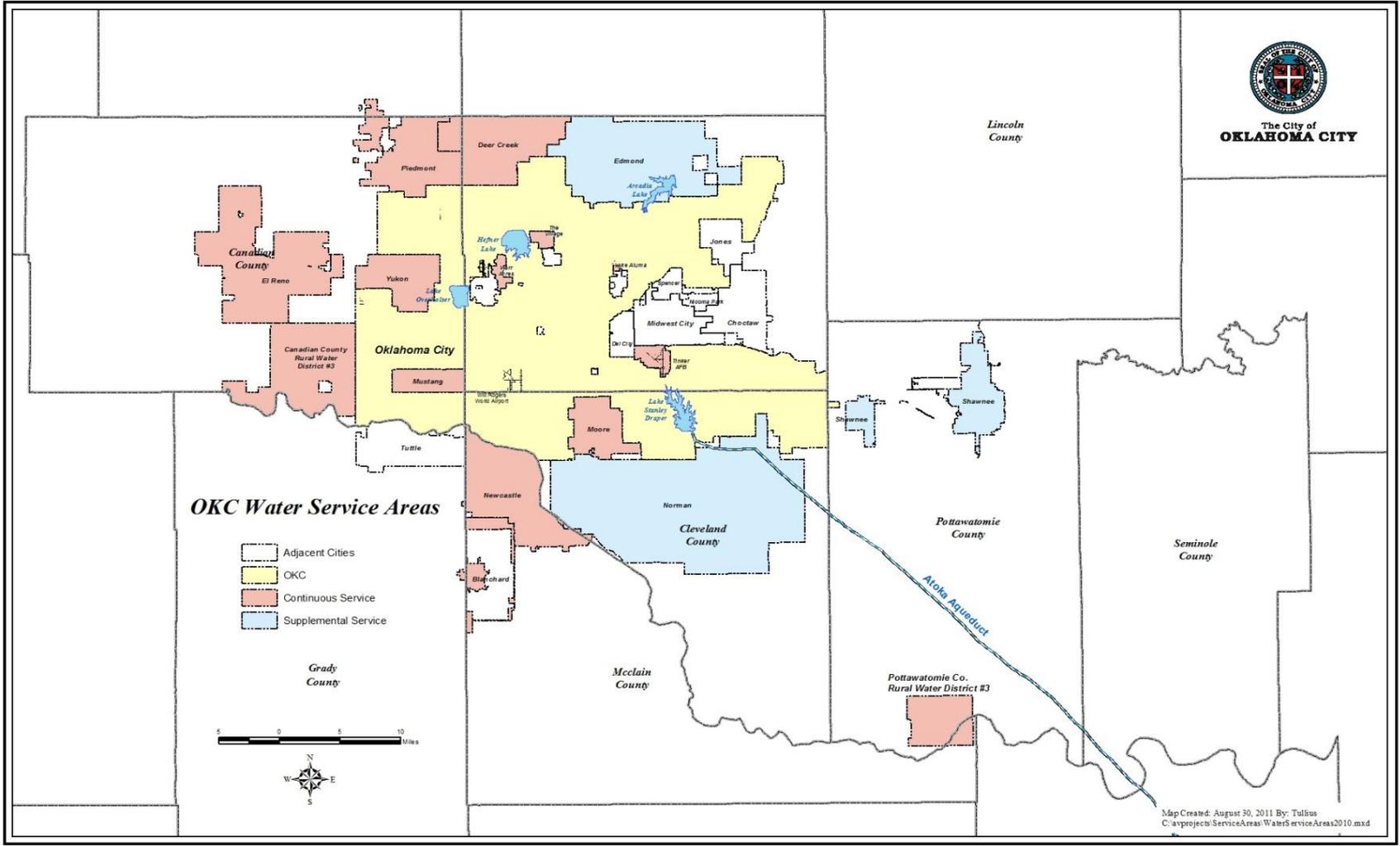


WHY COMMUNITY BUY-IN AND INNOVATIVE FINANCING MECHANISMS ARE IMPORTANT FOR A 100 MILE PIPELINE PROJECT

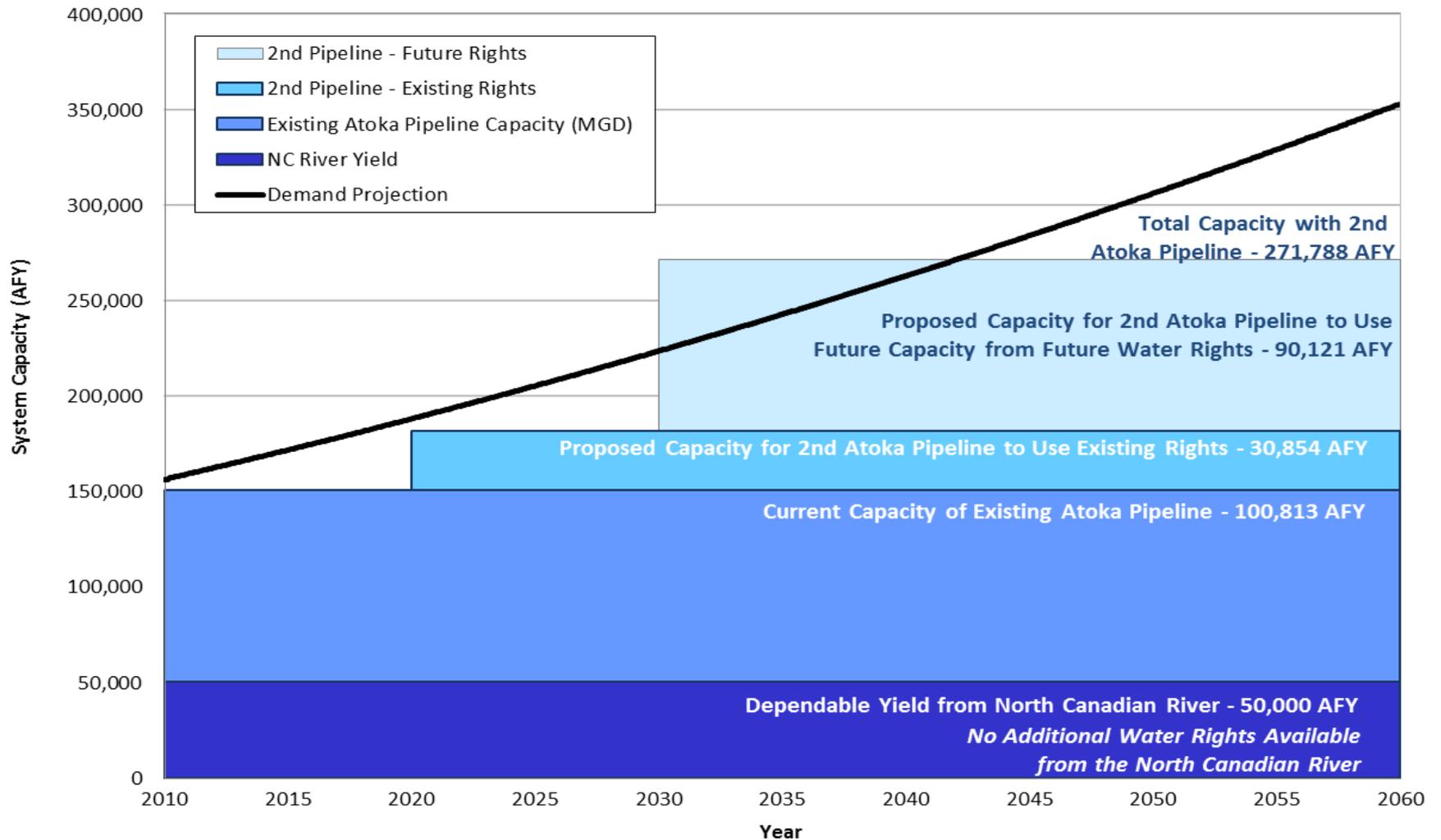
Financing Resilient and Sustainable Water Infrastructure
September 10-11, 2015



Water Service Area

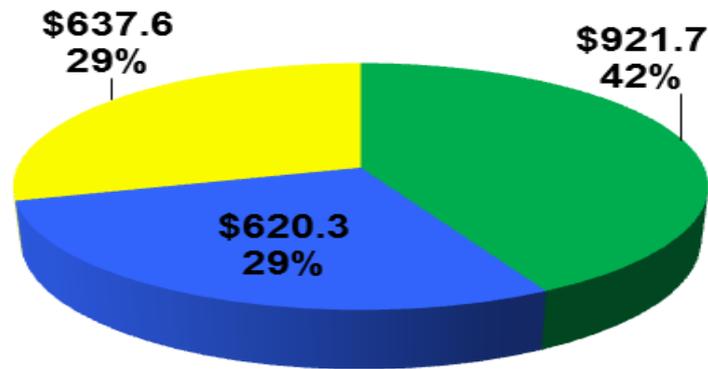


Large Raw Water Supply Project

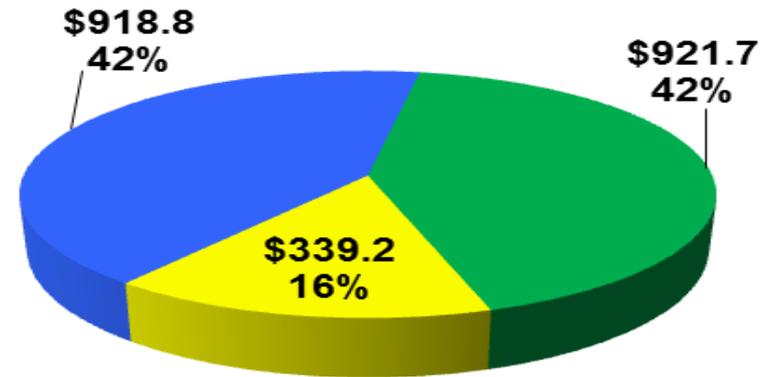


Capital Program Requirements

10-Year Capital Improvement Plan FY2015 – FY2024



■ Raw Water ■ Drinking Water ■ Wastewater



■ Raw Water ■ Other Growth ■ Non Growth

CIP is based on estimates of demand and cost escalations over 10 years and is subject to change in later years.

OKC Financial Challenge

- \$2.3 billion CIP next 10 years
- Forecast 10%/yr revenue need next 10 yrs
- Generating approx. \$220 mil/yr revenues
- Debt \$450 mil/ debt service \$40 mil/yr
- Forecasted new debt \$1.5 bil next 10 yrs
- Customer growth throughout service area
- Project timing fixed
- How are we going to finance this CIP?

Measuring Community Satisfaction

- Must get community buy-in
- Citizen surveys
- Focus groups
- Customer feedback
- Employee service “applied energies”
- Calls to Council/City Manager
- Citizen generated media inquiries
- Rate hearing customer objections
- Support from large/wholesale customers

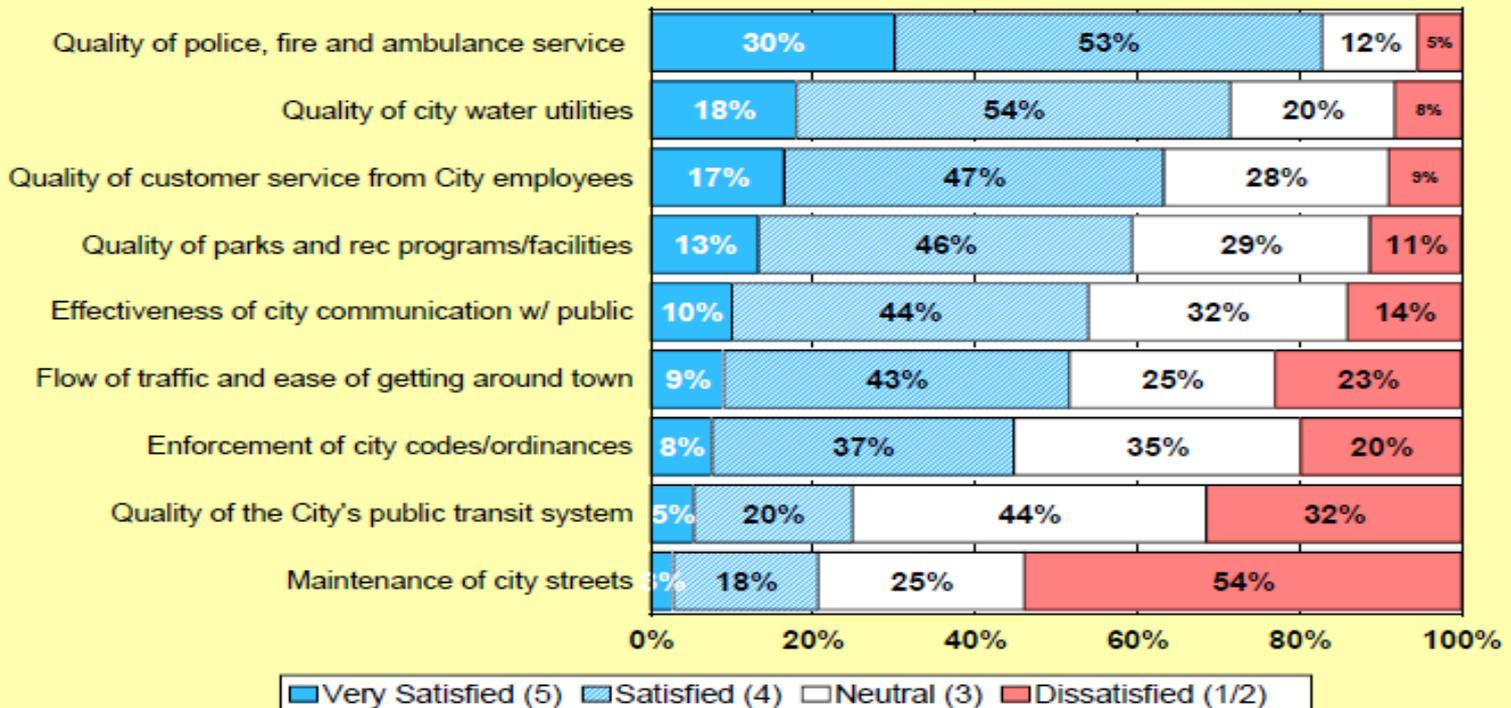
Surveys/Focus Groups

- Citizen surveys since 2005
- Customer Focus groups since 2010
- Overwhelmingly positive responses
- Test ideas, tailor programs
- Better meet customer needs
- Solve our problems in ways customers support

Example from 2005

Q1. Overall Satisfaction With City Services by Major Category

by percentage of respondents who rated the item as a 1 to 5 on a 5-point scale (excluding don't knows)

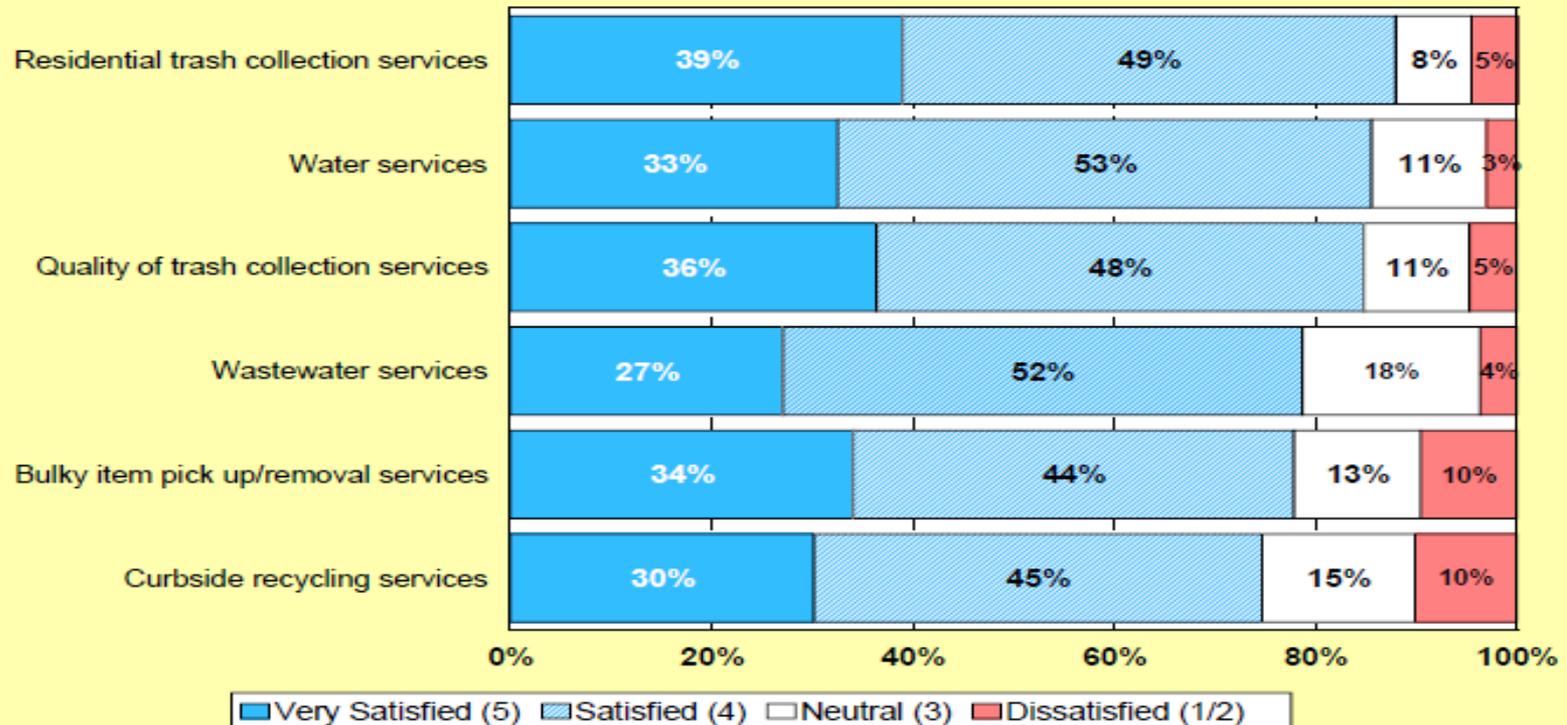


Source: ETC Institute DirectionFinder (Oklahoma City 2005)

2005 Utilities Specific

Q13. Satisfaction with Various Aspects of City Utility Services by Major Category

by percentage of respondents who rated the item as a 1 to 5 on a 5-point scale (excluding don't knows)

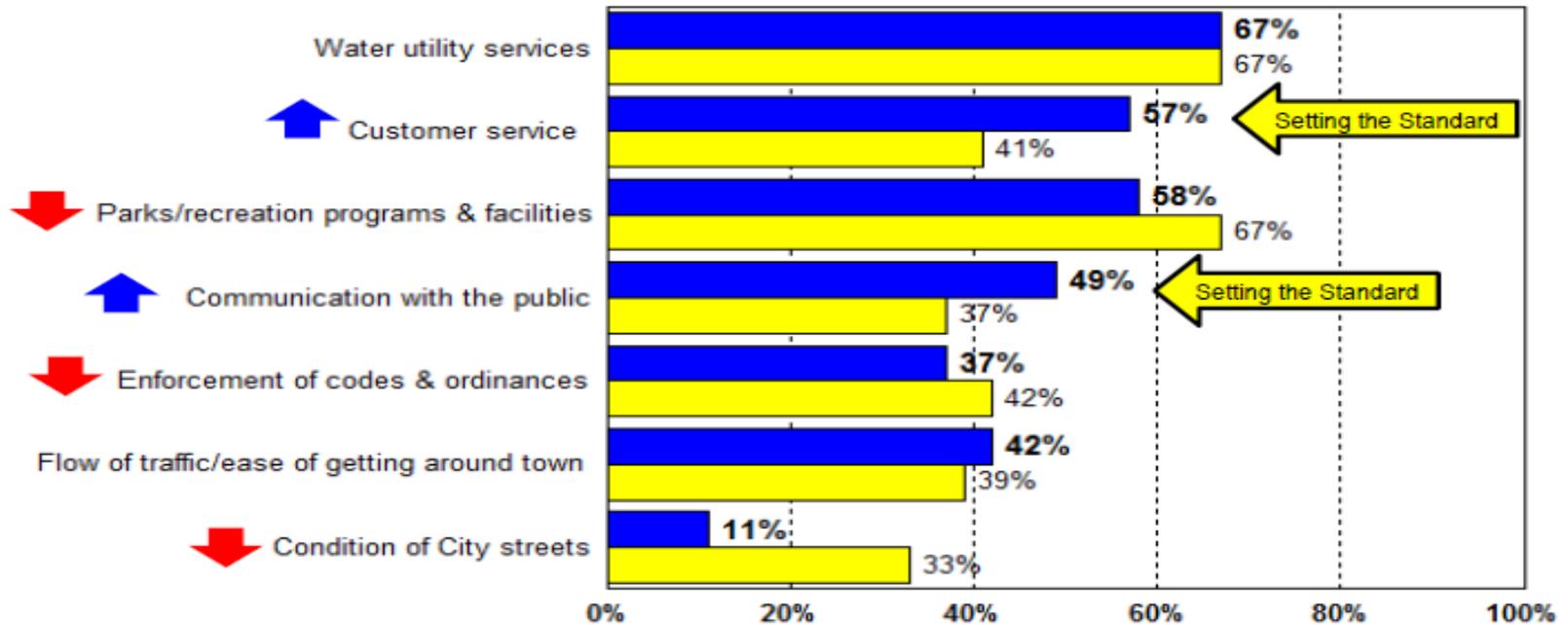


Source: ETC Institute DirectionFinder (Oklahoma City 2005)

Example from 2015

Overall Satisfaction with Major Categories of City Services Oklahoma City vs. Large U.S. Cities

by percentage of respondents who rated the item 4 or 5 on a 5-point scale where 5 was "very satisfied" and 1 was "very dissatisfied" (excluding "don't know")



OKC Is Setting the Standard for Customer Service and Communication

■ Oklahoma City
■ National avg for cities with pop. >250,000

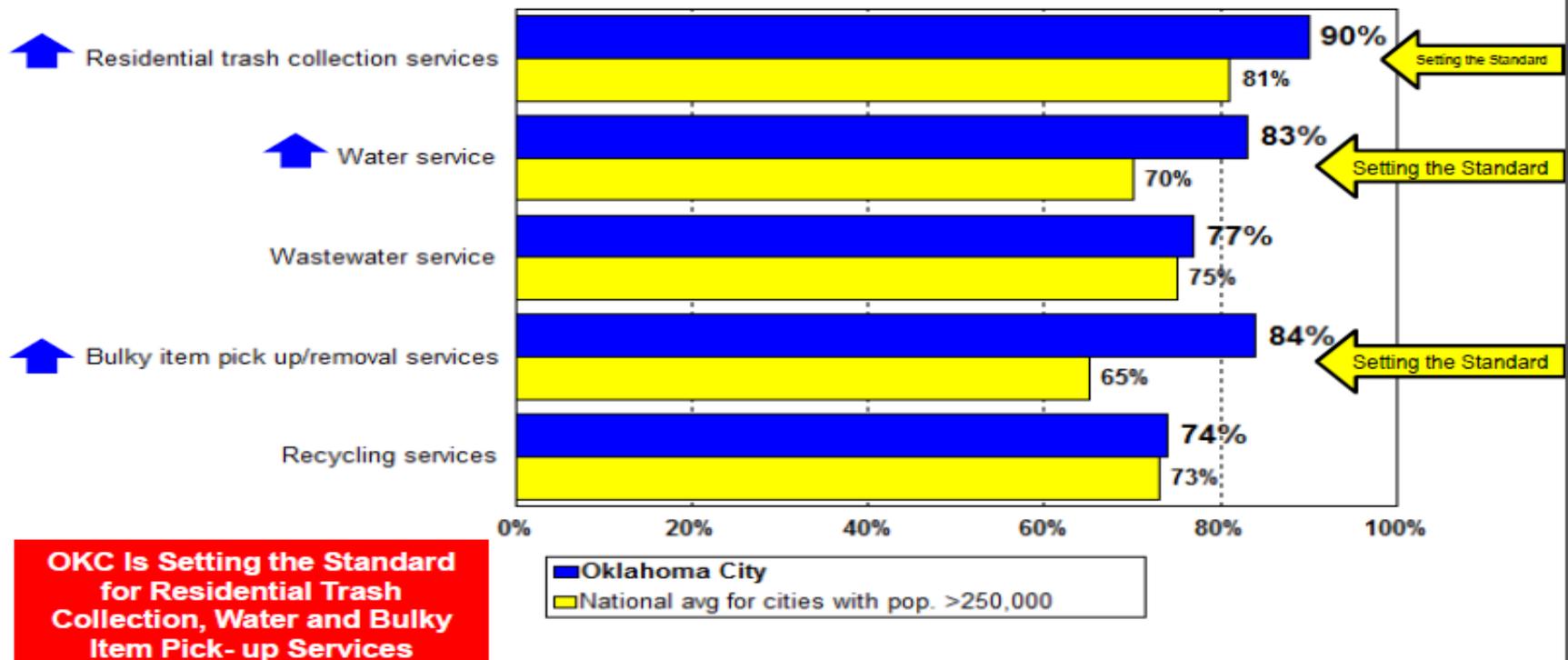
Significantly Higher: ↑

Significantly Lower: ↓

2015 Utilities Specific

Overall Satisfaction with City Utility Services Oklahoma City vs. Large U.S. Cities

by percentage of respondents who rated the item 4 or 5 on a 5-point scale where 5 was 'very satisfied' and 1 was 'very dissatisfied' (excluding "don't know")



Significantly Higher: ↑

Significantly Lower: ↓

Customer Support Strong

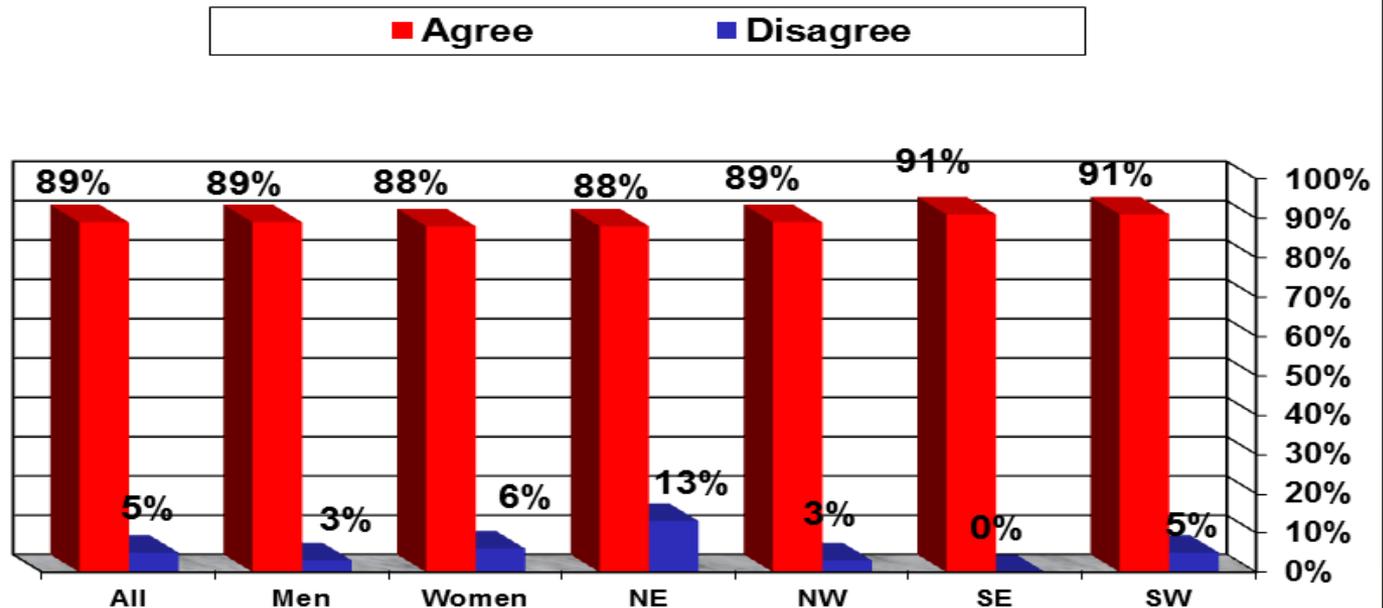
*Cole Hargrave
Judges & Associates*

On this baseline question, we see strong support for water infrastructure. This is high for any effort and it is across the city.

In the previous study, 91% said they wanted to help the city secure a long-term water supply and only 6% disagreed – very similar to these findings.

Continue to Invest in Water Infrastructure?

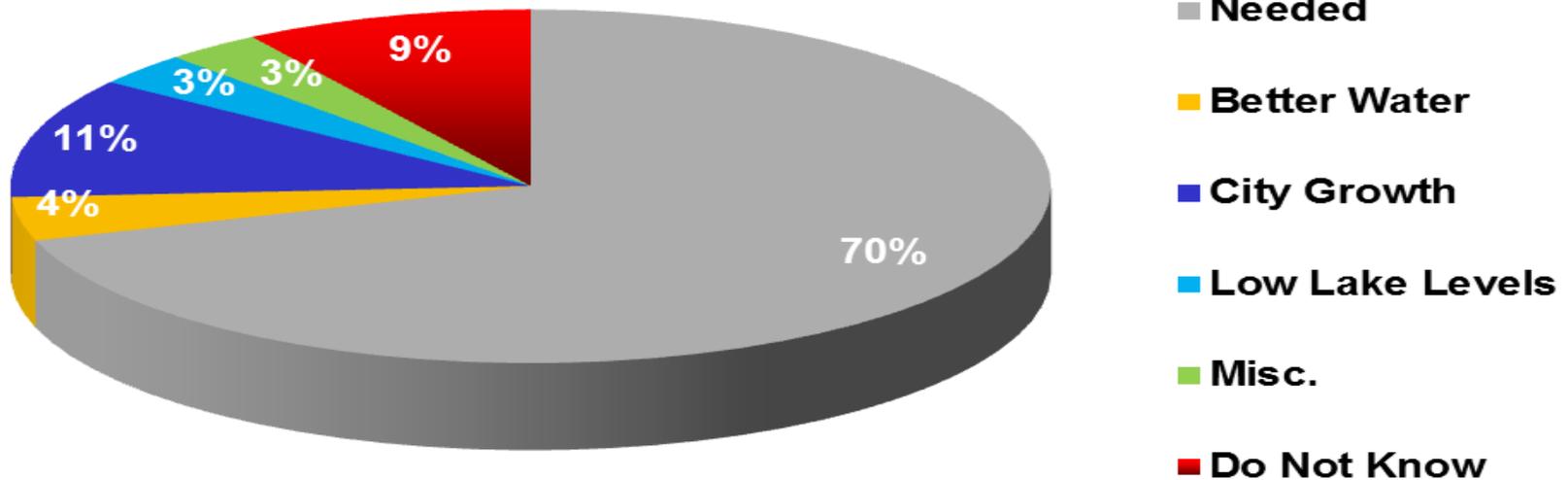
63% Strongly Agree; 26% Somewhat Agree; 3% Somewhat Disagree; 2% Strongly Disagree; 7% Undecided



Reasons For Support

*Cole Hargrave
Santagano & Associates*

Why Favor?



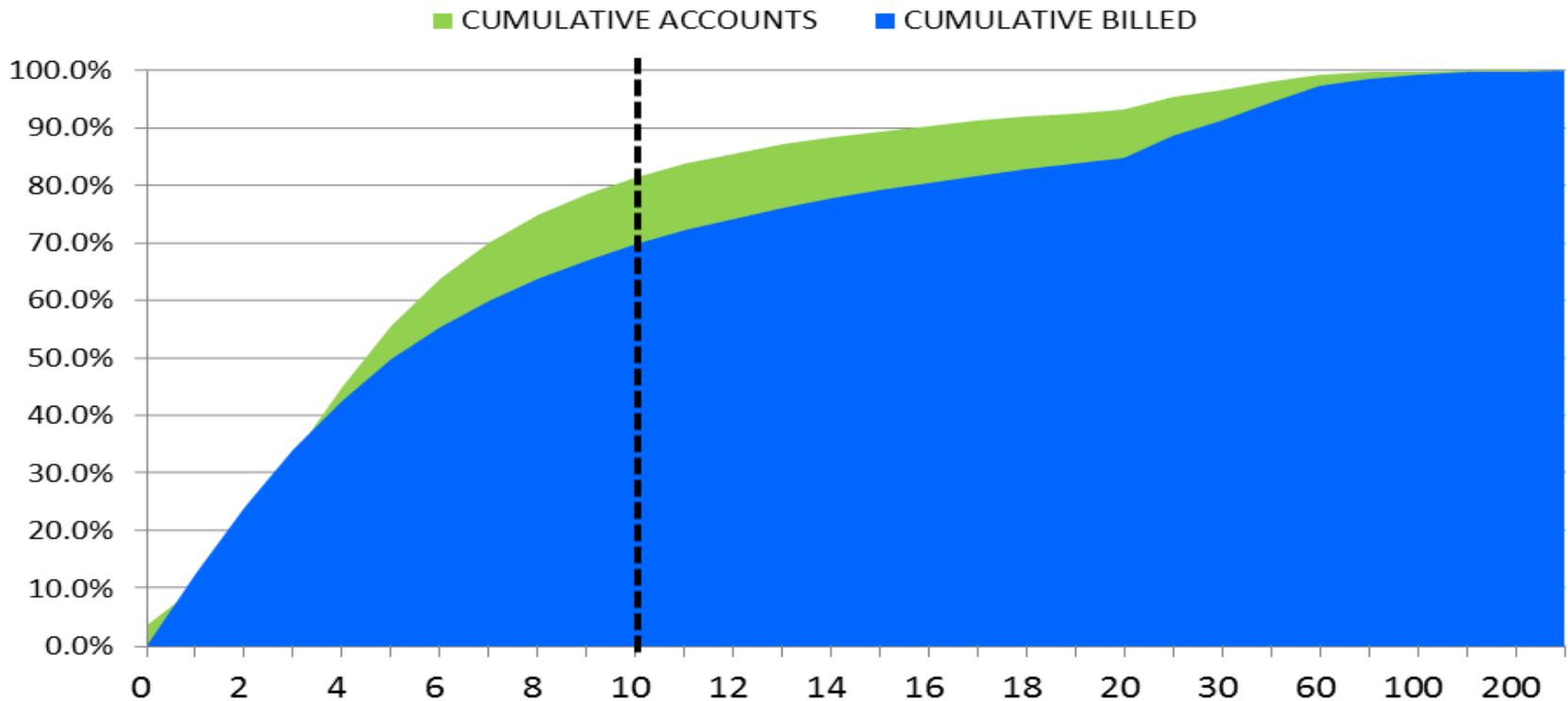
The reasoning for being supportive is very simple: It needs to be done. This was echoed in the focus groups. The belief is there is no alternative. Water is so fundamental to life and livelihood that you simply must have it and make whatever investment is necessary.

OKC Financial Goals

- Maintain adequate cash reserves
 - 90 days working capital
 - Capital improvement program reserves
 - Rate stabilization reserves
- Fund all debt service accounts in-full & on-time
 - Maintain DSC for Trust at 2.0 times
 - Maintain Fixed Charge Coverage at 1.0 times
- Trustees support annual rate adjustments to keep pace with costs of service
- Continue funding significant portion of CIP from in-year revenues (PAYGO)
- Maintain financial health to sustain "AAA" S&P rating

Typical Water User Small

Residential Bill Frequency Analysis



10 Yr Financial Plan

- 3 year transition to \$1,000 water SDC by FY2017
- No change in sewer SDC
- SRF financing as much as possible
- Optimal PAYGO funding
- Combined water/sewer DSC 2.33x to 2.92x
- Fixed charge ratio 1.15x to 1.32x
- Continue promoting wholesale sales

Conservation Pricing Strategy

Residential

- Phase I – Years 1-5
 - Block 1 – First 10,000 gallons / month
 - Block 2 – Over 10,000 gallons / month
- Phase II – Years 6-10
 - Convert to 3 Blocks, ranges to be determined
- Use Blocks 2 and 3 to reduce usage during pipeline construction
- Cover fixed costs & debt with base charge & Block 1 revenues
- Adjust base charges & block intervals as needed as customer use patterns moderate

Conservation Pricing Strategy

Non-Residential

- Phase I – Years 1-5
 - Block 1 – Up to 100% of AWC
 - Block 2 – Over 100% AWC
- Phase II – Years 6-10
 - Convert to 3 Blocks, ranges to be determined
- Use Blocks 2 and 3 to reduce usage during pipeline construction
- Cover fixed costs & debt with base charge & Block 1 revenues
- Adjust base charges & block intervals as needed as customer use patterns moderate

Conservation Pricing Strategy

Wholesale

- Phase I – Years 1-5
 - Phase-out 2 of 3 service plans that rely too much on sales volume to breakeven
 - Add Time-of-Day Rate to replace phase-out plans
 - Revise wholesale rate to rely primarily on connection size(s) and maximum monthly historic volumes to set payments
 - From take-or-pay to pay-to-play approach
- Phase II – Years 6-10
 - Revise as needed given wholesale customer responses to Phase I
- Cover fixed costs & debt with base charge & “pay-to-play” (Reservation Gallon) minimum fees
- Adjust base charges & block intervals as needed as customer use patterns moderate

Keep Our Eyes on the Prize

Oklahoma City Water Utilities Trust; Water/Sewer

Credit Profile

US\$195.0 mil wtr and swr sys rev rfdg bnds ser 2013 due 07/01/2042

<i>Long Term Rating</i>	AAA/Stable	New
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Oklahoma City Wtr Utils Trust ws

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Oklahoma City Wtr Util Trust wtr/swr

<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating, with a stable outlook, to Oklahoma City Water Utilities Trust (OCWUT), Okla.'s series 2013 water and sewer system revenue refunding bonds. In addition, Standard & Poor's has affirmed its 'AAA' rating on the system's outstanding bonds. The rating continues to reflect our assessment of the utility's:

- Large service area, and role as a regional wholesale water supplier;
- Strong financial management practices;
- High debt service coverage;
- Ample water supply to meet future demand;
- Competitive utility rates and adopted future incremental annual rate increases; and
- Manageable future capital needs, coupled with the system's significant cash funding of capital projects.

OCWUT, which leases the assets of the city's water and sewer systems and has the authority to issue revenue bonds, serves a large, diverse customer base in, and around, Oklahoma City ('AAA' GO rating). The trust controls significant water resources, which has enabled the utility to become a wholesale water supplier to a growing portion of the Oklahoma City region.

Slides from Rate Hearing

Fixed Charge Coverage Ratio*

Ability to meet annual debt service payments from fixed charges ratings:

- Less than 1.0 – Insufficient
- 1.0 to 1.20 – Adequate
- 1.21 to 1.40 – Good
- Greater than 1.40 – Strong

** New ratio issued by S&P 9-15-2008*



Giving Officials Options

Rate option A

FY11 to FY2014

Adjustment	FY 2011	FY 2012+
Water Charges - All	8.5 %	4.75 %
WW Charges - All	5.0 %	5.0 %



Fixed Charge Coverage Ratio

Rate Option B

Charge Adjustment	FY 2011	FY 2012+
Water Volume	4.0 %	4.0 %
Wastewater Volume	4.0 %	4.0 %
Water Base (5/8")	\$2.38	4.0 %
Wastewater Base (5/8")	\$1.16	4.0 %
Fireline Base (2")	\$0.63	4.0 %
Housekeeping	\$0.24	4.0 %



Contact Information

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