



Utility Acquisition

Council Briefing
September 5, 2017

Introductions & Agenda

Agenda

- Piper Jaffray Overview
- History of Utility Acquisitions
- Successful Acquisitions
- Global Water Overview
- Valuation Methodologies
- Valuation Estimates
- Maricopa vs. Global Estimates

Piper Jaffray Overview

Asset Management

Corporate Finance

Public Finance

- Advising (2016)
 - 219 Issues
 - \$9.2 Billion
 - Rank #10
- Underwriting (2016)
 - 693 Issues
 - \$17.2 Billion
 - Rank #5
- Placement Agent (2016)
 - 199 Issues
 - \$2.5 Billion
 - Rank #1



History of Utility Acquisitions

Arizona

1995 - Present

- \$738 Million
- 31 Transactions

HIGH: \$470 M / 174,000 Connections / \$26.8 M Net Income



LOW: \$30 k / 39 Connections / \$1.3 K Net Income

- Most Recent
 - Municipality: Buckeye
 - Utility: Valencia Water Company
 - Year: 2015
 - Acquisition Price: \$55 Million + \$ for Future Connections

Successful Utility Acquisitions

#1 Analyze Utility's Financial Data

#2 Know Utility's Used & Useful Infrastructure

#3 Estimate Acquisition Value via Accepted Methodologies

#4 Analyze Current Conditions of Infrastructure

Unsuccessful Acquisitions

- Not Prepared to Negotiate Based on Facts
- Result:
 - Inflated Value
 - NOT Supported by Existing Revenues
 - Increased Rates & Charges
 - Additional acquisition support/funding from General Fund (Sales Tax)

Global Water Overview

Arizona Headquarters

Board of Directors ~ Based in Arizona & Canada

Utilities Serving Maricopa

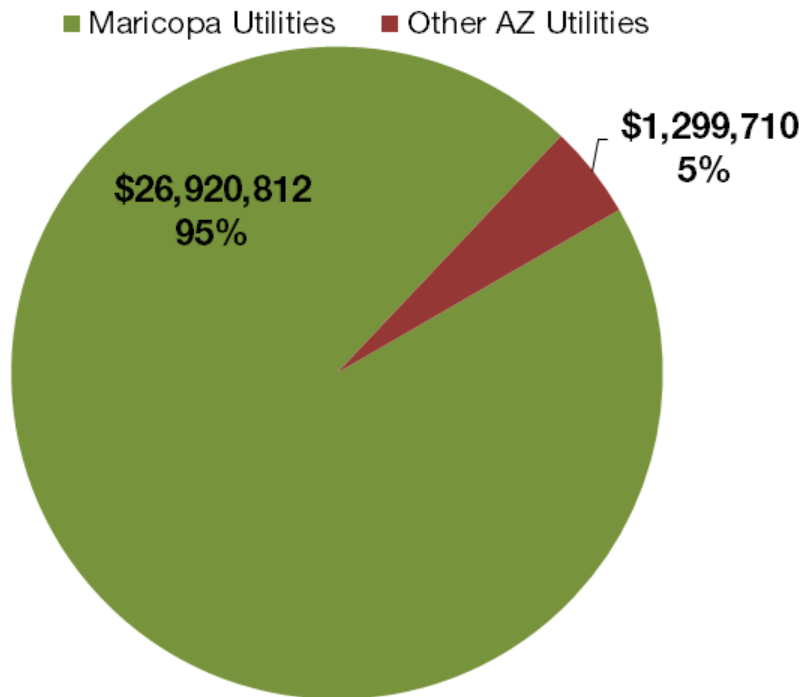
- Palo Verde Utilities Company (Wastewater)
- Santa Cruz Water Company (Water)

7 Other Arizona Utilities

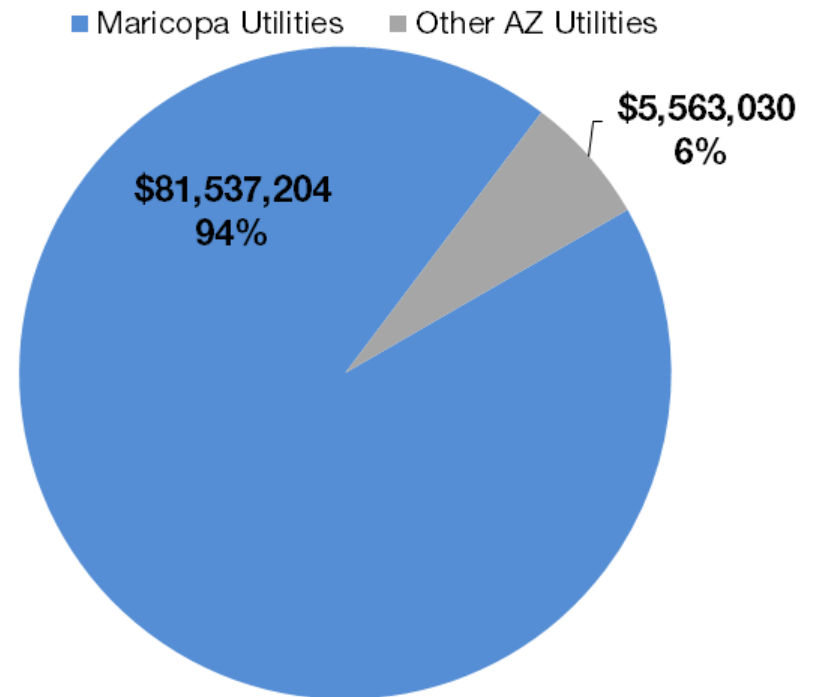
Utility	Service	Area	Connections
Balterra Sewer	Sewer	Tonopah (unincorporated Maricopa County)	-
Eagletail Water Company	Water	Tonopah (unincorporated Maricopa County)	-
Hassayampa Utility Company	Sewer	West of Buckeye (unincorporated)	-
Picacho Cove Utilities Company	Sewer	Eloy	-
Picacho Cove Water Company	Water	Eloy	-
Water Utility of Greater Tonopah	Water	Tonopah (unincorporated Maricopa County)	383
Water Utility of Northern Scottsdale	Water	Northern Scottsdale	81

Global Water Overview, *continued*.....

Gross Revenues ~ \$28,220,522



Rate Base ~ \$87,100,234



Valuation Methodologies

Connections

Discounted Cash Flow

- Net Income
- Adjust for depreciation, taxes, and amortizations
- Over 8 Years

Rate Base

- Assets
- Used & Useful
- Rate of Return from Arizona Corporation Commission

Factors Influencing Valuation

- Age of facilities
- Service Area (growing vs. stable)
- Experience/knowledge of negotiating teams

Valuation Estimates

Estimates Based On:

- Valuation Methodologies
- Historical Data for Other Acquisitions
- Both Maricopa Utilities
 - Palo Verde Utilities Company (Sewer)
 - Santa Cruz Water Company

Range of Estimated Values:

Valuation Methodology	Estimate	Notes
Connections	\$75 Million	Historical \$ per Connection in Arizona
Discounted Cash Flow	\$107 Million	Net Income * 8 Years
Rate Base	\$82 Million	Current Value of Assets

Maricopa vs. Global Estimates

Maricopa/Piper Jaffray Valuation Estimates

- Utilities: Maricopa Only
- Valuation Methodology: 3 Accepted Methodologies
- Financial Data: Annual Reports to Arizona Corporation Commission
- Valuation “Starting Point:” \$75 to \$107 Million
- Comparison: Historical Data for Other Acquisitions
- Based on Facts

Global Valuation Estimates

- Utilities: All Global Utilities in Arizona
- Valuation Methodology: ? ~ Inflated connection & revenue projections?
- Financial Data: ? ~ Investor reports?
- Comparison: ? ~ None
- Valuation “Starting Point:” \$500 Million
 - 4.5 to 5.5 times greater
 - Not based on any disclosed valuation method
- **NOT** Based on Facts