

Water Department successfully issues \$140,000,000 of New Water Revenue Bonds

On May 13, 2009, PWD settled on \$140,000,000 in new money revenue bonds. The new money bonds were issued as the City of Philadelphia, Pennsylvania-Water and Wastewater Revenue Bonds, Series 2009A. These bonds will be used to provide continued funding for our capital program. The bonds provided a net influx of just over \$133,000,000 in needed capital financing, after payment of issuance costs and funding of the debt service reserve. The bonds were issued at total average interest cost of 5.188163%. The final bond maturity becomes due in 2036 with a bond yield of 5.33%. The 2009A issue was the first completely uninsured water revenue bond issue since 1986. The bond sale was managed by the City's bond team which included the City Treasurer Rebecca Rhynhart, Deputy Water Commissioner Joe Clare, the underwriters, bond counsel, financial advisors and many others. Thanks to their efforts and to the assistance of many of PWD managers in compiling and presenting the data in the department's official statement, the department was able to access the market during these very difficult financial times. The department recently received confirmation of its existing bond ratings from each of the three major bond rating agencies. Copies of the bond official statement and the rating agency reports will be made available on our website shortly.

This bond issuance will allow the department to return to our capital program, which has been suspended for all but emergency work since December, 2008. However, the department still faces challenging financial times ahead and spending controls that were put into place will remain in effect for the foreseeable future. Although the department's latest projections show us well within the mandatory bond coverage requirements, increases in variable rate debt service and a continued softening of our collections and interest income continue to be areas of concern. April revenues were approximately \$2.2 million less than the similar period last year, despite a 7.1% rate increase and our debt service reserve fund saw a drop of nearing \$2 million in value in April. Due mainly to your efforts in controlling costs; FY2009 estimated Water department obligations have decreased almost \$14 million since their December projections. I greatly appreciate all of the cooperation we have received in controlling costs and reducing obligations. Through these efforts we have avoided the necessity for any layoffs.

Congratulations to all on a job well done.

Bernard Brunwasser
Water Commissioner