

Financial Plan

Regional Wastewater Reclamation Department
2015

Factors Affecting Rates

Cost to Operate the System

Planned Expenditures for Capital Improvement Projects

System Revenues from User Fees and Connection Fees

Existing Debt Service Payments

New Debt Issues and New Debt Service Payments

Key Financial Assumptions

System Growth:

- Customer base will grow at rate of population growth in Pima County.
- Used U of A 2014 Economic & Business Research Center Estimates.
 - Approximately 1.5 Percent Annual Growth
- New Connections will continue at current rate with only moderate growth

Key Financial Assumptions

Operating Expenditures will increase by 4 Percent Annually.

Capital Projects for 2015 through 2019  **\$245 Million**

New Debt  **\$225 Million**
(\$60 Million COPS and \$165 Million Sewer Obligations)

Interest Rates: 5.5 Percent

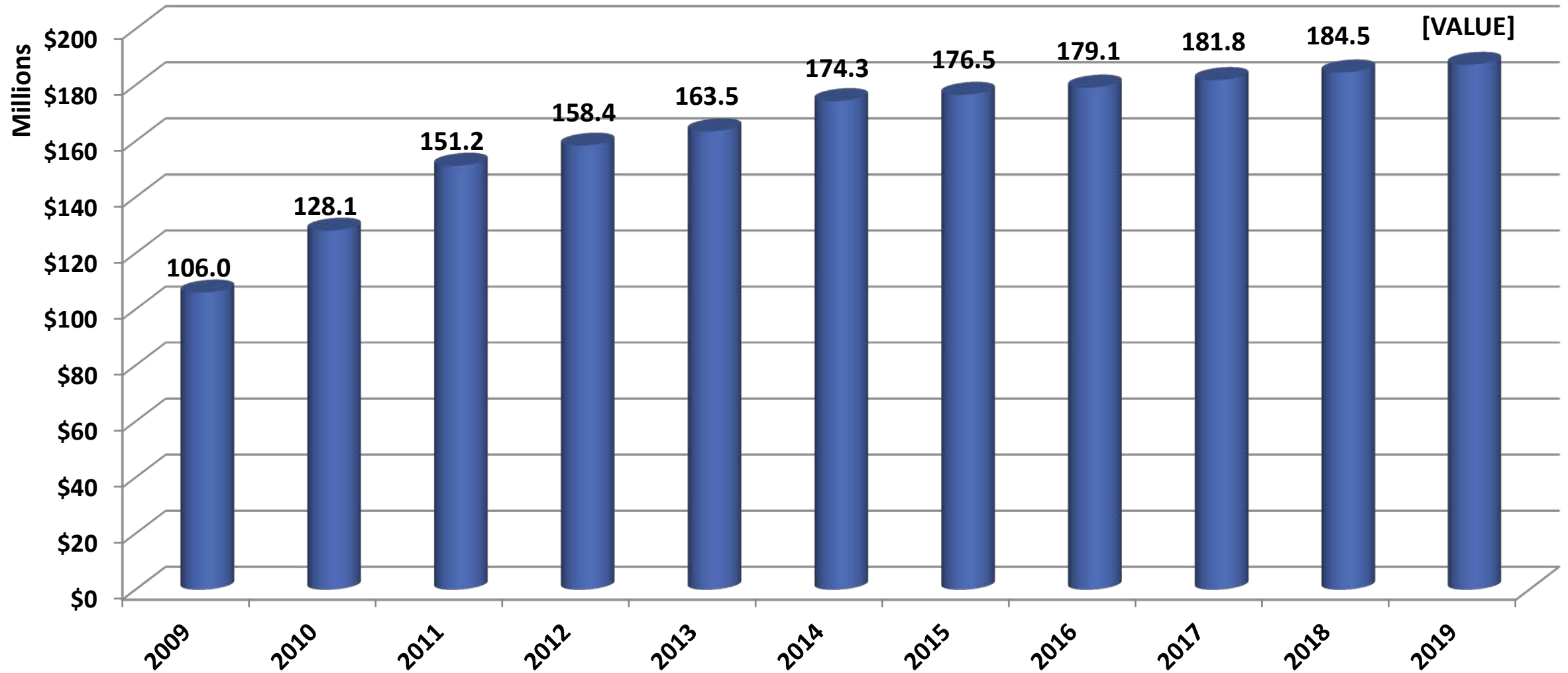
Early Repayment of \$115 Million of COPS, WIFA loans and Bonds

Decreasing Influent Flows

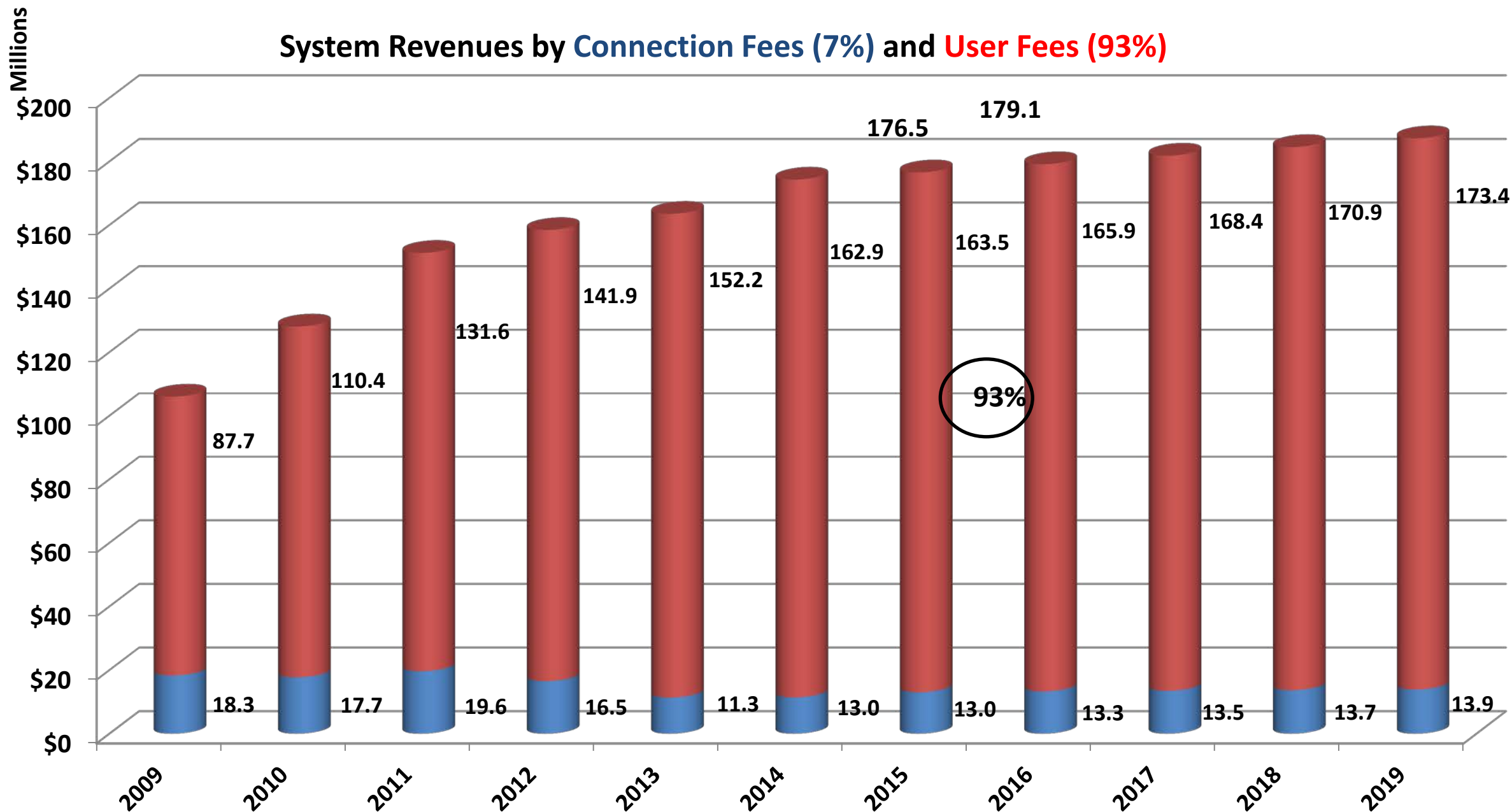
Fiscal Year	Total Influent (in Millions of Gallons)	Annual Percentage Decrease	Cumulative Decrease Since 2009
FY 2008-2009	23,851.95	0.0%	
FY 2009-2010	23,348.57	2.1%	2.1%
FY 2010-2011	22,797.57	2.4%	4.4%
FY 2011-2012	22,701.13	0.4%	4.8%
FY 2012-2013	22,236.45	2.0%	6.8%
FY 2013-2014	21,798.15	2.0%	8.6%

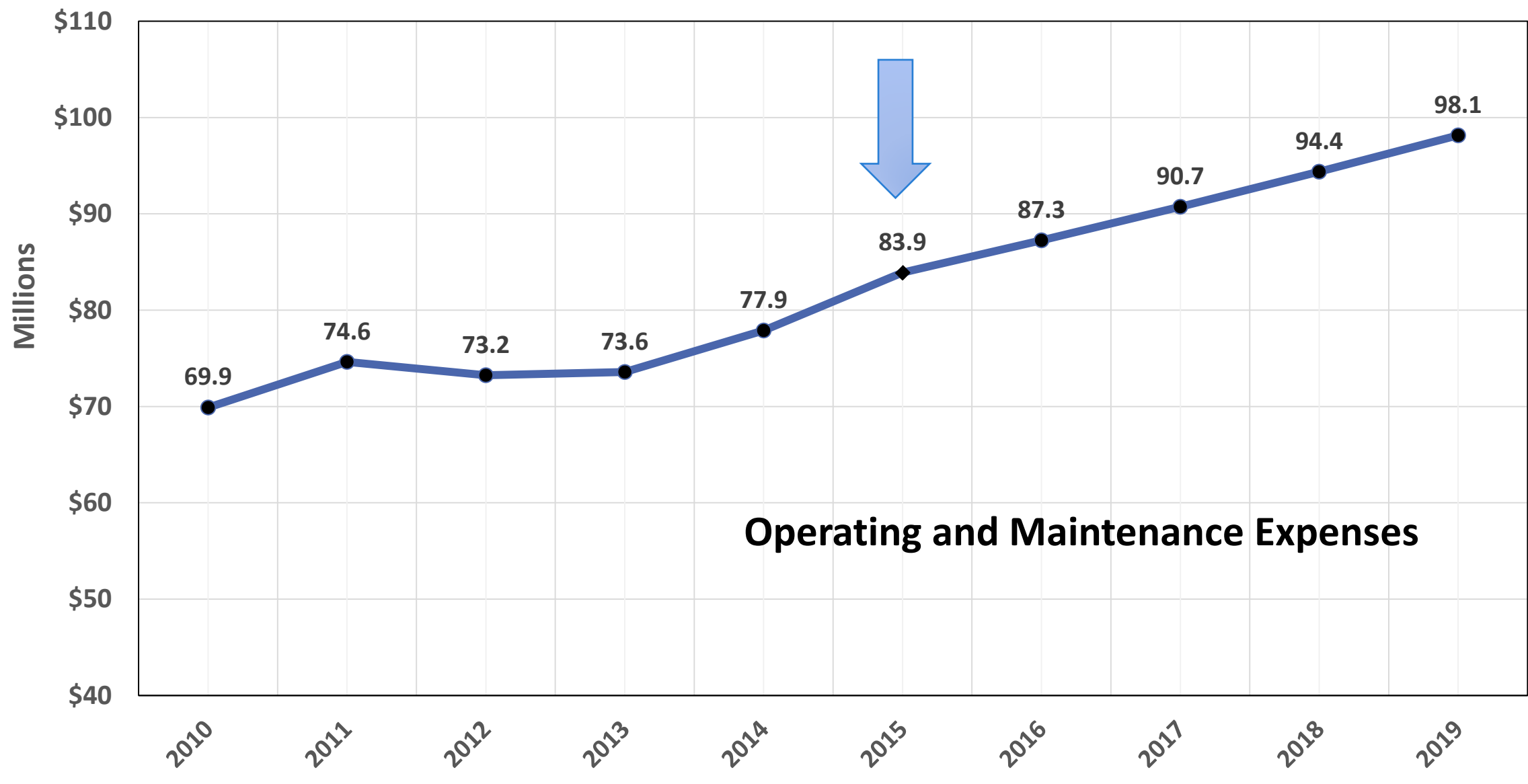
Total System Revenues

— Slow Growth Expected —



System Revenues by **Connection Fees (7%)** and **User Fees (93%)**





Capital Project Costs

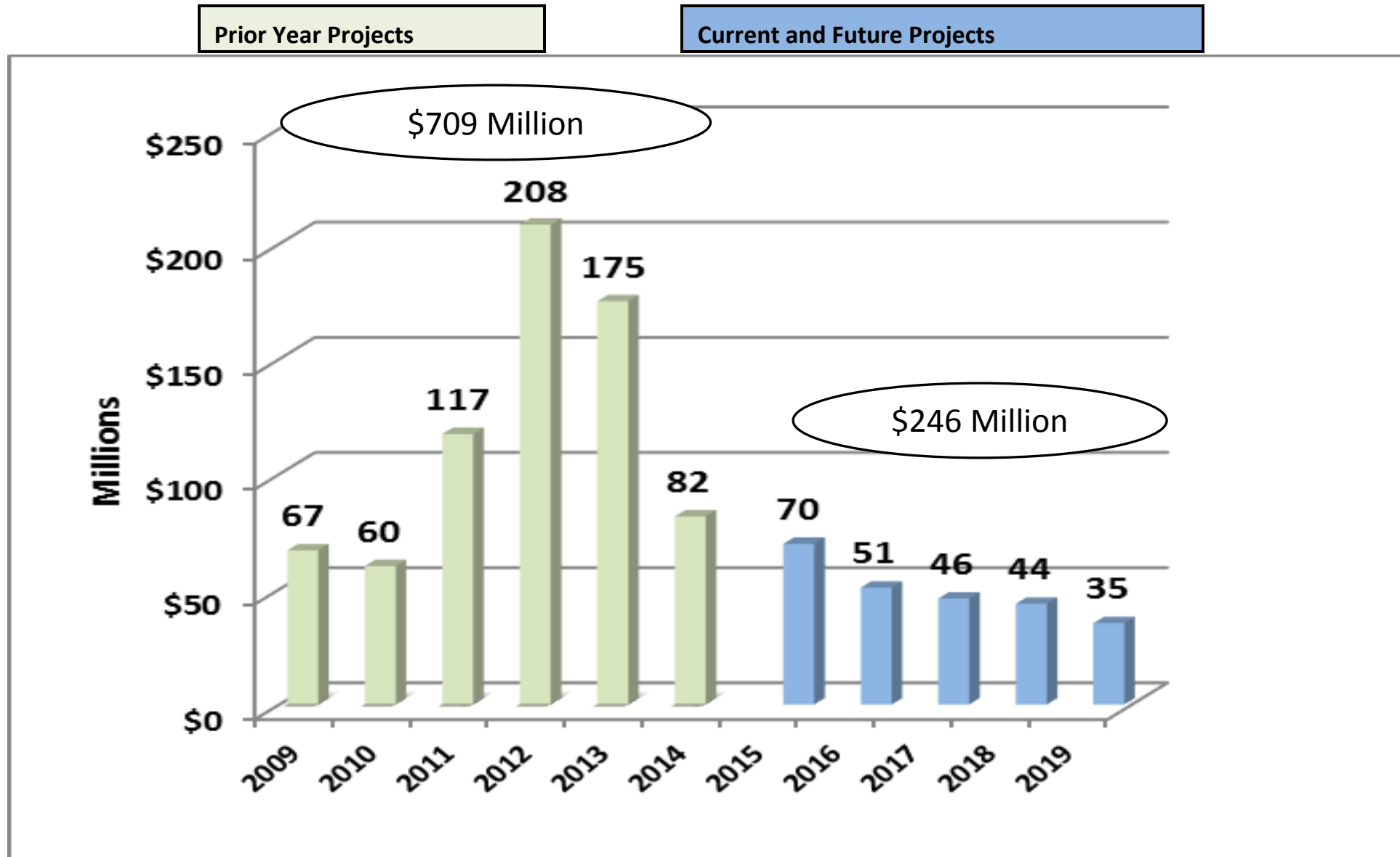
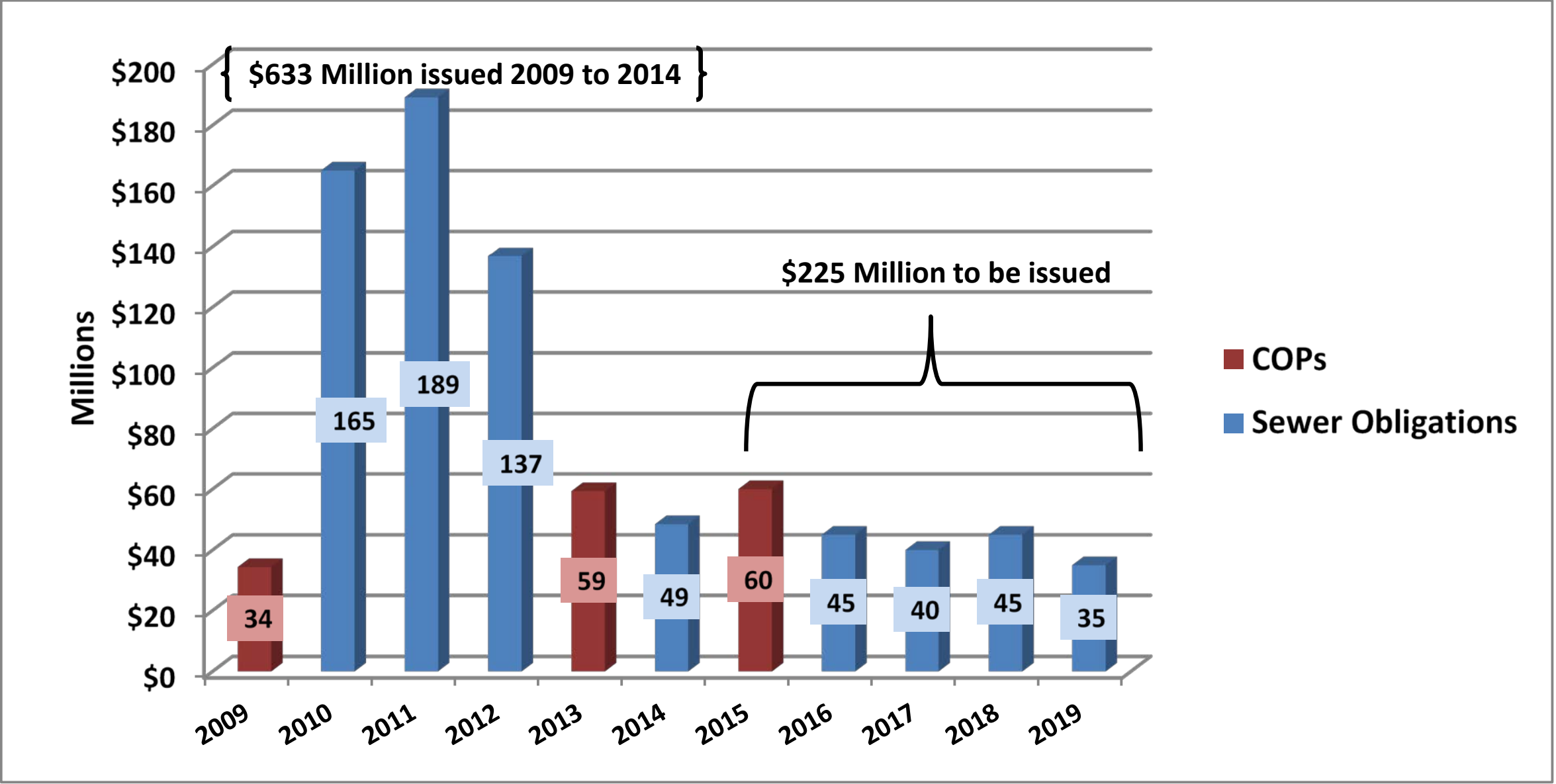
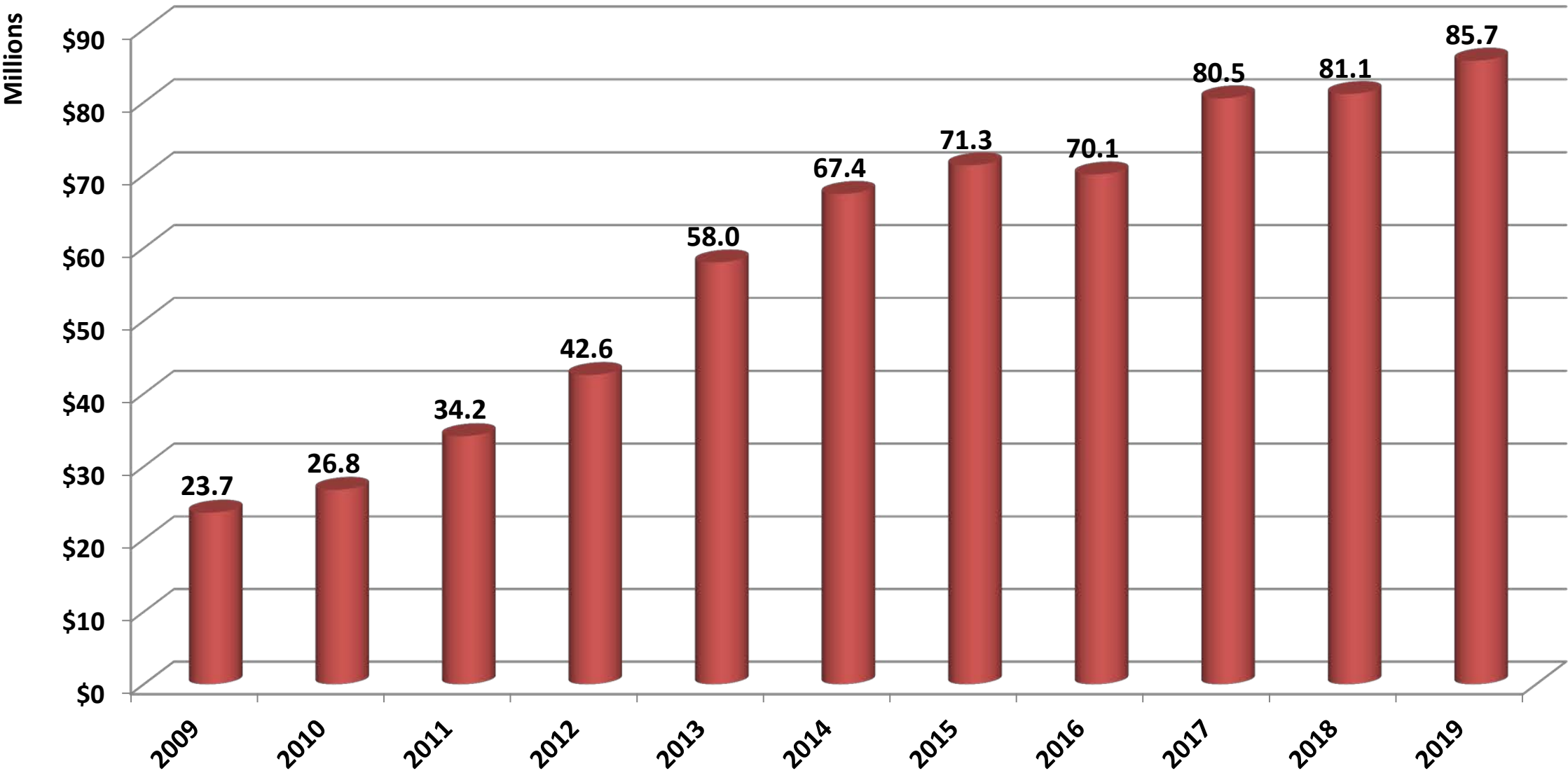


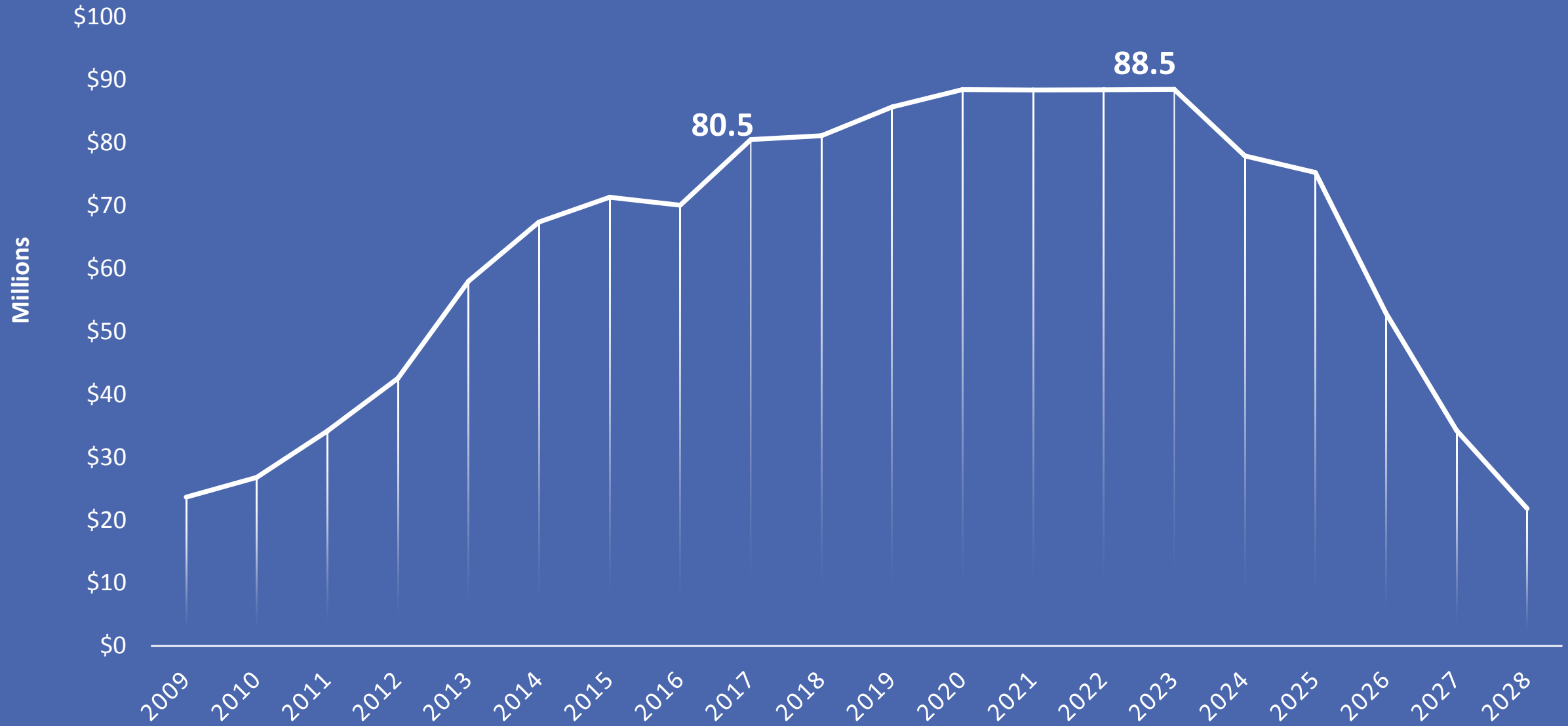
Figure 4 \$225 Million of Additional Debt 2015 Through 2019



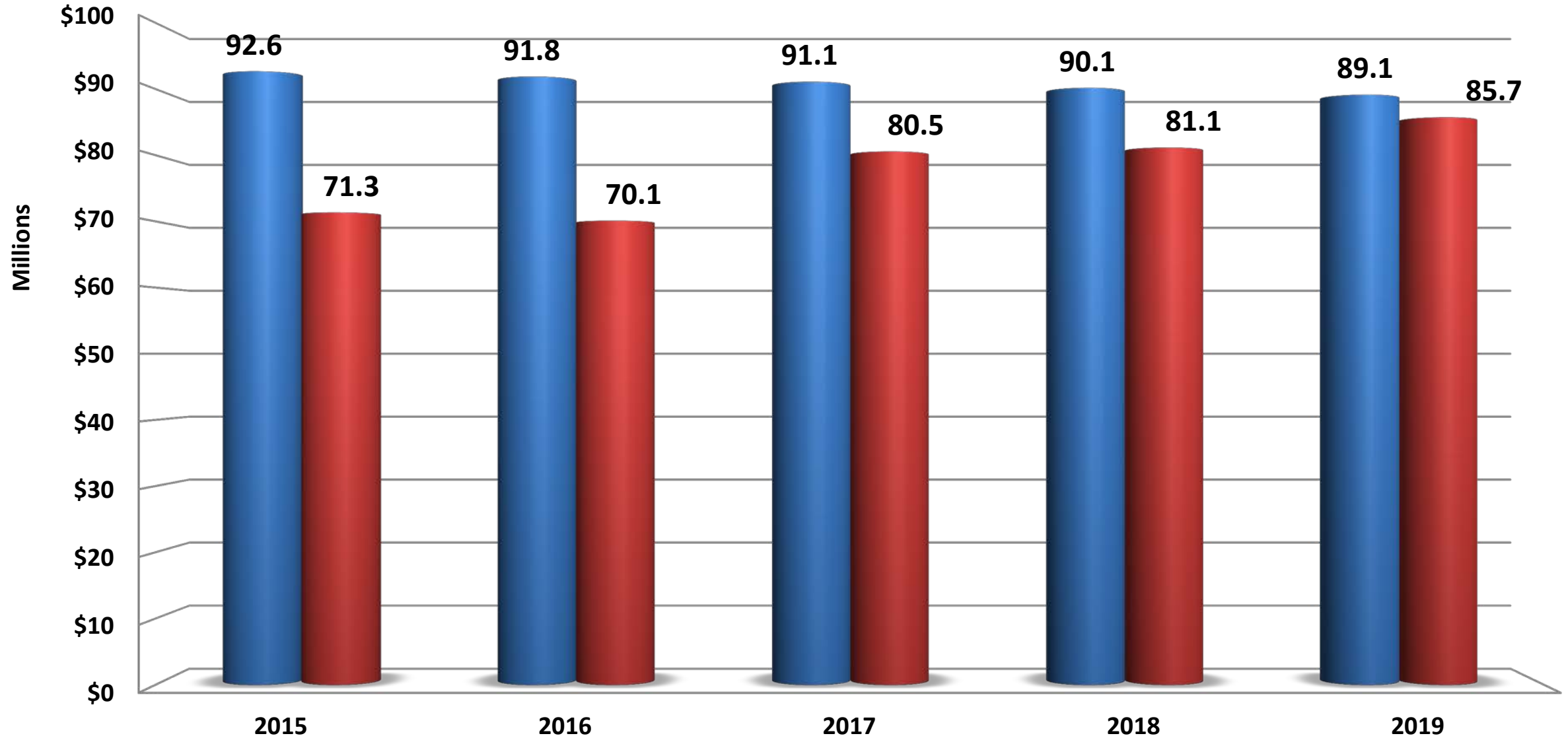
Debt Service Payments



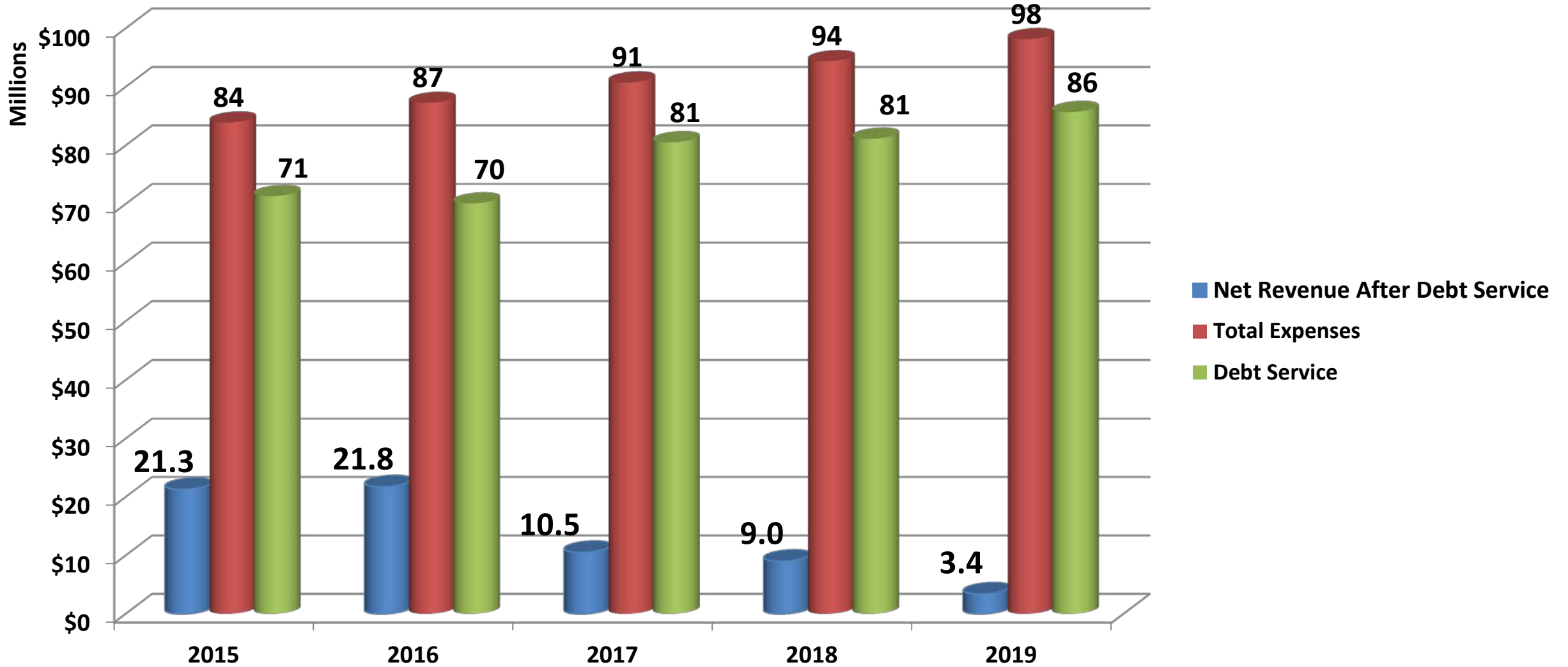
DEBT SERVICE REMAINS ABOVE \$80 MILLION FOR 7 YEARS



Net Revenues available to pay Debt Service



Net Revenues After Paying Debt Service Is Expected To Decline



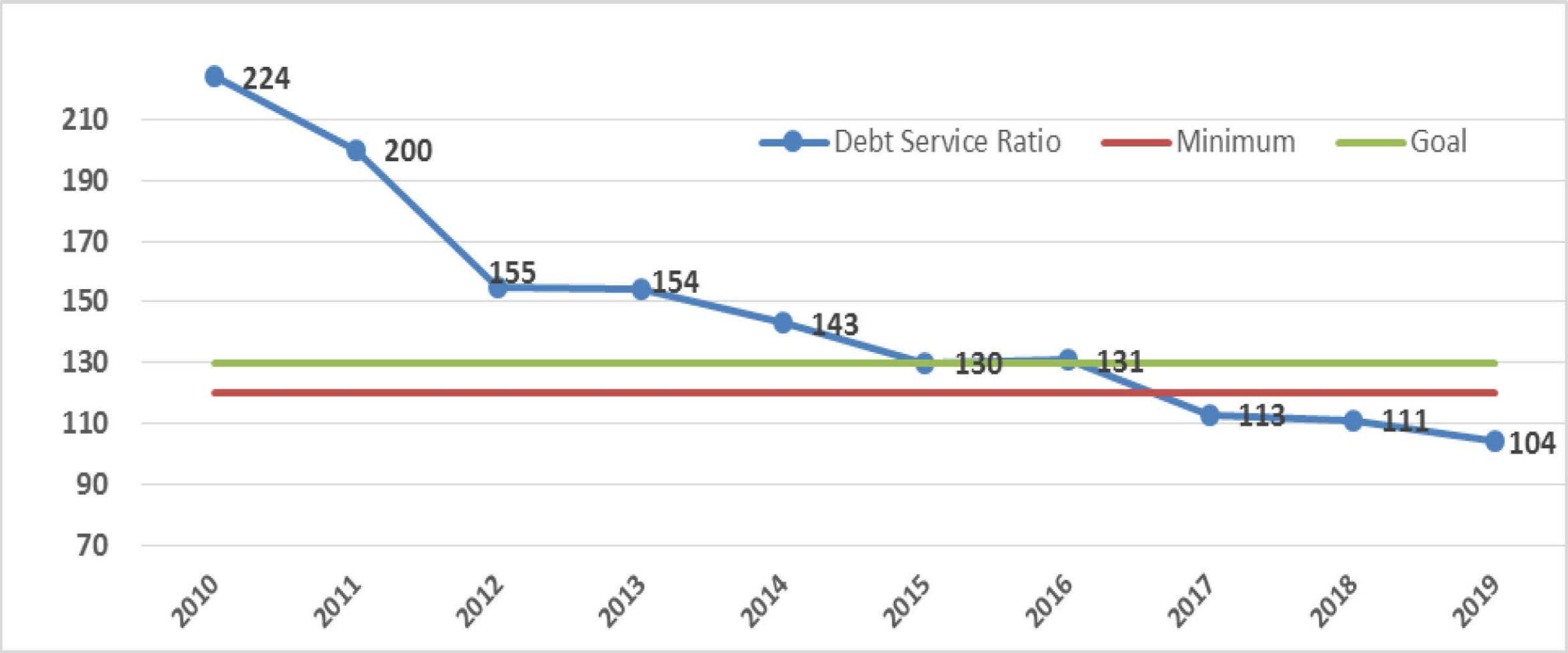
APPENDIX B							
Five Year Financial Projection							
	ASSUMING NO RATE INCREASES						
UA growth estimates	1.010	1.0178	1.01517	1.01566	1.01526	1.01526	
Rate factor	1.00	1.00	1.00	1.00	1.00	1.00	
Actuals							
2013-14	2014-15*	2015-16	2016-17	2017-18	2018-19	2019-20	
119,173,601	120,706,864	122,855,446	124,719,163	126,672,265	128,605,284	130,567,801	
40,606,107	41,095,753	41,827,257	42,461,777	43,126,728	43,784,842	44,452,999	
237,991	310,000	310,000	310,000	310,000	310,000	310,000	
160,017,699	162,112,617	164,992,704	167,490,940	170,108,994	172,700,126	175,330,800	
11,397,156	13,019,091	13,250,831	13,451,846	13,662,502	13,870,992	14,082,663	
2,855,990	1,409,605	858,360	862,002	746,545	690,274	527,622	
174,270,845	176,541,313	179,101,894	181,804,788	184,518,041	187,261,392	189,941,085	
77,893,135	83,897,520	87,253,421	90,743,558	94,373,300	98,148,232	102,074,161	
96,377,710	92,643,793	91,848,474	91,061,230	90,144,741	89,113,160	87,866,924	
66,514,667	71,332,392	68,848,604	74,577,934	70,804,120	70,907,907		
896,511	-	1,237,500	5,954,897	10,323,358	14,792,119		
67,411,178	71,332,392	70,086,104	80,532,831	81,127,478	85,700,026	88,478,789	
1.43	1.30	1.31	1.13	1.11	1.04	0.99	
1.26	1.12	1.12	0.96	0.94	0.88	0.83	
	69,719,367	50,708,495	46,003,344	43,671,414	35,296,100		245,398,720
Sewer Revenue debt		45,000,000	40,000,000	45,000,000	35,000,000		165,000,000
County COPs	60,000,000						60,000,000

Debt Service Ratio:

Ratio between Net Operating Revenues and Debt Service Payments

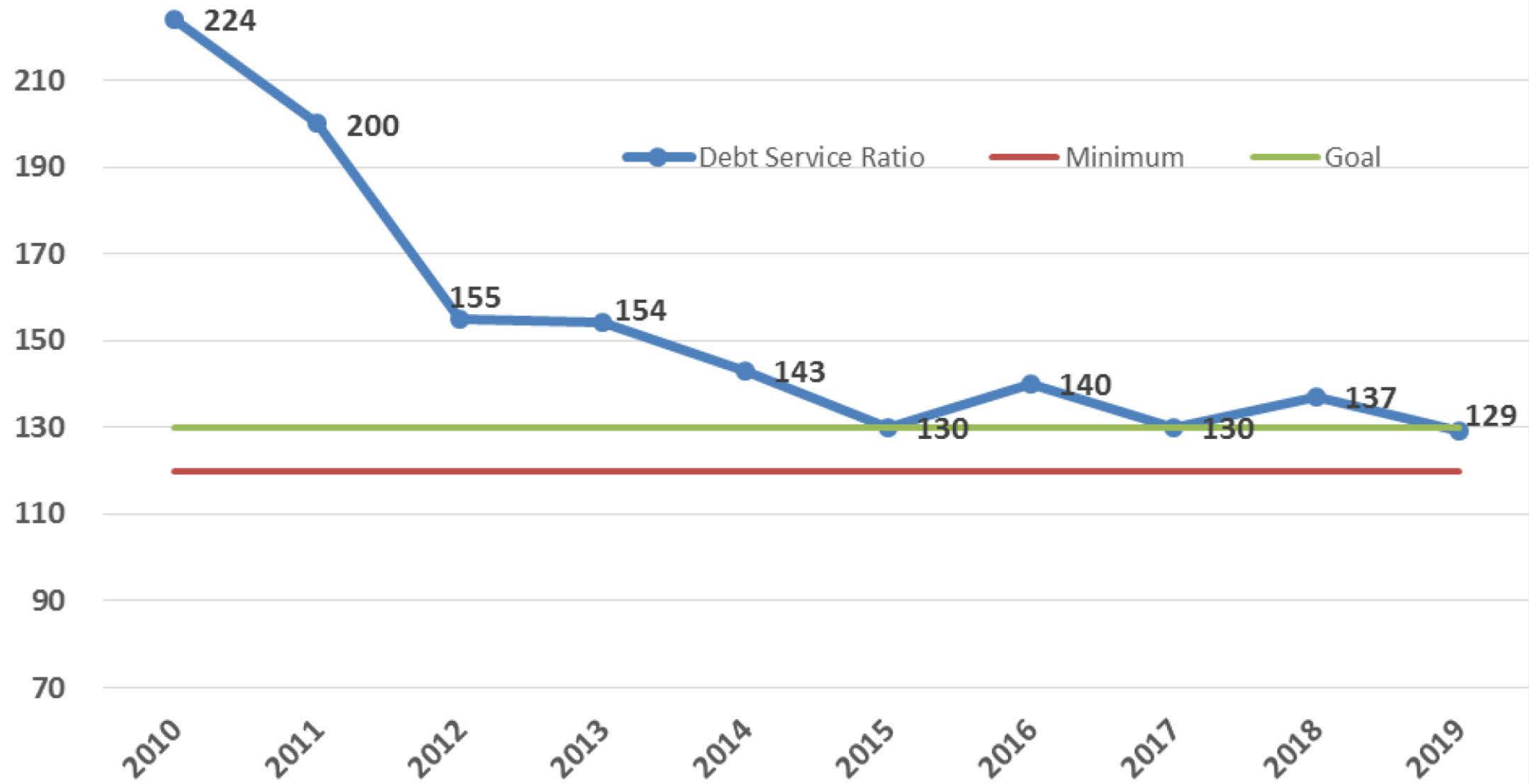
$$\text{Debt Service Ratio} = \frac{\text{Net Operating Revenues}}{\text{Debt Service Payment}}$$

Debt Service Coverage Ratio



APPENDIX D									
Regional Wastewater Reclamation Department Enterprise Fund			ASSUMING THREE 4 % RATE INCREASES						
Five Year Financial Projections									
Fiscal Years 2014 through 2018									
			UA growth estimates	1.010	1.0178	1.01517	1.01566	1.01526	1.01526
			Rate factor	1.000	1.040	1.040	1.040	1.000	1.000
					4%	4%	4%		
			Actuals						
			2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
System Revenues:									
	Volumetric User Fee		119,173,601	120,706,864	127,769,664	134,896,247	142,489,071	144,663,454	146,871,019
	Fixed User Administrative Fee		40,606,107	41,095,753	43,500,348	45,926,658	48,511,704	49,251,993	50,003,578
	Sanitation Fees		237,991	310,000	310,000	310,000	310,000	310,000	310,000
	Total Sewer Utility Service		160,017,699	162,112,617	171,580,012	181,132,905	191,310,775	194,225,447	197,184,597
	Sewer Connection Revenue		11,397,156	13,019,091	13,250,831	13,451,846	13,662,502	13,870,992	14,082,663
	Other Income		2,855,990	1,409,605	858,360	862,002	746,545	690,274	527,622
Total Revenues			174,270,845	176,541,313	185,689,203	195,446,753	205,719,822	208,786,713	211,794,882
Operations and Maintenance Costs Based on 2015 Projections			77,893,135	83,897,520	87,253,421	90,743,558	94,373,300	98,148,232	102,074,161
Net Revenues			96,377,710	92,643,793	98,435,782	104,703,195	111,346,522	110,638,481	109,720,721
Total Existing Debt Service Payments			66,514,667	71,332,392	68,848,604	74,577,934	70,804,120	70,907,907	
	Proposed Debt Service		896,511	-	1,237,500	5,954,897	10,323,358	14,792,119	
Total Debt Service Payments			67,411,178	71,332,392	70,086,104	80,532,831	81,127,478	85,700,026	88,478,789
Debt Service Coverage - Bond Rating Agency			1.43	1.30	1.40	1.30	1.37	1.29	1.24
Debt Service Coverage - excluding non-recurring revenue			1.26	1.12	1.22	1.13	1.20	1.13	1.08
	CIP Projections used as of December 5, 2014			69,719,367	50,708,495	46,003,344	43,671,414	35,296,100	- 245,398,720
	Planned Debt issues	Sewer Revenue debt			45,000,000	40,000,000	45,000,000	35,000,000	- 165,000,000
		County COPs		60,000,000					60,000,000

Figure 9: Debt Service Ratios With 4 Percent Rate Increases



**Summary of Rate Increases and Their Impact
Fiscal Years 2004 Through 2015, and
Proposed for Fiscal Years 2016 through 2018**

Fiscal Year	Percent Rate Increase	Dollar Impact on Average 8cccf Bill	
2004	0	0.00	
2005	4	0.56	
2006	8	1.16	
2007	12	1.89	
2008	15	2.64	
2009	22	5.14	
2010	26	3.68	
2011	10	2.57	
2012	10	2.80	
2013	10	3.04	
2014	10	3.33	
2015	0	0.00	
2016	4	1.63	Proposed
2017	4	1.70	
2018	4	1.77	
2019	0	0.00	

Recommendations:

- 1. \$60 million of COPs in the current fiscal year.**
- 2. The issuance of \$165 million of new sewer revenue obligations in the upcoming years as follows:**
 - a. \$45 million in Fiscal Year 2015-16,**
 - b. \$40 million in Fiscal Year 2016-17**
 - c. \$45 million in Fiscal Year 2017-18, and**
 - d. \$35 million in Fiscal Year 2018-19.**
- 3. Early repayment of \$38 million of WIFA Loans and sewer revenue bonds in Fiscal Year 2016-17.**
- 4. Adopt a series of three automatic annual rate increases of 4 percent beginning July 1, 2015.**