



**Metropolitan St. Louis Sewer District**

***Capital Project Funding  
An Odyssey***

**NACWA Summer Conference  
Cincinnati, Ohio  
July 17, 2013**



## ***MSD at a Glance***

- **4<sup>th</sup> largest sewer district in the US**
- **525 square mile service area**
- **1,400,000 customers**
- **425,000 accounts billed each month**
- **\$240 M in annual sewer charge revenue**
- **7 Treatment Plants**
  - 370 million gallons per day
- **275 Pumping Stations**
- **6,700 miles of wastewater pipes.**
- **3,000 miles of stormwater pipes.**





## ***MSD's Consent Decree***

### ***The Basics:***

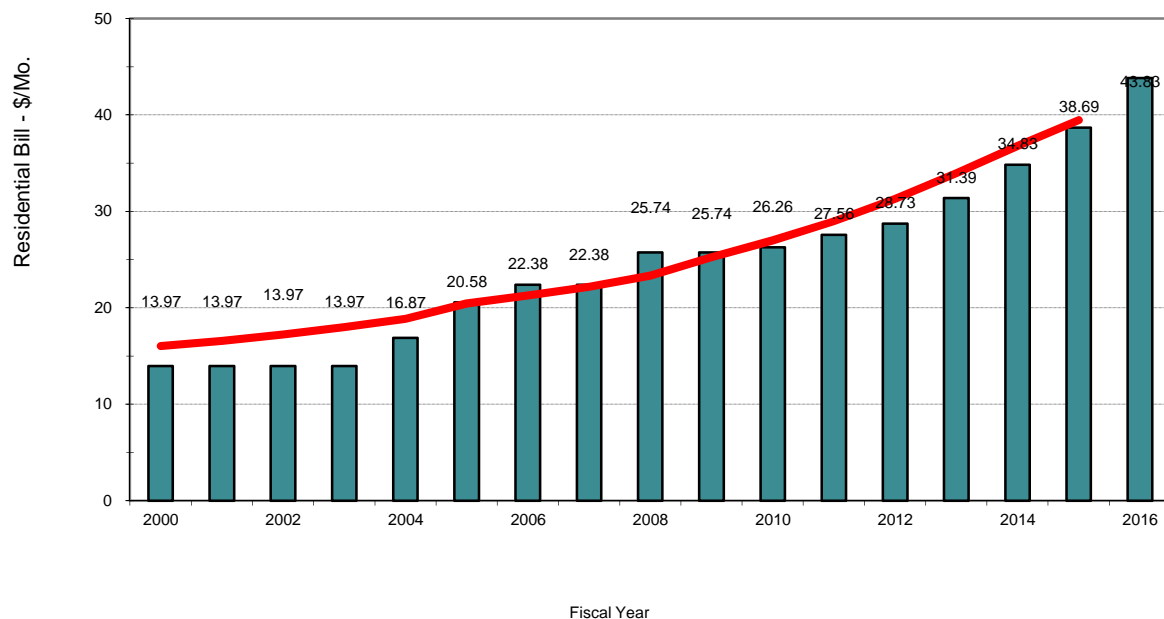
- **\$4.7 billion capital program over 23 years**
- **23 Consent Decree programs**
- **\$1.6 million Supplemental Environment Projects**
- **To date all reporting requirements met and achieving milestones on track.**



# Monthly Residential Bill

- **Average Residential Monthly Bill**
  - Currently \$34.85 increasing to \$43.93 by FY16

Historic and Projected Residential Bills (8 Ccf/month)



## Planned Rate Increases:

FY14	8.89%	\$34.85
FY15	10.30%	\$38.81
FY16	12.13%	\$43.93

## Median Household Income:

St. Louis City	\$ 33,652
St. Louis County	\$ 57,561

## Unemployment Rate:

St. Louis City	12.7%
St. Louis County	7.1%



## ***Current Bond Funding***

### **Current bonds**

	<u>#</u> <u>Issues</u>	<u>Original</u> <u>Par</u>	<u>Outstanding</u> <u>Par</u>	<u>WAI %</u>
Revenue Bonds	9	\$ 684 M	\$ 510 M	4.02 %
SRF	5	373 M	299 M	3.88 %
BABs	<u>1</u>	<u>85 M</u>	<u>85 M</u>	3.87%
<b>Total</b>	16	\$ 1,142 M	\$ 894 M	3.97 %

- **Current debt service \$53 M, \$1.6 B over life of existing bonds.**
- **Most Recent Issue: Aug 9, 2012; \$225 M Revenue Bonds**



## ***Projected Debt***

### **Projected Senior and Subordinated Debt** (\$\$\$ in millions)

<b>Currently *</b>	<b>Projected Issuances</b>					
<b>FY04 - FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>Total</b>	<b>TOTAL</b>
\$ 1,142	\$191	\$159	\$ 196	\$32	\$ 578	\$ 1,720
Total Voter Authorization:						1,720

- **Additional Voter authorization needed for further bond funding.**

\* Original Par



# Bond Ratings

- **Revenue Bond Ratings:**

	<u>Currently</u>
• S&P	AAA
• Fitch	AA +
• Moody's	Aa1

- **Key Factors for MSD strong ratings:**

**COVERAGE RATIOS ARE KING**

	<u>Covenants</u>	<u>Current</u>
Senior debt	1.25 X	3.95 X
All-In	1.15 X	2.25 X

- Community commitment
  - Election results
- Approved 4-year rate increase plan
- Asset management
- Cost containment
- Consent Decree clarity
- Stability of management



## ***Community Support***

- **Strong Voter support**

Authorizations:

Approval Margin

- |                       |     |
|-----------------------|-----|
| • \$500 M - Feb 2004  | 68% |
| • \$275 M - Aug 2008  | 76% |
| • \$945 M - June 2012 | 85% |

- Simple majority of voters.
- Community leaders' support essential – Campaign
  - MSD can inform but not advocate
- Increasing approval margin bodes well for keeping strong bond ratings



## ***Reporting Impact of Bonds***

- **Investors and Rating Agencies are in the driver's seat**
- **Demand for more sophisticated financial reporting.**
  - Preparation of monthly financial statements including stormwater/***wastewater segmentation***.
  - Manage to bond covenants and master ordinance.
    - Example: Funding capital project expenses with bond proceeds
- **Increased focus on financial condition.**
  - Investors are watching....
  - Monthly reporting of 18 key financial metrics to Board Finance Committee
  - Transparency – “Investor's Corner” on MSD Website
    - Financial statements published quarterly



# ***Keys to CD Compliance***

- **Maintaining Public support**

- Sophisticated, relentless community outreach.
- MSD dedicated Public Information Division.

- **Know your customers**

- Demographics, geographic, customer types, collection rates .....
- Understand Generations:
  - 1925 - 1945    Silent Gen
  - 1946 – 1964    Baby Boom
  - 1965 – 1979    Gen X
  - 1980 - 2000    Gen Y
  - 2000.....     Gen Z (new Silent Gen)
- Multi-Gen = Multi Media:
  - Silent Gen – Traditional radio, print, TV
  - Baby Boom – Heavy Traditional, increasingly tech savvy
  - Gen X, Y, Z – Twitter & Email. Facebook for friends only



# ***Keys to CD Compliance***

- **Maintaining Political support**
  - Communicate proactively, carefully frame the message
- **Increase visibility of accountability**
  - Use laser focused metrics
  - Adopt transparency



# Bond Funding – Slippery Slope

**Public push against rate increases**



**Political pressures builds to keep rates low**



**Demand for accountability grows.  
(Outreach more Critical)**



**Pressure to exceed debt capacity grows**



**Debt Cap ignored. Bond rating declines**



**Debt service increases = Higher bills**



**New bond issuances shuts down**



**Funding 100% PAYGO**

**or**

**?????**

**A Possible  
scenario**

