

SUMMARY OF PENNVEST GRANT EFFORTS

- In September 2022, the City of Philadelphia Managing Director's Office reached out to Philadelphia Water Department (PWD) seeking to understand why PWD was facing constraints in being considered for grants and/or forgivable loans. Based on PennVest policy, PWD responded that there were basically three reasons why PWD did not qualify for grant evaluation:
 - PWD's combined financial statement relates to the water, sewer and stormwater utility functions whereas PennVest requires separate financial statements for the three systems.
 - PWD's water combined bill, as a percentage of medium household income, was under 2% and therefore far lower than the PennVest affordability level of about 4% at the time.
 - PWD individual projects do not have a sufficient impact on rates to meet PennVest requirements. PennVest looks at the impact to rates from the cost of the project.

- In early 2023, PWD was invited to a meeting at City Council at which the criteria for PennVest provision of grant or principal forgiveness was discussed. As indicated above, PennVest requires separate reporting for water, sewer and stormwater utility functions. This was impossible in early 2023, since PWD financial statements were combined. To be eligible for evaluation, PWD had to present its financial information separately for water, sewer and stormwater utility functions. PWD was requested to investigate the feasibility of reporting financial information separately for presentation to PennVest.
- On May 30, 2023, PWD met with PennVest Executive director, Robert Boss and his staff to discuss how PWD would present its financial statement for review for possible qualification for grant/principal forgiveness. Mr. Boss sent a follow-up email to PWD on the same date outlining PennVest financial reporting requirements and on June 20 provided some examples for PWD's consideration.

In April 2024, PWD provided its FY23 financial information to PennVest for water, sewer and stormwater utility functions as a part of its applications to PennVest. In July 2024, PWD was awarded a grant of \$4.8 million for lead service line replacements.

- In September 2024, PWD asked PennVest about the updated criteria used in evaluating PWD applications for grant eligibility and received the response summarized below:
 1. For the drinking water and sewer costs, the current rates are well below the target rates (calculated annually); grant funds would only be considered if the debt service on a new project brought the resulting rate after construction over the target:
 - a. Drinking water – the current rate is approximately \$425 (target is currently around \$590)

Supplemental Response Attachment PA-II-1

b. Sewer – the current rate is approximately \$332 (target is currently around \$590)

c. Stormwater – the current rate is approximately \$244 (target is currently around \$145)- this is over the target rate, but grant eligibility is affected by Bullet point #2.

2. In order for grant funds to be invested, the impact on an individual residential bill must be at least \$15 annually; this correlates to the debt service well in excess of \$300 million.
3. PennVest has limited grant capacity; historically it has been in the area of around \$15 million quarterly, and many projects usually qualify. If there is not enough grant funding to meet all the established need, grant funds are prorated. Please note that PennVest funding in the amount needed to make a more significant impact at PWD has historically been unavailable. That continues to be the case at present.