

ISSUER COMMENT

18 October 2019

RATING

Revenue ¹

Aa3 No Outlook

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City of Camas, WA Water & Sewer Enterprise

Annual Comment on Camas Water & Sewer

Issuer Profile

Camas Water & Sewer provides water and wastewater service to the city of Camas located in Clark County, Washington. The county has a population of 457,474 and a moderate population density of 728 people per square mile. The county's median family income is \$78,142 (1st quartile) and the August 2019 unemployment rate was 5.5% (4th quartile) ². The Water System obtains water from a series of wells as well as Jones Creek and Boulder Creek, treats it at its Slow Sand Filter Plant, and distributed via a series of pipes. The City owns and operates a secondary sewage waste water treatment plant in which wastewater is conveyed from the collection system of sewers.

Credit Overview

Camas Water & Sewer's credit position is high quality, and its Aa3 rating is equivalent to the median rating of Aa3 for water and wastewater systems nationwide. Key credit factors include a very wealthy service area, robust liquidity, an elevated debt profile, satisfactory debt service coverage, and a moderate system size.

System Characteristics: Camas Water & Sewer has a quite healthy system profile overall, which is in line with the assigned rating of Aa3. The median family income equals a robust 154.6% of the US level. The system size, measured as operating and maintenance expenses (\$6.5 million), is comparable to the US median.

Financial Strength: The financial position of Camas Water & Sewer is strong relative to its Aa3 rating. The days cash on hand (897 days) is excellent and greatly exceeds the US median, and it has gone up significantly from 2014 to 2018. The debt to operating revenues (3.3x) is elevated and above other Moody's-rated water and wastewater systems nationwide. Lastly, the coverage of the annual debt service by net revenues (1.7x) is sufficient but below the US median.

Legal Provisions: Legal provisions, which typically include a rate covenant requiring a minimum of 1.0x coverage of debt service, are adequate for this sector.

Sector Trends - Washington Water and Sewer

Water and sewer utility systems in Washington tend to have remaining useful life spans in-line with the average US system, with financial metrics that are equal to or better than most. Median debt service coverage (1.9 times) is comparable to the national median. Washington utilities' liquidity levels are stronger (439 days cash on hand) than the US median of 420 days. Utilities have average leverage with median debt to operating revenues (2.2 times),

comparable to the national median. Water in Washington is abundant, and few water utilities face supply constraints. Washington water and sewer utilities have unlimited rate-setting autonomy, which supports stability in finances.

EXHIBIT 1

Key Indicators ^{3 4} Camas Water & Sewer

Credit Metrics	2014	2015	2016	2017	2018	US Median	Credit Trend
Annual Debt Service Coverage (x)	1.67x	1.68x	1.49x	1.68x	1.74x	2.30x	Stable
Days Cash on Hand (Days)	282	287	365	406	897	440	Improved
Debt to Operating Revenues (x)	2.6x	4.2x	3.9x	3.6x	3.3x	1.9x	Weakened
Median Family Income (% of US Median)	148%	151%	154%	155%	155%	91%	Improved
Remaining Useful Life of Capital Assets (Years)	29	31	32	32	33	27	Stable

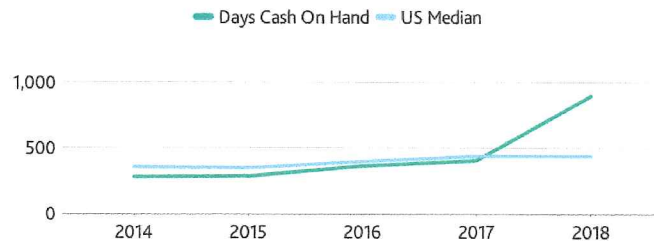
Debt and Financial Data (\$000s)	2014	2015	2016	2017	2018	US Median
Net Funded Debt	\$26,536	\$47,043	\$44,948	\$43,012	\$40,992	\$47,783
Total Revenues	\$10,514	\$11,391	\$12,261	\$12,488	\$13,351	\$29,141
Operating and Maintenance Expenses	\$5,660	\$5,875	\$6,661	\$6,559	\$6,524	\$16,759
Net Revenues	\$4,854	\$5,517	\$5,600	\$5,930	\$6,827	\$12,262
Debt Service	\$2,913	\$3,280	\$3,749	\$3,533	\$3,927	\$5,182

Governance/Legal Provisions	Score
Rate Management	Aa
Regulatory Compliance and Capital Planning	A
Rate Covenant	Aa
Debt Service Reserve Requirement	A

Source: Moody's Investors Service

EXHIBIT 2

Days cash on hand has increased from 2014 to 2018

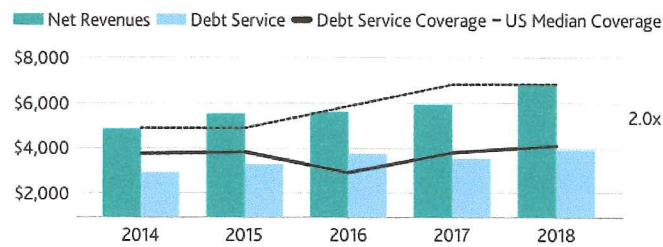


Source: Moody's Investors Service

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EXHIBIT 3

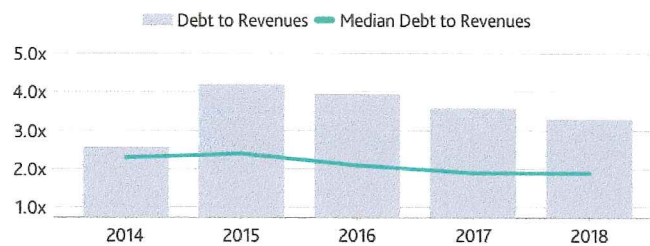
Debt service coverage was stable from 2014 to 2018



Source: Moody's Investors Service

EXHIBIT 4

Debt to operating revenues increased from 2014 to 2018



Source: Moody's Investors Service

Endnotes

- 1 The rating referenced in this report is the rating of the senior most lien on the relevant pledged revenues. Some utilities have bonds separately secured by distinct revenue sources. For these utilities, the rating referenced in this report is the senior most rating only on the relevant revenue pledge (e.g., water); the utility could have a higher rating on a different type of revenue bond (e.g., sewer).
- 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.

- 3 Moody's calculations of various statistics can be different than calculations reported in audited financial statements or offering documents. Moody's makes standard adjustments to reported financial data, to facilitate comparisons across issuers. For definitions of the metrics in the Key Indicators Table, see our [US Municipal Utility Revenue Debt](#) methodology.
- 4 The medians come from our most recently published report, [Medians - Solid financial metrics, ability to raise rates underpin stable sector](#).

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