



# Water and Wastewater Infrastructure Loans

Town Council Meeting

May 4, 2022

# Purpose of Presentation

Review Expected Financing Terms Associated with Two Loans Totaling \$56M from the Arizona Water Infrastructure Finance Authority (WIFA)



# Systems Background

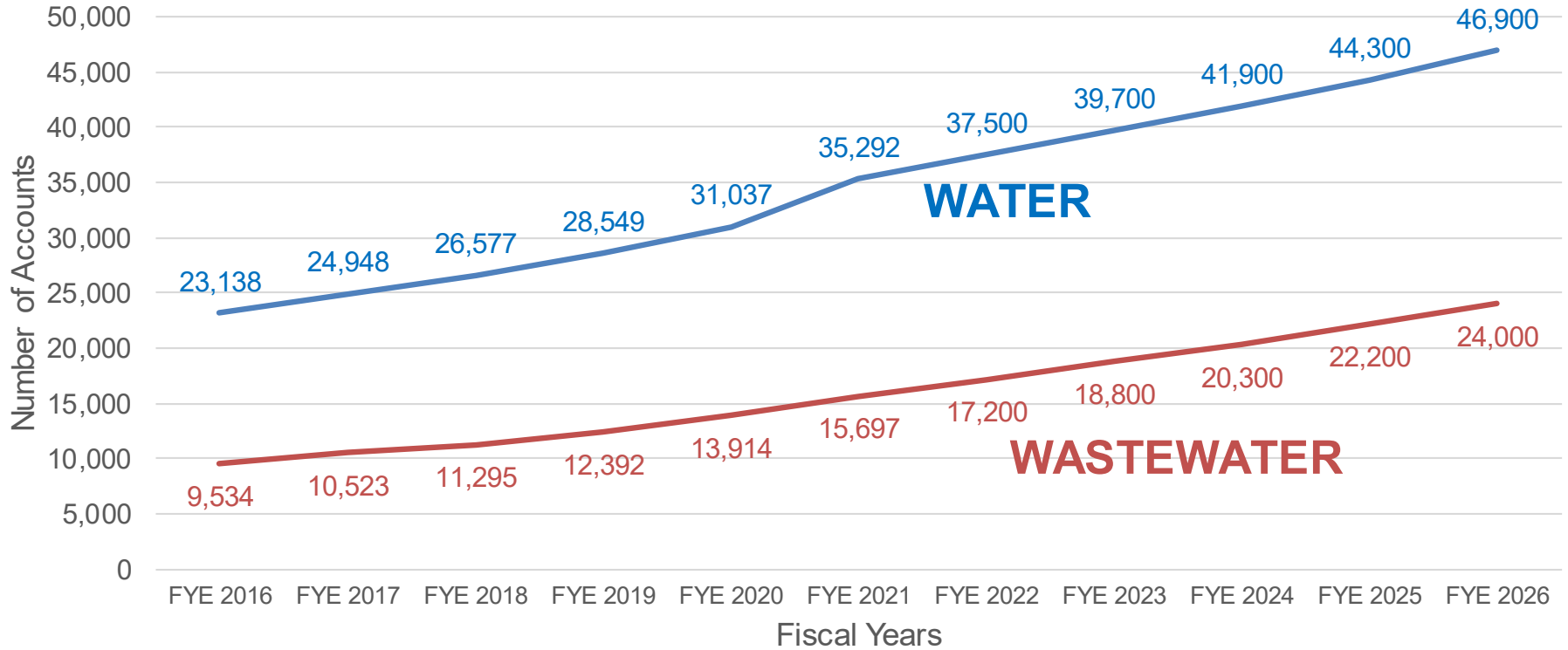
- Experiencing Tremendous Account Growth (See Next Slide)
- 3-Year Infrastructure Needs: \$130M
  - Updated Master Plans Forthcoming to Council for Approval

Financing Source	Funding Source: Water / Wastewater Rates	Funding Source: Capacity Fees	Total
Bank Loan	\$27M	\$47M	\$74M*
WIFA Loans	<u>\$26M</u>	<u>\$30M</u>	<u>\$56M</u>
<b>TOTAL</b>	<b>\$53M</b>	<b>\$77M</b>	<b>\$130M</b>

\*85M Available

# Residential Connection Growth

7% to 10% Annual Growth Historically Expected to Continue



# Why Issue Debt?

1. Ensure Intergenerational Equity to Pay for the Cost of Long-Lived Assets
2. Pay-As-You is No Longer Possible
  - Infrastructure is Costly and Needed Timely
    1. 2021 Bank Loan (\$85M Maximum for non-WIFA Eligible Projects)
    2. \$56M WIFA Loans
      - Town Council Approved Resolution 1401-21 on March 3, 2021 Authorizing WIFA Loans in an Amount not to Exceed \$70M



# RECOMMENDED WIFA LOANS: \$56M



Purpose	Amount
<b><u>WATER</u></b>	
System Lines	\$23M
Tanks, Wells, Boosters and Lakes	\$18M
Other	<u>\$5M</u>
<b>Total - Water</b>	<b>\$46M</b>
<b><u>WASTEWATER</u></b>	
System Lines	<u>\$10M</u>
<b>Total - Wastewater</b>	<b>\$10M</b>

# Why WIFA for \$56M?

- Two Different Funding Programs (Loans)
  1. Drinking Water: \$46M (Resolution 1457-22)
    - \$1M Forgivable Principal
  2. Clean Water: \$10M (Resolution 1458-22)
- Not All Projects Can be Funded with WIFA
- WIFA Has the Lowest Possible Interest Rate
  - Federal Government Loan Program
- Estimated Interest Savings: \$12M
  - 2.7% WIFA (vs. 3.75% Bank Loan)



# Why WIFA for \$56M? (concluded)

- \$21M WIFA Loan Refunding Approved by Town Council on April 20, 2022
- Requires the Loan Balance be Replaced with a New WIFA Loan
  - Amount: \$40M (Originally Issued in 2008)
  - Purpose: Acquire Queen Creek Water Company
  - Interest Rate: 4.038%
  - Bank Direct Purchase
  - Estimated Interest Rate: 3% or less
  - Estimated Net Present Value Savings: ~\$1M
  - Estimated Costs of Issuance \$200K







# Drinking Water WIFA Loan: \$45M

- Includes \$1M Forgivable Principal
- Estimated Interest Rate: 2.7%
- Term: 30 Years
- First Principal Payment: 2025
- Annual Principal and Interest Costs: \$2.3M
- Repayment Pledge: Net, Combined Utility Revenues (Water and Wastewater)
- Repayment Source: Water Rates and Capacity Fees

# Clean Water WIFA Loan: \$10M

- Estimated Interest Rate: 2.7%
- Term: 30 Years
- First Principal Payment: 2025
- Annual Principal and Interest Costs: \$519K
- Repayment Pledge: Net, Combined Utility Revenues (Water and Wastewater)
- Repayment Source: Wastewater Rates and Capacity Fees



# TOTAL DEBT OUTSTANDING

Purpose	Principal Outstanding At 6/30/22	New WIFA Loans	New Total
<b><u>WATER</u></b>			
Infrastructure	\$39.4M	\$45M*	\$84.4M
Water Company Acquisitions	\$64.0M	-	\$64.0M
Groundwater Extinguishment Credits	<u>\$56.5M</u>	=	<u>\$56.5M</u>
Total - Water	\$159.9M	\$45M*	\$204.9M
<b><u>WASTEWATER</u></b>			
Infrastructure	\$15.3M	\$10M	\$25.3M

\*Note: Net of \$1M Forgivable Principal

# Calendar



May 4 Council Meeting

- Adopt Authorizing Resolutions

May 13, 2022

- Loan Closing Deadline

Prior to June 30

- Report Final Terms to Council

# Recommended Motions



1. Move to Approve Resolution 1457-22 as presented.
2. Move to Approve Resolution 1458-22 as presented.

***These resolutions require six affirmative votes to pass with the emergency clause. This is being recommended to provide the most flexibility in dealing with volatile economic markets and achieving the maximum cost savings.***