



Citizens' Water Advisory Committee (CWAC)

January 9, 2013

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Debt financing ensures....

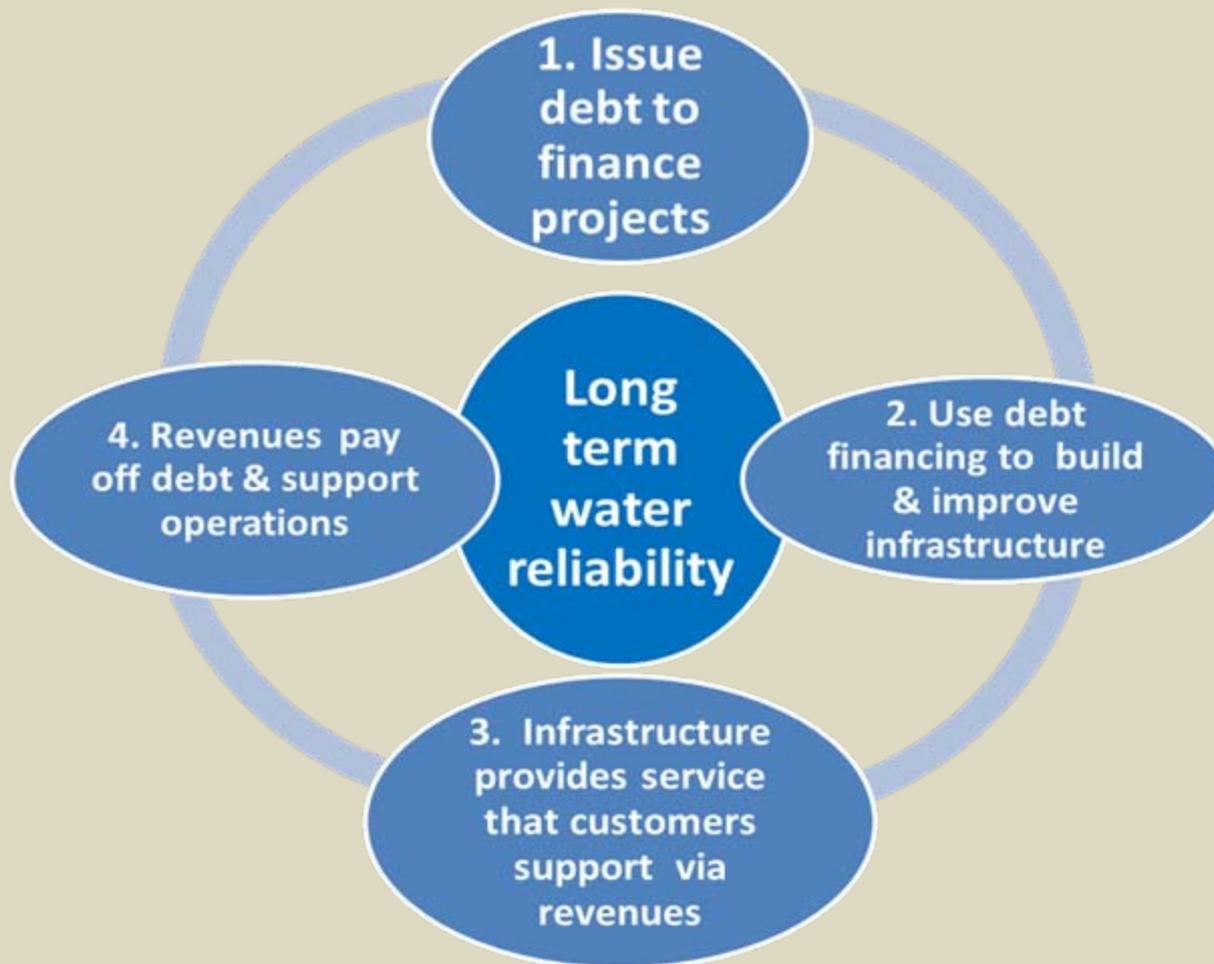


Water **Reliability**

The Water Reliability Program includes projects and programs that ensure we have a reliable water supply and water system – today & in the future



Debt: both capital investment & revenue generation



Tucson Water invests debt proceeds in



Distribution system assets



Transmission system assets



\$1B in Infrastructure Assets

- 68 potable & reclaimed facilities
- 4,400 miles of water mains
- 80,000 valves
- 225,000 meters
- 22,000 fire hydrants
- More than 200 wells

Plus recharge basins,
pumping stations &
more



Debt financing process

CWAC review of financial plan to balance revenue needs, affordability, & future infrastructure needs

Understand project funding requirements

Recommendations to Mayor & Council

Financial plan adopted by Mayor & Council

Present to bond rating agencies that evaluate & issue ratings



Types of Debt

1. **Water Revenue Obligations** – a pledge of water revenues that do not require voter authorization.
2. **Water Revenue Bonds** – a pledge of water revenues that require voter authorization.
3. **Certificates of Participation** - a pledge of assets.
Not used by TW.



Debt rating agencies' view of Tucson Water

*Fitch Rates Tucson, AZ's \$34M Water Revs 'AA';
Outlook stable. 5/31/2012*



*Moody's assigns Aa2 rating to City of Tucson Water
System Revenue Obligations, Series 2012. Long
term rating carries a stable outlook. 6/5/2012*



*Standard & Poor's Ratings Services assigned its
'AA'-rating to Tucson, Ariz.'s series 2012 water
system revenue obligations. Positive outlook. 6/1/2012*



Balancing equity & affordability

Fitch Ratings Report June 11, 2012

“Despite above-average annual projected rate increases, monthly charges are forecast to remain below Fitch Ratings’ affordability threshold of 1% of monthly household income (MHI).”



Tucson Water Debt Overview

Outstanding Senior Lien Debt	\$451,705,000
Outstanding Junior Lien (WIFA) Debt	<u>73,342,120</u>
Total Debt Outstanding	\$525,047,120



How Tucson Water Compares*

	<u>TW</u>	<u>2011 AA Medians</u>
Planned CIP to be debt financed	60%	50%
Total outstanding debt/customer	\$2,199	\$1,502
Total outstanding debt/capita	\$667	\$402
Total debt services as a % of gross revenue	15%	20%

* Other public utilities in the AA ratings category



How Tucson Water Compares*

	<u>TW</u>	<u>2011 AA Medians</u>
Total outstanding debt to net plant assets	43%	44%
Debt to equity	2.2x	3.5x
Debt service coverage (exclude connection fees)	1.6x	2.1x
Days cash on hand	91	292

* Other public utilities in the AA ratings category



How Tucson Water Compares*

	<u>TW</u>	<u>2011 AA Medians</u>
Net working capital as a % of O & M	55.4%	128%
Ten-Year Principal Payout	59.6%	39%
Twenty-Year Payout	99.5%	81%

* Other public utilities in the AA ratings category



Mayor & Council Policy

- Various combinations of revenue, general obligation bonds, tax-secured bonds and water revenues shall be used to finance water capital improvements.
- Repayment of the bonds shall be made from water system revenues.
- The type of bond financing to be used shall result in the least total cost to rate-payers based on present value.
- The term of repayment of debt shall not exceed the useful life of the improvement funded by such debt.



questions or comments



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