

Info Item 4: PFA Loan

Presented to the Environment Committee

January 10, 2012

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Summary

- **Spending on 2011 PFA loan was exhausted in Dec. 2011**
- **\$60 million PFA loan requested at all-time low interest rate of 1.60%**
- **Loan will be used to finance approved capital spending 12+ months**
- **PFA loans expected to provide about 60% of wastewater capital spending in CIP period**



Revolving Clean Water Loan Program

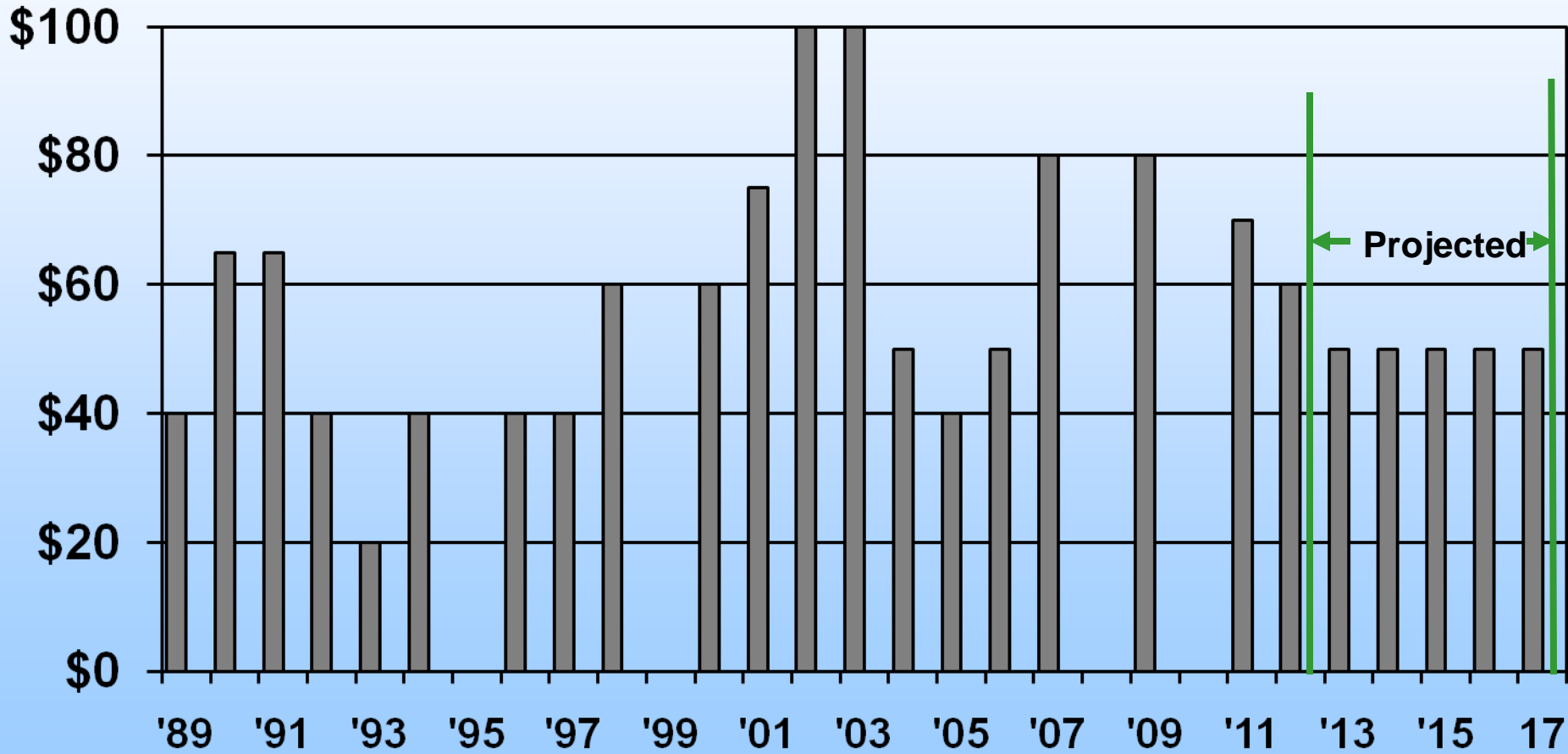
■ MCES's historical involvement

- Active in program since 1989
- 20 separate prior loan agreements
- \$1.115 billion of prior loans to date
- Interest rates from 1.77% (2011) to 6.42% (1991)



PFA Loans (Actual and Projected)

(millions)



Actual through this \$60M loan, projected thereafter

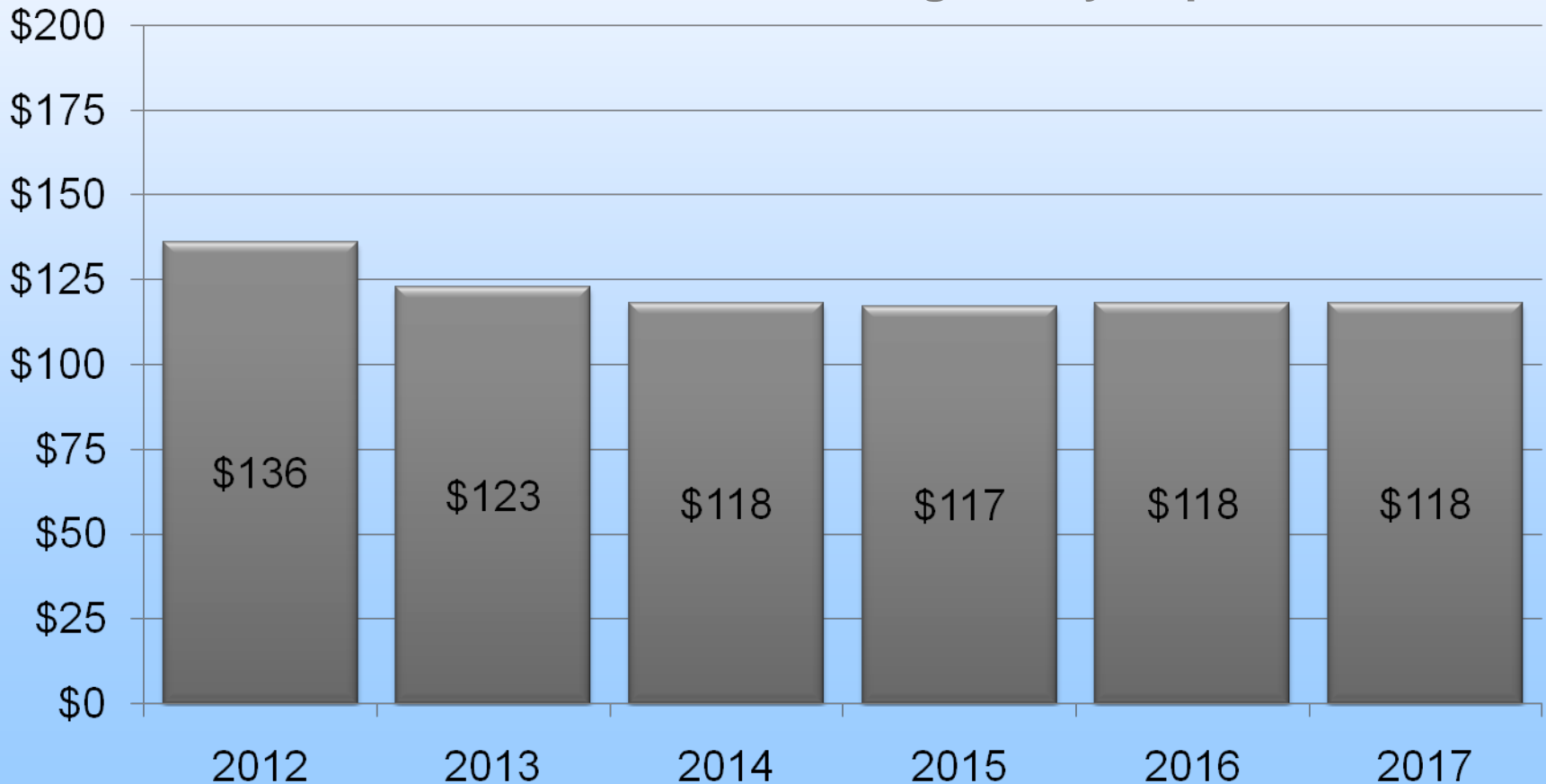


Capital Improvement Plan

2012-2017 Capital Spending

Total projected spending: \$730 million.
Excludes new regulatory requirements.

(millions)





Debt Service Projections

(\$ millions)	Debt Service	Pre-funded D.S.	Budgeted D.S.	Increase
2012	96.9	0	96.9	4.7%
2013	102.0	(1.0)	100.9	4.2%
2014	105.7	0	105.7	4.7%
2015	114.3	(1.5)	112.8	6.7%
2016	123.8	(2.0)	121.8	8.0%
2017	136.0	(3.5)	133.5	9.6%



Compared to Council Tax Exempt Bonds

\$60 million loan

(\$ in millions)

	Total Debt Service	Present Value
2.98% Council Bonds	\$80.2	\$60.0
1.60% PFA loan*	70.3	52.6
Savings to ratepayers	\$10.6	\$ 7.4
Underwriters discount	\$ 0.5	\$ 0.5
Cost of issuance	\$ 0.1	\$ 0.1
Arbitrage savings	\$.3	\$.3
Total Present Value Savings	\$11.5	\$ 8.3

* 137.5 basis point discount below market rate per formula in PFA rules.



Tentative Calendar

- **11/28/11** **Loan request letter to PFA**
- **12/10/11** **Council capital budget authorizes staff to negotiate PFA loans**
- **12/21/11** **Locked in interest rate**
- **Jan. 10** **Environment Committee info**
- **Jan. 25** **Management Committee--business item to authorize execution of loan documents**
- **Feb. 8** **Council approval**
- **Feb. 9-14** **Settlement of the loan**