.

10 COUNCILMAN O'NEILL: Could you and
11 the people that work for you that are involved
12 in this make an effort after this hearing to
13 meet with particularly the plumbing
14 contractors and the Master Plumbers
15 Association so that they're fully informed on
16 what your intentions are and how this should
17 work?

18 MR. KISHINCHAND: Surely I can do
19 that.

20 COUNCILWOMAN BLACKWELL: Let me say
21 certainly we know that water is a common
22 denominator between being homeless and not.
23 That is one of my main areas of interest.
24 Certainly, we want to make sure that the small
25 business owner and contractor is working, as

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2 well as to make sure we can do our best by the
3 citizens in this City, who, if they have no
4 water, essentially might as well come and
5 visit my office like so many others because if
6 you don't have water -- people can try to
7 bundle up, even when it's cold; and people can
8 make try to make arrangements when it's hot.
9 But if you don't have water, you just can't
10 live inside. You might as well go to a
11 shelter.

12 We hope that we can protect
13 everybody involved; the consumer, the
14 homeowner, the residential customer, and
15 certainly the plumbers who need the work.

16 Sir.

17 MR. MCSTRAVOCK: Good morning. My
18 name is Jim McStravock. I represent in excess
19 of 65 plumbers that are licensed in the City
20 of Philadelphia. We're opposed to this bill.
21 There are programs out there. If it is going
22 to be a plumber that is going to do the work,
23 then, if I'm not wrong, would they have to
24 have an RFP package and be certified by the
25 Water Department to install the laterals and

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2 water services?

3 MR. KISHINCHAND: They would have to
4 be registered plumbers.

5 MR. MCSTRAVOCK: But would they have
6 to be members of -- like the HELP Program has
7 12 to 15 plumbers. Would you have to have a
8 list or would it be any master plumber?

9 And who would set the rates for the
10 amount charged per lateral, per water service?

11 To me, I look at this bill as price
12 fixing. Each job is totally different. My
13 overhead is different than somebody else's.
14 This bill would price fix. When you price fix
15 and excavate, there are safety issues
16 involved. If you're going to pay \$1,000 to
17 \$1,500 for a lateral, you know that plumber is
18 not going to do shoring if they're going to
19 dictate. That's the amount they're going to
20 pay. There are costs involved in doing this
21 work, and I think that's not being considered.
22 This bill to me seems to be a price fixing
23 system designed to knock the average plumber
24 out of making a living. We do not do that
25 much plumbing inside the house. We've lost

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2 the interior plumbing. You need a license and
3 you need a permit to do the work. The home
4 centers have killed us. The homeowners doing
5 their own work have killed us. This is the
6 only legitimate work we have left. And if
7 this is taken away, you're going to put a lot
8 of plumbers out of business that do
9 excavations.

10 I do work for PHDC. This would
11 theoretically kill probably 40 percent of my
12 contract that I do for PHDC.

13 There are programs out there. The
14 HELP Program is a good program. It's a
15 zero-interest loan. Anybody is qualified for
16 that.

17 To run this City-wide, I feel is
18 taxing the homeowner unnecessarily. On an
19 average, it's one in five in their lifetime,
20 in their lifetime, that have to pay for this.
21 So you're taxing people for something that
22 they're never going to use.

23 COUNCILWOMAN BLACKWELL: Councilman
24 O'Neill can correct me. I believe that the
25 homeowner will have the option to get a

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2 warranty or not; is that correct?

3 COUNCILMAN O'NEILL: Yes.

4 COUNCILWOMAN BLACKWELL: So the
5 homeowner will have the option. And maybe the
6 Commissioner can answer the question. And the
7 question is, will any licensed registered
8 plumber be able to participate, or is that
9 part of a process that we have to develop?
10 Can you answer that, Commissioner?

11 MR. KISHINCHAND: I can't fully
12 answer that because the program hasn't been
13 developed. As I said, the program hasn't been
14 developed, whether it's in-house or a warranty
15 program. But when you consider that we have
16 about 15 plumbing contractors under contract
17 to repair thousands of defects in a year, and
18 we're talking in terms of 6,000 to 8,000,
19 obviously, one would expect that there would
20 be a lot more plumbers who would be put under
21 contract with either a warranty company or
22 in-house.

23 As I said, right now we have not
24 really sorted out all the details on this
25 particular program. But generally I think, as

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2 the Councilperson has mentioned, this is going
3 to certainly help not only the customer, it's
4 going to help the public infrastructure also
5 from deteriorating as it does at this point.

6 COUNCILWOMAN BLACKWELL: Thank you,
7 Commissioner.

8 Councilman Kenney.

9 COUNCILMAN KENNEY: How many
10 licensed plumbing contractors are there in
11 Philadelphia?

12 MR. MCSTRAVOCK: Actively engaged in
13 the City, I would say roughly 500. There are
14 more, but they work for hospitals, they work
15 for other plumbers.

16 COUNCILMAN KENNEY: Since under the
17 HELP Program there are 15 contractors
18 participating in that program, why does that
19 not hurt the other 400-some-odd plumbing
20 contractors who aren't in the program? Isn't
21 what we're talking about here the same thing,
22 but on a larger scale? Why was the HELP
23 Program good, but this program is not?

24 MR. MCSTRAVOCK: The HELP Program
25 was designed for somebody who could not afford

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2 it, and it was a zero-interest loan, which we
3 can't compete against. It's a good program
4 for people who can't afford it. If every
5 plumber had the option to get on that list if
6 they wanted to, they price fix. Somebody
7 can't tell me a lateral is going to cost
8 \$1,200 when my back hoe costs are \$450, my
9 permit costs are \$500, my material and labor
10 cost exceed the cost of doing the job. And
11 like I said, it does not take into
12 consideration the safety issue. When you
13 price fix, there is a huge safety issue in
14 shoring.

15 COUNCILMAN KENNEY: How do the 15
16 contractors that are involved in the HELP
17 Program exist in this price fixing atmosphere?

18 MR. MCSTRAVOCK: They do a thousand
19 a year. They have other work. And if you
20 would ask them what they charge a private
21 homeowner, it would almost be double what they
22 would charge through the HELP Program.

23 COUNCILMAN KENNEY: How is it
24 cheaper for government -- I've never seen a
25 system where government is cheaper than the

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2 private sector.

3 MR. MCSTRAVOCK: Because they're
4 price fixing. They're dictating the price.
5 If you wanted to get into this, you can have a
6 contract of \$450,000, or whatever your
7 contract amount is, and do the work and
8 continue to do the work. If somebody is going
9 to hand you \$400,000 worth of work free,
10 without doing paperwork -- there is paperwork
11 involved, but without a bidding process, it
12 makes it easier for that plumber. He doesn't
13 have to advertise. He doesn't have to do
14 anything extra.

15 COUNCILMAN KENNEY: Do you have any
16 idea what the variation is between one row
17 house lateral and another row house lateral,
18 as opposed to one plumber? I can't imagine
19 that the price is that varied that people
20 wouldn't go shopping. If I can get a lateral
21 for \$1,200 or \$1,500 and you come in and say,
22 well, it's 3,000, I'm not going to hire you.
23 So how big of a variance is there on average?

24 MR. MCSTRAVOCK: There is a variance
25 that large, if not larger. It is the point

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2 and the purpose of the homeowner. You don't
3 go buy a refrigerator or a TV without
4 shopping. Every customer I always go to, I
5 tell them to shop. I want you to price it.
6 It's the homeowner's responsibility to do
7 that. This work would take away work from
8 plumbers and go to people that have equipment.

9 COUNCILMAN KENNEY: Who do you
10 envision doing the work if this program is in
11 effect? The plumber has to do it. How will
12 the City cap the charge?

13 MR. MCSTRAVOCK: They cap the cost
14 now.

15 COUNCILMAN KENNEY: In the HELP
16 Program?

17 MR. MCSTRAVOCK: Yes, they do. That
18 is why they only have 12 or 15, because the
19 majority of plumbers can't compete at that
20 dollar.

21 COUNCILMAN KENNEY: Commissioner, do
22 you envision a maximum charge under the
23 program we're discussing today?

24 MR. KISHINCHAND: Again, as I said,
25 the program isn't in place. We would look at

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2 exactly what the appropriate charge is for
3 those particular programs.

4 Right now the prices may vary
5 because of the length of the laterals, et
6 cetera, but the prices are based on per foot.
7 And actually I have Mr. Satterthwaite, who
8 runs our HELP Program, who might be able to
9 give you a little more detail, if you'd like.

10 COUNCILMAN KENNEY: I respect the
11 testimony of the people at the table, and also
12 of yours, but it seems to fly in the face of
13 logic that somehow if we make it easier for
14 people to take care of their lateral problems
15 and have them repaired that somehow that's bad
16 to generate all that additional work that's
17 not being done now, because people are
18 basically just ignoring it. And, you know,
19 it's one of those expenses that I really can't
20 see. It's not like my plumbing inside my
21 house is flooding my house. I can't really
22 see it. It's in the street. I ignore it
23 until I really have to do something about it,
24 until my toilet backs up or everything is
25 starting to collapse. I just don't understand

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2 on a rational basis how increasing the
3 opportunities of work is bad for the plumbing
4 industry.

5 MR. KISHINCHAND: I agree with you.

6 MR. CALLAWAY: May I address that,
7 please?

8 The work is being done by the
9 private sector. The work is not going --

10 COUNCILMAN KENNEY: You're missing
11 my point. My point is, is that right now
12 there is a universe of laterals that are not
13 being done because people can't afford to do
14 them or they're ignoring them.

15 MR. MCSTRAVOCK: I don't think that
16 was his testimony. I think his testimony was
17 that they do a thousand and the private sector
18 does 8,000.

19 COUNCILMAN KENNEY: Right. But on
20 top of that universe, there's another group of
21 people --

22 MR. MCSTRAVOCK: I don't think he
23 listed a number. He's unsure.

24 COUNCILMAN KENNEY: You have to
25 identify yourself.

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2 MR. CRUZ: My name is Antonio Cruz.
3 I'm a private contractor.

4 There's a process that the Water
5 Department uses to determine what is a bad
6 lateral and what is not. The lateral has been
7 violated, that lateral has to be done whether
8 the homeowner does it or not, and I believe
9 that the Water Department does it already,
10 correct?

11 MR. KISHINCHAND: I didn't quite
12 follow.

13 MR. CRUZ: If one of your inspectors
14 issues a violation to a lateral, and whether
15 the property is vacant or whether the
16 homeowner cannot afford it, do you just
17 continuously let the lateral ruin your water
18 main or sewer main, or do you go in, rip it up
19 and replace it and address the issue or do you
20 abate the violation; is that correct?

21 MR. KISHINCHAND: That's correct.

22 COUNCILMAN KENNEY: Who does that
23 work?

24 MR. CRUZ: The Water Department.
25 They do it at a minimum basis to correct the

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2 immediate danger.

3 COUNCILMAN KENNEY: How many are
4 done a year of that type?

5 MR. KISHINCHAND: With your
6 permission, I'd like to have Kimmer
7 Satterthwaite who runs the HELP Program and
8 some of the abatement programs to answer that
9 question.

10 MR. SATTERTHWAITE: Good morning.
11 My name is Kimmer (ph) Satterthwaite. I'm the
12 manager of the HELP Loan Program.

13 COUNCILWOMAN BLACKWELL: Would you
14 spell your last name?

15 MR. SATTERTHWAITE: Sure.
16 S-A-T-T-E-R-T-H-W-A-I-T-E.

17 COUNCILWOMAN BLACKWELL: Thank you.

18 MR. SATTERTHWAITE: There's a couple
19 of points that I'd like to make clear.

20 First of all, our prices are
21 competitive. We have 15 contractors working
22 in our program. We've surveyed these numbers
23 over the past years and we came up with what I
24 think are competitive numbers based on
25 industry standards. I don't dispute their

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2 overhead charges. I don't even know their
3 overhead charges. But the guys we're working
4 with also work for PHDC, the Redevelopment
5 Authority. So our prices are competitive.
6 Are they making a lot of money? I don't think
7 any contractor or any business person will
8 work for free. There must be some type of
9 profit margin.

10 We have set costs, but we also allow
11 for situations, because plumbing is a very
12 inexact science. So we don't know what
13 happens until we dig up the street, until we
14 excavate, and we make the repairs accordingly.
15 We bill accordingly based on footage, standard
16 prices that we can look at. We can't just let
17 the plumber dictate what the costs are,
18 because our first interest is to our water
19 customer. And I think that's where this
20 confusion may be with the private contractors.
21 We try to be as fair as we possibly can be
22 with the constraints of the program.

23 The HELP Loan Program is a very,
24 very simple program. To be eligible for the
25 program, you must be the homeowner living in

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2 the property. You must have a current water
3 bill. We're not going to loan you money when
4 you already owe us money. And you must have
5 an operable water meter. So if you meet these
6 qualifications -- we don't do income tests.
7 We have presidents of universities in our
8 program. We have people from different City
9 Council offices participating in our program.
10 We have people on public assistance in our
11 program. It's a straight program. It's no
12 interest, so whatever the cost is, you divide
13 it by 60 and that's your monthly price, that's
14 your monthly cost. People who cannot afford
15 this cost, we refer them to PHDC for their
16 work.

17 So the income qualifications or the
18 overhead, I can't really address because I
19 don't know their finances. But I think our
20 prices are competitive.

21 MR. CALLAWAY: We're not disputing
22 your cost. You're absolutely right to try to
23 get the best price for your customers. That's
24 the way America works. That's the way
25 business works. But what we're saying here

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2 today is that there are already programs in
3 place to help these people. Now, here you
4 want to come and put a blanket program in to
5 cover the whole City, which is going to in
6 turn knock the private contractor out of
7 business. I mean, it's going to knock the
8 people who have been doing this work all along
9 out of business. This is our objection to
10 this program. This is what we're objecting
11 to. We need to be able to operate in the free
12 marketplace. And if you come in and take this
13 away from us, it's no longer a free
14 marketplace. It's a marketplace dictated by
15 the Water Company, and that's un-American.
16 That's what we're saying.

17 COUNCILWOMAN BLACKWELL: Before Mr.
18 Cruz speaks, Councilman O'Neill.

19 COUNCILMAN O'NEILL: Thank you. I
20 understand the objection. The objection is
21 that the status quo should remain. People, if
22 you're the one in five who have this happen to
23 you, you get the \$3,000 to \$6,000 bill, the
24 ultimate reverse lottery for somebody on a
25 fixed income or with a family to feed, you're

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2 penalized where you did nothing wrong. This
3 is not turning it over to the public sector.
4 Absolutely, unequivocally not turning it over
5 to the public sector. I think the
6 Commissioner has made that very clear.

7 Secondly, whatever happens as a
8 result of this bill, the City, the Water
9 Department, will be responsible for
10 replacements in the right-of-way, in the
11 public domain, which is the way it is
12 everywhere else. A homeowner should not be
13 responsible for this repair or replacement in
14 the right-of-way. I think everyone agrees on
15 that. The part of the laterals that are on
16 the property of the homeowner, under the
17 property of the homeowner, will still be the
18 homeowner's responsibility, will still be
19 eligible for the HELP Program. And many
20 people may decide that that is a risk they are
21 willing to take rather than pay the warranty
22 cost, whatever that \$4 or \$5 a month charge
23 may be. And when I say under the HELP
24 Program, they don't have to use HELP. Only
25 one in six or seven are using it today. If

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2 the same numbers hold, and I wouldn't see why
3 they would not, all those repairs made on the
4 homeowner's property would still be the same
5 as they are today, either in the HELP Program
6 or just going out and using the contractors
7 who aren't in the HELP Program, which
8 apparently 90 percent or so are using today.

9 The question isn't whether there's
10 going to be more work, whether there's going
11 to be less work; it's whether the Water
12 Department has unfair regulations. This is an
13 unfair system. Anybody who objects to it is
14 trivializing what happens to a homeowner when
15 this hits them. And it's the reason why many
16 people prolong and prolong this replacement,
17 because they simply can't afford it and don't
18 want to go into debt over it. And we can end
19 that today. I believe it will result in a lot
20 more work. The Water Department won't have to
21 go in and do a repair themselves if somebody
22 doesn't respond to a violation. They are
23 responsible. I think they're the jobs that
24 plumbers will get.

25 If plumbers want to change the Water

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2 Department program and expand it to more
3 plumbers, I believe there is going to be a lot
4 more work and a lot more opportunity to do
5 that.

6 I can just tell you that I have not
7 met a homeowner yet who went outside the HELP
8 Program that knew about the HELP Program and
9 understood it. People usually don't want to
10 pay more for a repair than they have to, and
11 they usually don't want to pay it
12 out-of-pocket or go to a bank to get a loan if
13 they don't have to. But the number between a
14 thousand and 6,000 to 8,000 are doing that.
15 About 90 percent of them. That should be a
16 concern of us and the Water Department and the
17 entire City to see why a homeowner would pay
18 more and have to foot the bill immediately
19 than have an interest-free loan over five
20 years and pay less money up front for the bill
21 itself with a one-year warranty.

22 So I hope we can recognize the
23 objections. It's status quo or change. The
24 bill is definitely for change. I think it's
25 very positive. And I believe the contractors,

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2 the plumbers, can work with the Water
3 Department to get as much of this work as they
4 can, all of this work if they can, and put
5 their cards on the table in a private room
6 where businessmen meet with government and
7 work out their differences. Thank you.

8 COUNCILWOMAN BLACKWELL: Thank you,
9 Councilman.

10 Mr. Cruz.

11 MR. CRUZ: I'd just like to actually
12 ask the Commissioner. He keeps referring to a
13 warranty company. He means like an insurance
14 company. A warranty is when you buy something
15 and it has a warranty on it. This is
16 something that is an insurance company
17 basically coming and certifying that if
18 something goes bad, the City will come in and
19 repair it. So that's technically an insurance
20 company. Wouldn't that be a more accurate
21 description?

22 MR. KISHINCHAND: Well, I don't
23 know. Whatever you want to call it. We call
24 it warranty because we are warranting that if
25 something goes wrong with a property in the

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2 public right-of-way that it will be fixed.

3 Because they are now paying the same amount of

4 money -- every customer is paying the same

5 amount of money to get that kind of warranty.

6 MR. CRUZ: According to your own

7 testimony, you had said that approximately

8 8,000 cases would probably be involved. A

9 thousand of them are being handled by your

10 department right now. And approximately maybe

11 7,000 are being handled by the private sector

12 as of today. My point that I had mentioned to

13 you before was asking you, if you issue a

14 violation to a homeowner and that homeowner

15 does not address it, that's still going to be

16 abated. That was my biggest -- you tried to

17 drive it on a home run the fact that there are

18 some cases where they're not being addressed.

19 But that's not true. They are being

20 addressed. They are being abated by your own

21 department.

22 MR. KISHINCHAND: That's correct.

23 We abate them and lien the property. We bill

24 them. And if they don't pay, we lien the

25 property.

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2 MR. CRUZ: So we do not have any
3 increase in detriment to your existing
4 conditions of your own water and sewer lines,
5 correct?

6 MR. KISHINCHAND: No. You missed
7 the point about the promptness of correction.
8 What causes the infrastructure, public
9 right-of-way infrastructure, to break down is
10 the delays that occur before a person says,
11 "I'm not going to do it." And we eventually
12 have to go in and do it.

13 MR. CRUZ: Okay. But once your
14 inspectors issue that violation, they have 10
15 days to correct that violation.

16 MR. KISHINCHAND: Correct.

17 MR. CRUZ: After that, you have the
18 option of going in and fixing the problem
19 immediately if it is that detrimental to the
20 system, correct?

21 MR. SATTERTHWAIT: We suspend the
22 service. That's the option. We suspend their
23 water service. If they receive a notice of
24 defect -- I might add, it's not a violation
25 notice; It's a notice of defect. We have

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2 addressed that issue, Councilman Kenney, about
3 changing that view of it.

4 COUNCILMAN KENNEY: That's just the
5 Water Department?

6 MR. SATTERTHWAITE: Yes, sir.

7 COUNCILMAN KENNEY: Okay. So we
8 need to work on the Streets and L&I.

9 MR. SATTERTHWAITE: Once they
10 receive a notice of defect, they have a time
11 frame of 10 days, and then it's reinspected.
12 If it still hasn't been addressed, they have
13 another 10 days in most cases, unless it's a
14 severe problem. Like if you see water
15 shooting up out of the street, yes, it would
16 be addressed by suspending the water service.
17 That's how we abate the problem. A lot of
18 cases we don't make the repairs to the water
19 line unless there's a special situation that
20 requires that. But in most cases how we abate
21 the problem is by suspending the water service
22 alone.

23 MR. CRUZ: If that violation just by
24 shutting off the water does not abate the
25 problem -- in other words, you can still have

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2 roof drainage going through that system and
3 still causing a blockage. You're telling me
4 that if you know very well that the homeowner
5 is not able to physically pay for that repair,
6 you're going to continue with that violation
7 and not immediately take care of or even shut
8 off the lateral?

9 MR. SATTERTHWAITE: We can't shut
10 the lateral off.

11 MR. CRUZ: You can't shut off the
12 lateral?

13 MR. SATTERTHWAITE: We can't shut
14 the lateral off.

15 MR. CRUZ: Then do you go to court?

16 MR. KISHINCHAND: If it is a sewer
17 lateral that has collapsed there is no point
18 in shutting the water off necessarily because
19 that's not going to correct the problem
20 because, as you point out, storm water is
21 ultimately going to undermine it. It has to
22 try to go through the lateral. In those
23 instances where we see that there's a danger
24 to public health and safety, we go in and we
25 get a plumber. We don't do it in-house, by

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2 the way. We go and hire a plumber to go and
3 abate that particular problem and then we bill
4 the property. If they fail to pay, we lien
5 the property. That's how the system works.

6 MR. CRUZ: There is a built-in
7 process to eliminate and abate those extreme
8 cases where there is possibly total
9 abandonment of the property?

10 MR. KISHINCHAND: Correct.

11 MR. CRUZ: You explained earlier
12 that you possibly could be doing additional.
13 You might not be doing any additional. You
14 might be handling those initial 8,000 cases,
15 whereas opposed 1,000 is being done by your
16 department today. Now you're proposing to do
17 all 8,000.

18 MR. KISHINCHAND: Those particular
19 ones that we have to go and abate do not
20 necessarily come to our attention until things
21 have gotten so bad that the infrastructure has
22 collapsed.

23 MR. CRUZ: How would that change the
24 notification process of you being notified?
25 There's a lot of homeowners that still are not

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2 going to be aware that that program is going
3 to be available to them.

4 MR. KISHINCHAND: Well, as
5 Chairwoman Blackwell said, she wants us to do
6 an outreach to inform them. And as I
7 mentioned, through our monthly billing --

8 MR. CRUZ: Can I ask you a question?
9 How many homeowners do you honestly believe
10 know that the HELP line is available?

11 MR. KISHINCHAND: I don't know if we
12 can debate this. I don't keep statistics on
13 how many people read the flyers. I don't
14 think this is an appropriate debate for me to
15 engage in.

16 COUNCILMAN O'NEILL: Commissioner,
17 could you make it a point to have your
18 violation notices accompanied by an
19 explanation of the HELP Program forthwith?

20 MR. SATTERTHWAITE: We do.

21 COUNCILMAN O'NEILL: Right now?

22 MR. SATTERTHWAITE: Everybody who
23 receives a notice of defect gets information
24 about the HELP Loan Program.

25 COUNCILMAN O'NEILL: Could you send

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2 us a copy of that?

3 MR. MCSTRAVOCK: Councilman O'Neill,
4 that's our point exactly. If every homeowner
5 has that option, why do you think they're
6 going to the private sector? If only 1,000
7 are taking it, that's their right. They have
8 the right to choose. They're getting
9 notified.

10 COUNCILMAN O'NEILL: They're still
11 going to have a right to choose when it's on
12 their property. They should never have been
13 since 1920 responsible for anything in the
14 public right-of-way, and no other water
15 customers anywhere are.

16 MR. MCSTRAVOCK: I beg to differ.
17 That is not true, Councilman.

18 COUNCILMAN O'NEILL: There are more
19 water departments that cover from the home to
20 the main than there are that just cover in the
21 right-of-way.

22 MR. CRUZ: Councilman O'Neill, I am
23 not aware of any township outside of
24 Philadelphia -- I'm not saying that there
25 aren't any -- I'm not aware of any them that

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2 do handle the sewer lines in the right-of-way.
3 I am a registered plumber in the entire State
4 of New Jersey, and that department does not
5 handle in the right-of-way. The homeowner is
6 responsible for even that area there.

7 COUNCILMAN O'NEILL: Well, I
8 disagree with you, okay? In Pennsylvania and
9 in most of this country, homeowners are not
10 responsible for anything under the street.
11 And they shouldn't be. It's a common sense
12 thing when you talk to people. This isn't
13 something the public debates with you. They
14 just say absolutely it's an unfair system.

15 Now, do the contractors have some
16 work to do with the Water Department? I
17 believe you've had some work to do for some
18 time that neither of you have been doing
19 because there is obviously some tension. But
20 that doesn't affect whether doing this is
21 right, putting the right-of-way under the
22 responsibility of the public domain, the
23 public entity.

24 The Water Department doesn't do
25 their own lateral repairs now when they have

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2 to go in and abate. The Commissioner just
3 said that. There's never going to be public
4 repairs. There are going to be private
5 repairs, and then it's a question of who in
6 the private sector gets the work. That's not
7 the subject of this hearing. If we want to
8 have another hearing and discuss it and have
9 testimony back and forth, we do that kind of
10 thing through resolutions. I'd be glad to
11 help participate in that. But this is about a
12 program that is very clear, very unambiguous,
13 puts the City in charge of the public domain
14 and the homeowner responsible for what is
15 private on private property.

16 MR. MCSTRAVOCK: Excuse me,
17 Councilman. In essence, it goes back to price
18 fixing.

19 COUNCILMAN O'NEILL: See, that's the
20 subject of another hearing. The question is,
21 is it the right thing to do, to have the City,
22 the Water Department, responsible in the
23 street? If there is price fixing going on
24 right now with the HELP Program, that's a
25 different issue, not for today, not to decide

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2 whether it's better for the City and for
3 individual homeowners to have the City
4 responsible for laterals under the street.

5 MR. MCSTRAVOCK: But my point was,
6 if 6,000 people are choosing another way, and
7 they have the option, why are you not letting
8 them choose instead of taxing them on the
9 water bill for an average of one in five
10 that's ever going to have to need it?

11 COUNCILMAN O'NEILL: I can just tell
12 you that every homeowner I've talked to -- and
13 they've been to senior citizens that have
14 mainly discussed this at senior meetings --
15 have told me that when they have not used the
16 HELP Program it was because they did not
17 understand it, they did not know how it
18 worked. They were under the gun. They had a
19 plumber at their door and they wound up paying
20 more than they would have paid interest-free
21 over five years that they had to pay all at
22 once. You're making your assertion. That is
23 what has been told by everyone who has gone
24 outside the HELP Program to have these repairs
25 made. I don't think that's the subject of

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2 this hearing. I think it could be the subject
3 of another hearing, whether price gouging is
4 going on, whether the HELP Program is being
5 run properly, whether it's fair. This has to
6 do with whether we stay with the status quo,
7 which I believe is totally unfair to
8 homeowners, or whether we change it and make
9 it more fair and also have a public benefit to
10 our infrastructure.

11 MR. MCSTRAVOCK: Your other point
12 was that the homeowner has a sudden break and
13 they have \$3,000, \$6,000 worth of cost. That
14 happens every day in the plumbing industry,
15 whether it's a water heater, a boiler. Are
16 you going to take that from us too?

17 COUNCILMAN O'NEILL: I'm telling you
18 if that boiler were in the right-of-way, which
19 I know it's not, I would be talking about it.
20 I'm only talking about what's under the
21 street. It is basically unfair to have a
22 homeowner responsible for anything on a street
23 or under it. And it's time we recognize that.
24 The fact that the City also gets a benefit is,
25 I think, an added bonus to this. But the

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2 homeowner should not be responsible under the
3 street. That's the plain and simple purpose
4 of this bill.

5 MR. MCSTRAVOCK: And then you're
6 going to warranty at the homeowner's option
7 for an additional fee for the curb trap into
8 the property and water service. That's taking
9 a lot of work from the average plumber that
10 will not want to do the paperwork that the
11 Water Department has.

12 COUNCILMAN O'NEILL: Is the warranty
13 program in the bill?

14 MR. KISHINCHAND: No.

15 COUNCILMAN O'NEILL: I didn't think
16 so.

17 The warranty program is being talked
18 about by the Water Department. They still
19 have to go through it. It's not part of this
20 bill. It is something that they are thinking
21 about offering the homeowner, who is now stuck
22 still with what happens on their own property.

23 This bill specifically deals with
24 the street from the curb out or from the trap
25 out and not anything on the property. It just

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2 recognizes that the maintenance of the
3 laterals are still the homeowner's
4 responsibility, and any breaks or replacements
5 needed on the homeowner's property are the
6 homeowner's responsibility.

7 The warranty program, it is
8 insurance, but it's the kind of insurance
9 that's in the form of a warranty. If you buy
10 a new refrigerator or somebody wants to
11 warrant their old refrigerator, they're
12 basically warranting they'll replace it. But
13 it's just language. It is insurance, no
14 question about it, but it's warranting the
15 replacement if anything goes wrong with what's
16 under the ground. They can't see it. They
17 just agree to warrant it when they think they
18 have enough to form a large enough group.
19 Whether they do that, whether people are
20 interested in buying it is a totally different
21 question. It's not before us today. I think
22 it was good that the Commissioner talked about
23 it, because I know they have been working on
24 it. But right now we're talking about who's
25 responsible under the street. And it will be

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2 the City and not the homeowner.

3 MR. CRUZ: I just have one more
4 comment as far as what Jim said about price
5 fixing. My next-door neighbor across the
6 street from my office had a curb trap replaced
7 by the Water Department under the HELP
8 Program. My friend, the neighbor, asked me if
9 I could do it and give him a price. He got in
10 contact with the HELP Department. They did it
11 for \$1,000. I could not touch that for
12 \$1,000. They had two fellows do the job.
13 They had no safety equipment on the site.
14 There was no ladder.

15 COUNCILMAN O'NEILL: I agree with
16 you that there could be situations like that.
17 That's not before us today. If there's
18 problems with the HELP Program, we'd love to
19 hear about it. But it has absolutely nothing
20 to do with whether the City takes
21 responsibility under the street. It's whether
22 what is going on and has been going on is
23 fair, or whether it should it be changed to
24 something that is fair. I believe it has been
25 unfair to the person owning the house and it

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2 should be changed. I think a whole lot of
3 people agree with that.

4 Are we open to discussion later or
5 at another time about whether the HELP Program
6 is right, whether it is the Water Department
7 doing the work when the HELP Program is there,
8 whether it's a private contractor because the
9 Water Department is supervising and becoming
10 involved in it? They're all legitimate
11 issues. I don't believe they're legitimate
12 issue as to whether the City should be
13 responsible under the street.

14 MR. LUMKIN: Good morning, Chairman.
15 I'm Steve Lumkin. I'm a master plumber. I'm
16 one of those other 400 plumbers that's in the
17 City of Philadelphia.

18 The program seems to be designed to
19 undermine the very foundation of our craft.
20 The only thing that distinguishes a plumber
21 right now, as you can see, is that one can
22 work in the street versus someone working in
23 the home. It promotes bootlegging if someone
24 can just work in a home because you can't see
25 that work. But the only thing that

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2 distinguishes a plumber is one that can go out
3 in the street. And that's the only kind of
4 work that the plumbers have left today.

5 The way I'm hearing the bill, it's
6 not complete. His numbers aren't complete. I
7 believe we need to have another hearing or at
8 least get some more testimony because you
9 don't have enough plumbers here. I just
10 happened to come in on the spur of the moment.
11 I'm listening to it, and I'm saying, "Hey, no
12 other plumbers really learned about this."

13 But if the City would take over
14 laterals, they would be taking over a lot of
15 the fiber which brings our City together.

16 I go out in other neighborhoods and
17 visit people, not because I'm liked; because
18 I'm qualified, Because I'm the one that can do
19 the job. I see the bill is going to extinct
20 some of the persons or the very fiber which
21 this trade is all about.

22 I ask that you either prolong it or
23 have another hearing on it and don't approve
24 it today and have some more plumbers
25 assembled, because we weren't notified.

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2 COUNCILMAN O'NEILL: Let me just
3 respond to you. I could have had this room
4 filled to the girders and outside with
5 homeowners. It's a no-brainer when you ask a
6 homeowner whether the City should be
7 responsible in the street. The answer is yes,
8 emphatically.

9 However, I also believe that there
10 is going to be more work for plumbers as a
11 result of this, and all the work is going to
12 be done by plumbers, not by the Water
13 Department. So I would disagree with you. I
14 don't know which plumbers are going to do it.
15 That's not my concern. But there will be
16 plumbers doing the work in the street and on
17 the property of the homeowner after this bill,
18 I think, in greater numbers than there has
19 been up to now. More laterals will be
20 replaced. They will be replaced by plumbers.

21 The other part of it isn't germane
22 to this discussion, as to whether or not the
23 Water Department is dealing fairly on the HELP
24 Program or other programs with plumbers. I
25 think we can have a full hearing on that and

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2 we can learn more about it, because that's
3 still going to be around because the homeowner
4 is still going to be responsible on their
5 property. So the outdoor plumbing that's
6 done, just like the indoor, is still going to
7 be done by plumbers. I believe there is going
8 to be more. We can have an honest
9 disagreement on that. But I hope we don't
10 have an honest disagreement that the homeowner
11 should not be responsible for the repairs
12 under the street.

13 MR. LUMKIN: It just seems to me
14 that this is some sort of device that
15 syndicates doing laterals, because there's
16 only one big company involved in it. They're
17 going to be able to put their big foot down
18 and dictate the rules. It's not fair. People
19 now have the decision to make. Plus that
20 program is already in effect. It's already
21 being done. You haven't identified the
22 persons who really need the work, whether it
23 was senior citizens specifically, whether it
24 was African Americans, whether it was Latinos
25 in poor communities, because some of those

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2 houses are even abandoned, are vacant or they
3 are scheduled to be demolished or rehabbed.

4 COUNCILMAN O'NEILL: One thing I
5 know is laterals do not know who owns the
6 house, whether it's a senior, whether it's a
7 person of color. They just break, and whoever
8 owns the house is stuck. They're still going
9 to be stuck if it's on their property. It's
10 going to be the City who's stuck if it's in
11 the street, which is, I think, the way it
12 should have always been.

13 MR. MCSTRAVOCK: Excuse me. There's
14 just one other issue. If I do a curb trap in
15 a home, and I do a trap into the property and
16 I get down and the lateral is bad, that looks
17 bad on me when I sold the person a curb trap
18 and I get down there -- and it happens, and
19 the Commissioner will tell you or Kimmer will
20 tell you that that does happen. Then how do I
21 justify myself for replacing the trap and I'm
22 connecting it to something that's no good?
23 How long is it going to take the Water Company
24 to come back and do it? In the meantime, I
25 look like somebody who is bad, who replaced

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2 the trap, and that wasn't the problem. It's
3 underground. You cannot tell.

4 COUNCILMAN O'NEILL: My
5 understanding is the trap is part of the
6 City's responsibility. It's from the trap or
7 the curb out.

8 MR. LUMKIN: I have one more thing.
9 Maybe we can create more supportive programs
10 to help the persons that are in neglect or
11 need laterals to get their work done better
12 instead of just attacking the very fabric of
13 what the plumbers are built on, because that's
14 the only thing that separates plumbers from
15 bootlegs is working in the street. Or prolong
16 this meeting or just recess it to another time
17 to get some more numbers together because the
18 Commissioner didn't have his numbers together.
19 He didn't have all his numbers.

20 COUNCILMAN O'NEILL: I don't care
21 what the numbers are. The question is, what
22 is fair. Let me finish. You asked for
23 something. I'm going to tell you. I don't
24 believe there's any merit into holding
25 something up that still has a year to work on.

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2 I talked to the appropriate Committee Chair to
3 make sure that we either have hearings or
4 enter into some discussion with the existing
5 problems that you're talking about that may
6 also affect any new program that goes into
7 play. Absolutely. This should be an increase
8 in work for plumbers, not a decrease. But the
9 one thing I know is, it will be a lot more
10 fair to homeowners than it is today. I know
11 that's not an issue that anybody wants to
12 address.

13 I understand your issue is jobs and
14 whether the Water Department is treating you
15 fairly. But I believe it's a separate issue
16 from what's before us today. And I believe
17 there's actually going to be a lot more
18 laterals than the Water Department is talking
19 about because I think a lot of them are bad
20 and just haven't hit the violation point. And
21 it's going to be in the Water Department's
22 best interest to fix them before they do get
23 to that point. So I have no doubts there's
24 going to be more work than less.

25 We're going to debate the Water

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2 Department's dealing with the HELP Program and
3 all that. The HELP Program is not before us
4 today. Before us is whether we change the
5 responsibility under the street. I'd be glad
6 to have a full hearing on the HELP Program and
7 the Water Department's contracting with
8 plumbers at a future date. It will certainly
9 be long before this program becomes final.

10 COUNCILWOMAN BLACKWELL: Thank you.

11 Councilman DiCicco.

12 COUNCILMAN DICICCO: Thank you,
13 Madam Chair.

14 My question is, I guess, for the
15 Commissioner, and maybe the other gentleman
16 can answer. Earlier in your testimony I think
17 the question was asked how do the other
18 municipalities handle this situation. And I
19 believe you said that similar to what is being
20 proposed in this bill.

21 MR. KISHINCHAND: That is correct.

22 The survey that we've done of about 13
23 municipalities, 10 of them do the repairs
24 themselves.

25 COUNCILMAN DICICCO: Are those

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2 municipalities in the general Delaware Valley
3 area, surrounding suburban communities, South
4 Jersey, by any chance?

5 MR. KISHINCHAND: I have the names
6 of the municipalities that were surveyed.
7 Pittsburgh, Allentown, Baltimore, Camden;
8 Louisville, Kentucky; Cincinnati.

9 COUNCILMAN DICICCO: Camden, and
10 then what was the next one?

11 MR. KISHINCHAND: Louisville,
12 Kentucky.

13 COUNCILMAN DICICCO: Do you know of
14 anything in the suburban counties in
15 Pennsylvania?

16 MR. KISHINCHAND: Suburban counties,
17 no. We did surveys of larger cities, such as
18 Allentown.

19 COUNCILMAN DICICCO: I appreciate
20 that. I was just curious as to whether or not
21 the suburban counties have a similar program
22 that is being proposed here. I suspect that
23 some of the same plumbers that we were talking
24 about probably do some work in the burbs as
25 well.

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2 MR. LUMKIN: I'm from Horsham, and
3 I'm a master plumber here in Philadelphia.

4 COUNCILMAN DICICCO: How are things
5 handled in Horsham?

6 MR. LUMKIN: They handle it under
7 the ground in Horsham, but the taxes are so
8 much higher.

9 COUNCILMAN DICICCO: That could be
10 debated. I have some neighborhoods in my
11 district which probably the taxes in your
12 township pale in comparison to some of what my
13 people are paying.

14 MR. LUMKIN: That's why our streets
15 are clean and so forth and so on.

16 COUNCILMAN DICICCO: Are you talking
17 about business taxes or real estate taxes?

18 MR. LUMKIN: Real estate. And it
19 covers the trash. It covers the sewer
20 services and everything else. But look at
21 what you pay. You can't even live.

22 COUNCILMAN DICICCO: Well, I don't
23 know what the tax rateables are in Horsham.
24 But again, I know of many, many neighborhoods
25 in the City of Philadelphia where people who

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2 have a 16-foot front row house are paying in
3 excess of \$12,000 a year for real estate
4 taxes. And that is not just a handful. There
5 are many people that pay that kind of price.
6 I was just curious.

7 So the suburban counties have a very
8 similar program that we're proposing here
9 today; is that fair?

10 MR. MCSTRAVOCK: I got a question
11 for the Commissioner.

12 COUNCILMAN DICICCO: Before you ask
13 the question --

14 COUNCILWOMAN BLACKWELL: And after
15 this exchange, we're going to move on with our
16 list of those witnesses to testify.

17 Thank you, Councilman.

18 This will be the last question and
19 then we'll move to Miss Naomi Zaslow, Public
20 Relations Director for HAPCO.

21 MR. MCSTRAVOCK: Are the homeowners
22 going to be assessed? Councilman DiCicco had
23 a very good point with the frontage. Are they
24 going to be assessed due to the frontage of
25 their property, whether they have a storm and

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2 a sanitary lateral, or are they going to be
3 assessed a flat fee and then the Water
4 Department eats the cost for a storm and a
5 sanitary or a larger size water --

6 MR. KISHINCHAND: Right now the
7 program, as I said, isn't complete. The rate
8 structure hasn't been developed. But it's
9 going to be a uniform assessment, just as we
10 do with usage and whatnot. Some people have
11 dual laterals, storm as well as the sanitary.
12 The others have only one sanitary which feeds
13 in it, but they all pay the same rate. We
14 treat them uniformly.

15 COUNCILWOMAN BLACKWELL: Thank you
16 very much.

17 Ms. Zaslow, Public Relations
18 Director for HAPCO, Homeowners Association of
19 Philadelphia. We'll have someone to pass out
20 your testimony.

21 Good morning. Thank you for your
22 patience. Please identify yourself for the
23 record.

24 MS. ZASLOW: Good morning. I'm
25 Naomi Zaslow, Public Relations Director for

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2 HAPCO, the Homeowners Association of
3 Philadelphia. Two of my board members, Louis
4 Austin and Harry are here to join me if you
5 have any questions. Thank you.

6 The Homeowners Association of
7 Philadelphia was established 50 years ago in
8 1954 and has worked to preserve and maintain
9 low and moderate income housing in
10 Philadelphia for its more than 3,000 members.

11 Water, as you have said,
12 Councilwoman Blackwell, is the staff of life
13 and a commodity whose importance cannot be
14 questioned. As your Committee prepares to
15 consider whether to again raise water rates, I
16 know you will agonize, as do our members, on
17 whether the need is great enough to impose
18 more financial burdens on the residents of our
19 City.

20 As owners and managers, our members
21 would appreciate having the cost of replacing
22 service pipes between the connection to the
23 water main and the curb line assumed by the
24 City. The cost of \$2,000 to \$5,000, although
25 it does not often occur, is very difficult for

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2 the owners to pay, as you, Councilman O'Neill,
3 have said, and adds to the abandonment of
4 property and the blight that follows.

5 HAPCO would ask for information on
6 the number of properties needing service pipes
7 replaced last year and the approximate cost to
8 owners. Then we would like to know the amount
9 of the increased water rate and the income
10 that would generate. That would make it clear
11 whether the cost to every property owner every
12 year is worth the assistance it would provide
13 to those with water main problems.

14 We have some questions:

15 Will the bill apply to multi-family
16 dwellings?

17 Is the new water rate designed to
18 pay for the City's involvement in other
19 things, like tearing up streets in other
20 places?

21 Does the Water Department recognize
22 property owners' difficulty in paying for
23 water? That difficulty is reflected in unpaid
24 water bills that we know are a problem to the
25 Department.

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2 We have some suggestions, and
3 they're only suggestions:

4 Philadelphians pay taxes to the
5 State of Pennsylvania. Let the State assist
6 the Water Department. Water rates in the City
7 have increased enormously already.

8 Have the Water Department float a
9 bond for needed funds and repay slowly for
10 that purpose that you're addressing today.

11 Or have the City impose a 1 percent
12 sales tax and funnel funds for that purpose to
13 the Water Department.

14 We also ask that the Water
15 Department stop using shut off of services
16 that impact so severely on residents.

17 HAPCO and its members need and
18 appreciate the services of the Water
19 Department, but property owners also need to
20 be able to pay their bills. We would like to
21 see the assistance the proposed legislation
22 provides for water main problems, but not at a
23 cost that exceeds the expense.

24 Thank you for the opportunity for us
25 to pose our questions, and we hope that

1
2 answers will be provided.

3 COUNCILWOMAN BLACKWELL: Thank you
4 very much.

5 I think they were very important and
6 poignant questions. Certainly, we are asking
7 the Water Department if you would respond to
8 the Chair with regard to the issues raised,
9 and we will make it available to Members of
10 the Committee.

11 Let me ask the Committee if any
12 Members want to respond or question HAPCO?

13 (No response.)

14 COUNCILWOMAN BLACKWELL: Thank you
15 very much.

16 Thank you for your testimony.

17 MS. ZASLOW: Thank you. We always
18 appreciate this. Thank you so much.

19 COUNCILWOMAN BLACKWELL: Is there
20 anyone else here who would like to testify
21 with regard to this Bill?

22 (No response.)

23 COUNCILWOMAN BLACKWELL: Seeing
24 none, the public hearing segment is now ended.

25 COUNCIL OF THE CITY OF PHILADELPHIA

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PUBLIC MEETING

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COMMITTEE ON FINANCE

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Tuesday, November 18, 2003

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Public meeting conducted by the
Committee on Finance, held in Room 696, City
Hall, Philadelphia, Pennsylvania, on the above
date, to consider action on the following:

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BILL 030660.

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PRESENT:

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COUNCILWOMAN JANNIE BLACKWELL, Chair

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COUNCILMAN DARRELL CLARKE

COUNCILMAN FRANK DICICCO

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COUNCILMAN JAMES KENNEY

COUNCILMAN BRIAN O'NEILL

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2 COUNCILWOMAN BLACKWELL: We will
3 enter into the stated meeting.

4 The Chair recognizes Councilman
5 O'Neill with regard to a motion concerning
6 Bill 030660.

7 COUNCILMAN O'NEILL: Madam
8 President, I move that Bill No. 030660 be
9 reported out of this Committee with a
10 favorable recommendation and also a
11 recommendation that the Rules of Council be
12 suspended so as to allow first reading at our
13 next Session.

14 (Duly seconded.)

15 COUNCILWOMAN BLACKWELL: It has been
16 properly moved and seconded that Bill No.
17 030660 be reported out of Committee with a
18 favorable recommendation, and a recommendation
19 for suspension of the Rules so as to permit
20 first reading at our next Session of Council.

21 All in favor say aye.

22 (Aye.)

23 COUNCILWOMAN BLACKWELL: Opposed?

24 (No response.)

25 COUNCILWOMAN BLACKWELL: The ayes

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2 have it, and so this bill passes.

3 This will end our public hearing and
4 stated meeting. We thank you all for your
5 attendance.

6 Let me thank Members of the
7 Committee for their patience and all who have
8 come to testify. We certainly look forward to
9 working with you as we proceed.

10 Thank you, Commissioner, as well.

11 Thanks.

12 (Council adjourned at 11:45 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 November 18, 2003, were
reported fully and accurately by me, and that
this is a correct transcript of the same.

RE: COMMITTEE ON FINANCE

Lisa C. Bradley, RPR