

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS**

PA-ID-11. Please provide the supporting documentation showing the derivation of the \$2.3 to \$3.6 million of pension, pension obligation and benefits costs. In your response, show the additional pension, pension obligation, and benefits cost related to each additional staffing position as indicated in the description.

Response:

The pension, pension obligation, and benefit costs for the additional staffing positions are calculated by applying the ratios of the projected annual Total Water Fund pension, pension obligation, and benefits costs to the projected annual Total Water Fund Class 100 Costs (Salaries and Wages). The following table identifies the page and line numbers in the Response Attachment where the projected pension, pension obligation, and benefits are presented.

Additional Staffing by Division	Response Attachment Reference
Planning & Environmental Services - Office of Watersheds	Page 5 - Lines 10 to 12
Human Resources & Administration	Page 7 - Lines 9 to 11
Planning & Engineering	Page 8 - Lines 9 to 11
Finance	Page 9 - Lines 7 to 9
Public Affairs	Page 10 - Lines 7 to 9
Operations ¹	Page 12 - Lines 26 to 28
Water Revenue Bureau (WRB) – Affordability Program	Page 14 - Lines 24 to 26

Note:

¹ Operations staffing additions occur beyond the requested rate period (FY 2017 and FY 2018).

The ratios of the projected annual Total Water Fund pension, pension obligation, and benefits costs to the projected annual Total Water Fund Class 100 Costs (Salaries and Wages) are presented on page 15 (lines 6 to 8) of the Response Attachment.

Attached to this response is a “PA-ID-11 Response Attachment” that provides the detailed work papers supporting the derivation of the \$2.3 to \$3.6 million of pension, pension obligation, and benefits costs related to each additional staffing positions. This Response Attachment is the same as the Response Attachment provided with PA-EXE-143 EXE-145 EXE-146, with the exception of a correction that has been done to the Total amount line in this version of the Response Attachment.

For your reference, we are providing the following summary table of the projected FY 2017 and FY 2018 pension, pension obligation, and benefit costs for the additional staffing positions.

Additional Benefits, Pension and Pension Obligations Summary						
<i>Adjustment #</i>	<i>Division</i>	<i>Benefits</i>	<i>Pension</i>	<i>Pension Obligation</i>	<i>Total</i>	
FY 2017						
4	Planning & Environmental Services	\$ 313,000	\$ 290,000	\$ 74,000	\$ 677,000	
6	Human Resources & Administration	152,000	141,000	36,000	329,000	
7	Planning & Engineering	203,000	188,000	48,000	439,000	
8	Finance	23,000	21,000	5,000	49,000	
9	Public Affairs	41,000	38,000	10,000	89,000	
10	Operations ¹	-	-	-	-	
11	Water Revenue Bureau	347,000	321,000	81,000	749,000	
Total - FY 2017		\$ 1,079,000	\$ 999,000	\$ 254,000	\$ 2,332,000	
FY 2018						
4	Planning & Environmental Services	\$ 393,000	\$ 353,000	\$ 88,000	\$ 834,000	
6	Human Resources & Administration	159,000	143,000	36,000	338,000	
7	Planning & Engineering	212,000	191,000	48,000	451,000	
8	Finance	24,000	21,000	5,000	50,000	
9	Public Affairs	42,000	38,000	10,000	90,000	
10	Operations ¹	-	-	-	-	
11	Water Revenue Bureau	484,000	435,000	109,000	1,028,000	
Total - FY 2018		\$ 1,314,000	\$ 1,181,000	\$ 296,000	\$ 2,791,000	
Notes: ¹ Operations staffing adjustments are beyond the rate request period (FY 2017 and FY 2018).						

As noted in the prior responses to PA-EXE-108, the Water Fund Benefits, Pension, and Pension Obligation costs reflected in the cost of service analysis, as filed for this rate proceeding, reflect the growth rates from the City of Philadelphia Five Year Financial and Strategic Plan for Fiscal Years 2016-2020 (Benefits and Pension Obligation Bonds) and the most recent available data as of December 2015 from City Finance (Pension costs).

Subsequent to the development of the cost of service analysis filed for this rate proceeding, the City has released its FY 2017 to FY 2021 Five Year Plan which is based on FY15 year-end data. Note the following increases in costs based on the since the FY 2017 to FY 2021 Five Year Plan:

- The Water Fund's projected pension costs, or the minimum municipal obligation, for FY 2017 and FY 2018 have increased by approximately \$393,000 and \$786,000, respectively.
- The growth factors for Benefits reflected in the City's FY 2017 to FY 2021 Five Year Plan are 5.2% in FY 2017 and 3.9% in FY 2018, compared to 4.5% and 4.6%, respectively, reflected in the current cost of service analysis. Projections based on the growth rates reflected in the City's FY 2017 to FY 2021 Five Year Plan reflect an increase of \$342,000 in FY 2017.

In addition, to these increases reflected in the City's FY 2017 to FY 2021 Five Year Plan, note the following:

- The staffing level projection basis reflected in the City's Five Year Plan is the most recently completed Fiscal Year, which is FY 2015. As such, they do not capture additional budgeted staffing levels that occurred during FY 2016 or FY 2017 nor do they capture changes in existing vacancy. Therefore, the current projections are understated.
- The projections of the Minimum Municipal Obligation are based on the most recent Actuarial Valuation Report based on Fiscal Year 2014 and does not capture the investment performance that occurred during Fiscal Year 2015. The impact of the Pension Fund's performance on the above projections will not be available during the rate process.

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