

Albuquerque Bernalillo County Water Utility Authority

Overview of 2021 Bond Pricing Results

Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2021

October 20, 2021

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Bond Rating Update

- Standard and Poor's revised the Water Authority's Bonds rating from AAA to AA+
- The last two ratings from January 2020 and May 2020 S&P rated the Authority AAA
 - Very little change in Water Authority financial performance or pro-forma projections from May 2020, in fact pro-forma debt service coverage has improved slightly due to very low borrowing rates achieved.
- Per Standard and Poor's rating "The lowered rating reflects the decline in all-in coverage during the past three year fiscal year to approximately 1.2x (fiscal 2020)....." However S&P's calculation does differ from the Authority's, as S&P's calculation does not take into account non-capitalized major repair expense.
- However S&P did note that credit strengths are
 - The Authority's service area is the State's primary economic center
 - water and sewer rate remain very affordable
 - robust liquidity and robust planning efforts which include long term sustainability
 - financial policies such as strong levels of pay-as-you-go funding, long-term water supply and rapid roll-off existing debt
- The rating is stable in anticipation of sustained coverage and cash reserve levels supported by projected rate increases. The Authority's last rate increase was approximately 4 years ago.
- Rating change had very little if any impact on financing as the Authority received \$402 million in total orders or 547% more than the bonds were issued which allowed the underwriter's to reduce the yields the bonds across all maturities.

Transaction Overview

ISSUER:	Albuquerque Bernalillo County Water Utility Authority
PAR AMOUNT:	\$73,255,000
PREMIUM TO THE AUTHORITY:	\$13,443,548
TOTAL SOURCES	\$86,698,548
DATED & DELIVERY DATE:	Thursday, October 28, 2021
TIC:	2.041%
ALL-IN TIC:	2.104%
TOTAL INTEREST:	\$30,647,934
CALL PROVISION:	07/01/2029
SALE DATE:	Thursday, September 30, 2021
RATING:	AA+ (S&P)
PROFESSIONALS:	Financial Advisor: RBC Capital Markets Bond Counsel: McCall, Parkhurst & Horton, L.L.P. Disclosure Counsel: McCall, Parkhurst & Horton, L.L.P. Senior Manager: J.P. Morgan Securities, LLC Co-Manager: Wells Fargo Underwriter's Counsel: Winstead PC

Pricing Summary

Maturity Date	Amount	09/30/2021 Initial		09/30/2021 Final		Change in Yield	09/30/2021 Spread to AAA MMD	
		Coupon	Yield	Coupon	Yield		AAA MMD	AAA MMD
07/01/2024	\$3,350,000	5.000%	0.310%	5.000%	0.290%	-2.0	0.23%	6
07/01/2025	4,260,000	5.000%	0.440%	5.000%	0.420%	-2.0	0.34%	8
07/01/2026	5,075,000	5.000%	0.600%	5.000%	0.570%	-3.0	0.48%	9
07/01/2027	5,325,000	5.000%	0.790%	5.000%	0.760%	-3.0	0.65%	11
07/01/2028	595,000	5.000%	0.960%	5.000%	0.940%	-2.0	0.80%	14
07/01/2029	5,870,000	5.000%	1.110%	5.000%	1.080%	-3.0	0.94%	14
07/01/2030	6,165,000	4.000%	1.290%	4.000%	1.240%	-5.0	1.04%	20
07/01/2031	6,410,000	4.000%	1.420%	4.000%	1.340%	-8.0	1.12%	22
07/01/2032	6,670,000	4.000%	1.490%	4.000%	1.410%	-8.0	1.16%	25
07/01/2033	6,935,000	4.000%	1.550%	4.000%	1.480%	-7.0	1.20%	28
07/01/2034	1,130,000	3.000%	1.790%	3.000%	1.760%	-3.0	1.24%	52
07/01/2035	1,165,000	3.000%	1.840%	3.000%	1.800%	-4.0	1.27%	53
07/01/2036	1,200,000	3.000%	1.880%	3.000%	1.840%	-4.0	1.30%	54
07/01/2037	1,235,000	3.000%	1.930%	3.000%	1.890%	-4.0	1.33%	56
07/01/2038	1,275,000	3.000%	1.990%	3.000%	1.950%	-4.0	1.36%	59
07/01/2039	1,310,000	3.000%	2.050%	3.000%	2.010%	-4.0	1.40%	61
07/01/2040	1,350,000	3.000%	2.090%	3.000%	2.050%	-4.0	1.44%	61
07/01/2041	1,390,000	3.000%	2.120%	3.000%	2.080%	-4.0	1.47%	61
07/01/2046	7,755	4.000%	1.970%	4.000%	1.920%	-5.0	1.62%	30
	\$60,717,755							
TIC 9/30/2021:		2.041%						

Order Monitor as of Closing

Maturity	Coupon	Amount	NM Retail	Member	Stock	Total	Balance	Subscription
07/01/2024	5.000%	3,350	-	6,925	3,350	10,275	(6,925)	307%
07/01/2025	5.000%	4,260	-	10,520	4,260	14,780	(10,520)	347%
07/01/2026	5.000%	5,075	-	16,725	-	16,725	(11,650)	330%
07/01/2027	5.000%	5,325	-	28,800	-	28,800	(23,475)	541%
07/01/2028	5.000%	5,590	-	16,460	-	16,460	(10,870)	294%
07/01/2029	5.000%	5,875	500	20,425	-	20,925	(15,050)	356%
07/01/2030	4.000%	6,165	500	24,540	3,000	28,040	(21,875)	455%
07/01/2031	4.000%	6,415	500	58,120	-	58,620	(52,205)	914%
07/01/2032	4.000%	6,670	500	71,700	3,000	75,200	(68,530)	1127%
07/01/2033	4.000%	6,935	600	50,445	-	51,045	(44,110)	736%
07/01/2034	3.000%	1,130	-	3,390	-	3,390	(2,260)	300%
07/01/2035	3.000%	1,165	-	4,660	-	4,660	(3,495)	400%
07/01/2036	3.000%	1,200	-	4,800	-	4,800	(3,600)	400%
07/01/2037	3.000%	1,235	-	4,940	-	4,940	(3,705)	400%
07/01/2038	3.000%	1,275	-	5,100	-	5,100	(3,825)	400%
07/01/2039	3.000%	1,310	-	5,240	-	5,240	(3,930)	400%
07/01/2040	3.000%	1,350	-	5,400	-	5,400	(4,050)	400%
07/01/2041	3.000%	1,390	-	6,950	-	6,950	(5,560)	500%
07/01/2046	4.000%	7,755	-	40,875	-	40,875	(33,120)	527%
		73,470	2,600	386,015	13,610	402,225	-	547%

Series 2021 Joint Water and Sewer System Improvement Revenue Bonds

Period Ending	Principal	Coupon	Interest	Debt Service
07/01/2022			\$2,108,734	\$2,108,734
07/01/2023			3,124,050	3,124,050
07/01/2024	\$3,350,000	5.00%	3,124,050	6,474,050
07/01/2025	4,255,000	5.00%	2,956,550	7,211,550
07/01/2026	5,055,000	5.00%	2,743,800	7,798,800
07/01/2027	5,310,000	5.00%	2,491,050	7,801,050
07/01/2028	5,575,000	5.00%	2,225,550	7,800,550
07/01/2029	5,855,000	5.00%	1,946,800	7,801,800
07/01/2030	6,145,000	4.00%	1,654,050	7,799,050
07/01/2031	6,395,000	4.00%	1,408,250	7,803,250
07/01/2032	6,650,000	4.00%	1,152,450	7,802,450
07/01/2033	6,915,000	4.00%	886,450	7,801,450
07/01/2034	1,125,000	3.00%	609,850	1,734,850
07/01/2035	1,160,000	3.00%	576,100	1,736,100
07/01/2036	1,195,000	3.00%	541,300	1,736,300
07/01/2037	1,230,000	3.00%	505,450	1,735,450
07/01/2038	1,270,000	3.00%	468,550	1,738,550
07/01/2039	1,305,000	3.00%	430,450	1,735,450
07/01/2040	1,345,000	3.00%	391,300	1,736,300
07/01/2041	1,385,000	3.00%	350,950	1,735,950
07/01/2042	1,430,000	4.00%	309,400	1,739,400
07/01/2043	1,485,000	4.00%	252,200	1,737,200
07/01/2044	1,545,000	4.00%	192,800	1,737,800
07/01/2045	1,605,000	4.00%	131,000	1,736,000
07/01/2046	1,670,000	4.00%	66,800	1,736,800
	\$73,255,000		\$30,647,934	\$103,902,934

Sources of Funds			
	Basic Needs Projects	Special Needs Projects	Total
Par Amount	\$46,725,000	\$26,530,000	\$73,255,000
Premium	9,716,183	3,727,365	13,443,548
	\$56,441,183	\$30,257,365	\$86,698,548

Uses of Funds			
	Basic Needs Projects	Special Needs Projects	Total
Project Fund	\$56,000,000	\$30,000,000	\$86,000,000
Cost of Issuance	299,944	170,306	470,250
Underwriter's Discount	139,891	87,022	226,913
Deposit to Debt Service Fund	1,347	37	1,385
	\$56,441,183	\$30,257,365	\$86,698,548

Bond Statistics	Basic Needs Projects	Special Needs Projects	Combined
Dated Date	10/28/21	10/28/21	10/28/21
Delivery Date	10/28/21	10/28/21	10/28/21
Last Maturity	7/1/33	7/1/46	7/1/46
Arbitrage Yield	1.328%	1.328%	1.328%
True Interest Cost (TIC)	1.533%	2.547%	2.041%
Net Interest Cost (NIC)	1.716%	2.766%	2.273%
All-In TIC	1.613%	2.595%	2.104%
Average Coupon	4.375%	3.661%	3.996%
Average Life (years)	7.71	15.34	10.47
Duration of Issue (years)	6.74	11.91	8.72
Par Amount	46,725,000	26,530,000	73,255,000
Bond Proceeds	56,441,183	30,257,365	86,698,548
Total Interest	15,754,368	14,893,566	30,647,934
Net Interest	6,178,076	11,253,223	17,431,299
Total Debt Service	62,479,368	41,423,566	103,902,934
Maximum Annual Debt Service	6,068,400	1,739,950	7,803,250
Average Annual Debt Service	5,351,552	1,678,767	4,210,859

Market Update



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Markets

1

The Market is Awaiting Congressional Action on President Biden's Economic Plans

1) \$1 Trillion Bi-partisan Infrastructure Bill (Including \$550 Billion New Spending)

- The Senate voted 69-30 to approve a \$1 trillion bipartisan infrastructure bill
- Includes approximately \$110 billion in new spending for roads and bridges, \$73 billion of power grid upgrades, \$66 billion for rail and Amtrak, \$65 billion for broadband expansion, \$55 billion for clean drinking water and \$39 billion for transit
- Legislation expands authorized uses of PABs as follows:
 - Expansion of surface transportation PABs from \$15 billion to \$30 billion
 - Authorization of new PABs for qualified broadband projects and carbon capture projects
- Speaker Pelosi has said she will not start consideration of the \$1 trillion bill on the House floor until Senate Democrats also pass a separate \$3.5 trillion framework targeting “human infrastructure” through the budget reconciliation process
- Speaker Nancy Pelosi's complicated set of promises to competing Democratic factions will present a major test
 - The Speaker has promised centrists a deadline of September 30 to vote on the Senate-passed infrastructure bill
 - The Speaker has told progressives that it will move side by side with the separate \$3.5 trillion framework targeting “human infrastructure” through the budget reconciliation process

2) \$3.5 Trillion “Build Back Better” Social and Environmental Proposal

- Includes expanding the child tax credits; establishing paid family and medical leave; funding universal preschool and free community college; and further action on climate change
- Only requires 50 Democratic Senate votes via the process of reconciliation
- Democratic Senators Joe Manchin (WV) and Kyrsten Sinema (AZ) have expressed reservations about the \$3.5 trillion price tag currently being discussed

2

Investors are Focused on the Potential for More Economic Lockdowns

- The CDC recommends that people, regardless of vaccination status, wear a mask indoors in areas where there's "substantial and high transmission" of COVID-19, as well as in K-12 schools
 - The CDC says over 97% of U.S. counties now meet its Covid guidelines for masks indoors
 - New studies have shown breakthrough Covid infections in vaccinated individuals have just as much viral load as infected people who are unvaccinated
- Several cities and counties have reinstated indoor mask mandates, including for those who are vaccinated
- Other jurisdictions have declared their unwillingness to revisit mandatory requirements for face coverings

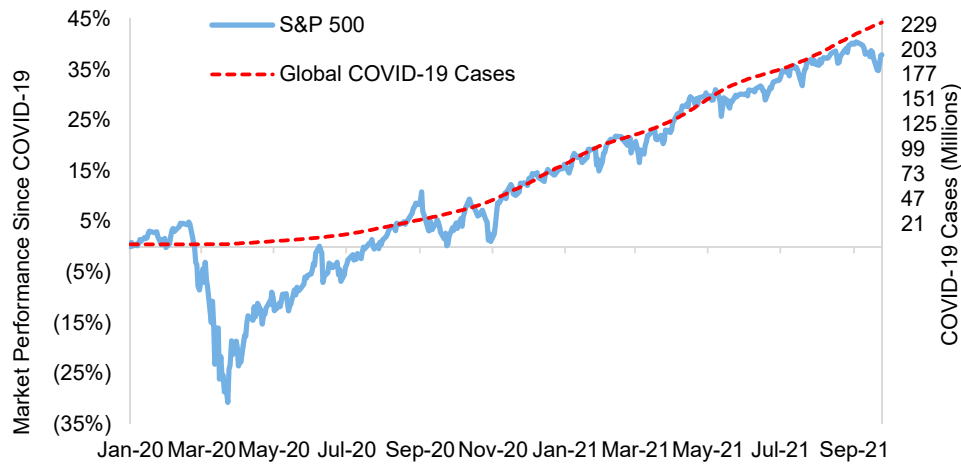
3

House Ways and Means Committee Approves Key Municipal Market Provisions as Part of the \$3.5 Trillion "Build Back Better" Proposal

- Creating a new direct pay bond program inspired by Build America Bonds
 - Being considered is a direct-payment subsidy of 35% from 2022 to 2024, decreasing to 28% by 2027 and thereafter
- Restoring tax-exempt advance refunding bonds
- Increasing the annual issuance limit for bank qualified bonds from \$10 million to \$30 million
- Raising the per state annual private activity bond volume cap
- A greater uncertainty for the muni market is the fate of a \$10,000 cap on federal deduction of state and local taxes, or SALT

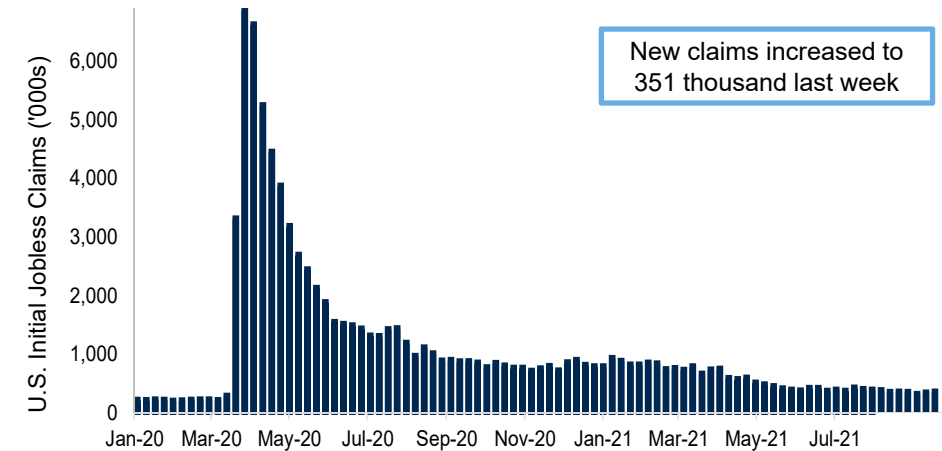
Economic Overview

Equity Market Performance vs. Global Confirmed Coronavirus Cases



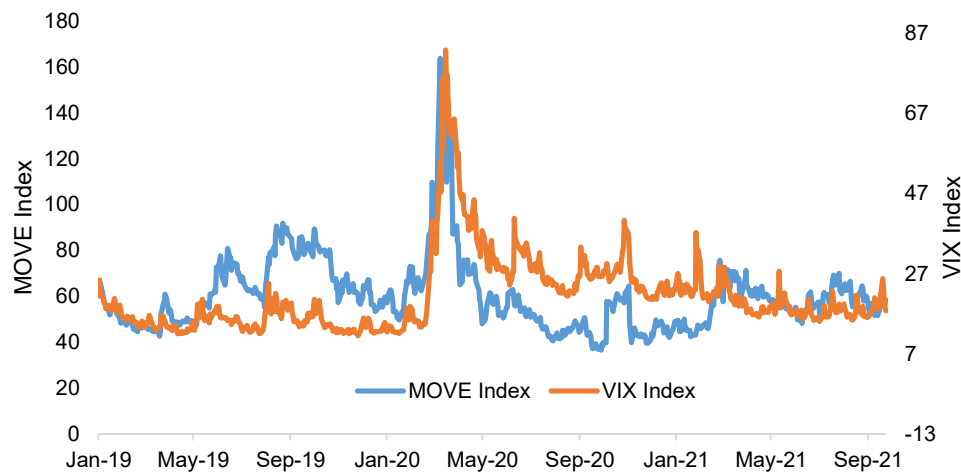
Source: Bloomberg, as of market close September 24, 2021

U.S. Initial Jobless Claims



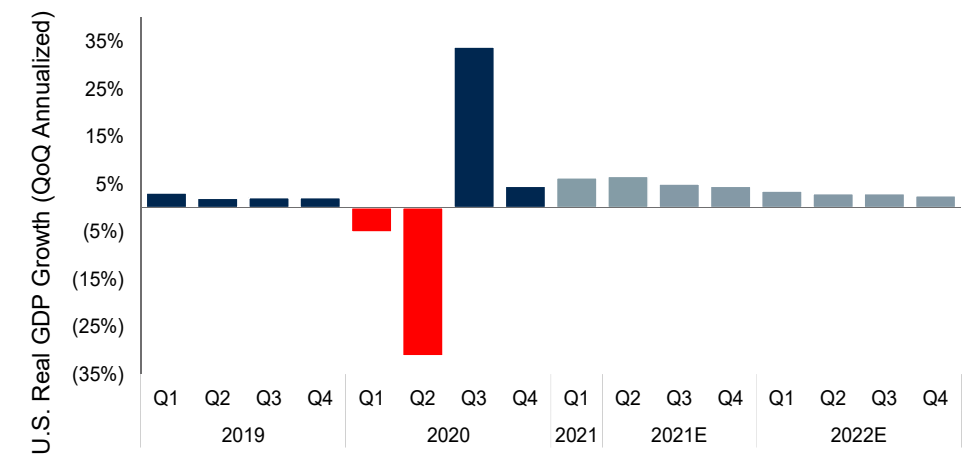
Source: Bloomberg, latest data for week ending September 17, 2021

Equity Volatility is Approaching Pre-COVID Levels while Treasury Volatility has Increased Over the Last Several Months



Source: RBC Economics

U.S. GDP Growth

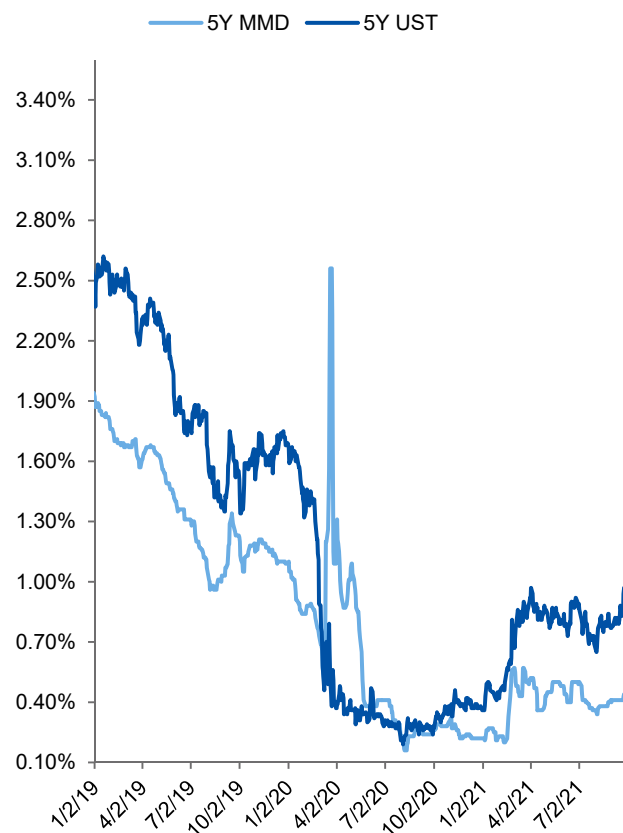


Source: RBC Economics

Interest Rate Movements

Relative Performance of Municipal Yields Versus Treasury Yields

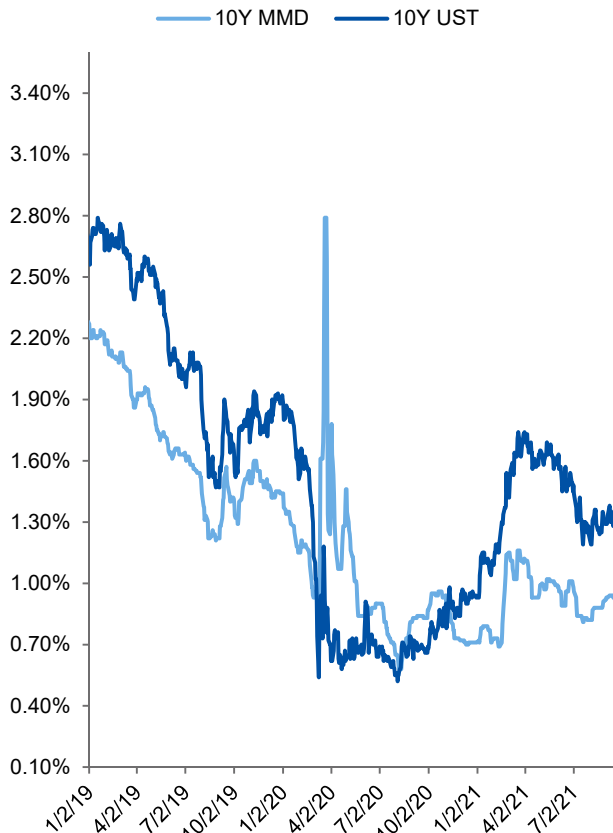
5 Year MMD⁽¹⁾ and 5 Year UST



Change in MMD

	01/02/2019	09/24/2021	Δ (bps)
3yr MMD	1.790	0.200	-159
5yr MMD	1.920	0.440	-148
7yr MMD	2.040	0.730	-131
10yr MMD	2.270	1.000	-127
30yr MMD	2.990	1.590	-140

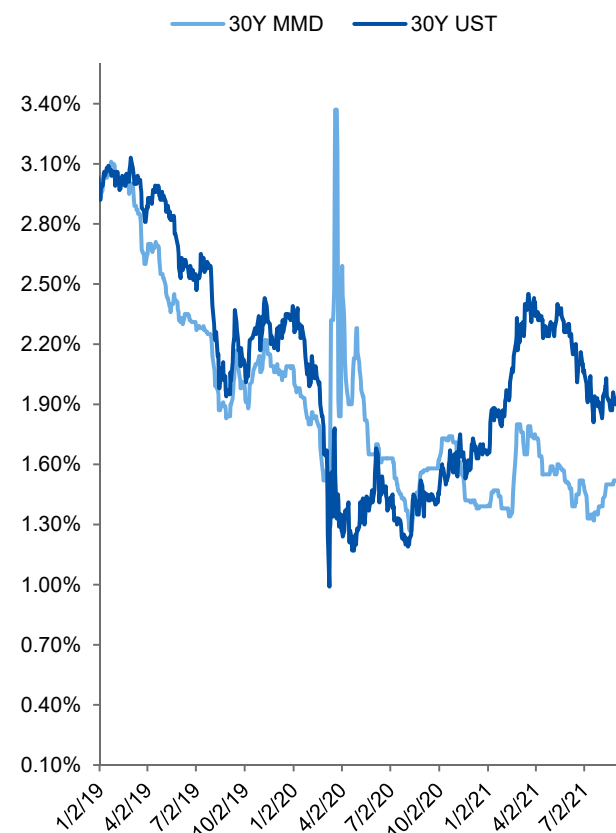
10 Year MMD and 10 Year UST



Change in Treasuries

	01/02/2019	09/24/2021	Δ (bps)
3yr UST	2.470	0.550	-192
5yr UST	2.490	0.970	-152
7yr UST	2.560	1.270	-129
10yr UST	2.660	1.470	-119
30yr UST	2.970	1.990	-98

30 Year MMD and 30 Year UST



Change in MMD/UST Ratio

	01/02/2019	09/24/2021	Δ (%)
3yr Ratio	72%	36%	-36%
5yr Ratio	77%	45%	-32%
7yr Ratio	80%	57%	-22%
10yr Ratio	85%	68%	-17%
30yr Ratio	101%	80%	-21%

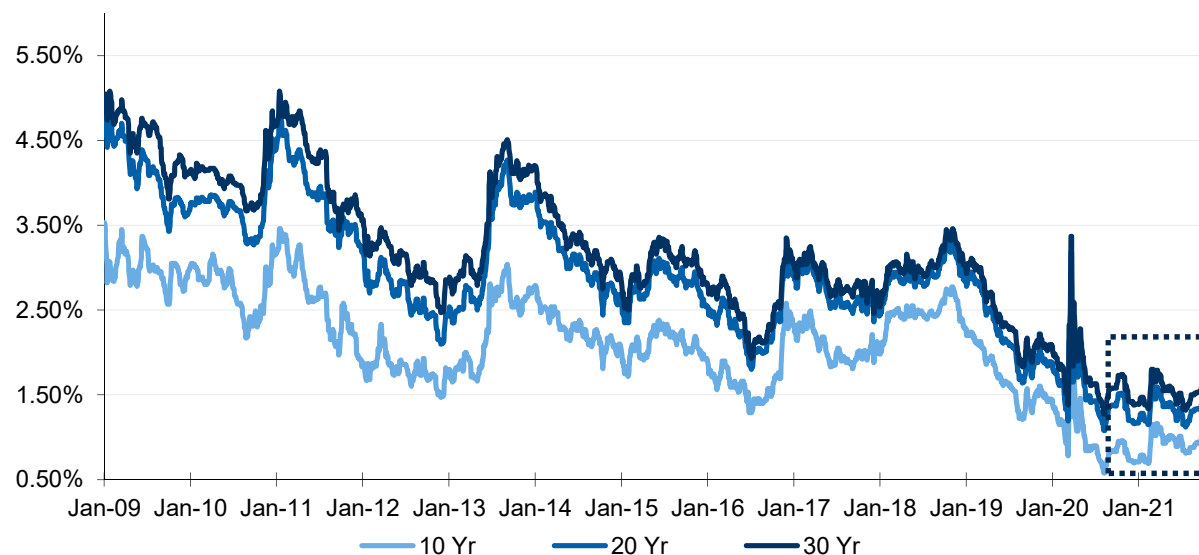
(1) MMD stands for Municipal Market Data; which is the daily index off of which all municipal bonds are priced.

Source: Thomson Reuters

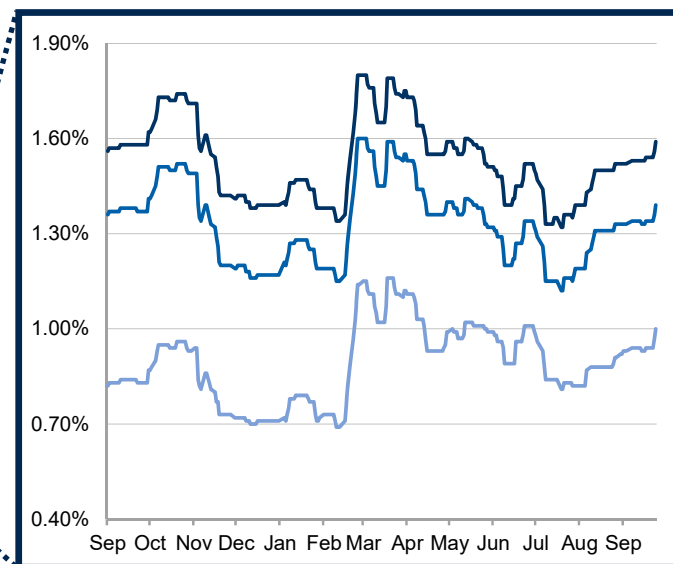
Current Municipal Market Conditions: "AAA" MMD

After closing at 1.54% the previous week, 30-year "AAA" MMD increased 5 bps on the week

"AAA" MMD January 1, 2009 to Present



Shift in "AAA" MMD Since September 2020



January 1, 2009 to Present

	10 Year	20 Year	30 Year
Maximum	3.53%	4.89%	5.08%
Minimum	0.58%	1.08%	1.27%
Current	1.00%	1.39%	1.59%

Shift in 30-year "AAA" MMD

2014	2015	2016	2017	2018	2019	2020
-1.34%	-0.01%	0.27%	-0.51%	0.47%	-0.93%	-0.68%

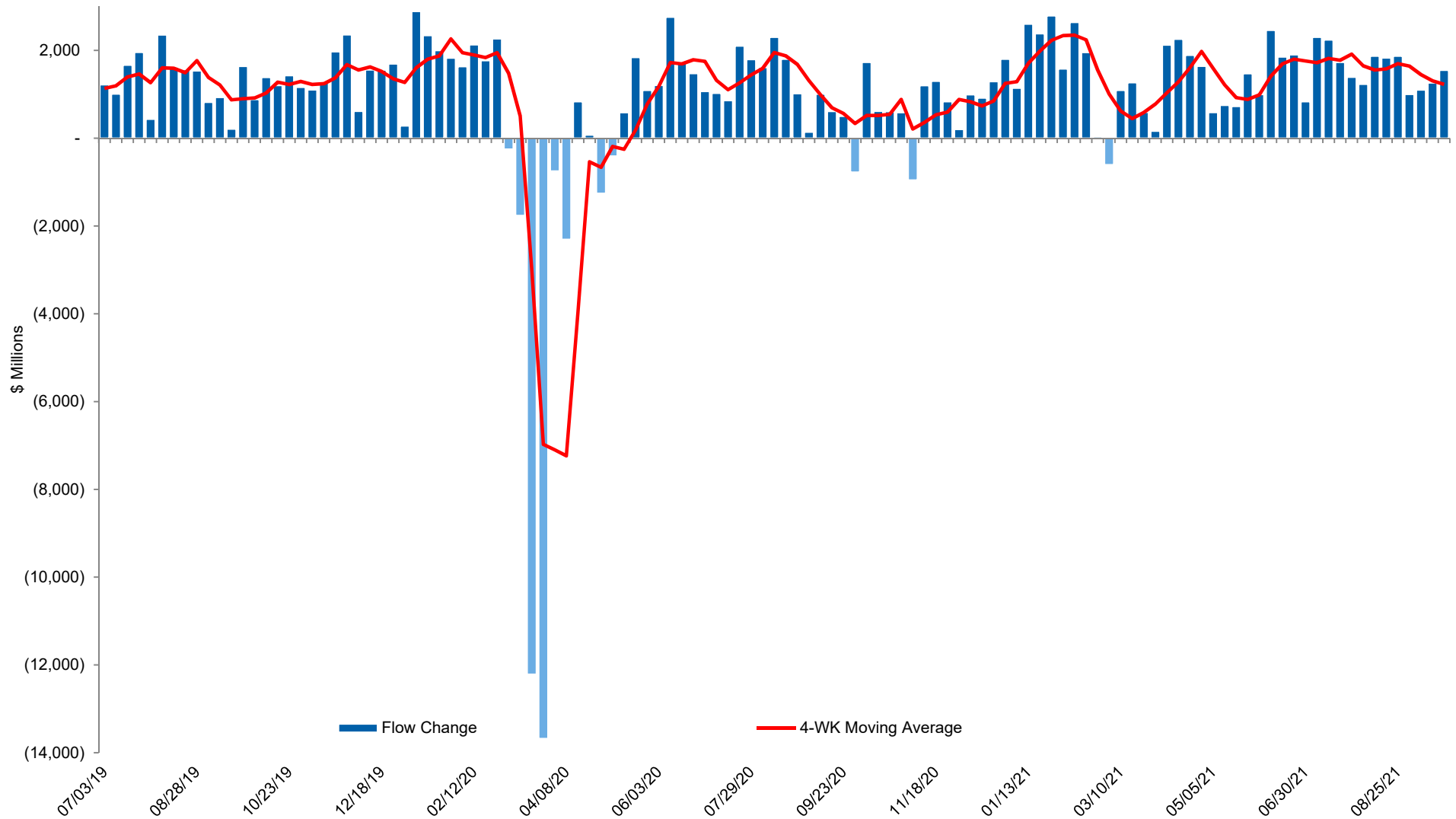
September 1, 2020 to Present

	10 Year	20 Year	30 Year
Maximum	1.16%	1.60%	1.80%
Minimum	0.69%	1.12%	1.32%
Average	0.89%	1.33%	1.53%

Source: TM3, Thomson Reuters
10, 20, and 30 year "AAA" MMD shown to represent different average lives of municipal transactions
Rates as of September 24, 2021

Municipal Bond Fund Flows

- For the week ended September 22, 2021, Lipper reported weekly municipal bond fund inflows of \$1.55 billion – up from the previous week's \$1.26 billion of inflows.



Source: Lipper

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