



Philadelphia Water Department

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PWD has undertaken several measures to reduce financial and operating expenses, as shown below:

## What is PWD Doing to Lower Costs?

- Refinanced over \$163,540,000 of outstanding debt (Series 2012, 2014A Bonds), yielding net present value savings of \$19,514,000.
- Utilized \$67 Million of Residual Fund balances to make up for a shortfall in the Debt Service Reserve Fund.
- Replaced \$83,665,000 in outstanding variable rate hedge bonds with Federal Reserve notes, greatly reducing the Department's interest rate risk exposure.
- Maintained its credit ratings and therefore controlled borrowing costs, by achieving current bond ratings assigned by Moody's, Standard & Poor's and Fitch ratings of "A1," "A" and "A+," respectively.
- Utilized \$19,397,000 in available Rate Stabilization Fund balances to reduce the need for and size of additional rate requirements.
- New, Stable Rates: The approved rate plan provides for new water, sewer and stormwater rates, effective July 1, 2013 and July 1, 2014 which will increase average residential bills by 5.8% and 5.0% respectively. Despite these adjustments, PWD rates will remain the lowest in the region. These new rates will meet the requirements of the Department's Financial Plan, directed at maintaining or improving PWD's credit ratings, and supporting the new Capital Improvement Plan, which is reinvesting in the City's aging water and sewer infrastructure.
- A Working Rates Process: Consistent with the 2012 rates settlement, mediation of certain billing and collection related customer service issues has begun and is expected to continue over the next 18 months. Also, as outlined in the rates settlement PWD has awarded a contract for a limited scope "management audit" of the Water Revenue Bureau. The RFP was posted and the evaluation of the proposals is on-going.
- Negotiated a Long Term Control Plan (Consent Order Agreement with PADEP), called *Green City, Clean Waters*, which emphasizes use of green infrastructure (as opposed to more traditional and expensive combined sewer overflow (CSO) management tools such as tunnels) saving customers hundreds of millions over the next decade while maximizing environmental and community benefits.
- Continued the work of the Revenue Protection Unit created in FY2000 to investigate and recover unpaid revenues, identifying additional billings of more than \$38.7 million to date.

- Institutionalized significant operating savings achieved over the past decade at each of PWD's seven major operating facilities, valued at upwards of \$40 million a year.
- New wastewater treatment agreement with DELCORA: On April 1, 2013 PWD executed a new 15 year wastewater treatment agreement with its largest wastewater customer, the Delaware County Regional Water Quality Control Authority. The contract maintains the 50 MGD average daily treatment limit that was established in the prior 1974 agreement. The agreement also provides for DELCORA's payment for their proportional share of the LTCP cost along with a management fee, which are projected to exceed \$178 million over the next 25 years.
- Fiscal 2013 Financial Results: During FY 2013, PWD continued its record of exceeding its financial projections and demonstrating fiscal responsibility.
- Revenues: Total operating revenues increased \$23,600,000 due to a 5.8% water and sewer rate increase effective on July 1, 2012. Total non-operating revenues increased to \$1,500,000 due to an increase in miscellaneous revenues.
- Expenses: Total operating expenses increased \$24,300,000 due to a \$12,800,000 increase in the personal services, including fringe benefits, combined with an increase of \$7,700,000 in the purchase of contracted services, material, and supplies, an increase of \$2,000,000 in contributions, indemnities and taxes, and an increase of \$1,700,000 in charges due to the General Fund.
- In Fiscal Year 2013, a withdrawal of \$4,666,000 was made from the Rate Stabilization Fund. Deposits of \$19,380,000 to the Capital Account and \$22,833,000 to the Residual Fund were made from the Water Fund Account. These capital and residual fund deposits will be used to provide funding for capital projects in lieu of additional borrowing.

## Additionally, PWD seeks to:

- Partner with other City agencies to achieve more efficient use and accountability of Water Fund expenditures for services provided to PWD.
- Continue to improve and expand the Capital Improvement Program planning process within PWD and with other collaborating agencies to optimize use of project budgets and the useful life of assets.
- Increase automation of metering and billing systems.
- Achieve significant energy cost savings through energy production, energy conservation, resource recovery projects (co-generation, solar, BRC, off-peak operations and pumping, restructuring of operations, etc).
- Manage combined sewer overflows (CSOs) and meet regulatory agreements within Philadelphia's affordability limits, making it's program significantly less costly than many other major cities'.

