

1 **PA-I-9.** REFERENCE THE APRIL 5, 2016 TRANSCRIPT IN THE 2016 RATE  
2 PROCEEDING, AT PAGE 107 (EXPLAINING THE CITY TREASURER'S  
3 OFFICE'S PRACTICE FOR FORMULATING INTEREST RATE  
4 ASSUMPTIONS IN THE WATER DEPARTMENT'S DEBT SERVICE  
5 BUDGET):

6 A. DOES THE CITY TREASURER'S OFFICE UTILIZE THE SAME  
7 PRACTICE TO FORMULATE INTEREST RATE ASSUMPTIONS  
8 FOR THE WATER DEPARTMENT'S DEBT SERVICE THAT WAS  
9 DESCRIBED IN THE APRIL 5, 2016 TRANSCRIPT IN THE 2016  
10 RATE PROCEEDING, AT PAGE 107?

11 B. IF THE ANSWER TO PA-I-9(A) IS ANYTHING OTHER THAN AN  
12 UNEQUIVOCAL "YES," PLEASE PROVIDE A DESCRIPTION OF  
13 THE PRACTICE USED TO FORMULATE THE INTEREST RATE  
14 ASSUMPTIONS FOR THE WATER DEPARTMENT'S DEBT  
15 SERVICE.

16 C. PLEASE IDENTIFY ALL INDIVIDUALS, BY NAME AND TITLE,  
17 WHO PARTICIPATED IN FORMULATING THE INTEREST RATE  
18 ASSUMPTIONS FOR THE WATER DEPARTMENT'S DEBT  
19 SERVICE SHOWN IN THE FILING (REFERENCE SCHEDULE BV-  
20 E1, TABLE C-9).

21 **RESPONSE:**  
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23 The City's treasurer office does not utilize the same approach. The decisions regarding  
24 interest rate assumptions were made, in consultation with the Department's financial  
25 advisors, by reviewing historic interest rate trends over an extended time horizon while  
26 including a moderate increase (based upon forecast market conditions) to develop projected  
27 debt service. The parties involved include PFM (Katherine Clupper, Managing Director),  
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1 Acacia Financial (Peter Nissen, Managing Director) and Melissa LaBuda (PWD Deputy  
2 Water Commissioner).

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4 **RESPONSE PROVIDED BY:** Katherine Clupper, PFM, Peter Nissen, Acacia Financial and  
5 Melissa LaBuda, Philadelphia Water Department  
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1 **PA-I-10.** REFERENCE PWD STATEMENT NO. 2 IN THE 2016 RATE PROCEEDING  
2 (DIRECT TESTIMONY OF MELISSA LABUDA), AT PAGE 18 (“AS PART OF  
3 THE CITY’S BUDGETING PROCESS, THE DEPARTMENT WORKS WITH  
4 THE CITY OF PHILADELPHIA TREASURER’S OFFICE TO ESTABLISH  
5 THE DEPARTMENT’S DEBT SERVICE BUDGET FOR THE FOLLOWING  
6 FIVE FISCAL YEARS”):

7 A. DOES THE WATER DEPARTMENT WORK WITH THE CITY  
8 TREASURER’S OFFICE TO ESTABLISH ITS DEBT SERVICE  
9 BUDGET AS PART OF THE CITY’S BUDGETING PROCESS,  
10 INCLUDING PROJECTED DEBT SERVICE FOR FIVE FISCAL  
11 YEARS, AS DESCRIBED IN THE 2016 RATE PROCEEDING?

12 B. IF THE ANSWER TO PA-I-10(A) IS ANYTHING OTHER THAN  
13 AN UNEQUIVOCAL “YES,” PLEASE PROVIDE A DESCRIPTION  
14 OF THE PRACTICE USED TO ESTABLISH THE WATER  
15 DEPARTMENT’S DEBT SERVICE BUDGET AS PART OF THE  
16 CITY’S BUDGETING PROCESS.

17 C. PLEASE IDENTIFY ALL INDIVIDUALS, BY NAME AND TITLE,  
18 WHO PARTICIPATE IN ESTABLISHING THE WATER  
19 DEPARTMENT’S DEBT SERVICE BUDGET AS PART OF THE  
20 CITY’S BUDGETING PROCESS.

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22 **RESPONSE:**

23 No, the Department does not work with the City Treasurer’s Office to establish its debt  
24 service budget. This response should be reviewed with the considerations below. The  
25 Water Department works with multiple stakeholders to formulate its debt service  
26 budget. See explanation below.

27 A. The Department’s Five-Year Plan debt service budget is formulated in consultation  
28 with the Department’s financial advisors, PFM and Acacia Financial, in addition to

1 using the Black & Veatch projected total capital improvement program expenditures  
2 and construction fund cashflow.

- 3 B. The projected debt issuance as well as current debt payments due and payable are  
4 summarized and sent to the Executive Director of the Sinking Fund Commission,  
5 Matthew Bowman, for inclusion in the Sinking Fund Commission budget.  
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9 **RESPONSE PROVIDED BY:** Katherine Clupper, PFM, Peter Nissen, Acacia Financial, Melissa  
10 LaBuda, Philadelphia Water Department  
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