

# **Pennsylvania Intergovernmental Cooperation Authority**



**Assessment of City Facilities:**  
**Summary of Report Findings and Analysis**

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**October 31, 2007**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

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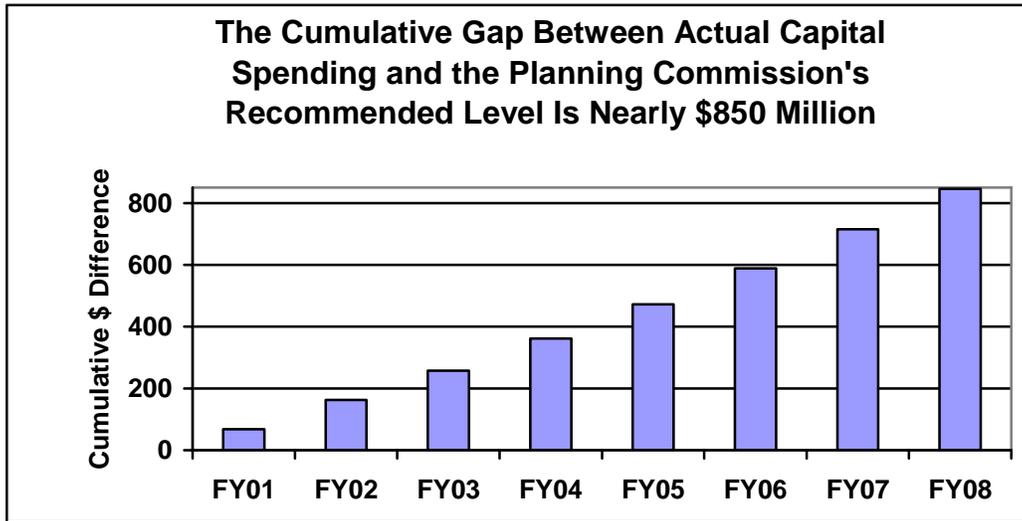
Facilities Assessment Study

*Introduction*

Each year, the City invests only a fraction of the amount needed for the upkeep of its facilities. While PICA understood that the underinvestment created a problem, the size and immediacy of the problem was not clear. In order to better understand the implications of the City’s inadequate capital budget, PICA commissioned an in-depth analysis of conditions in police, fire, public health and prisons facilities as well as City Hall.

*Background*

In FY00, the City Planning Commission recommended that the City should invest \$185 million annually in its core infrastructure -- its streets, recreation centers, police and fire stations, its health centers and other city facilities. Over the seven years since then, the cumulative gap between the Commission’s recommendation and actual expenditures has been nearly \$850 million. Worse yet, not only does the City have no plan to close that gap, but its FY08-FY13 capital program would actually dramatically increase it. In each year, the capital program includes only about a third of the amount the Planning Commission recommended.



That mounting gap between what the City has been spending and what its planning commission recommended it should be spending raises troubling questions about the condition of city facilities. Realizing that the City did not have the resources to obtain answers to those questions by itself, PICA, with the full cooperation of the Street Administration, commissioned its own assessment of key city facilities.

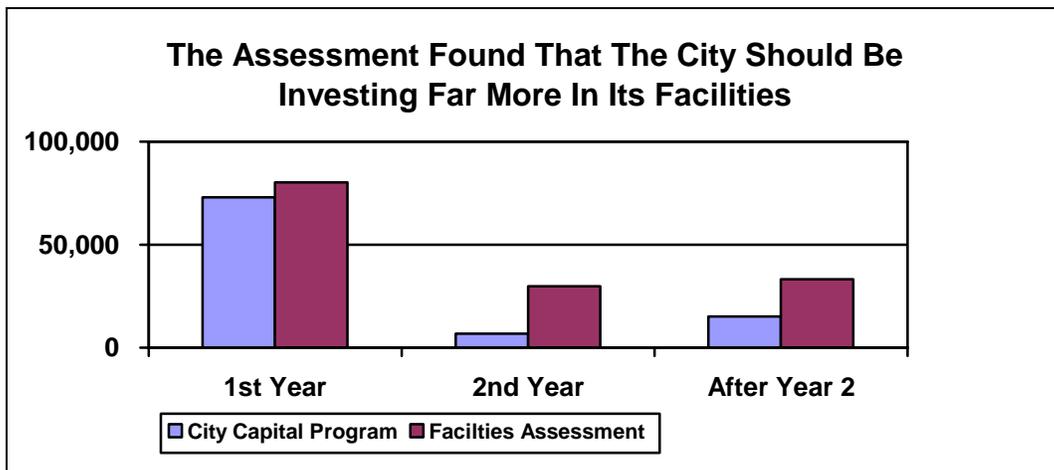
PICA went through an extensive request for proposal process before choosing the group that conducted the study. That group included CDA&I, a Philadelphia firm, Studio

JAED, the CSA Group and Professional Systems Engineers. The group assessed 3.5 million square feet of city facilities over four months.

The team determined what type of repairs facilities needed and the appropriate timeline for those repairs. The final report includes detailed and summary descriptions of the costs of necessary repairs, separates costs between capital and operating, and recommends a year by which each of those repairs should be completed.

*Results of the Assessment*

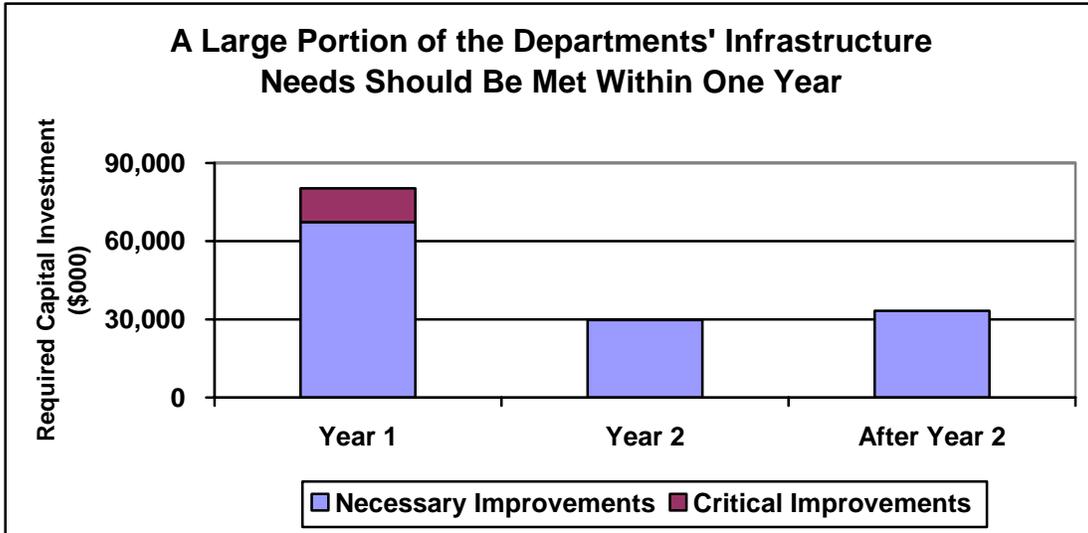
The analysis contained troubling, but not surprising conclusions. For the facilities studied, the analysis found that the City should be investing \$80 million in capital dollars within one year – and \$143.2 million through FY12. Instead, through current and prior year funding, the City has only \$73 million in capital funds available in FY08 and only \$91 million through FY12.



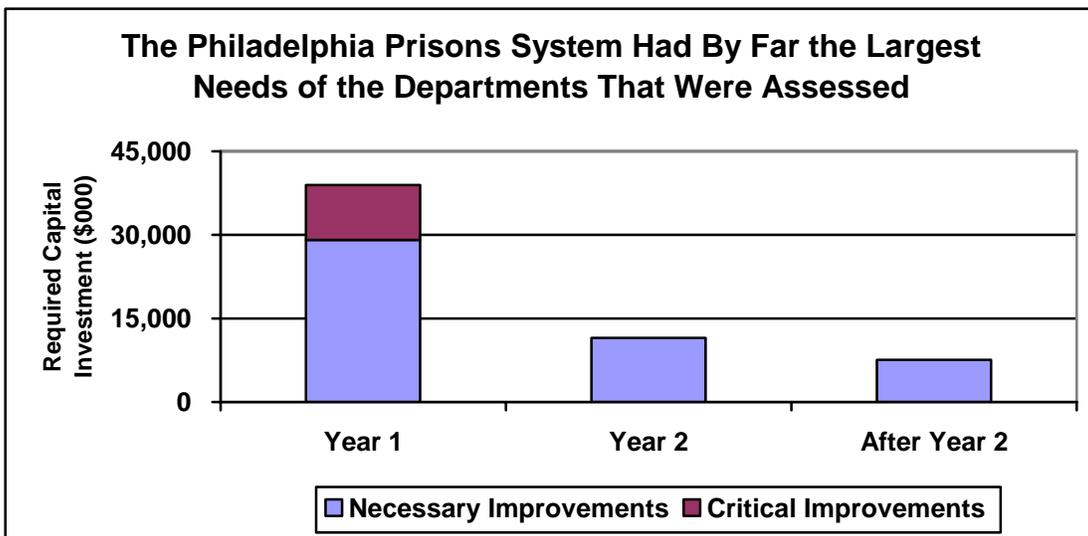
The report’s findings about required operating expenditures were less alarming, but still showed that the City needed to pay additional attention to its facilities. The assessment found that the City should spend \$31.7 million over the next five years to make operating improvements to city facilities and that only \$2.5 million of those improvements have to be made immediately. Those numbers are dwarfed by the required capital expenditures, but they do indicate that the City’s facilities have short-term issues in addition to their long-term issues.

While the report confirms the bad news about the overall status of the City’s infrastructure investment, there is a morsel of good news. The cost of repairs to fix critical problems that may cause life safety or security risks is relatively low. Of the \$175 million in necessary capital and operating repairs identified in the report, only \$15.4 million were identified as being critical. Moreover, since the combined capital budgets of the departments studied, including unspent prior year funding, was \$73 million, the

City has budgeted enough to meet its critical needs. Nevertheless, as the following graph shows, there are substantial needs in addition to those identified as being critical and by far the largest portion of those needs should be addressed within a year.



The Philadelphia Prisons System had by far the most immediate needs, the need for the most expenditures over the five years and the largest gap between the amount included in its budget and the assessed amount. Of the \$12.9 million in critical capital improvements identified in all the facilities covered by the assessment, \$9.8 million was in the prisons system and, while the capital program includes \$34 million for the prisons system, the assessment identifies over \$58 million in needed capital repairs.



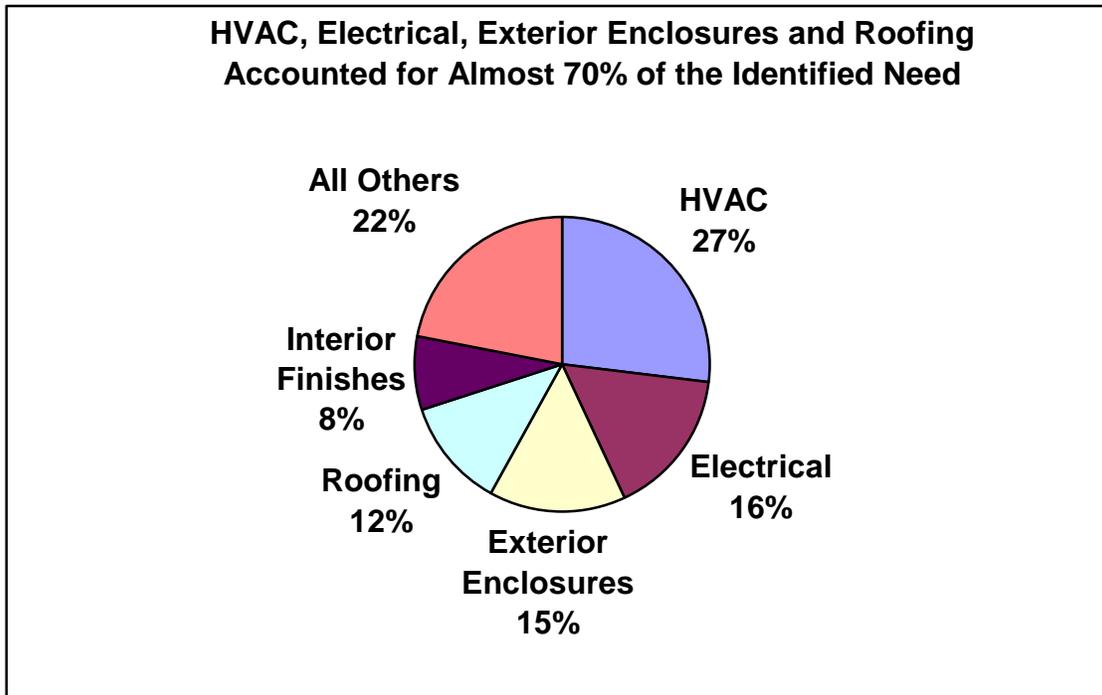
In addition to describing what repairs need to be made and how much those repairs would cost, the analysis provided an assessment of the condition of each facility. The study

found a wide range of conditions for city facilities, but found that 15 were in such bad shape that they needed to either be replaced or undergo major renovations.

While the study was designed to appraise the physical condition of facilities, it was not intended to analyze the importance or effectiveness of each building, or to question the City's location decisions. As a result, the assessment makes no judgment as to whether the City should close or otherwise discontinue operations at any facility. The City should examine whether better options would maintain service levels before it commits extensive investments to renovate buildings found to be in poor condition.

The study can also be used to determine the condition of various systems. For example, for most of the facilities, the systems that showed the largest need for repair were HVAC systems. Of the \$175 million in repairs that the study said were necessary, HVAC equipment accounted for \$46 million or 27 percent. The large amount of repairs needed to HVAC systems could present the City with an opportunity to bundle those repairs and take advantage of economies of scale.

The other systems that needed the most attention were electrical at \$28 million (16 percent of the total), exterior enclosures at \$25 million (15 percent), roofing at \$21 million (12 percent) and interior finishes at \$13.8 million (8 percent). Those four system types combined to account for 78 percent of the need identified in the assessment.



### *Ongoing Tracking of Conditions*

The assessment was an essential first step, but PICA wanted to ensure that the project would have value beyond recording conditions as they currently existed. In order to help ensure that the project would have ongoing value, PICA agreed to two suggestions that the City made. The first was to create a database that would allow the City to monitor the condition of facilities and track on an ongoing basis what type of work those facilities need. The second was to add an asset tagging component so that almost 5,000 pieces of City property were tagged, which will also enhance the City's ability to monitor the condition of those assets. The CDA&I group also designed a preventive maintenance program that would allow the City to provide appropriate care to its facilities and avoid the accumulation of deferred maintenance that has contributed to the deterioration of the City's facilities.

### *Recommendations*

PICA began this process with the hope that the facilities assessment would be a useful tool in the development of the new mayor's initial capital budget and program. In order for the report to serve as a basis for that budget, it had to be thorough and easy to understand. The CDA&I group has met each of those standards and, as a result, the new mayor should be able to use the report to frame the discussions of the FY09 capital budget.

As discussed in PICA's report titled "Reversing the Trend of Doing Too Little with Too Much: Maintaining the City's Infrastructure While Reducing Its Dangerously High Debt Load" the City's high level of fixed costs makes it inadvisable for the City to simply issue more debt to cover all of its infrastructure investment. Instead the solution to the City's infrastructure investment challenge must be a combination of paying for some infrastructure investment with operating dollars and eliminating some facilities that are too costly to repair and are not used extensively. In addition, the City should increase its emphasis on doing regular and preventive maintenance. The paucity of that required ongoing care has contributed to the deterioration of the condition of City facilities.