



CITY OF PHILADELPHIA

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ROB DUBOW
Director of Finance

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TO THE PRESIDENT AND MEMBERS OF THE COUNCIL OF THE CITY OF PHILADELPHIA:

There has been transmitted to the Council the proposed Twenty-Sixth Supplemental Ordinance (the "Twenty-Sixth Supplemental Ordinance") to the Restated General Water and Wastewater Revenue Bond Ordinance of 1989, as supplemented and amended (the "General Ordinance"). Unless otherwise noted, the capitalized terms contained herein shall have the same meanings assigned to them in the General Ordinance. The Twenty-Sixth Supplemental Ordinance specifically authorizes the issuance and sale of one or more series or subseries of tax-exempt or taxable water and wastewater revenue bonds and revenue refunding bonds of the City of Philadelphia (the "City") in the aggregate principal amount not to exceed One Billion Dollars (\$1,000,000,000) (the "Bonds"); and in the event that the Bonds are issued with original issue discount, the Bond Committee, or a majority of them, is thereby authorized to increase the aggregate principal amount of the Bonds so issued, by the amount of such original issue discount.

In connection with the proposed issuance of the Bonds, the City has engaged the firm of Arcadis U.S., Inc. (the "Consultant"), an independent consulting firm. The Consultant has compiled data from the City and the Philadelphia Water Department (the "PWD") in order to enable the Consultant to make projections with respect to the issuance of the Bonds and the refunding program of the PWD, and has compiled relevant data and made projections to ascertain the adequacy of the revenues of the water and wastewater System to support the financial report required by Section 8 of Act No. 234 of October 18, 1972, as amended, known as The First Class City Revenue Bond Act (the "Act").

The Consultant has broad experience in the analysis of utility systems of a similar magnitude and scope as the water and wastewater System of the City and has a favorable reputation for competence in this field of work. The Consultant has reviewed in depth the financial operations of the water and wastewater System of the City and has collaborated with officers and employees of the PWD and the Office of the Director of Finance in the preparation of its report.

The report of the Consultant dated January 18, 2022 (the “Engineer’s Report”) is attached to this report and forms the basis for the statements and opinions contained herein. The Consultant’s Report has been reviewed and approved by both the Office of the Director of Finance and by the PWD. The reports are transmitted herewith in compliance with Section 8 of the Act and Section 5.04(c) of the General Ordinance pursuant to which the Bonds are to be issued.

On the basis of the Consultant’s Report and the schedules and summaries therein contained and in compliance with Section 8 of the Act and Section 5.04(c) of the General Ordinance, the undersigned Director of Finance of the City of Philadelphia hereby submits this financial report:

1. The New Money Bonds are to be issued for the purpose of providing funds for (i) paying, or reimbursing the City, for costs of (a) constructing, acquiring, reconstructing and renovating wastewater treatment plants and related facilities and equipment for the sewer system; (b) constructing, acquiring, reconstructing and renovating water treatment plants and related facilities and equipment for the water system; (c) constructing, acquiring, reconstructing and replacing water, wastewater and stormwater pipes, pumping stations and related facilities; (d) purchasing equipment and apparatus of a capital nature for the System; (e) constructing, acquiring, reconstructing and renovating storm water management and mitigation improvements and facilities and other improvements and facilities in furtherance of the City’s Combined Sewer Overflow (CSO) Long Term Control Plan Update (referred to as the Green City, Clean Waters Program) dated September 1, 2009, as permitted under the Act and the General Ordinance; and (f) purchasing vehicles that serve the water or wastewater system, all as included in the capital budgets of the City; (ii) paying or defeasing all or any portion of the Obligations issued under or in connection with the City’s Water and Wastewater Revenue Bond Commercial Paper Program to be established under the Twenty-Fifth Supplemental Ordinance to the General Ordinance; (iii) paying the costs of any Enhancement Agreements; (iv) paying any other Project Costs as such term is defined in the Act; (v) making the deposits referred to in Section 6 hereof including, without limitation, the establishment of a debt reserve account or series subaccount within the Sinking Fund and any other fund permitted by the General Ordinance; and (vi) paying the issuance costs of such Bonds (collectively, the “Project”).

2. The Refunding Bonds are to be used to: (i) refund and redeem, from time to time, (A) all or any portion of the New Money Bonds (as so refunded and redeemed, “Refunded New Money Bonds”) and (B) any Refunding Bonds previously issued pursuant to this Supplemental Ordinance (as so refunded and redeemed, the “Refunded Refunding Bonds” and, together with the Refunded New Money Bonds, the “Refunded Bonds”); (ii) if applicable, pay the costs of Enhancement Agreements; (iii) pay any other Project Costs as such term is defined in the Act; (iv) make the deposits referred to in Section 6 hereof; and (v) pay the issuance costs of such Bonds.

3. The revenues pledged to secure payment of the Bonds will be derived from all rents, rates, fees and charges imposed or charged for the connection to, or use or produce of or services generated by the water and wastewater System to the ultimate users or customers thereof, all payments under bulk contracts with municipalities, governmental instrumentalities or other bulk users, all subsidies or payments payable by Federal, State or local governments or governmental agencies on account of the cost of, operation of, or the payment of the principal of or interest on moneys borrowed to finance costs chargeable to the water and wastewater System, all grants, payments and contributions made in aid or on account of the water and wastewater System exclusive of grants and similar payments and contributions solely in aid of construction and all accounts, contract rights, and general intangibles representing the foregoing, and any and all other revenues derived from the water and wastewater System constituting Project Revenues.

4. On the basis of actual and estimated future annual financial operations of the water and wastewater System, all as detailed in the Consultant's Report, the water and wastewater System will, in my opinion, yield pledged Project Revenues over the amortization period of the Bonds sufficient to comply with the Rate Covenant contained in the General Ordinance and to meet the payment or deposit requirements of (a) all expenses of operation, maintenance, repair and replacement of the water and wastewater System, (b) all reserve or special funds required to be established out of such revenues, (c) the principal of and interest on all bonds outstanding under the General Ordinance (including the Bonds), as the same shall become due and payable, for which such Project Revenues are pledged, and (d) any state taxes assumed by the City to be paid on such bonds and such surplus requirements as may be fixed by the General Ordinance.

5. The Project Revenues forming the basis for the statement set forth in paragraph 4 above comply with the requirements of the definition of Project Revenues contained in Section 2 of the Act.

6. Based on its investigations, the Consultant found that the water and wastewater System is in good operating condition or that adequate steps are being taken to return the System to good operating condition.

For the purposes of paragraph 4 above, you are advised that no State taxes on any of such Bonds have been or are being assumed by the City.

Respectfully submitted,



Rob Dubow
Director of Finance