

RESPONSE TO
PUBLIC ADVOCATE'S INTERROGATORIES
AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
QUESTIONS 1-16

Dated: February 2022

1 **PA-I-1.** IN SCHEDULE ML-10 OF PHILADELPHIA WATER DEPARTMENT'S
2 REBUTTAL STATEMENT NO. 1 OF THE FISCAL YEARS 2022 – 2023
3 PROCEEDING, THE FOLLOWING STATEMENT WAS MADE: "WE
4 EXPECT THAT THE UPCOMING BUDGET WILL INCLUDE SHIFTING OF
5 SOME COSTS CURRENTLY BORNE BY THE WATER FUND TO THE
6 GENERAL FUND; HOWEVER, OVERALL, THE ARP FUNDS ARE NEEDED
7 TO MAINTAIN SERVICES PROVIDED BY THE GENERAL FUND."
8 A. PLEASE IDENTIFY THE FISCAL YEAR THAT WAS BEING REFERRED TO
9 IN THE STATEMENT.
10 B. PLEASE IDENTIFY THE SPECIFIC COSTS AND THE RELATED AMOUNTS
11 THAT WERE TRANSFERRED TO THE GENERAL FUND.
12 C. PLEASE EXPLAIN WHETHER THE COSTS THAT WERE TRANSFERRED
13 TO THE GENERAL FUND WOULD REMAIN THERE TEMPORARILY OR
14 THE SPECIFIC PERIOD(S) THAT THE COSTS WOULD REMAIN IN THE
15 GENERAL FUND.
16

17 **RESPONSE:**

18 A. Fiscal Year 2022
19

20 B. The City maintains a single employer defined-benefit pension program (the "Municipal
21 Pension Fund"), which provides benefits to police officers, firefighters, non-uniformed
22 employees, and non-represented appointed and elected officials, including employees of the
23 Water Department. Contributions are made by the City to the Municipal Pension Fund from
24 (i) the City's General Fund, (ii) funds that are received by the City from the Commonwealth
25 for deposit into the Municipal Pension Fund, and (iii) various transfers representing amounts
26 contributed, or reimbursed, to the City's General Fund for pension payments for employees
27 of the Water Fund, Aviation Fund, and certain other City funds or agencies.
28

1 During Fiscal Year 2021, the Office of the Director of Finance performed an analysis of
2 pension cost allocations among the City's various funds. As a result of such analysis, the
3 Water Fund's contribution to the Municipal Pension Fund was (i) reduced in Fiscal Year
4 2022 and (ii) change in future years based on pension performance, discount rates, and other
5 factors.

6
7 Payments from the Water Fund to the City's General Fund for the Municipal Pension Fund
8 for Fiscal Year 2021 was budgeted at \$69.0 million and the final paid amount was \$81.2
9 million. The settlement reflected the updated estimates at the time, which reduced the
10 projected FY 2021 pension & benefits costs from \$148.9 million to \$144.1 million, a
11 reduction of \$4.8 million.

12
13 The Fiscal Year 2022 original budget amount was \$54.1 million, the revised budget amount
14 as of January 2022 is \$56.0 million with \$55.8 million paid to date. The settlement reflected
15 the updated estimates at the time, which reduced the projected the FY 2022 the pension &
16 benefits costs from \$153.9 million to \$127.5 million, a reduction of \$26.4 million.

17
18 The Fiscal Year 2023 estimated payment to the Municipal Pension Fund as of March 19,
19 2021 was \$55.4 million and the revised estimate as of December 9, 2021 is \$57.6 million.
20 The settlement reflected the updated estimates at the time, which reduced projected FY 2023
21 the pension & benefits costs from \$159.3 million to \$134.4 million, a reduction of \$24.9
22 million.

23
24 C. Please see response B. As noted in item (ii) of the second paragraph of response B, future
25 pension costs are subject to changes pension performance, discount rates, and other factors.
26 In addition, the Water Fund's allocation of the costs are also subject to change depending
27 on the level of Water Fund staffing compared to overall City-wide staffing levels. Note that
28

as stated above, both the FY 2022 and FY 2023 estimates have increased since the initial estimates provided at the time of the Settlement.

RESPONSE PROVIDED BY: Philadelphia Water Department and Black & Veatch Management Consulting, LLC.

1 **PA-I-2.** IN SCHEDULE ML-10 OF PHILADELPHIA WATER DEPARTMENT'S
2 REBUTTAL STATEMENT NO. 1 OF THE FISCAL YEARS 2022 – 2023
3 PROCEEDING, THE FOLLOWING STATEMENT WAS MADE: "AS YOU
4 KNOW, THE OFFICE OF THE DIRECTOR OF FINANCE HAS BEEN DOING
5 AN ANALYSIS TO DETERMINE WHETHER WE SHOULD CHANGE THE
6 WAY PENSION COSTS ARE ALLOCATED AMONG THE CITY'S VARIOUS
7 FUNDS GOING FORWARD. AS A RESULT OF THE PRELIMINARY
8 ANALYSIS FOR THAT REALLOCATION, WE ARE LIKELY TO REDUCE
9 THE AMOUNT THE WATER FUND CONTRIBUTES TO THE PENSION
10 FUND BY MORE THAN \$25 MILLION ANNUALLY." PLEASE EXPLAIN
11 WHETHER THE CHANGE IN PENSION CONTRIBUTION WAS MADE AND
12 IDENTIFY THE ANNUAL AMOUNT AFTER REFLECTING THE
13 REDUCTION IN THE PENSION CONTRIBUTION AND PENSION FOR FY
14 2022 AND FY 2023. IF THE CHANGE WAS NOT MADE, PLEASE EXPLAIN
15 WHY.

16
17 **RESPONSE:**

18 For FY 2022, the Office of the Director of Finance changed the way pension costs were to
19 be allocated which were anticipated to reduce PWD pension contributions by \$25.5
20 million annually. See, 2021 Rate Proceeding, Schedule ML-10; PWD Rebuttal Statement
21 1 at 41.

22
23 Since the 2021 Rate Proceeding, the City has made additional adjustments to the way
24 pension costs are allocated on a going forward basis. Taken in isolation, the additional
25 adjustments increased the Department's contribution to the pension fund by \$1.90 million
26 in FY 2022 and by \$1.81 million in FY 2023. See, 2022 Special Proceeding, PWD
27 Statement 1 at 19. The net result is still a reduction of annual allocated pension costs.
28

RESPONSE PROVIDED BY: Philadelphia Water Department

1 **PA-I-3.** ON PAGE 6, LINE 14 OF MS. LA BUDA’S TESTIMONY, SHE STATES: “THE
2 DEPARTMENT IS CONCERNED THAT ANY SIGNIFICANT REDUCTION
3 OF THE FY 2023 BASE RATE INCREMENTAL INCREASE WILL BE MET
4 WITH A NEGATIVE REACTION BY THE CREDIT RATING AGENCIES.” IS
5 IT MS. LA BUDA’S OPINION THAT A WELL-REASONED DECISION TO
6 REDUCE THE INCREMENTAL RATE INCREASE WOULD RESULT IN A
7 NEGATIVE REACTION BY THE CREDIT RATING AGENCIES? IF YES,
8 PLEASE EXPLAIN THE BASIS OF YOUR RESPONSE.
9

10 **RESPONSE:**

11 As stated in PWD testimony, no adjustment (rate reduction) is warranted in this
12 reconciliation proceeding, in view of the terms and conditions of the Settlement.
13 Moreover, a significant reduction would be damaging to the Department’s current
14 financial condition. This opinion is articulated by Ms. LaBuda and the financial advisors.
15 See, PWD Statement 1 at pages 4-6; 18-22; PWD Statement 2 at pages 7-8, Schedule FA-
16 1. All of the foregoing is corroborated in PWD Statement 3 and Schedule BV-4.
17

18 Please note that three credit agencies expressed concern about pressures on rate increases.
19 Stated differently, three credit agencies were extremely articulate regarding their concern
20 about continue rate pressures by the Rate Board.
21

22 Moody’s is clearly concerned about PWD’s rate pressures and specifically noted as a
23 factor that could lead to a downgrade is the “inability to increase rates commensurate with
24 coverage requirements and in line with the department’s internal standards” (Credit Report
25 September 17, 2021). Standard & Poor’s stated in their most recent report (September 17,
26 2021) that “while the city’s Rate Board has historically supported rate increases to
27 maintain ample capacity for Philadelphia Water Department’s (PWD’s) operations and
28 capital needs, we foresee future challenges that could place downward pressure on PWD’s

1 financial position, most notably funding of a large capital improvement program (CIP)
2 while concentrating on rate affordability.” In discussing possible credit downside
3 scenarios, S&P states “If we (S&P) believe that future rate covenant compliance is likely
4 to rely on unplanned additional rate increases to achieve revenue requirements, deplete the
5 RSF below the targets \$120 million indicated in its current projections, or require
6 significant or COA project delays, we would likely lower the rating.” Fitch noted
7 (September 16, 2021) that the rating and outlook assumes that PWD will continue to
8 obtain rate adjustments to maintain its current level of liquidity and leverage. Specifically
9 mentioned as leading to a negative rating action is having leverage ratios increase to over
10 10 times (from current 8x) and a failure to secure rate increases sufficient to maintain
11 “current financial profile.”
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13 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Financial Advisors
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PA-I-4. PLEASE PROVIDE A COPY OF THE JOURNAL ENTRY RECORDING THE RECEIPT OF THE \$2,078,942 REIMBURSEMENT UNDER THE CARES ACT AS DISCUSSED BEGINNING ON PAGE 12, LINE 2 OF MS. LA BUDA'S TESTIMONY.

RESPONSE:

Please see response attachment PA-I-4.

RESPONSE PROVIDED BY: Philadelphia Water Department

PA-I-5. REFERENCE PAGE 12, LINE 6 TO 9 OF MS. LA BUDA'S TESTIMONY.
GIVEN THAT THE RATE BOARD'S 2021 RATE DETERMINATION WAS
BASED UPON THE STUDY PERIOD FROM FY 2021 TO FY 2026 FOR THE
TEST YEARS FY 2022 AND 2023, PLEASE EXPLAIN AND DEMONSTRATE
HOW MS. LA BUDA CONCLUDED THAT A DOUBLE COUNT COULD
OCCUR GIVEN THAT THE \$2,078,942 REIMBURSEMENT WAS NOT
INCLUDED IN THE COST OF SERVICE FOR FY 2021, FY 2022, AND FY
2023 DURING THE RATE PROCEEDING.

RESPONSE:

The \$2,078,942 is a reimbursement from the Coronavirus Relief Fund (CRF) grant was received in FY 2021 and reflected in the Departments FY 2021 financial performance. The response to Question 16 in PWD Statement 1 indicates that the above reimbursement should not be included as part of the Federal Stimulus Funding adjustment since it was received outside of the specified period (July 1, 2021 to December 31, 2021) and the impact of the receipt of these one-time reimbursements received during FY 2021 is already reflected in the FY 2021 financial performance. Reflecting this reimbursement in the Federal Stimulus Funding adjustment would be double counting the receipt of these grants. Further, the one-time costs associated with these reimbursements were not included in FY 2022 and FY 2023 cost of service and the one-time reimbursement cannot be considered a source of revenue in FY 2022 or FY 2023.

RESPONSE PROVIDED BY: Philadelphia Water Department and Black & Veatch Management Consulting, LLC.

1 **PA-I-6.** REFERENCE PAGE 12, LINE 18 OF MS. LA BUDA’S TESTIMONY.
2 ACCORDING TO MS. LA BUDA, THE CITY DID NOT ALLOCATE
3 AMOUNTS UNDER ARPA TO PWD DURING THE RECEIPT PERIOD. DID
4 THE CITY RECEIVE ANY ARPA FUNDS DURING THE RECEIPT THAT
5 WAS DESIGNATED FOR WATER OR WASTEWATER INFRASTRUCTURE?
6 IF SO, PLEASE IDENTIFY THE AMOUNTS AND DATES WHEN THE
7 FUNDS WERE RECEIVED.
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9 **RESPONSE:**

10 The Department did not receive any ARPA funds for infrastructure.
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12 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-I-7.** REFERENCE PAGE 13, LINES 13 THROUGH 18 OF MS. LA BUDA'S
2 TESTIMONY. "THERE SHOULD BE NO REDUCTION OF RATES AND
3 CHARGES FOR FY 2023 BASED ON "STIMULUS FUNDING," SINCE THE
4 DEPARTMENT RECEIVED NO "STIMULUS FUNDING," WITHIN THE
5 SCOPE OF THE DEFINITION, DURING THE RECEIPT PERIOD (JULY 1,
6 2021 TO DECEMBER 31, 2021)." DID THE CITY RECEIVE ANY STIMULUS
7 FUNDING, WITHIN THE SCOPE OF THE DEFINITION AND RECEIVED IN
8 THE RECEIPT PERIOD? IF SO, PLEASE IDENTIFY THE AMOUNTS AND
9 DATES WHEN THE FUNDS WERE RECEIVED.
10

11 **RESPONSE:**

12 Yes, the City of Philadelphia received ARPA funds for State and Local Fiscal Relief for the
13 period in question (July 1, 2021 to December 31, 2021), in the amount of \$697,646,342.
14 This amount represents the first tranche of funding allocated to the City of Philadelphia
15 under ARPA.
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17 None of this funding was directed to the Water Department.
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19 **RESPONSE PROVIDED BY:** City of Philadelphia
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1 **PA-I-8.** REFERENCE PAGE 14, LINES 16 THROUGH 19 OF MS. LA BUDA’S
2 TESTIMONY. PLEASE CLARIFY OR INSERT WHAT APPEARS TO BE THE
3 MISSING WORD(S) IN THE FOLLOWING SENTENCE: “ALSO, WOULD BE
4 SUBJECT TO THE “MAXIMUM ADJUSTMENT” WHICH REQUIRES THAT
5 ANY RECONCILIATION, UNDER THIS ADJUSTMENT SEPARATELY OR
6 IN COMBINATION WITH ANY OTHER ADJUSTMENT, CANNOT LOWER
7 THE FY 2023 BASE RATE INCREMENTAL INCREASE BELOW ZERO
8 DOLLARS.”
9

10 **RESPONSE:**

11 In response to the above information request, the following edited statement is provided for
12 clarity (new language is underlined):
13

14 “Also, the amount of any adjustment for FY 2021 Financial Performance would be subject
15 to the “Maximum Adjustment” which requires that any reconciliation, under this adjustment
16 separately or in combination with any other adjustment, cannot lower the FY 2023 Base
17 Rate Incremental Increase below zero dollars.”
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19 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-I-9.** DOES MS. LA BUDA AGREE THAT IN RATE BOARD'S 2018
2 DETERMINATION, THE RATE BOARD DID NOT ADOPT A \$135 MILLION
3 RATE STABILIZATION FUND TARGET LEVEL, BUT INSTEAD ADOPTED
4 A COMBINED TARGET LEVEL OF \$150 MILLION FOR THE RATE
5 STABILIZATION AND RESIDUAL FUNDS? IF NO, PLEASE PROVIDE THE
6 BASIS FOR MS. LA BUDA'S CONCLUSION THAT THE BOARD ADOPTED
7 A \$135 MILLION RATE STABILIZATION FUND TARGET AND PROVIDE
8 THE CITE FOR SUPPORTING HER CLAIM.
9

10 **RESPONSE:**

11 Please recall that, in the 2018 general rate case with regard to liquidity issues, the main
12 controversy related to the RSF targeted balance. There was no real debate about the
13 projected Residual Fund balance. In the 2018 Rate Determination, the Board accepted
14 Residual Fund balances for FY 2019 and 2020 of roughly \$15 million in each year, as
15 projected by the Department. It also accepted RSF balances upwards of \$150 million in both
16 years (as PWD transitioned to the targeted balance). It is in this context that the Rate Board
17 concluded that a combined target level of \$150 million for both funds was reasonable. Please
18 note that simple arithmetic indicates that the RSF target is \$135 million.
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21 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-I-10.** ON PAGE 14 LINES 8 AND 9, OF MS. LA BUDA'S TESTIMONY, SHE
2 INDICATES THAT A MINIMUM RATE STABILIZATION FUND
3 THRESHOLD WAS NOT DEFINED IN THE 2021 SETTLEMENT OR THE
4 2021 RATE DETERMINATION. IF NO MINIMUM THRESHOLD WAS
5 DEFINED, PLEASE EXPLAIN WHAT WOULD PROVIDE THE BASIS FOR
6 THE RATING AGENCIES TO ASSUME \$135 MILLION IS THE MINIMUM
7 THRESHOLD.
8

9 **RESPONSE:**

10 See answer to PA-I-9 above. The Department minimum threshold for the Rate Stabilization
11 Fund (RSF) of \$135 million is a component of the \$150 million reserve threshold the Board
12 accepted in the 2018 Rate Determination and which has been presented to the rating
13 agencies and the investor community as a part of the PWD's Financial Plan and internal
14 financial metrics. It should be noted that this level is below all industry medians, see Peer
15 Utility Comparison; FY21 Summary & Five-Year Financial Projection Plan (Schedule ML-
16 2).
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18 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Financial Advisors
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1 **PA-I-11.** ON PAGE 15 LINES 18 AND 19, OF MS. LA BUDA’S TESTIMONY SHE
2 STATES “[T]HE RATING AGENCIES EXPECT THE DEPARTMENT TO
3 MAINTAIN, OR EXCEED, THE TARGET/GOAL OF \$135 MILLION IN THE
4 RATE STABILIZATION FUND.” PLEASE IDENTIFY THE RATING
5 AGENCIES THAT HAVE LOWERED OR INDICATED THEY WILL LOWER
6 PWD’S CREDIT RATING BECAUSE OF ITS YEAR-END RATE
7 STABILIZATION FUND BALANCE OF \$125 MILLION.
8

9 **RESPONSE:**

10 All three rating agencies have clearly expressed their concern related to the increasing
11 pressure on the PWD’s reserves. Please note the response to question PA-I-3.
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13 **RESPONSE PROVIDED BY:** Financial Advisors
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PA-I-12. REFERENCE THE FINANCIAL PERFORMANCE ATTACHMENT TO MS.
LA BUDA'S TESTIMONY.

A. PLEASE PROVIDE THE DATA USED TO CALCULATE THE DEBT
SERVICE & CAPITAL FUNDING RATIOS.

B. FOR FY 2021, PLEASE PROVIDE A MONTHLY ANALYSIS OF THE
RESIDUAL FUND AND THE RATE STABILIZATION FUND SHOWING THE
BEGINNING BALANCES AND FUNDS TRANSFERRED IN AND OUT OF
THE FUNDS.

RESPONSE:

Please see response attachment PA-I-12A and B.

The City's fiscal year end transfers occur between October and December after the actual
date of the fiscal year end.

RESPONSE PROVIDED BY: Philadelphia Water Department

PA-I-13. PLEASE PROVIDE THE FY 2021 OPERATING RESULTS IN THE FORMAT
OF TABLE C-1 AS PRESENTED IN THE ATTACHMENT TO MS. LA
BUDA'S TESTIMONY.

RESPONSE:

See response attachment PA-I-13 which provides the FY 2021 Operating Results by line
item as identified in Table C-1.

RESPONSE PROVIDED BY: Black & Veatch Management Consulting, LLC.

PA-I-14. PLEASE EXPLAIN WHY MS. LA BUDA, IN HER TESTIMONY, DOES NOT MENTION THE \$1,526,895 RECEIVED FROM UESF (\$366,559) AND PHDC (\$1,160,336) DURING JULY TO DECEMBER 2021.

RESPONSE:

UESF — Customer assistance funding was excluded from the 2021 Settlement’s definition of Federal Stimulus Funding. The exclusion covered all of the amounts allocated and/or received directly by PWD from UESF including the Utility Grant Program, Water Conservation Housing Stabilization Program, and the Customer Assistance Program for Water.

PHDC — Please recall that, under the CARES Act, funds are to be distributed directly to tenants. Funding under the Emergency Rental Assistance Program (ERA or ERAP) is directed to the Department, <https://home.treasury.gov/system/files/136/ERA-FAQ-8-25-2021.pdf> however, such funding goes through the Philadelphia Housing Development Corporation (PHDC). PHDC is the agency overseeing administration of the ERAP in Philadelphia. As of the filing of the Advance Notice in this proceeding (January 21, 2022), the Department had confirmed receipt of less than \$1.2 million, during the period July 1 - December 31, 2021, from PHDC under the ERAP. We will update this number during the course of this proceeding. Please note that, as of the above date, such funding was below the \$2 million threshold agreed to in the Settlement.

RESPONSE PROVIDED BY: Philadelphia Water Department

PA-I-15. PLEASE EXPLAIN HOW THE FUNDS RECEIVED FROM USEF AND PHDC
WERE ACCOUNTED FOR ON PWD'S BOOKS.

RESPONSE:

Any funds received from UESF and PHDC are accounted for as if they are customer
payments. These funds are applied to the applicable customers' accounts and are reflected
as revenue on PWD's books.

RESPONSE PROVIDED BY: Water Revenue Bureau and Raftelis Financial Consultants, Inc.

PA-I-16. PLEASE PROVIDE THE ELECTRONIC FILE IN EXCEL FORMAT, WITH FORMULAE INTACT, THAT SUPPORTS THE TABLES PRESENTED IN SCHEDULES BV-2, 3 AND 4.

RESPONSE:

SCHEDULE BV-2

Schedule BV-2 reflects the schedule of rates effective September 1, 2022 as included in the 2021 Rate Proceeding compliance filing. The Microsoft Excel-based Computer Models supporting Schedule BV-2 will be made available to Participants that execute a confidentially agreement. The Excel-based models are as follows:

1. Financial Plan (Finplan21_23.xlsm)
2. Wastewater Cost of Service (SCOS21_23.xlsm)
3. Water Cost of Service (WCOS21_23.xlsm)

SCHEDULE BV-3

See response attachment PA-I-16 which provides the FY 2023 typical bill calculations under existing and proposed rates.

SCHEDULE BV-4

The Microsoft Excel-based Computer Models supporting Schedule BV-4 will be made available to Participants that execute a confidentially agreement. The Excel-based models are as follows:

1. Financial Plan (Finplan22.xlsm)

RESPONSE PROVIDED BY: Black & Veatch Management Consulting, LLC.

FAML6500 V4.2 CITY OF PHILADELPHIA *****PRODUCTION***** 02/04/2022
LINK TO: ACCOUNT DETAIL INQUIRY 11:00 AM
ACTIVE
FISCAL MO/YR : 12 2021 JUNE 2021 **CY (C) PY (P) :** C **CURRENCY CODE :**
INDEX : 284596 FINANCIAL & RATE ANALY
SUBOBJ : 6708 CONTRIB FROM GRANTS **USERCD :**
PROJID : **PJDTL :**
GRANT : **GR DTL :**
G/L : **T/C :**
CLASS : **FT/F/SF:** 32 020 020 WATER OPERATING

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06/28/2021 408 JEXX21003170 02 CTA2021-118 2,078,942.05
WATER DEPT TRANSFER FOR COVID-19 RELATED EXPENSES

F1-HELP F2-SELECT F4-PRIOR F5-NEXT
F7-PRIOR PG F8-NEXT PG F9-LINK
G014 - RECORD FOUND

CITY OF PHILADELPHIA WATER DEPARTMENT
SUPPLEMENTAL SCHEDULE OF RATE COVENANT COMPLIANCE FOR FISCAL YEARS ENDED
JUNE 30, 2021, 2020 AND 2019 (Legally Enacted Basis)

(amounts in thousands)

LINE NO.	YEAR ENDED JUNE 30,		
	2021	2020	2019
1. Total Revenue	730,451	746,678	741,546
2a. Operating Expense	(545,089)	(543,677)	(522,415)
2b. Less Liquidated Encumbrances (commitments cancelled)	23,993	26,861	30,421
2c. Net Operating Expenses	(521,096)	(516,816)	(491,994)
3. Transfer (To) From Rate Stabilization Fund	27,000	33,083	4,321
4. Net Revenues	236,355	262,945	253,873
5. Revenue Bonds Outstanding	(186,178)	(206,195)	(190,869)
6. Transfer to Escrow Account to Redeem Bonds	-	-	-
6a. Other (Arbitrage Rebate Payment, LOC expenses, etc)	(134)	(198)	(39)
7. Pennvest Loan	-	-	-
8. Total Debt Service	(186,312)	(206,392)	(190,908)
9. Net Revenue after Debt Service	50,043	56,553	62,965
10. Transfer to General Fund	-	-	-
11. Transfer to Capital Fund	(27,833)	(26,553)	(24,879)
12. Transfer to Residual Fund	(22,210)	(30,000)	(38,086)
13. Total Transfers	(50,043)	(56,553)	(62,965)
14. Net Operating Balance for Current Year	\$ -	\$ (0)	\$ -

The rate covenant contained in the General Ordinance requires the City to establish rates and charges for the use of the Water and Wastewater Systems to yield Net Revenues, as defined as defined therein, in each fiscal year sufficient to meet three coverage tests:

Senior Debt Service Coverage: Net Revenues must equal at least 120% of the Debt Service Requirements payable in such fiscal year (excluding debt service due on any Subordinated Bonds).

90% Test Coverage: Net Revenues (excluding amounts transferred from the Rate Stabilization Fund into the Revenue Fund during, or as of the end of, such fiscal year) must equal at least equal to 90% of the Debt Service Requirements (excluding debt service on any Subordinated Bonds) payable in such fiscal year.

Total Payments Coverage: Net Revenues must equal at least 100% of : (i) the Debt Service Requirements (including Debt Service Requirements in respect of Subordinated Bonds) payable is such fiscal year; (ii) amounts required to be deposited into the Debt Reserve Account during such fiscal year; (iii) debt service on all General Obligations Bonds issued for the Water and Wastewater Systems payable is such fiscal year; (iv) debt service on Interim Debt payable in such fiscal year; and (v) the Capital Account Deposit Amount for such fiscal year, less amounts transferred from the Residual Fund to the Capital Account during such fiscal year.

To ensure compliance with the rate covenant, the General Ordinance requires that the City review its rates, rents, fees, and charges at least annually.

<u>Senior Debt Service Coverage</u>				
	2021	2020	2019	
Line 4	\$ 236,355	\$ 262,945	\$ 253,873	
/ Line 5	\$ 186,178	\$ 206,195	\$ 190,869	
	1.27	1.28	1.33	

<u>90% Test Coverage</u>				
	2021	2020	2019	
Line 4 - Line 3	\$ 209,355	\$ 229,862	\$ 249,552	
/ Line 5	\$ 186,178	\$ 206,195	\$ 190,869	
	1.12	1.11	1.31	

<u>Total Payments Coverage</u>				
	2021	2020	2019	
Line 4	\$ 236,355	\$ 262,945	\$ 253,873	
/ Line 5 + Line 11	\$ 214,011	\$ 232,748	\$ 215,748	
	1.10	1.13	1.18	

City of Philadelphia

Cashflow Summary

Fund:	Water Rate Stabilization Fund
As of:	June 30, 2021

	<u>Jul-20</u>	<u>Aug-20</u>	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>	<u>Dec-20</u>	<u>Jan-21</u>	<u>Feb-21</u>	<u>Mar-21</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>
Receipts (Cashflows In):												
Beginning Balance	184,960,719	185,029,041	185,046,292	185,086,662	152,008,589	152,055,381	152,062,593	152,099,916	152,112,313	152,088,462	152,130,170	152,156,836
Taxable Interest	249,011	470,898	131,050	198,475	289,516	211,788	221,950	257,534	174,979	146,212	29,733	205,190
Cash Receipts												
Gains	162,010	164,215		37,831	146,514							
Change in Investment Value								98,053		15,992		
Change in Accrued Income	4,312		116,069	78,658							103,580	
	415,333	635,114	247,119	314,964	436,030	211,788	221,950	355,587	174,979	162,204	133,313	205,190
Disbursements (Cashflows Out):												
Losses			(23,975)			(3,242)	(72,282)	(241,393)	(14,508)	(114,968)	(46,909)	(25,649)
Paid To/For Beneficiaries												
Cash Disbursements	(36,029)	(34,899)		(33,083,049)		(36,132)			(33,607)			(31,861)
Change in Investment Value	(310,981)	(377,616)	(182,774)	(309,988)	(285,046)	(126,411)	(85,507)		(125,103)		(59,738)	(105,634)
Change in Accrued Income		(205,347)			(104,191)	(38,791)	(26,839)	(101,796)	(25,613)	(5,528)		(82,080)
	(347,011)	(617,863)	(206,749)	(33,393,037)	(389,237)	(204,576)	(184,628)	(343,190)	(198,831)	(120,496)	(106,647)	(245,223)
Bank Ending Balance	185,029,041	185,046,292	185,086,662	152,008,589	152,055,381	152,062,593	152,099,916	152,112,313	152,088,462	152,130,170	152,156,836	152,116,803

City of Philadelphia

Cashflow Summary

Fund:	Water Residual Account
As of:	June 30, 2021

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Beginning Balance	16,298,349	16,307,134	16,304,823	16,311,889	16,310,940	16,316,026	16,316,632	16,318,886	16,319,581	16,320,221	16,323,892	16,327,127
Receipts (Cashflows In):												
Taxable Interest	25,960	18,979	6,556	184	18,197	23,570	1	15,823	4,477	9,298	368	19,545
Change in Accrued Income			4,835	11,207			8,708		4,461		6,908	
Change in Investment value												5,379
Gains/Losses	17,617		17,295		2,306	19,321		3,158		10,383		
	43,577	18,979	28,687	11,392	20,504	42,891	8,709	18,981	8,939	19,682	7,276	24,924
Disbursements (Cashflows Out):												
Transfer to Construction Fund												
Paid to Beneficiaries		(1,813)				(1,835)			(1,837)			(1,807)
Change in Accrued Income	(11,540)	(1,965)			(7,953)	(13,272)		(7,703)		(1,959)		(12,853)
Change in Investment value	(23,254)	(17,511)	(21,621)	(12,341)	(7,464)	(27,178)	(6,456)	(10,583)	(6,462)	(14,051)	(4,041)	
Gains/Losses												(16,727)
	(34,794)	(21,289)	(21,621)	(12,341)	(15,417)	(42,285)	(6,456)	(18,285)	(8,299)	(16,011)	(4,041)	(31,386)
Net cashflow In/(Out) of Fund (Investment/Funding Needs):	16,307,134	16,304,823	16,311,889	16,310,940	16,316,026	16,316,632	16,318,886	16,319,581	16,320,221	16,323,892	16,327,127	16,320,665

PRELIMINARY FY 2021 FINANCIAL RESULTS

Actual Results

Table C-1

Line No	Description	2021
11	Total Water & Wastewater Service Revenue	705,612
12 to 15	Other Income (a)	24,839
16	Total Revenues	730,451
17	Total Operating Expense	(521,096)
18	Transfer From/(To) Rate Stabilization Fund	27,000
19	Net Revenues after Operations	236,355
24	Total Senior Debt Service	(186,312)
26	Total Subordinate Debt Service	0
27	Transfer to Escrow	0
	Net Revenues after Debt Service	50,043
29	Capital Account Deposit	(27,833)
33	Residual Fund Deposit from Water Operating	22,210
34	Residual Fund Deposit from Interest Earnings on DSRF (b)	2,586
35	Transfer to Construction Fund (discretionary Transfer to the capital Fund)	(22,210)
36	Transfer to City General Fund (SCOOP)	(2,586)
37	Transfer to Debt Service Reserve Fund	0
38	Residual Fund End of Year Balance	16,305
41	Rate Stabilization Fund End of Year Balance	124,661
	Debt Service Coverage Ratios:	
30	Total Coverage	1.10
25	Total Senior Debt Service Coverage	1.27

(a) Includes other operating and nonoperation income, including interest income on funds and accounts transferable to the Revenue Fund.

(b) Transfer of interest earnings from the Bond Reserve Account to the Residual Fund as shown in Line 39 to satisfy the requirements for the Transfer to the City General Fund.

- Presented in thousand dollars

DSRF - Debt Service Reserve Fund