

# **\$60 Million PFA Funding**

**Presented to the Management Committee**

**January 25, 2012**

**Jason Willett, MCES Finance Director**





# Summary

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- **Spending on 2011 PFA loan was exhausted in December 2011**
- **\$60 million PFA loan requested at all-time low interest rate of apx. 1.6%**
- **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

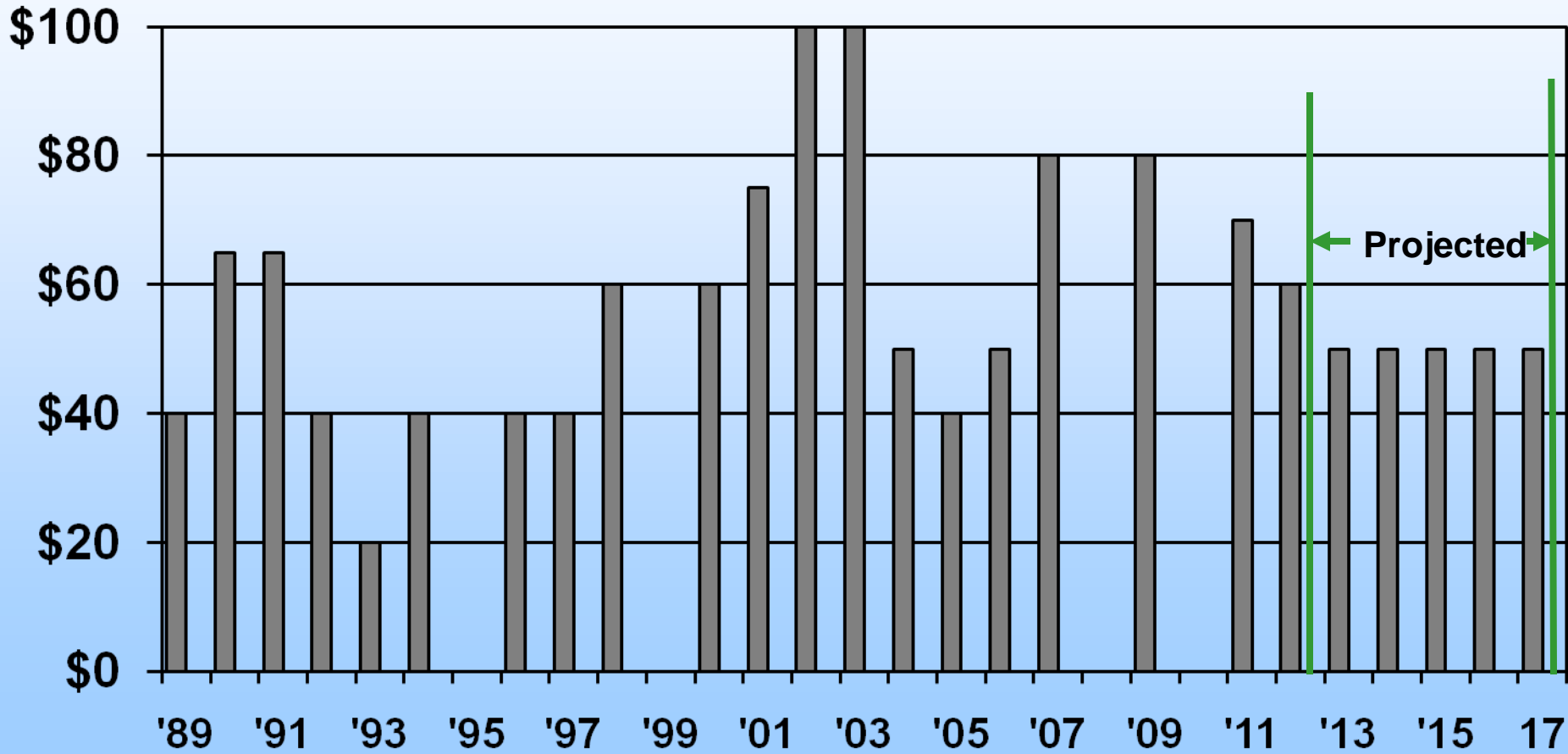
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- **MCES's historical involvement**
  - **Active in program since 1989**
  - **20 separate prior loan agreements**
  - **\$1.115 billion of prior loans to date**
  - **Interest rates from 1.77% (2011) to 6.42% (1991)**
  
- **PFA gets money predominantly from EPA's "State Revolving Fund" (SRF) program; also state bond dollars**



# PFA Loans (Actual and Projected)

(millions)



*Actual through this \$60M loan, projected thereafter*

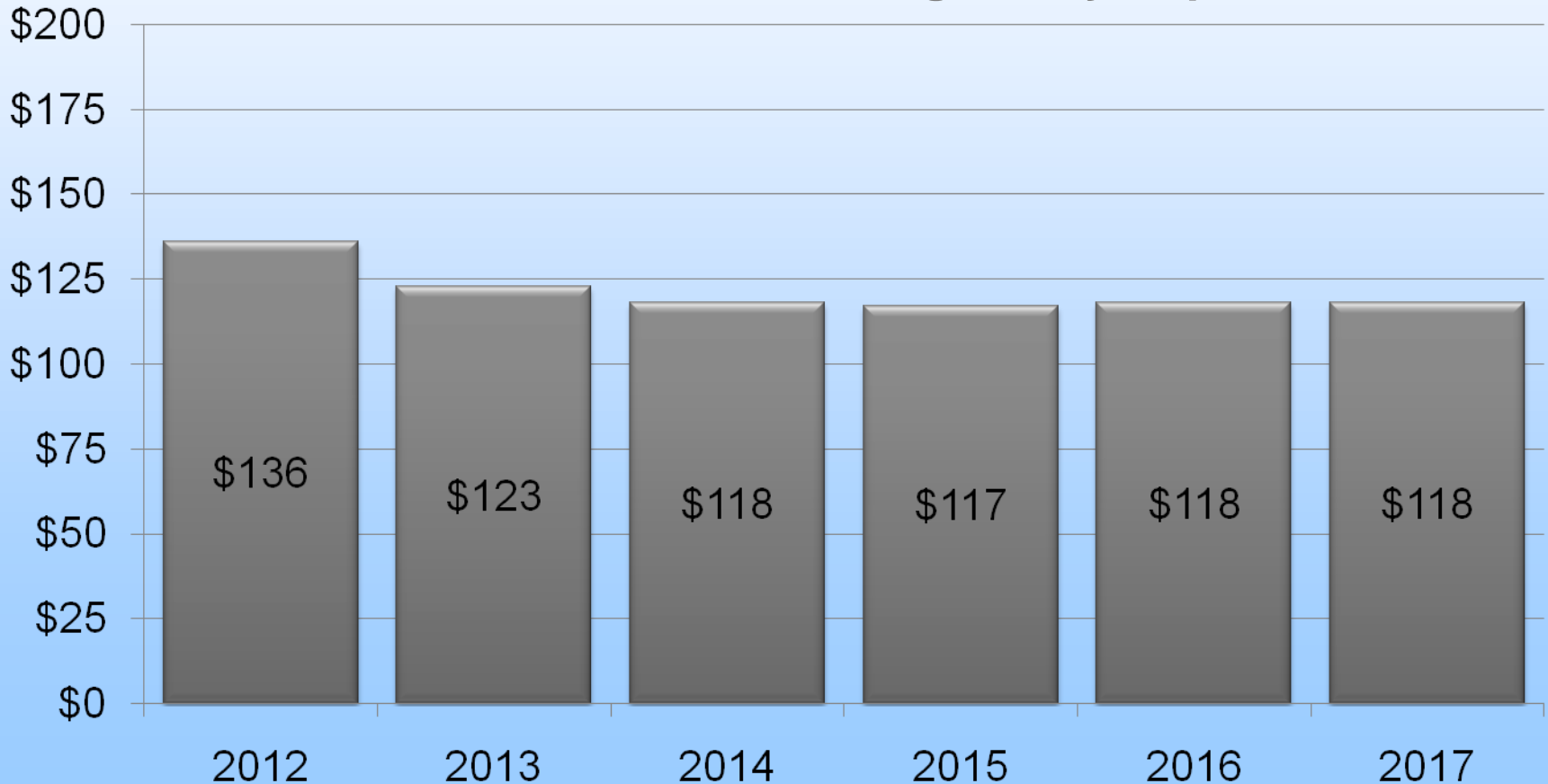


# Capital Improvement Plan

## 2012-2017 Capital Spending

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

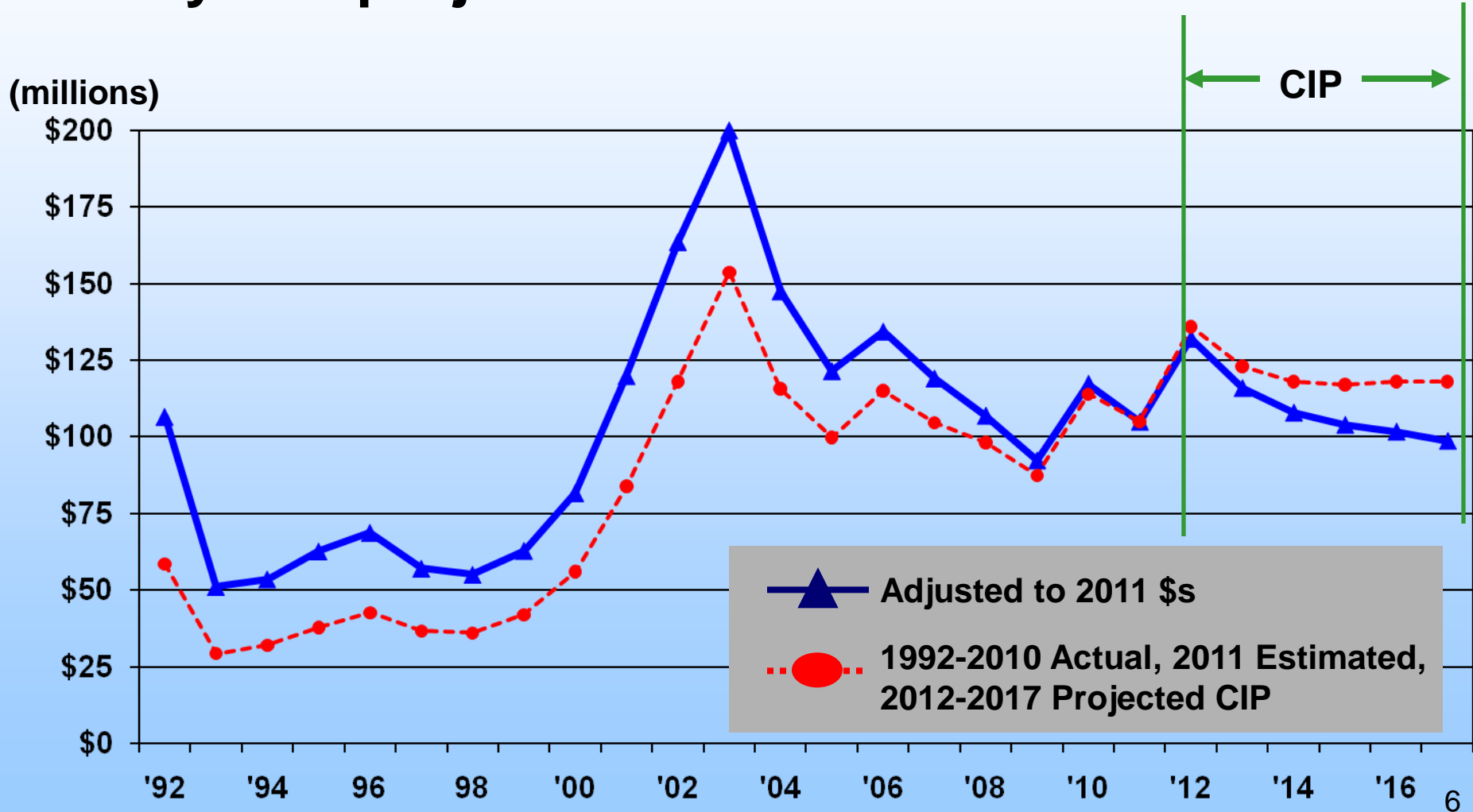
(millions)





# Capital Spending

## History and projections





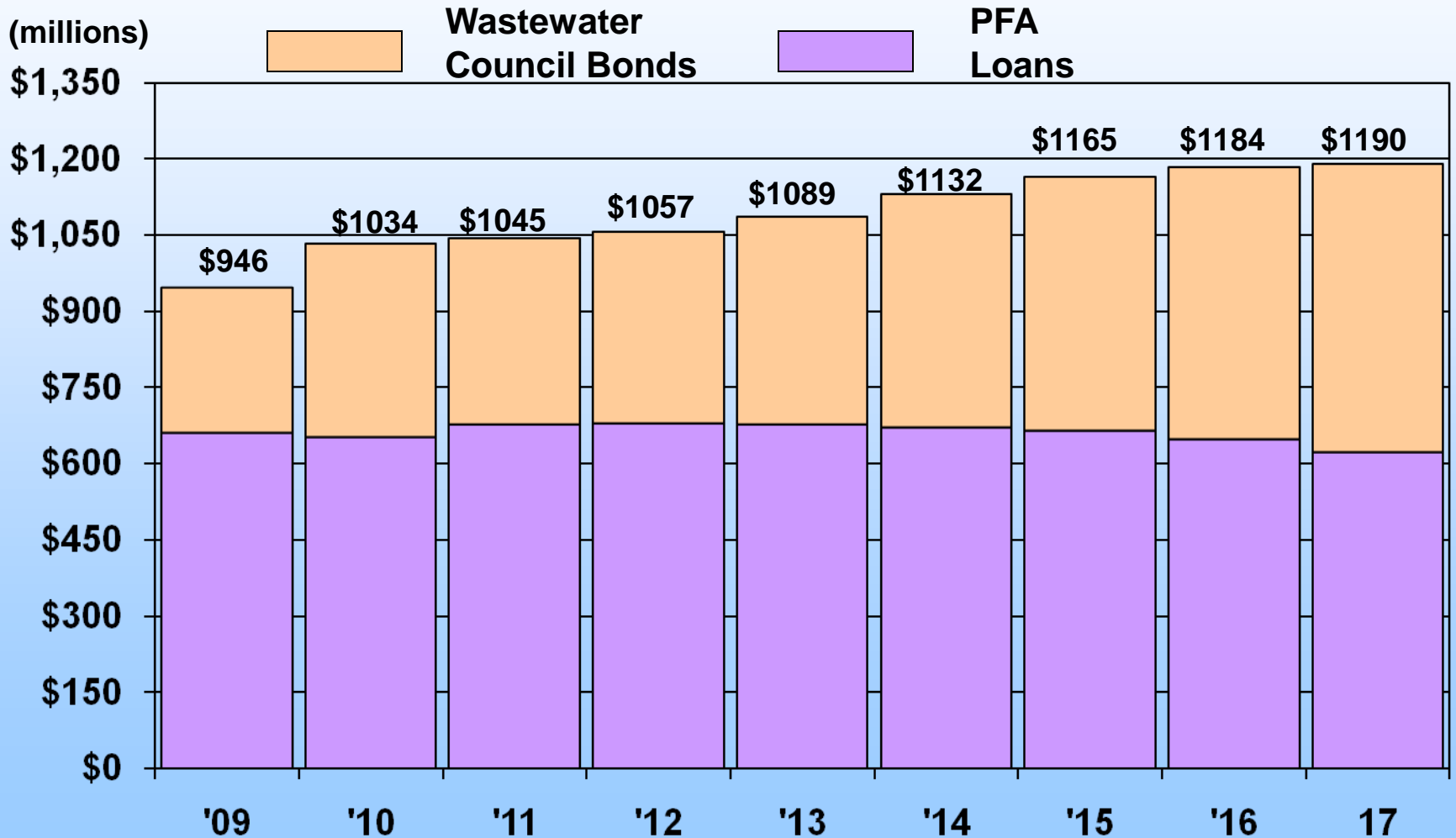
# Debt Service Projections

(\$ millions)	Debt Service	Pre-funded D.S.	Budgeted D.S.	Increase
2012	96.9	0	96.9	4.7%
2013	102.0	(1.0)	101.0	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)	132.5	8.8%



# Outstanding Debt

*2009 and 2010 are actual; other years projected*







# Peer Agencies

## Debt per capita (person)\*

San Diego	\$43	Philadelphia	\$530	New York	\$1,287
Denver	\$79	Cleveland	\$543	Columbus	\$1,572
Memphis	\$139	Milwaukee	\$725	Seattle	\$1,593
Chicago	\$279	Miami	\$734	Honolulu	\$1,861
Kansas City	\$283	Detroit	\$738	Louisville	\$1,872
<b>MCES</b>	<b>\$343</b>	Nashville	\$768		
Phoenix	\$354	Cincinnati	\$789		
Dallas/Ft Worth	\$415	Austin	\$1,085		
Washington, DC	\$480	Sacramento	\$1,154		

*\*2007 data from 2008 NACWA survey*



# Compared to Council Tax Exempt Bonds

(\$ in millions)

## \$60 million loan

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

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



# **Anticipated Key Loan Terms**

- **Closing date of loan is in the second week of February (week after Council approval)**
- **Funds are received after expenses incurred**
- **No interest accrual until disbursement of funds**
- **Interest rate is 1.60% (137.5 basis points off market rate); locked in on 12/21/11**
- **Council must complete projects even after this funding is exhausted**
- **Loan backed by Council's general obligation**



# **Key Terms, continued**

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- **Principal repayment schedule over 20 years is slightly modified from level annual debt service**
- **Refunding or prepayment savings split with PFA**
- **Sale of assets and management contracts restricted**
- **Metro Plant Facilities Improvement projects have extra restrictions and must have declaration recorded against title**
- **Federal prevailing wage rates (Davis-Bacon) must be used**



# Tentative Calendar

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- **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**