



NEWS CONFERENCE



WATER UTILITY FINANCING

MARCH 11, 2010

HISTORY OF ASR PROJECT

PROJECT GOALS

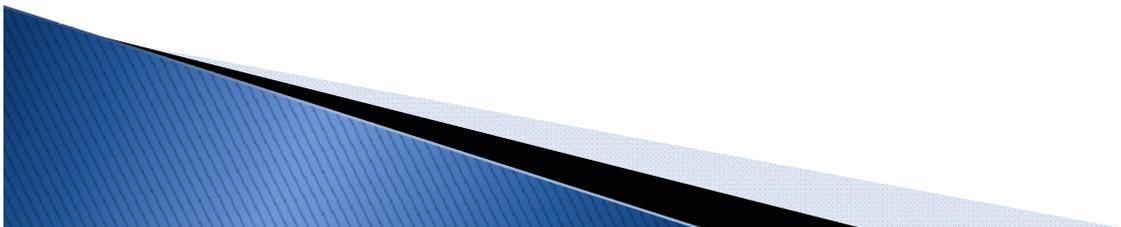
- Future water supply through 2050
- Reduces migration of contaminants into the water supply



HISTORY OF ASR PROJECT

PROJECT CHANGES

- Initial project was planned for 100 million gallons per day (MGD), implemented in four phases
- Phase I diverts 10 MGD into the aquifer
- Phase II diverts 30 MGD at a cost of \$250 million



CURRENT CONDITIONS

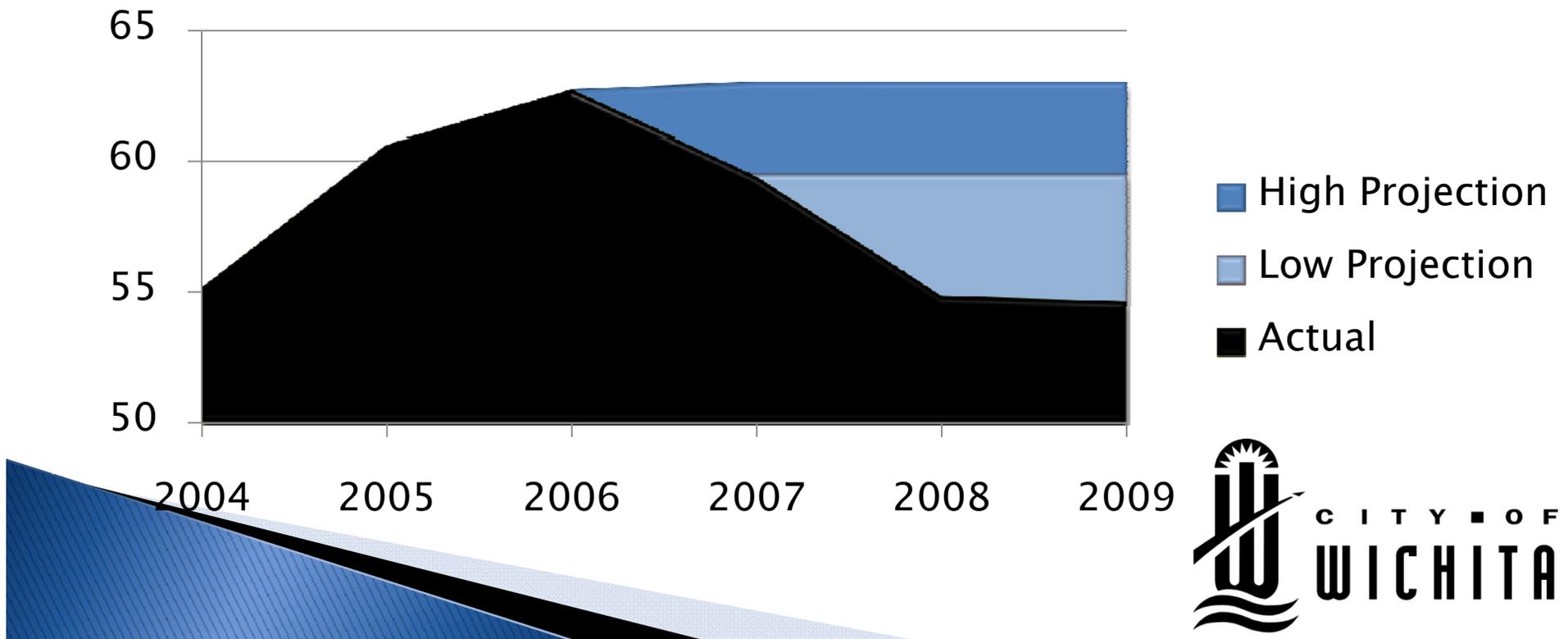
- 1) \$2 surcharge approved in August 2009 and a 5% increase effective January 1, 2010
- 2) Operational and capital expenses cut
- 3) Water Utility continues to experience financial difficulty



SOURCES OF THE ADVERSE CONDITIONS

1) DECLINE IN DAILY CONSUMPTION

- Projections: 59.5 MGD – 63.0 MGD
- Actual: 54.8 MGD in 2008/54.6 MGD in 2009
- Decrease of 12.9% since 2006



SOURCES OF THE ADVERSE CONDITIONS

2) FLAWED FINANCIAL PROJECTIONS

- Principal and interest payments too low
- For first 10 years, annual additional principal and interest is needed to meet standard requirements

3) SEWER MAIN EXPANSION PROGRAM

- Utility has cash funded oversized utility lines
- Average annual cost was \$2 million – last two years totaled \$20 million

4) COMPLIANCE ISSUES

- Debt service coverage ratio projected to go below 1.2
- Cannot issue additional bonds without new revenue



NEEDS

MUST ISSUE 2010 DEBT

- Need to issue a total of \$103 million
- Would not complete ASR Phase II

Minimum Additional Debt	
Current Projects	\$44,000,000
ASR Contracts	\$59,000,000
TOTAL	\$103,000,000



CONCLUSIONS & RECOMMENDATIONS

- Seek approval of 15% rate increase in June
- Initiate third-party review of ASR and financing
- Change in Water Utility management
- Increase oversight by the Finance Dept
- Adopt Charter Ordinance
- Issue debt, dependent on ASR review



WATER UTILITY FINANCING

QUESTIONS



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