

State of Utah, Executive Water Finance Board  
Fitch Ratings Presentation

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**Fitch**Ratings

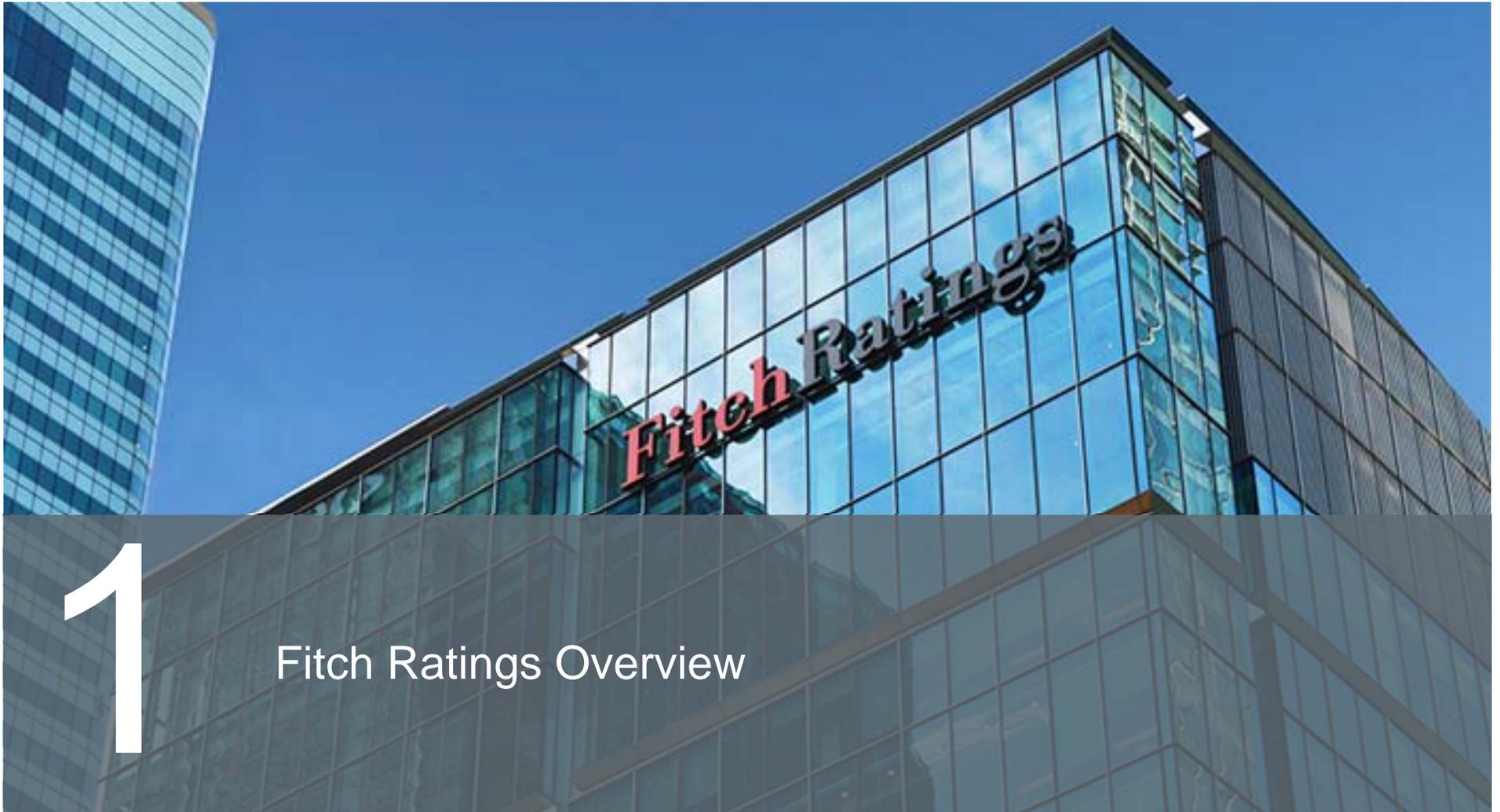
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## Fitch Ratings Overview



## Revenue Defensibility

- Charges and Rate Affordability
- Service Area Characteristics
- Customer Growth and Concentration

## Operating Risks

- Capacity, Compliance
- Capital Demands, Debt Burden

## Financial Profile

- Coverage and Financial Performance
- Cash and Balance Sheet Considerations

## Asymmetric Risk Considerations

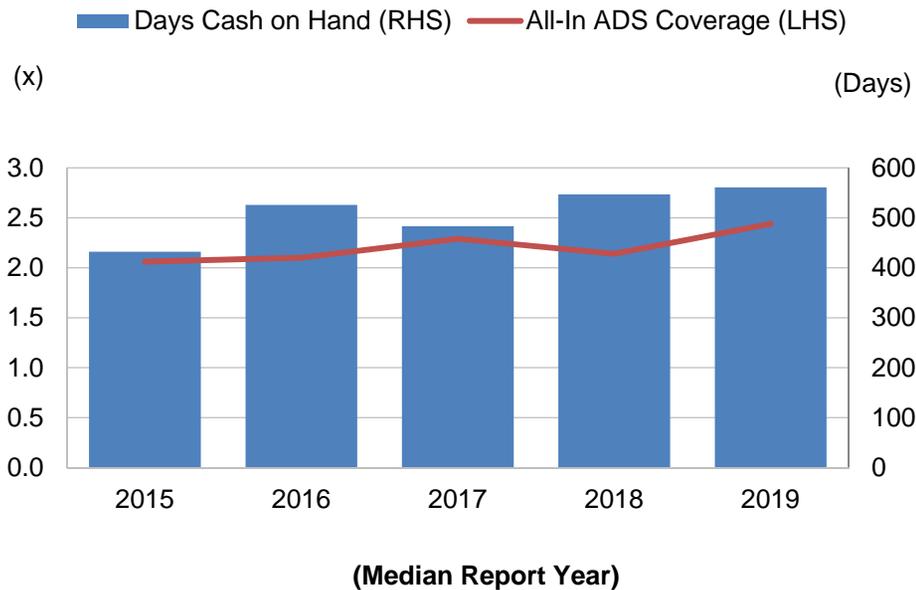
- Contingent Obligations, Covenants, Leadership



## Sustained Financial Cushion

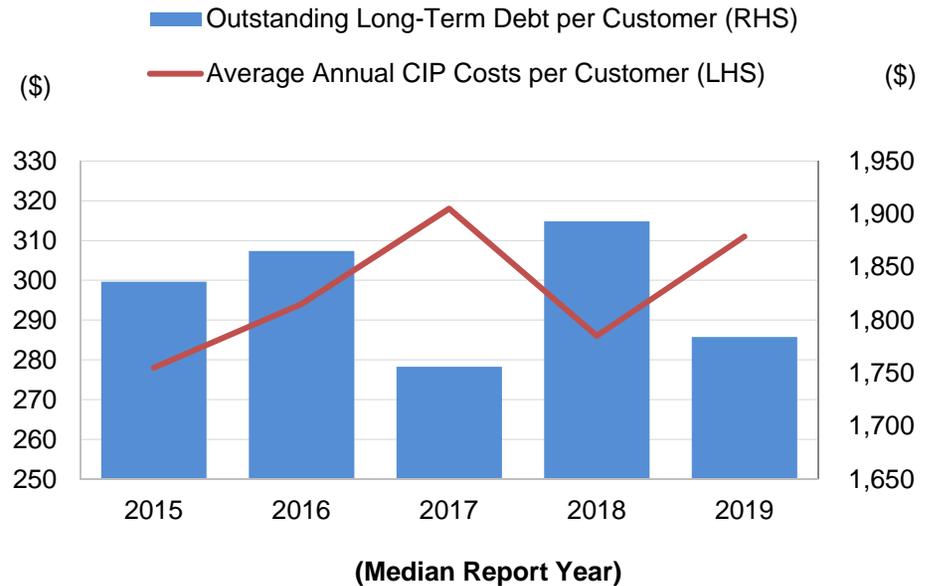
## Leverage Profiles Steady; Capital Spending Flat

### Debt Service Coverage and Liquidity Medians



ADS – Annual debt service.  
Source: Fitch Ratings.

### Capital Spending and Debt Medians



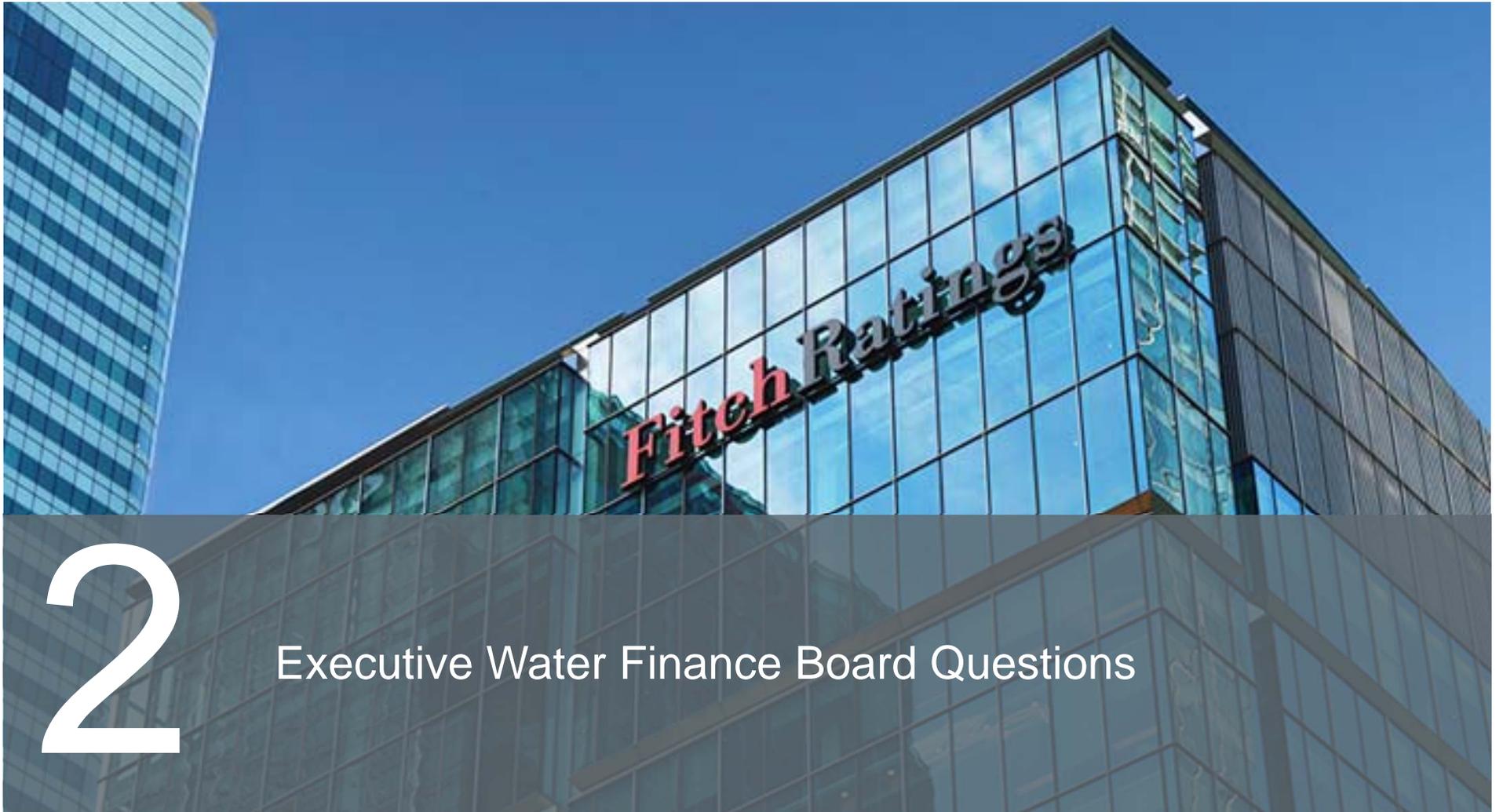
CIP – Capital improvement program.  
Source: Fitch Ratings.



[2019 Outlook: Water and Sewer Sector \(December 2018\)](#)

[2019 Water and Sewer Medians \(November 2018\)](#)

[Exposure Draft: U.S. Water and Sewer Rating Criteria \(May 2019\)](#)



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## Executive Water Finance Board Questions

# Financing Large Water Projects



State obligations paid by taxpayers (i.e. GO bonds)

SRF Loans

Revenue Bonds

Joint Powers Agencies (JPAs)

- Examples – Delta Conveyance Design and Construction Authority (CA) created to finance/construct the California Water Fix. Sites Reservoir JPA (CA) formed to advocate for water storage in the Sacramento Valley.

WIFIA Loans

- Example – Tualatin Valley Water District (TVWD; OR) and City of Hillsboro (OR) jointly applied for a loan for the Willamette Water Supply System. TVWD loan closed.

Fitch's approach to credit analysis does not change based on financing method



Fitch evaluates coverage of full obligations with and without impact fees

Fitch discounts cash flow stream from impact fees based on historical volatility and expected future volatility

Examples of areas with high impact fees as a proportion of total revenues

- Central Utah Water Conservancy District: Impact fees account for about 25% of total revenues. All-in DSC is 2.1x, or 1.5x less impact fees.
- Eastern Municipal Water District, CA (Riverside County): Impact fees account for about 14% of total revenues. All-in DSC was 2.6x in fiscal 2017, or 1.6x less connection fees. During the Great Recession, the pace of home construction decreased sharply, but the district continued to see some growth and very strong reserves mitigate concerns about revenue volatility.



Property taxes can be a significant component of a water agency's revenue base

Fitch evaluates tax revenue volatility consistent with its “U.S. Public Finance Tax-Supported Rating Criteria”

- Assess the sensitivity of the dedicated revenue stream to cyclical decline

# Utah property tax is generally not subject to typical volatility



## California

- Share of 1% county-wide property tax allocated on basis of a formula established by Proposition 13 (1978)
- Unlimited ad valorem assessments to pay for the debt service on any GO bond approved by 2/3rds of voters

## Utah

- Water districts are permitted a max. allowable levy of \$0.0004 per dollar of taxable assessed value
- Another \$0.0001 if revenues from taxes and assessments are insufficient to pay debt obligations
- Adjusted annually under state law and Truth in Taxation in order to hold revenues stable
- Examples:
  - Central Utah Water Conservancy District receives approx. 50% of revenues from property taxes.
  - Jordan Valley Water Conservancy approx. 25% of revenues from property taxes.



## Overview

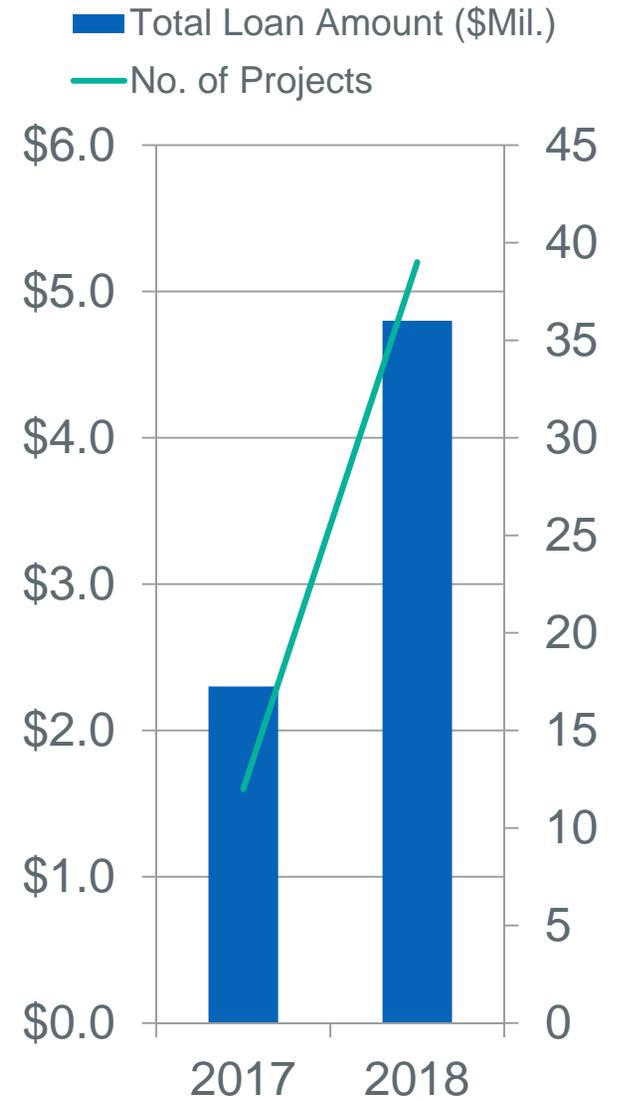
- Established in 2014
- Subsidized financing for large dollar-value water and wastewater projects
- Administered by the USEPA
- Meant to complement SRF programs
- Min. project size
  - large communities: \$20 Mil.
  - small communities: \$5 Mil.

# WIFIA Estimated Loan Amounts Increase



	2017	2018	2019
Credit Subsidy (\$)	\$25	\$55	\$60
Est. Potential Loans (\$)	\$2,300	\$4,800	\$6,000
Closed to Date (\$)	\$2,002	\$606	N/A
No. of Projects Selected to Apply	12	39	N/A

**Fitch Special Report: WIFIA — Increased Investment in Year Two; Appropriations Escalate for Critical Infrastructure Needs (May 2019)**



# Closed WIFIA Loans



## WIFIA Funded Projects (as of 8/2/2019)

Issuer	WIFIA Loan Amount	Total Project Cost	Loan Closed	Fitch Rating
King County (WA)	\$134.5	\$275.0	4/20/2018	n/a
City of Omaha (NE)	\$69.7	\$142.2	6/20/2018	n/a
Orange County Water District (CA)	\$135.0	\$282.0	7/26/2018	AAA
San Francisco Public Utilities Commission (CA)	\$699.0	\$1,400.0	7/27/2018	n/a
City of San Diego (CA)	\$614.0	\$1,400.0	11/14/2018	AA-
Metropolitan St. Louis Sewer District (MO)	\$47.7	\$97.0	12/19/2018	AA+
Baltimore City Department of Public Works (MD)	\$202.0	\$942.0	12/20/2018	N.A
Miami-Dade County (FL)	\$99.7	\$203.5	3/22/2019	n/a <sup>1</sup>
Silicon Valley Clean Water (CA)	\$218	\$517	7/11/2019	n/a <sup>2</sup>
Tualatin Valley Water District (OR)	\$387.8	\$1,300	8/2/2019	AA+
<b>TOTAL</b>	<b>\$2,607.4</b>	<b>\$6,558.7</b>		

<sup>1</sup>Fitch rates Issuer's revenue bonds 'A+'.

<sup>2</sup>Fitch rates Issuer's wastewater revenue bonds 'A+'.

N.A. – Not applicable.

Source: Fitch Ratings and WIFIA Program, USEPA.

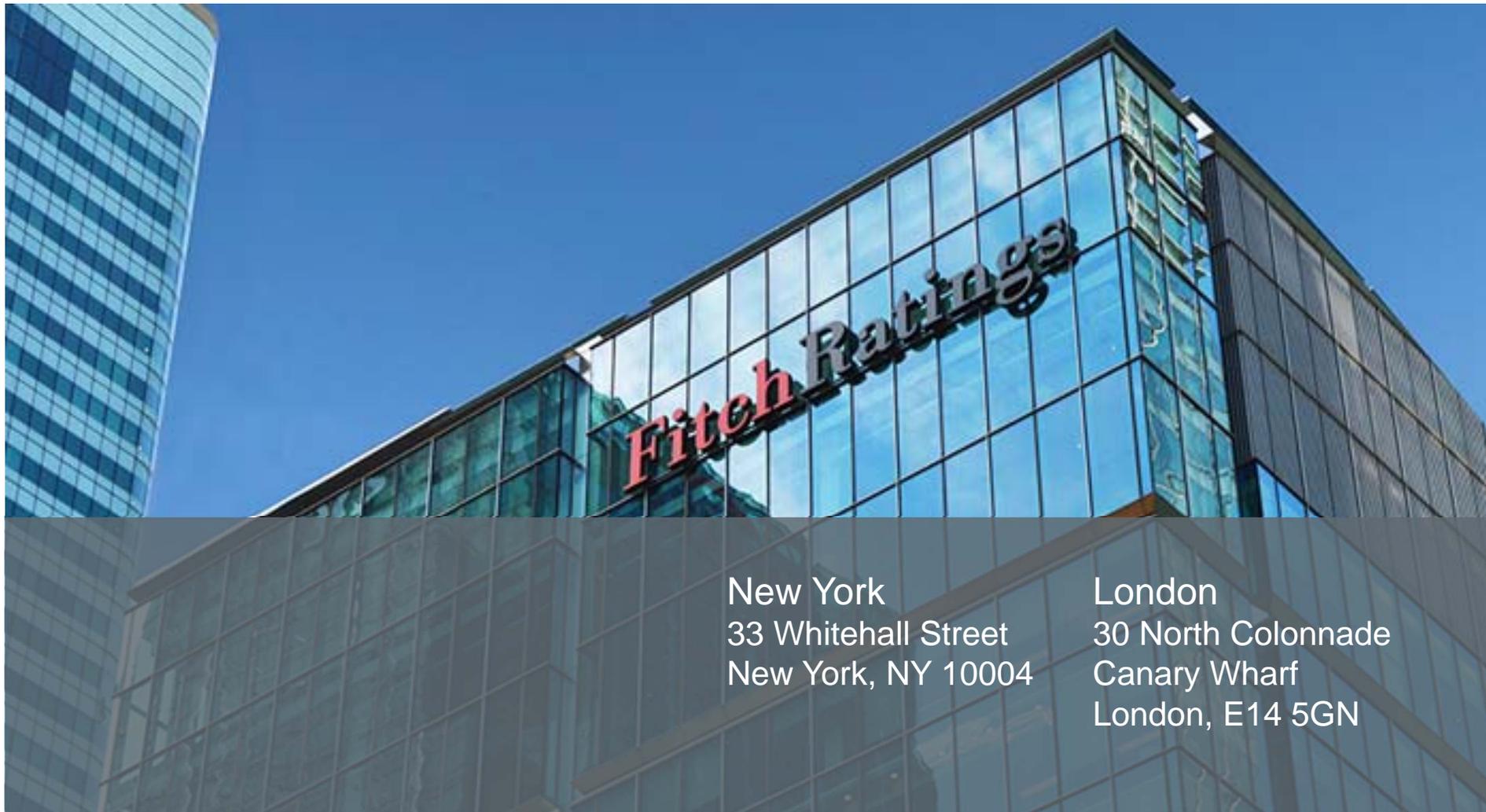
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