



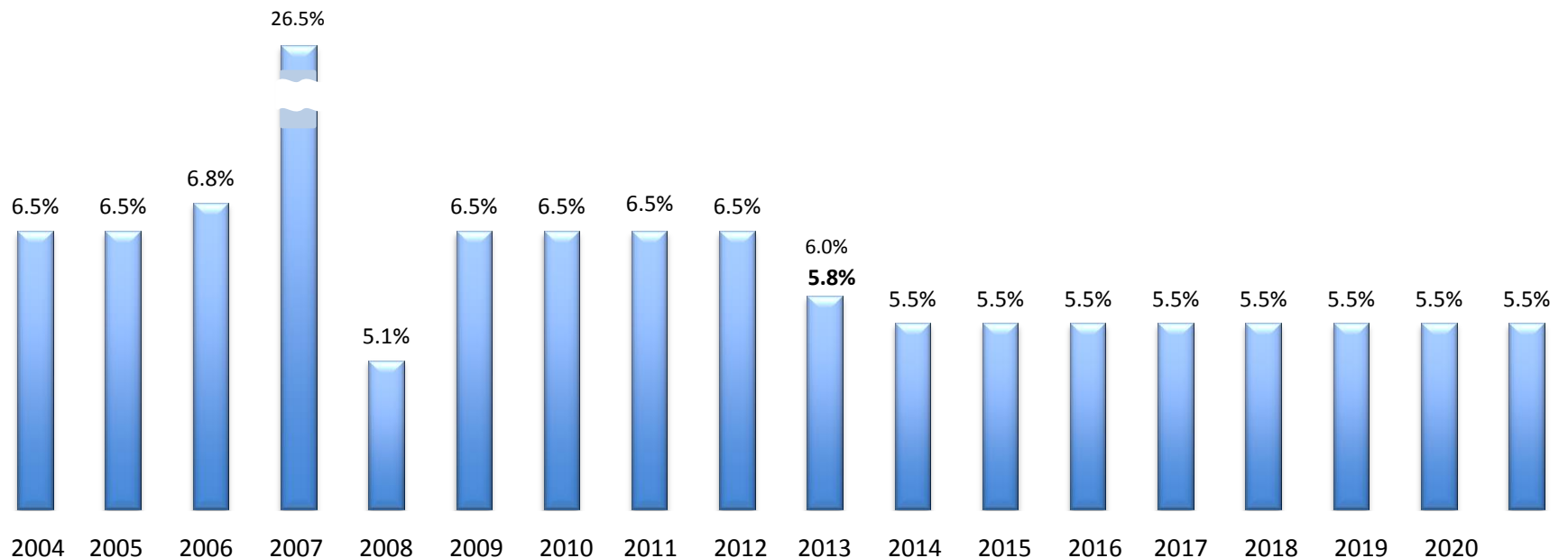
Presentation for the **Labor and Economic Development Committee**

September 15, 2015

FY2016 Budget

- FY2016 Capital Budget of \$187.5M *increase of \$69.6M*
- FY2016 O&M Budget of \$116.0M *increase of \$46,000*
- 2015 Rate Increase of 5.5% *same as 2014*

History of Rate Increases

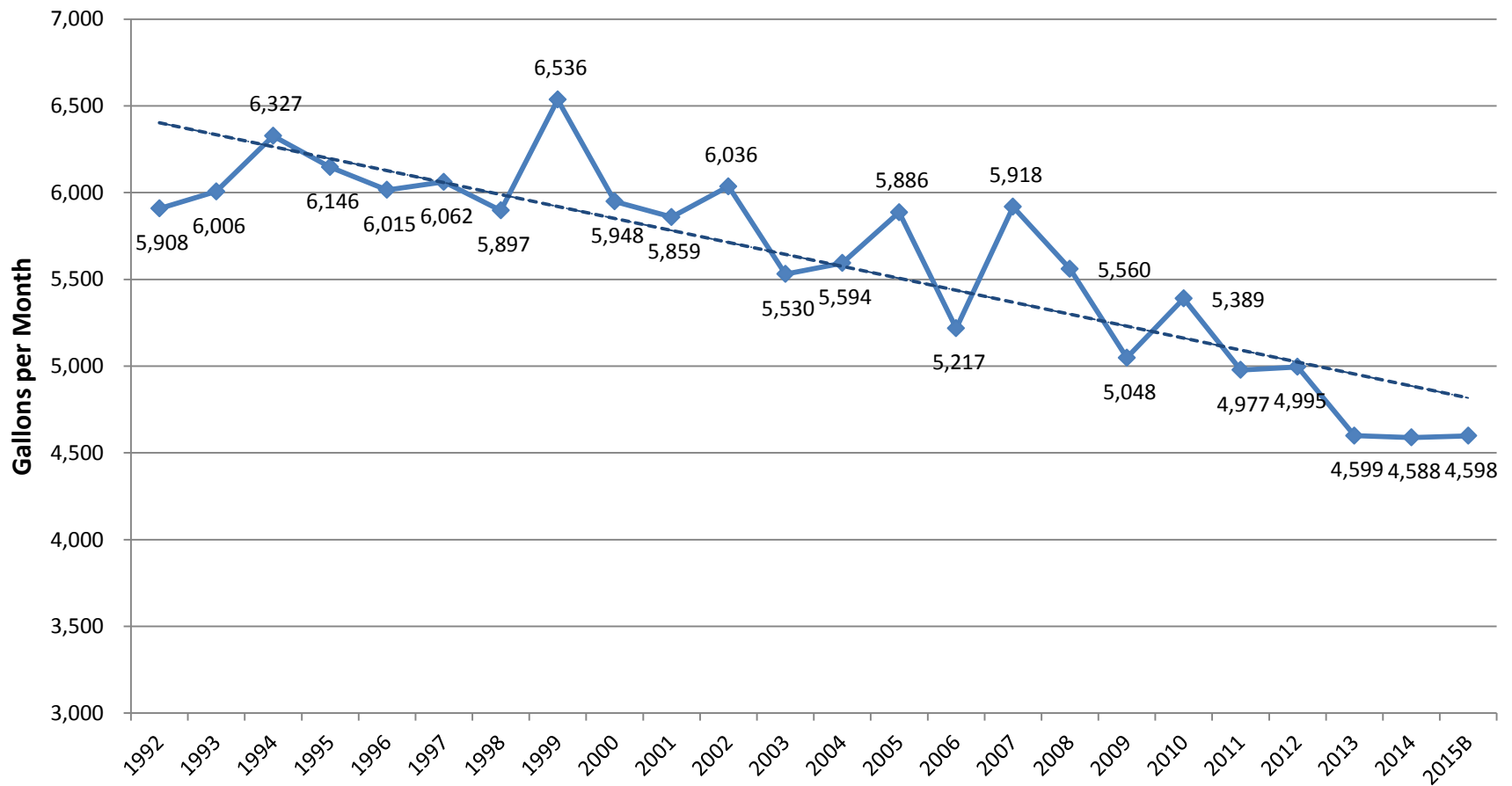


IOAP

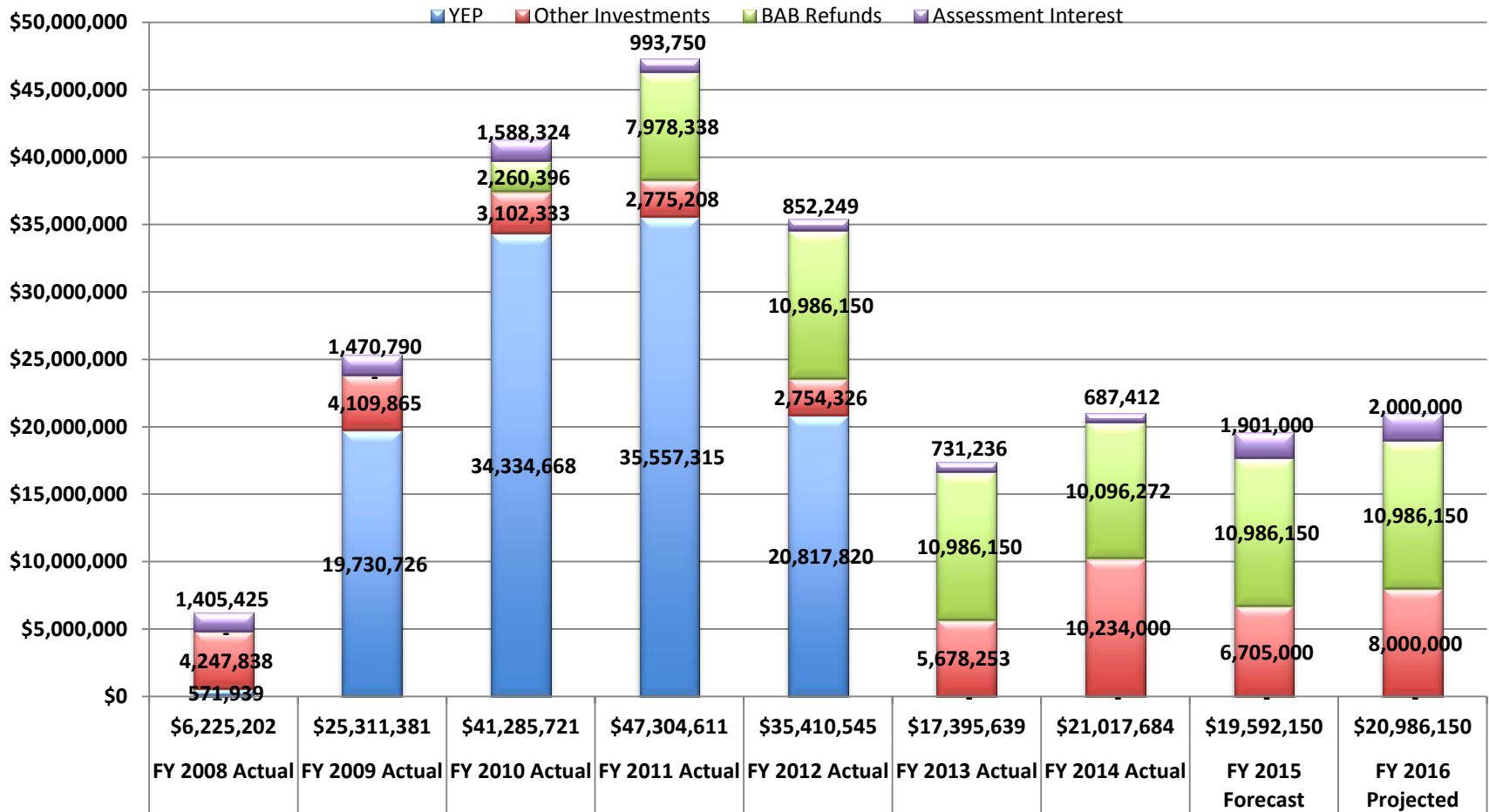
2024

In FY 2008 a Consent Decree surcharge of \$6.95 per account per month was included. This produced a rate increase of approximately 26.5% for total wastewater and drainage charges for the fiscal year it was instituted.

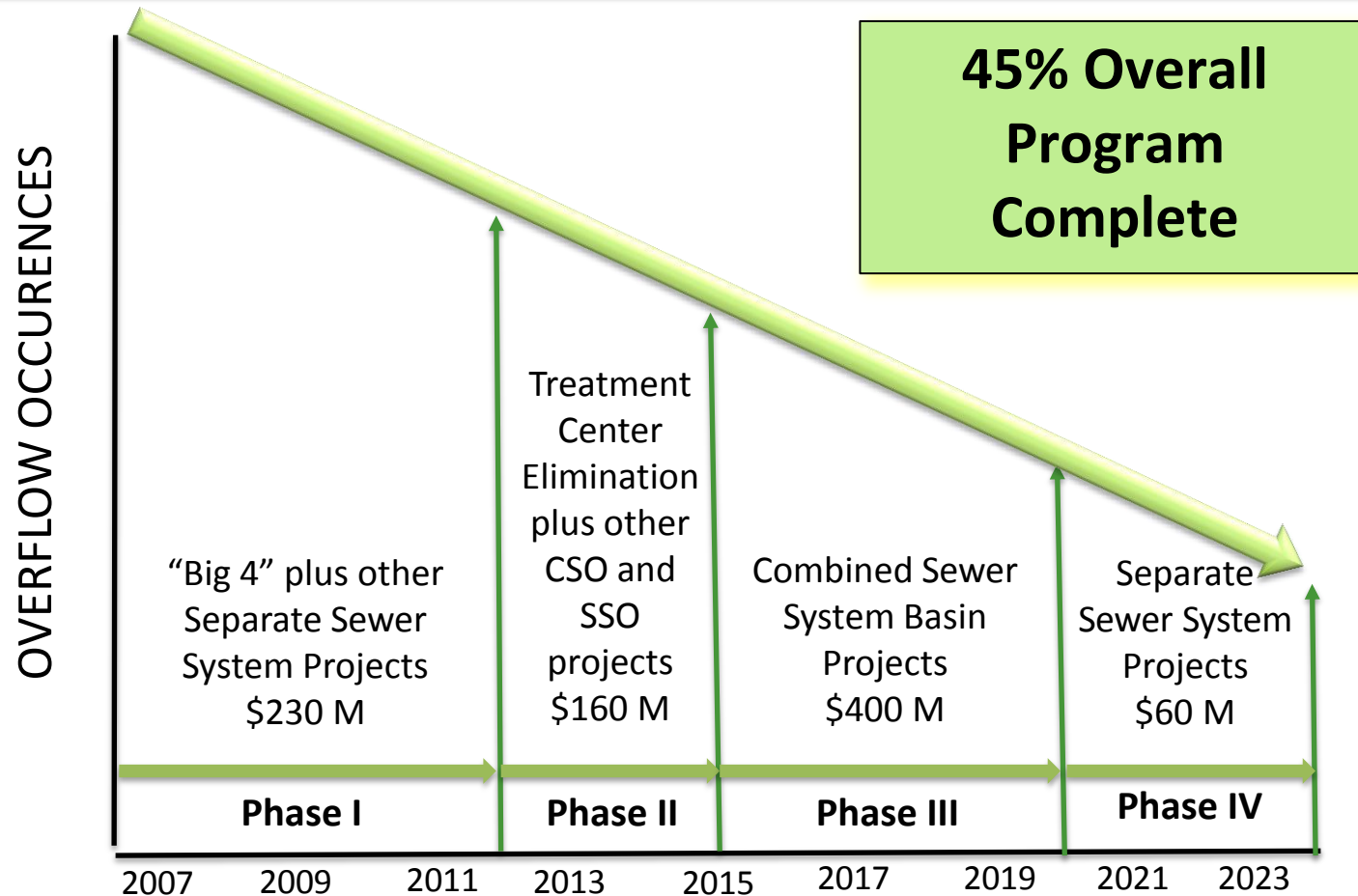
Decrease in Residential Water Consumption



Investment Income

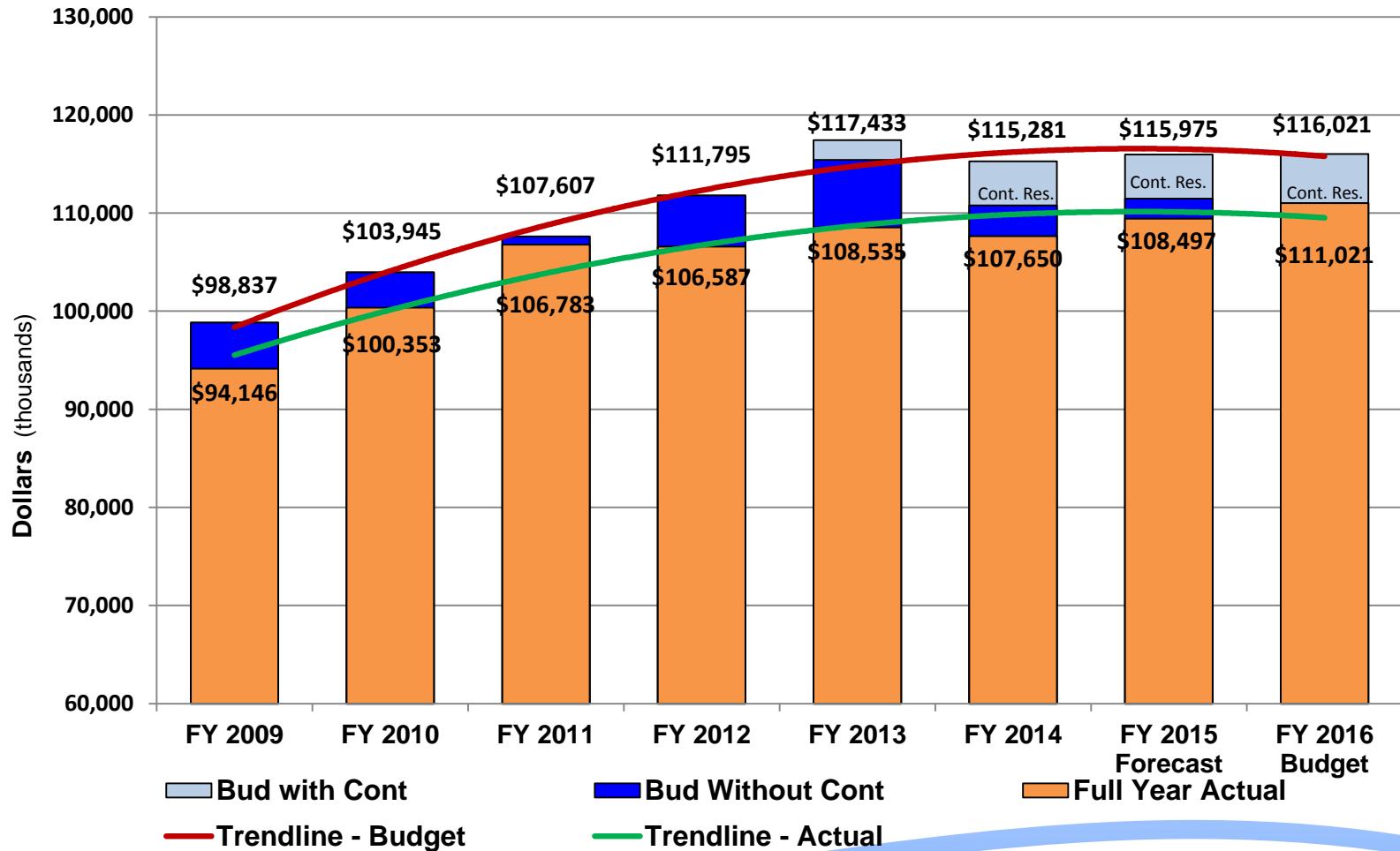


Consent Decree IOAP Implementation Phases

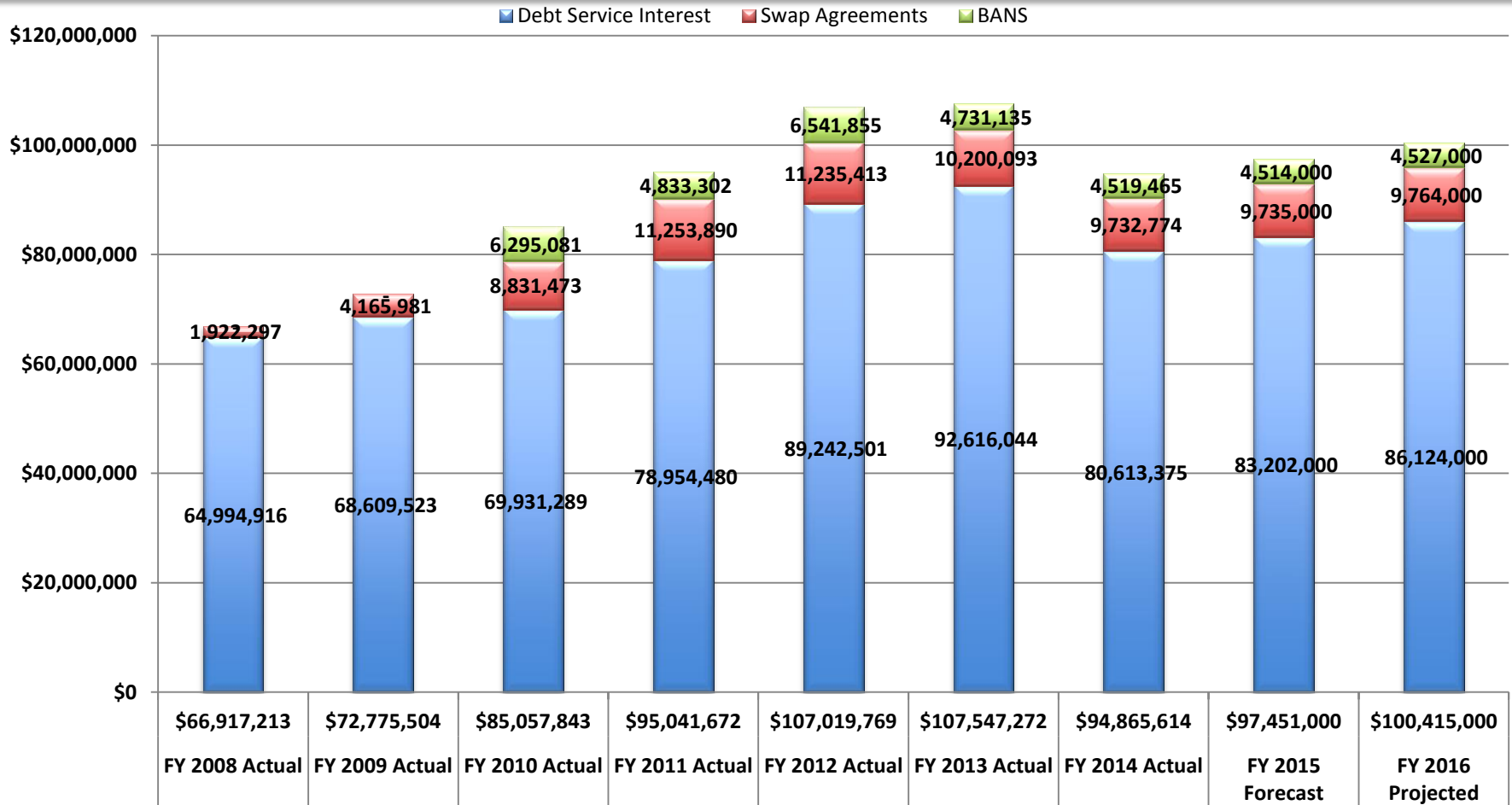


Paradigm Shift – Bending the Trend

“Budget to Actual”

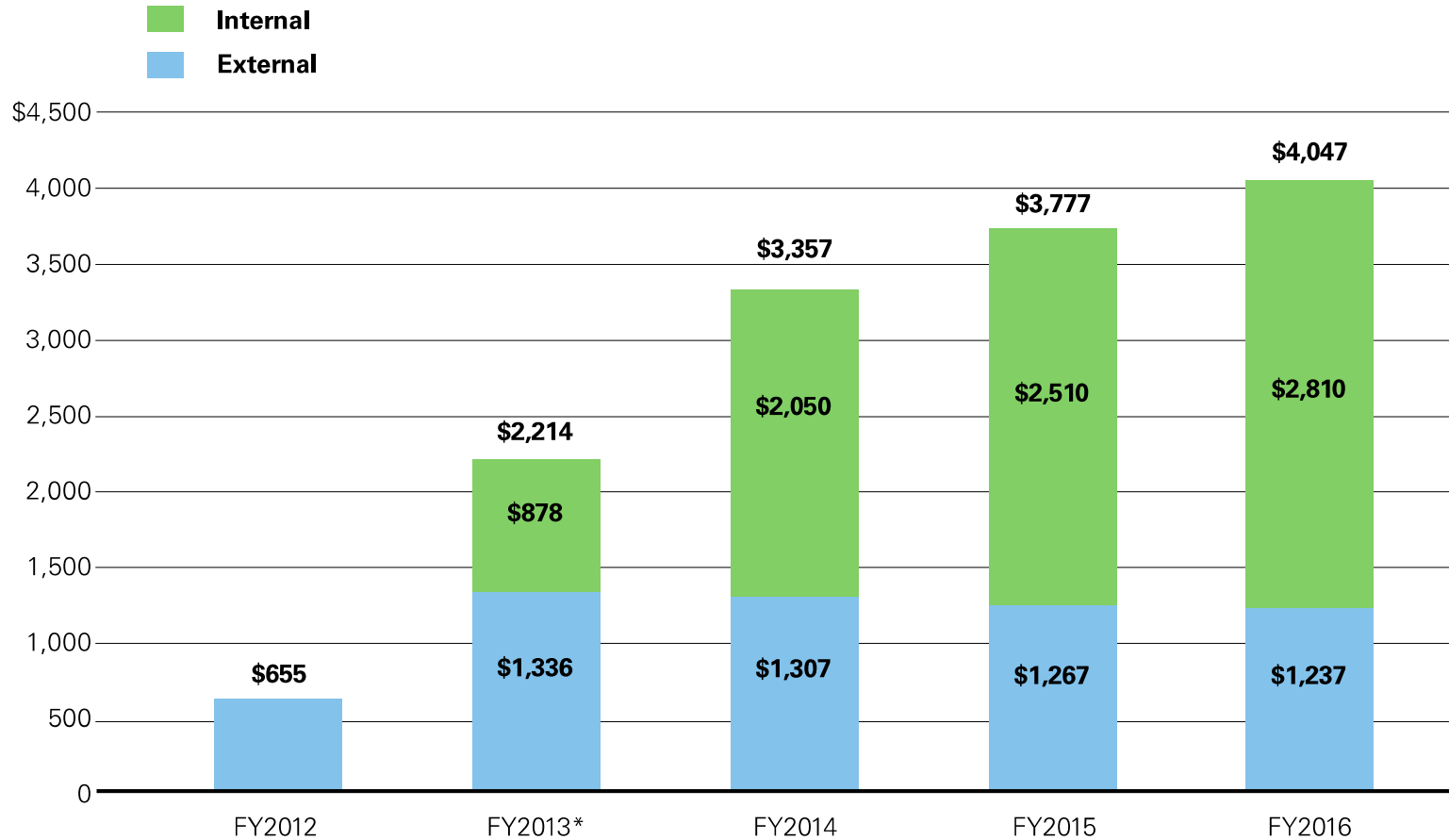


Interest Expense



Revenue Enhancement Program

(Revenue In 000s)



* Early payoff of external firm

Net Income before Swaps

FY2016 Budget

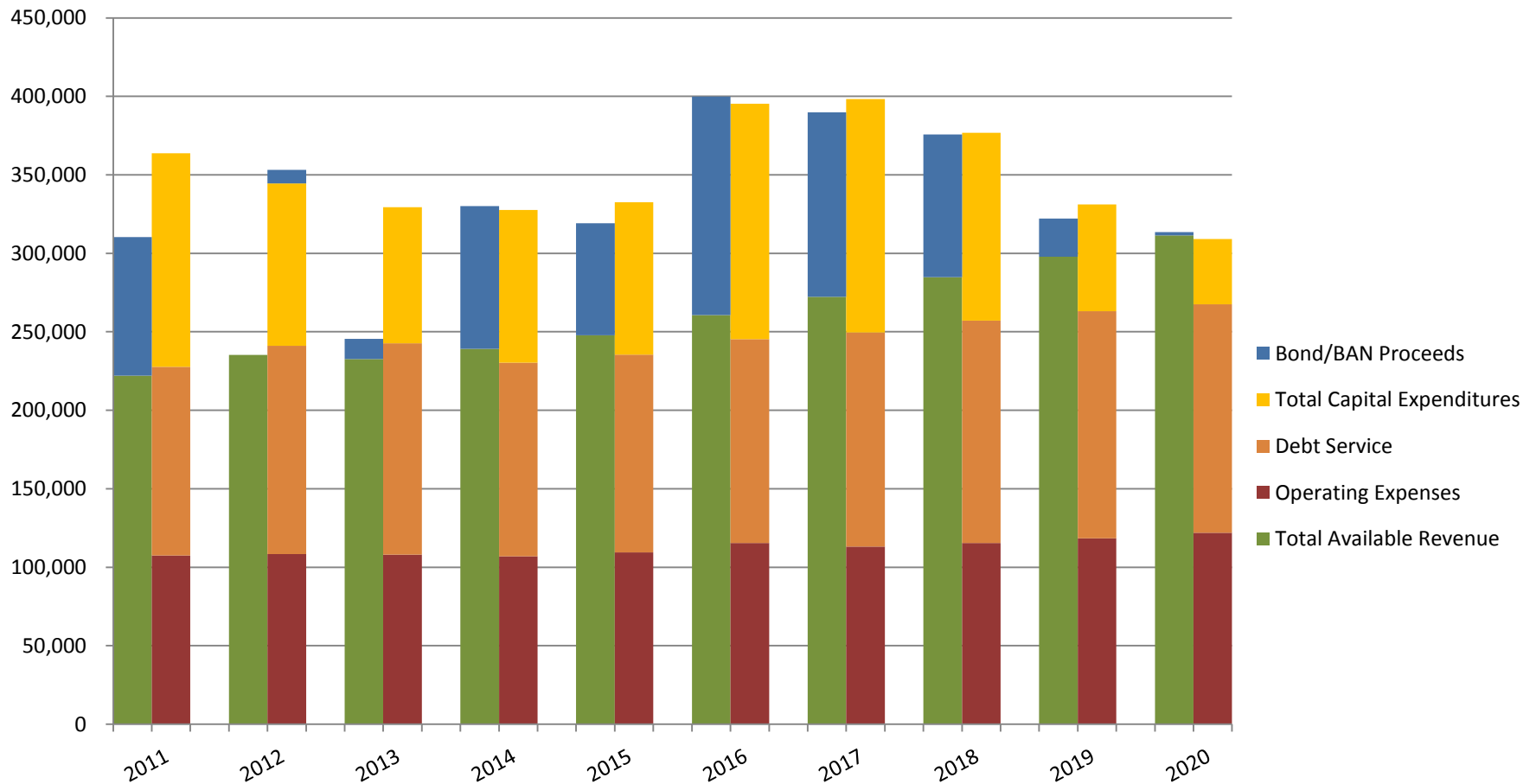
(Dollars in thousands)	FY2013 Actual	FY2014 Actual	FY2015 Budget	FY2015 Preliminary	FY2016 Forecast
Service Fee Revenues	205,222	214,056	223,439	224,043	235,250
Other Operating Revenues	4,823	2,576	4,250	4,327	4,500
Total Service & Admin Costs (net of capitalization)	(74,931)	(73,353)	(81,183)	(77,533)	(84,150)
Depreciation	(60,335)	(63,516)	(64,000)	(63,278)	(64,000)
Net Operating Income	74,779	79,763	82,506	87,559	91,600
Investment Income	4,681	20,331	18,986	17,628	18,900
Interest Expense (net of capitalization)	(74,552)	(71,129)	(80,755)	(72,742)	(78,800)
Other Non-operating	7,134	8,103	-	4,399	-
Non-operating Income/Expense	(52,737)	(42,695)	(61,769)	(50,715)	(59,900)
Total Change in Net Position (before change in swap value)	22,042	37,068	20,737	36,844	31,700

Working Capital FY2016 Budget

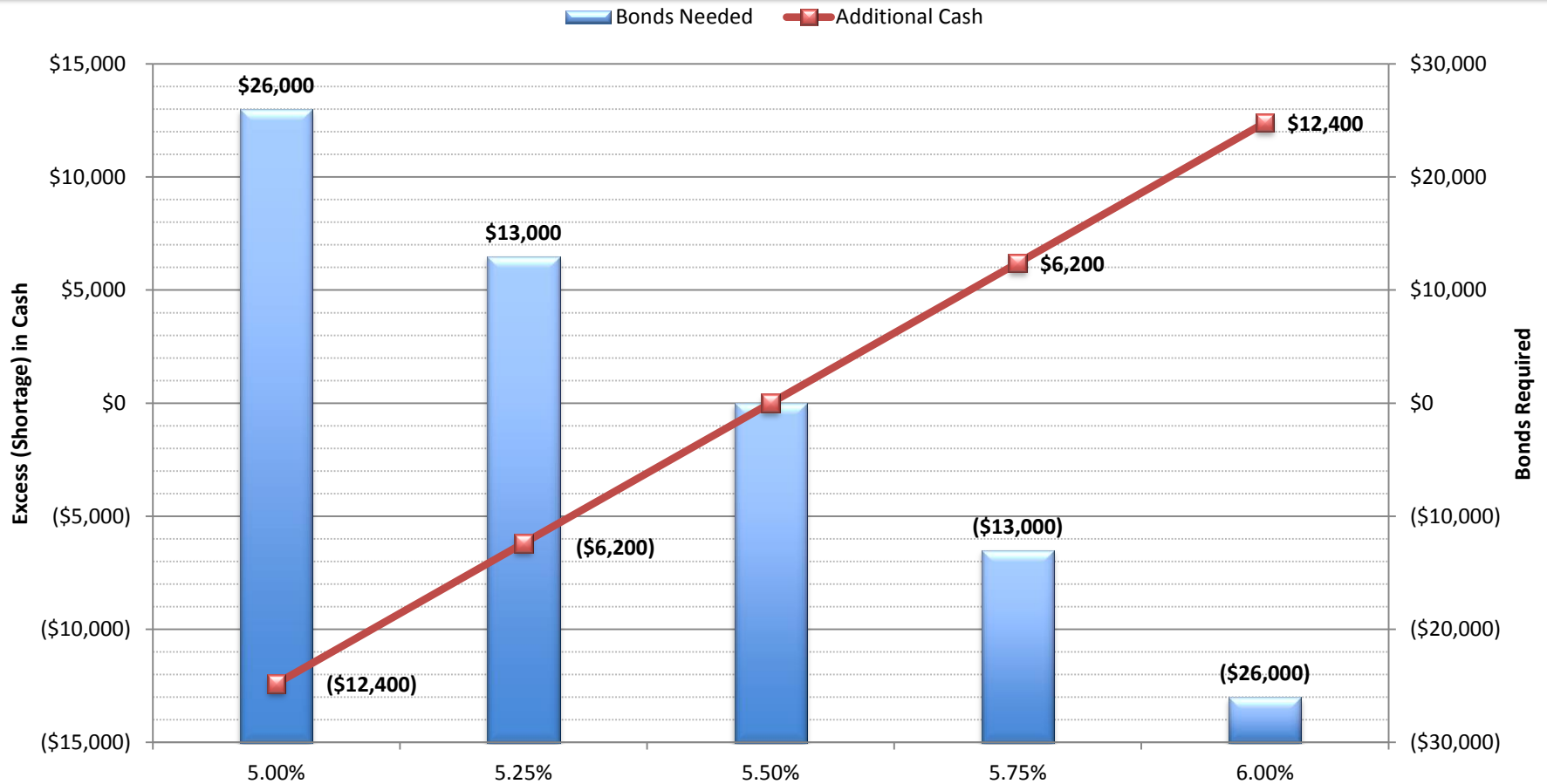
(Dollars in Thousands)

	Actual		Budget	Preliminary	Budget
	FY2013	FY2014	FY2015	FY2015	FY2016
Revenue					
Service Fees	\$205,222	\$214,056	\$223,439	\$224,043	\$235,250
Investment Income	18,454	20,330	18,986	17,628	18,900
Other	7,215	4,705	6,250	6,228	6,500
Total Revenue	\$230,891	\$239,091	\$248,675	\$247,899	\$260,650
Operating Expenses	(\$108,041)	(\$106,921)	(\$111,475)	(\$108,497)	(\$116,000)
Debt Service					
Maturities	(\$25,740)	(\$28,525)	(\$28,650)	(\$28,650)	(\$29,400)
Sr. Debt Interest	(89,244)	(80,613)	(82,953)	(83,202)	(86,100)
BAN Interest	(4,784)	(4,519)	(4,527)	(4,514)	(4,500)
SWAP Payments	(10,200)	(9,733)	(9,506)	(9,735)	(9,800)
Total Debt Service	(\$129,968)	(\$123,390)	(\$125,636)	(\$126,101)	(\$129,800)
Capital Projects	(\$87,185)	(\$90,526)	(\$88,394)	(\$115,000)	(\$175,000)
Bond Proceeds					
New Bonds Issued	\$235,305	\$86,476	\$75,000	\$80,000	\$175,000
Bonds Retired	(264,065)	-	-	(16,770)	-
Misc.	37,997	(2,316)	4,500	5,207	(3,800)
Total Bond Proceeds	\$9,237	\$84,160	\$79,500	\$68,437	\$171,200
Increase/(Decrease) in Working Capital	(\$85,066)	\$2,414	\$2,670	(\$33,262)	\$11,050

Ending Working Capital in Relation to Four Key Variables FY2011-FY2020



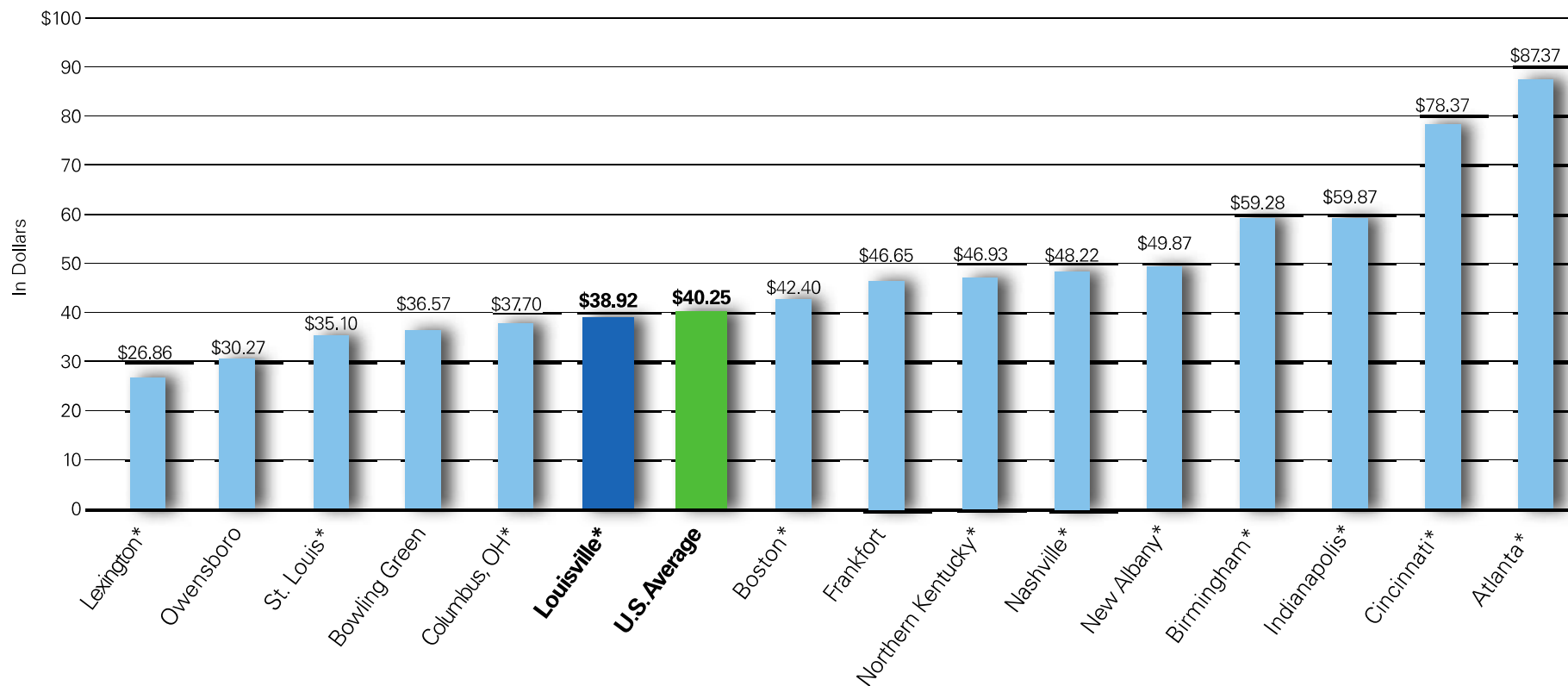
Cumulative Cash FY2016-FY2025



Regional Cities with Consent Decrees

City	Year	Amount	Average Wastewater Bill for 2015
Atlanta	1999	\$4 billion	\$87.37
Cincinnati	2002	\$3.2 billion	\$78.37
Knoxville	2004	\$650 million	\$65.03
Indianapolis	2006	\$1.7 billion	\$59.87
Northern KY	2005	\$880 million	\$46.93
Nashville	2007	\$1.5 billion	\$48.22
Louisville	2005	\$850 million	\$38.90
St. Louis	2012	\$4.7 billion	\$35.10

2015 Monthly Residential Wastewater Fee City Comparison Based on 5,000 Gallons



* Cities with consent decrees

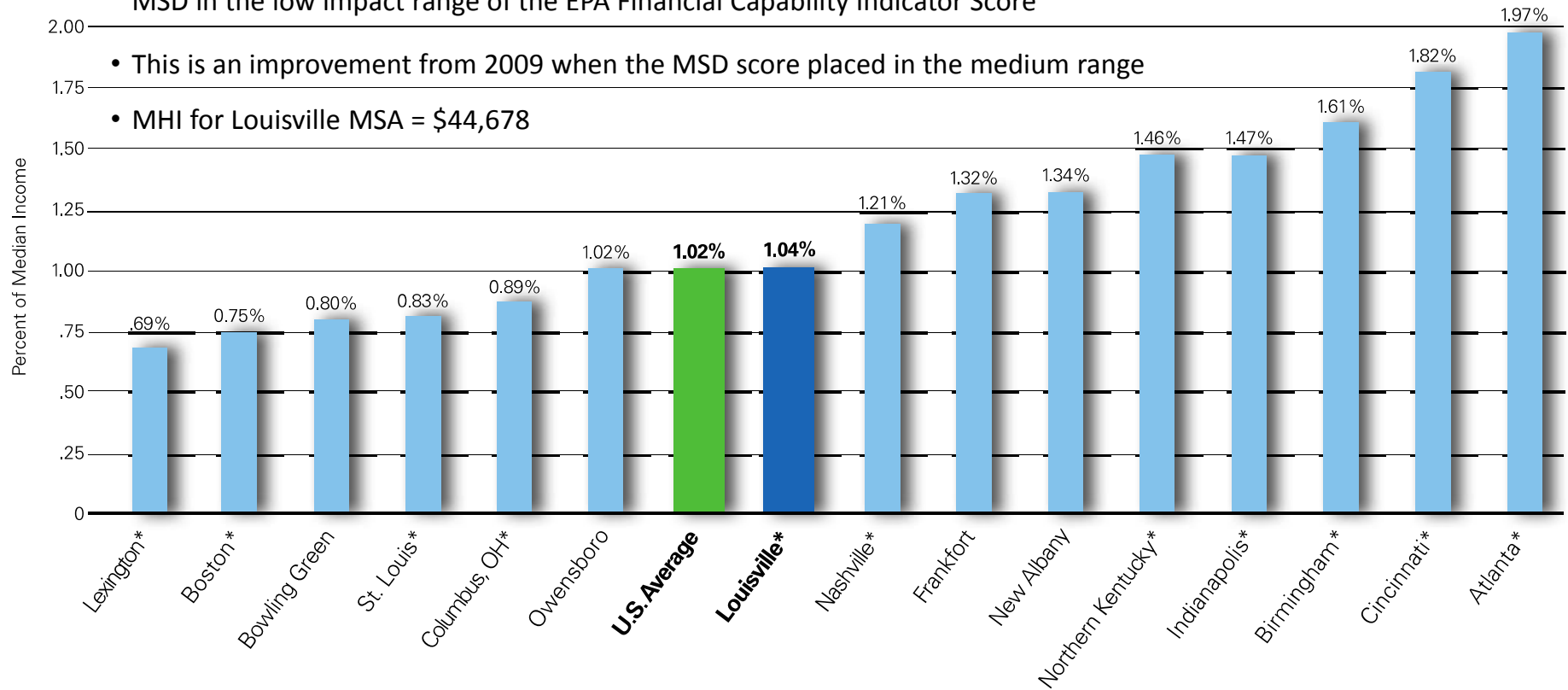
Average Monthly Residential Wastewater Bill As Percent of Median Household Income

Source 2010 Census Data

- Including Drainage, MSD Percent of Median Household Income (MHI) is 1.25%, which places MSD in the low impact range of the EPA Financial Capability Indicator Score

- This is an improvement from 2009 when the MSD score placed in the medium range

- MHI for Louisville MSA = \$44,678



* Cities with consent decrees

Community Contributions

	FY2015
Free Sewer to Metro Government	\$5,336,221
Free Drainage to Metro Government	\$420,779
Senior Citizen Discount	\$775,000
Community Ministries	\$100,000
Flood Buyout Program	\$1,000,000
Total Contribution	\$7,632,000

5-Year Borrowing Plan

(000s)

	FY2015 BUDGET	FY2016 BUDGET	
FY2015	\$ 80,000	Issued	
FY2016	60,000	\$ 175,000	FY2016
FY2017	70,000	130,000	FY2017
FY2018	60,000	100,000	FY2018
FY2019	55,000	25,000	FY2019
			FY2020
	\$ 325,000	-	
Beyond 5 Years	50,000	\$ 430,000	
	\$ 375,000	25,000	Beyond 5 Years
		\$ 455,000	

Future Financial Challenges

- Morris Foreman Facility Improvements
- Flood Mitigation
- Increasing Capital Spending Requirements
- Increasing Capital Cost Pressure
- Bonding Capacity
- 20 Year Facility Plan



***Upward Rate Pressure
FY 2017-2024***

Characteristics of Bidding for MSD Bonds

Stable base of bidders • Aggressive spreads

Series 2014A

The following bids were submitted using **PARITY**® and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	Citigroup Global Markets Inc.	3.809518
<input type="checkbox"/>	Wells Fargo Bank, National Association	3.840007
<input type="checkbox"/>	Bank of America Merrill Lynch	3.840261
<input type="checkbox"/>	J.P. Morgan Securities LLC	3.855204
<input type="checkbox"/>	Robert W. Baird & Co., Inc.	3.865702
<input type="checkbox"/>	Raymond James & Associates, Inc.	3.871365
<input type="checkbox"/>	Barclays Capital Inc.	3.963909

Spread of
15 bps

Series 2013C

The following bids were submitted using **PARITY**® and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	Bank of America Merrill Lynch	4.594323
<input type="checkbox"/>	Citigroup Global Markets Inc.	4.617774
<input type="checkbox"/>	J.P. Morgan Securities LLC	4.652878
<input type="checkbox"/>	Wells Fargo Bank, National Association	4.670008
<input type="checkbox"/>	Robert W. Baird & Co., Inc.	4.687717
<input type="checkbox"/>	Morgan Stanley & Co. LLC	4.719967

Spread of
12 bps

Series 2013B

The following bids were submitted using **PARITY**® and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	Bank of America Merrill Lynch	3.651010
<input type="checkbox"/>	Citigroup Global Markets Inc.	3.657791
<input type="checkbox"/>	Wells Fargo Bank, National Association	3.679973
<input type="checkbox"/>	Robert W. Baird & Co., Inc.	3.706454
<input type="checkbox"/>	J.P. Morgan Securities LLC	3.768416
<input type="checkbox"/>	Morgan Stanley & Co. LLC	3.794230

Spread of
14 bps

Series 2013A

The following bids were submitted using **PARITY**® and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	Citigroup Global Markets Inc.	3.794999
<input type="checkbox"/>	Bank of America Merrill Lynch	3.809562
<input type="checkbox"/>	Wells Fargo Bank, National Association	3.840007
<input type="checkbox"/>	J.P. Morgan Securities LLC	3.903708
<input type="checkbox"/>	Raymond James & Associates, Inc.	3.950131
<input type="checkbox"/>	Barclays Capital Inc.	4.077279

Spread of
29 bps

Estimated Cost of Issuance

2014 Financing vs. 2011 Financing

Cost of Issuance	BAN	Bond	Total
Series 2011	\$405,800	\$708,197	\$1,113,997
Series 2014	\$205,567	\$183,675	\$389,242

*Includes legal fees and expenses, printing costs, rating agency fees, fees and expenses of the Paying Agent, the Escrow Agent and the Financial Advisor, and miscellaneous costs.

2015A - \$175 Million New Money

Sources

Bonds	\$175,000,000
Est. Net Premium	7,351,601
	<hr/>
	\$182,351,601

Uses

Est. Construction Deposit	\$173,941,241
Est. Debt Service Reserve Deposit	8,174,435
Est. Cost of Issuance and Rounding	235,925
	<hr/>
	182,351,601

Assumptions:

- Sell and close bonds in October 2015
- First interest payment - 5/15/2016
- First principal payment – 5/15/2017; final principal payment 5/15/2046
- TIC estimated at 4.32%

Fiscal Year	Principal	Interest	Est. Total Debt Service
2016		\$4,578,305	\$4,578,305
2017	\$720,000	8,079,363	8,799,363
2018	545,000	8,050,563	8,595,563
2019	375,000	8,028,763	8,403,763
2020	200,000	8,013,763	8,213,763
2021	985,000	8,005,763	8,990,763
2022	780,000	7,966,363	8,746,363
2023	550,000	7,935,163	8,485,163
2024	2,320,000	7,913,163	10,233,163
2025	2,405,000	7,820,363	10,225,363
2026	2,425,000	7,724,163	10,149,163
2027	2,635,000	7,602,913	10,237,913
2028	3,635,000	7,471,163	11,106,163
2029	3,875,000	7,289,413	11,164,413
2030	4,035,000	7,095,663	11,130,663
2031	4,180,000	6,893,913	11,073,913
2032	4,550,000	6,684,913	11,234,913
2033	4,710,000	6,480,163	11,190,163
2034	4,680,000	6,256,438	10,936,438
2035	4,785,000	6,034,138	10,819,138
2036	5,025,000	5,806,850	10,831,850
2037	5,370,000	5,555,600	10,925,600
2038	5,600,000	5,287,100	10,887,100
2039	5,885,000	5,007,100	10,892,100
2040	6,145,000	4,712,850	10,857,850
2041	6,340,000	4,436,325	10,776,325
2042	6,610,000	4,151,025	10,761,025
2043	6,900,000	3,853,575	10,753,575
2044	18,165,000	3,543,075	21,708,075
2045	18,880,000	2,725,650	21,605,650
2046	41,690,000	1,876,050	43,566,050
Total	\$175,000,000	\$192,879,643	\$367,879,643

Schedule

<u>Date</u>	<u>Event</u>	<u>Member Responsibility</u>
Week of August 10 th	<ul style="list-style-type: none"> Special MSD Finance Committee meeting at 11:00 AM ET to consider finance plan (Thursday, August 13) 	<ul style="list-style-type: none"> MSD, HL
Week of August 24 th	<ul style="list-style-type: none"> Regular meeting of MSD at 10:00 AM ET to authorize bond documents (Monday, August 24) 	<ul style="list-style-type: none"> MSD, HL, D
Week of September 7 th	<ul style="list-style-type: none"> Rating calls with S&P and Moody's (Thursday, September 10) Regular meeting of Metro at 6:00 PM ET for first reading of bond ordinance (Thursday, September 10) 	<ul style="list-style-type: none"> MSD, HL, M, SP MSD, HL, D
Week of September 14 th	<ul style="list-style-type: none"> Metro Council Committee meeting at 4:15 PM ET to consider recommendation of second reading of bond ordinance (Tuesday, September 15) 	<ul style="list-style-type: none"> MSD, HL, D
Week of September 21 st	<ul style="list-style-type: none"> Regular meeting of Metro at 6:00 PM ET for second reading of bond ordinance (Thursday, September 24) Moody's and S&P release rating (Friday, September 25) 	<ul style="list-style-type: none"> MSD, HL, D M, SP
Week of October 5 th	<ul style="list-style-type: none"> Bond sale at 11:00 AM ET via <i>i-Deal Parity</i> (Tuesday, October 6) 	<ul style="list-style-type: none"> HL
Week of October 19 th	<ul style="list-style-type: none"> Close bond issues (Wednesday, October 21) 	<ul style="list-style-type: none"> MSD, BNY, D, HL

August

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

MSD	Louisville & Jefferson County Metropolitan Sewer District (Issuer)
D	Dinsmore & Shohl (bond counsel)
HL	Hilliard Lyons (financial advisor)
BNY	Bank of New York (paying agent)
M	Moody's (rating agency)
SP	Standard & Poor's (rating agency)