



# CITY OF PHILADELPHIA


## OFFICE OF THE DIRECTOR OF FINANCE

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**ROB DUBOW**  
Director of Finance

Date: March 26, 2021

To: Melissa LaBuda, Deputy Water Commissioner

From: Rob Dubow, Director of Finance 

**Subject: American Rescue Plan Act**

CC: Randy E. Hayman, Water Commissioner  
Michael A. Carroll, Deputy Managing Director

Thanks for your memo of March 22<sup>nd</sup> concerning funds available to the City of Philadelphia under the American Rescue Plan (ARP). You have asked what kind of assistance the Water Fund could receive related to the ARP. I will detail that potential assistance and other action that the Administration plans to take that should have an impact on your rate case.

In the memo you ask both for direct assistance and for support in obtaining other ARP funding. I will first address the possibility of direct assistance to the Water Fund through the ARP. As we are developing the FY22-FY26 Five Year Plan, we are considering how to allocate the funds available under the ARP. Unfortunately, the revenue losses, new spending, and increased spending for existing services created by the pandemic resulted in substantial deficits in the General Fund in both FY21 and in FY22. That means that all of the estimated funding that the City will receive from the Coronavirus Local Fiscal Recovery Fund will go to the City's General Fund to address the impacts of the pandemic. We expect that the upcoming budget will include shifting of some costs currently borne by the Water Fund to the General Fund; however, overall, the ARP funds are needed to maintain services provided by the General Fund. Without directing that funding to the General Fund, we would be forced to make cuts that would impede the economic relief that the ARP is designed to support

There are, however, a series of actions that we will take to help the Water Fund, including the following:

- Through the Office of Recovery and Grants, we will support the Water Department in determining how to access the ARP funding administered by the Department of Health and Human Services to provide grants for the purpose of assisting public water systems and wastewater treatment works to reduce arrearages and rates for low-income households.

- We will support the Department as it applies for grants or other funding under ARP for any water and wastewater system improvements.
- As you know, the Office of the Director of Finance has been doing an analysis to determine whether we should change the way pension costs are allocated among the City's various funds going forward. As a result of the preliminary analysis for that reallocation, we are likely to reduce the amount the Water Fund contributes to the Pension Fund by more than \$25 million annually. The change will have no impact on the total amount contributed to the Pension Fund as the amount being paid by the General Fund will increase in an amount equal to the reduction in contributions from the other funds, starting in FY22. This change should have a greater impact on the Water Fund than the amounts you requested from the ARP.

I understand that these changes will not eliminate the need for a rate increase but may help to reduce the scale of that need and provide needed support for customers who would have to pay for those increases.