

# Vista Ridge Interest Rate Lock

**Robert R. Puente**

President/Chief Executive Officer

May 3, 2016

Board Meeting



# Contract Protecting Customers

## Myths, Challenges, and Protections

- Too Risky
- Draining the Carrizo Aquifer
- Abengoa Financially Unstable
- Too Expensive

# Contract Protecting Customers

## Myths, Challenges, and Protections

### TOO RISKY

- SAWS only pays for water made available
- Termination of rights (Convenience or Default)
- Financial close by May 2017

# Contract Protecting Customers

## Myths, Challenges, and Protections

### DRAINING THE CARRIZO AQUIFER

- Water managed by local Post Oak Savannah GCD residents
- Allows for local growth
- Allows for alternate water projects

# Contract Protecting Customers

## Myths, Challenges, and Protections

### ABENGOA FINANCIALLY UNSTABLE

- Garney Construction in the WTPA as Project Construction Firm
- SAWS absolute discretion for consent to Change of Control

# Contract Protecting Customers

## Myths, Challenges, and Protections

### TOO EXPENSIVE

- 30 year Fixed Price
- Financial close by May 2017
- Recovery of SAWS' expenses for the Change of Control
- Interest Rate Lock

# Interest Rate Lock Sets New Lower Price

- WTPA allows May 2016 interest rate lock
  - *7 business day notice*
- Interest rates at historic lows
- Current interest rates allow project cost reduction by approx. ~\$15 Million per year
- Interest rate risks shift to Project Company

# The Index Off Which Rate is Established is 6 Basis Points Off All-Time Lows

20-Year (Approximate Average Life) BAA MMD Rate Position (July 20, 1993 Inception to April 28, 2016)



# Rate Movements Impact Price

Annual Cost of Water ~ \$10 M Less than Contract Price

Date/Contractual	Determined Rate	Capital & Raw Groundwater Unit Price	Annual Cost for 50,000 AF
Maximum	6.04%	\$1,959	\$97,950,000
Contract	5.54%	\$1,852	\$92,600,000
2/18/2015	4.55%	\$1,695	\$84,750,000
7/22/2015	4.97%	\$1,760	\$88,000,000
2/19/2016	4.45%	\$1,680	\$84,000,000
3/7/2016	4.59%	\$1,702	\$85,100,000
4/28/2016	4.23%	\$1,645	\$82,250,000

Over 30 years, the cumulative savings that could be realized is more than \$300 M from the original projection and more than \$450 M from the maximum price.

# Staff Recommendation

- Staff to provide 7 business days notice to Project Company and Establish final Benchmark Rate for Project in accordance with WTPA
  - Fix price for 30 years

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