Crescenta Valley Water District

Benefits, Risks & Other Considerations for Issuing Bonds

March 2021

Financial Pros

Asset lasts longer than payments are made (50 yrs vs. 30 yrs)
Low interest-rate environment counters the effect of inflation
Proactive maintenance costs are less than emergency repairs
The impact of interest payments decreases each year (time value of money)
Mitigate/smooth rate impacts - internally
Mitigate/smooth rate impacts - externally (wholesale water supply)

Financial Cons/Risks

Interest commitment is for a long time horizon – 30 years
Accelerated projects typically require consultants which represents a project premium
Deflation may happen – In the United States : 1817-1860, 1865-1900, 1930-1933, 2007-2008
If rates aren't increased to accommodate bonds, loan covenants may not be met
Water sales may vary due to conservation and new regulations
MWD long-term reliability plan - e.g. rate pass-through for CA Water Fix project

Other Risks

In the case of a well, it may not yield any or enough water
Even if an asset is past its "useful life", it may still have some use left in its life
We can commit to a long-term plan based on debt and interest rates can rise

Other Benefits

Having an expectation for funding beyond one year allows multi-year planning and programming which allows lower construction and supply costs
Building capital with bonds promotes intergenerational equity, as each generation pays for its fair share of the asset