



City of Phoenix

Addendum #1 – Questions and Answers

RFP22-FINTD-001: WATER AND WASTEWATER SYSTEM REVOLVING CREDIT FACILITIES

Question 1	Would the City of Phoenix consider a liquidity facility proposal to support commercial paper notes that are issued for the water and wastewater systems?
Answer	The City is not currently looking to issue commercial paper notes.
Question 2	If not, would the City of Phoenix consider only a taxable revolving credit facility proposal for both the water and wastewater systems?
Answer	We are only looking for tax-exempt facilities.
Question 3	Will the proposed Water System Line of Credit replace the existing line of credit?
Answer	Yes.
Question 4	Please confirm there is not an existing Line of Credit with the Wastewater System.
Answer	There is no existing line of credit for the Wastewater system.
Question 5	Can you please provide detail on historic utilization on the existing line of credit facility?
Answer	The existing line of credit for the Water system credit was fully drawn on June 28, 2019, and fully paid off on April 9, 2020. There is no current balance.
Question 6	Will you please provide estimated/expected utilization of the proposed line of credit facilities?
Answer	We anticipate drawing the full amount on both credit facilities shortly after the closing.
Question 7	What plans does the City have related to additional debt for the Water and Wastewater Systems in the next 3-4 years?
Answer	The City expects to issue debt for both Water and Wastewater system. It is likely any new debt would pay off any balance on the credit facilities.
Question 8	Would any new debt be at the same priority as the existing Junior Liens?
Answer	Both credits have senior liens; however, the City has no intention at this time in utilizing either senior lien for additional debt.



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Question 9	Are the Senior Liens closed for both Systems?
Answer	No, both are active. See page 4 of the RFP for the outstanding Wastewater senior lien debt.
Question 10	Please confirm that the proposed additional indebtedness test for both lines is 1.10x against all debt senior to the line plus the proposed debt for each system i.e. not 1.10x on Junior Lien for the Wastewater System after Senior Lien debt is paid at 1.00x.
Answer	The additional bonds test for the Water system is 110% of all outstanding bonds and revenue obligations. The additional bonds test for the Wastewater system is 120% for additional Senior Lien Obligations and 115% for Junior Lien Obligations.
Question 11	Are there additional bank credit opportunities for the City or the City's various operations expected to come out this year?
Answer	At this time we do not anticipate any additional revolving credit needs this year.
Question 12	Please clarify if the City is looking for the option to change a draw from taxable to tax-exempt and vice versa after the draw has already been made.
Answer	The City anticipates that all borrowings will be tax-exempt.
Question 13	The Fee Proposal Form indicates the Credit Facility should be sized for required interest coverage. Does the City intend to use the Credit Facility to pay required interest payments when due?
Answer	The City intends to draw the full amount shortly after closing and will pay interest on a quarterly basis. The interest coverage is for the accrued interest during the quarter.
Question 14	The draft credit agreement references LIBOR. Does the City have a preferred replacement Index?
Answer	The City does not.
Question 15	The draft credit agreement references the term-out option to be 36 months with equal quarterly P&I payments. Please confirm this is the preferred term-out option.
Answer	36 months should be considered a minimum term out period but the City would prefer a longer term out period.



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Question 16	Does the City have any plans to issue additional Senior Lien Debt at the Wastewater System?
Answer	The City does not have any current plans to issue any additional debt on the Senior Lien for either credit at this time. However, both liens do remain open.
Question 17	Please confirm the Wastewater System Indentures require covenants to charge revenues sufficient to provide 1.2x annual Senior and Junior Lien Debt Service coverage and 1.15x Junior Lien Debt Service Coverage.
Answer	Yes. Also, the Junior Subordinate Lien required covenant is 1.0x.
Question 18	Confirm any new Senior or Junior Lien Debt issuance must meet the applicable rate covenant parameters.
Answer	Confirmed.
Question 19	Is there an anticipated draw schedule that could be provided?
Answer	It is anticipated the full amount of both credit facilities will be drawn shortly after close.
Question 20	What is the anticipated average usage of the revolving line/lines?
Answer	We anticipate the full amount of both credit facilities will be drawn shortly after close. We can make no guarantees as to when, and how frequently, the lines of credit may be repaid and reborrowed at this time.
Question 21	Is the facility strictly for short-term debt (i.e. Commercial Paper) support or does the City intend on making draws on the facility?
Answer	The City is seeking a direct purchase revolving credit program and not support for a commercial paper program.
Question 22	If draws are intended, can you provide an estimate of project average usage or historical usage?
Answer	We anticipate the full amount of both credit facilities will be drawn shortly after close. We can make no guarantees as to when, and how frequently, the lines of credit may be repaid and reborrowed at this time.
Question 23	If to support a short-term debt program, is there a required interest component?
Answer	This is not intended to support a short-term debt program.



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Question 24	What is the anticipated usage of both lines over the next several fiscal years as can be reasonably estimated?
Answer	We anticipate the full amount of both credit facilities will be drawn shortly after close. We can make no guarantees as to when, and how frequently, the lines of credit may be repaid and reborrowed at this time.
Question 25	Confirming that there is no intent on utilizing the Senior Lien for Water revenues.
Answer	The City does not have any current plans to issue any additional debt on the Senior Lien for either credit at this time. However, both liens do remain open.
Question 26	Is either the Water or Wastewater system currently under a consent decree? If so, how does this affect water rates?
Answer	Neither system is under a consent decree.
Question 27	The latest COVID-19 language we have is from the 2021 Junior Lien Water System Revenue Bonds, Series 2021A Official Statement. Can you provide a status update on COVID-19 and any effects on the Water and Wastewater systems?
Answer	Please see the most recent COVID information filed in the City's CDU on EMMA.
Question 28	Is the City seeking both taxable and tax-exempt rates?
Answer	The City is just seeking tax-exempt rates.
Question 29	After reviewing the City's 2021-2026 Capital Improvement Plan, we would like to know if you can provide a planned draw down schedule for both the Water and Wastewater systems' facilities?
Answer	We anticipate the full amount of both credit facilities will be drawn shortly after close. We can make no guarantees as to when, and how frequently, the lines of credit may be repaid and reborrowed at this time.
Question 30	Please provide a current overview of liquidity and available resources, including itemizations for reserved accounts, unrestricted cash, and any other sources of liquidity.
Answer	Please see the City's most recent ACFR and CDU filings on EMMA.



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Question 31	Please provide the estimated usage for each of the Water and Wastewater credit commitments over the next 36 months.
Answer	We anticipate the full amount of both credit facilities will be drawn shortly after close. We can make no guarantees as to when, and how frequently, the lines of credit may be repaid and reborrowed at this time.
Question 32	Have there been any significant developments affecting either of the System’s operations or financial condition not reflected in, or occurring subsequent to, the Fiscal Year 2020-21 financial statements, including any impact from the COVID omicron variant on operations and staff.
Answer	No
Question 33	Are there any material deviations from the adopted budget or expectations?
Answer	At this point there are no material deviations from the adopted budget nor are any expected.
Question 34	Please provide a current financial forecast for the Wastewater System.
Answer	Please see the 5 year CIP which was provided as an exhibit with the RFP.

***The balance of the specifications and instructions remain the same. Offeror must acknowledge receipt and acceptance of this addendum by returning the entire addendum (excluding Attachments) with the offer or proposal submittal.**

Name of Company: _____
 Address: _____
 Authorized Signature: _____
 Print Name and Title: _____