



Budget Office

CITY OF PHILADELPHIA

05/05/2023

The Honorable Darrell Clarke
City Council President
City Hall, Room 490
Philadelphia, PA 19107

Dear Council President Clarke,

This letter is in response to questions raised by Councilmembers during the April 25th Council hearing. The following questions were asked:

Council President Clarke: Provide detail identifying Water-funded expenses in other departments.

The Water Fund is an Enterprise Fund. Enterprise Funds are used to account for the financial activity of the City's operations for which customers are charged a user fee. The Water Fund accounts for activities related to the operation of the City's water delivery and sewage system. The principal operating revenues of the Water Fund are charges for water and sewer activities.

The Water Fund funds the Philadelphia Water Department (PWD) as well as certain functions of internal services departments that support PWD. Select departments with Water-funded functions include the Department of Fleet Services, the Law Department, the Procurement Department, and the Office of Innovation and Technology. For a complete list of departments that receive funding from the Water Fund, please see Appendix A. The expenditures are solely for the benefit of the Water Fund.

Councilmember Gilmore-Richardson: Provide Finance's response to Water's request for General Fund support.

Please see Appendix B.

Councilmember Gilmore-Richardson: Provide an explanation of why the pension allocation adjustment was permissible but other General Fund support for Water is not.

After the City received its American Rescue Plan Act (ARPA) funding allocation, the City adjusted the pension contribution allocation across funds, such that over \$20M per year less is coming from Water. This new allocation is how the General Fund has been able to help the Water Fund on an ongoing basis.

The General Fund is not covering the Water Fund's pensions costs but rather reallocating pension fund costs between funds using an allowable allocation method. The City keeps the Water and General Funds separate as recommended by the rating agencies. Intertwining them would have negative impacts on both.