



# The Metropolitan St. Louis Sewer District Credit Presentation

November 14, 2018



# Participants

## MSD Participants

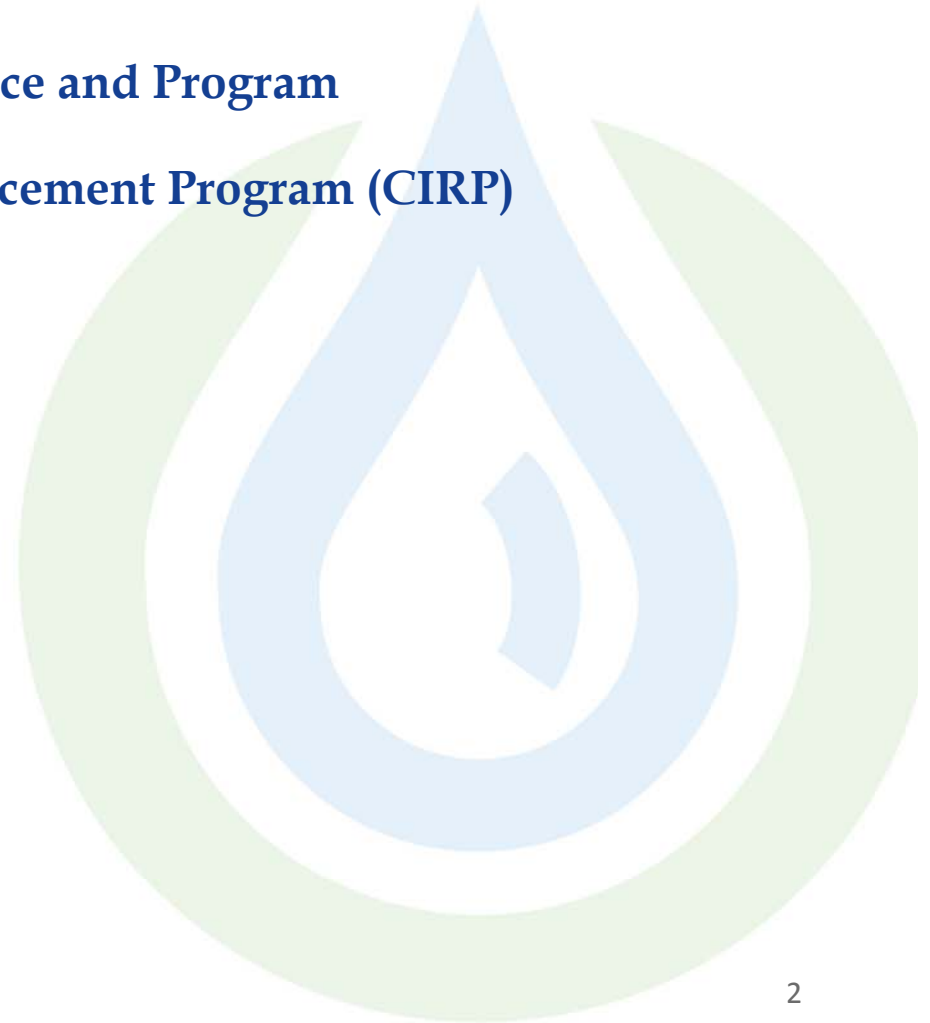
**Tim R. Snoke, Secretary-Treasurer**  
**Marion M. Gee, Director of Finance**  
**Susan M. Myers, General Counsel**  
**Richard Unverferth, P.E., Director of Engineering**  
**John Strahlman, Assistant Secretary-Treasurer**

## Finance Team Participants

**Bethany Pugh, Matthew Schnackenberg, PFM Financial Advisors LLC - Co-Municipal Advisor**  
**Tionna Pooler, Independent Public Advisors, LLC - Co-Municipal Advisor**

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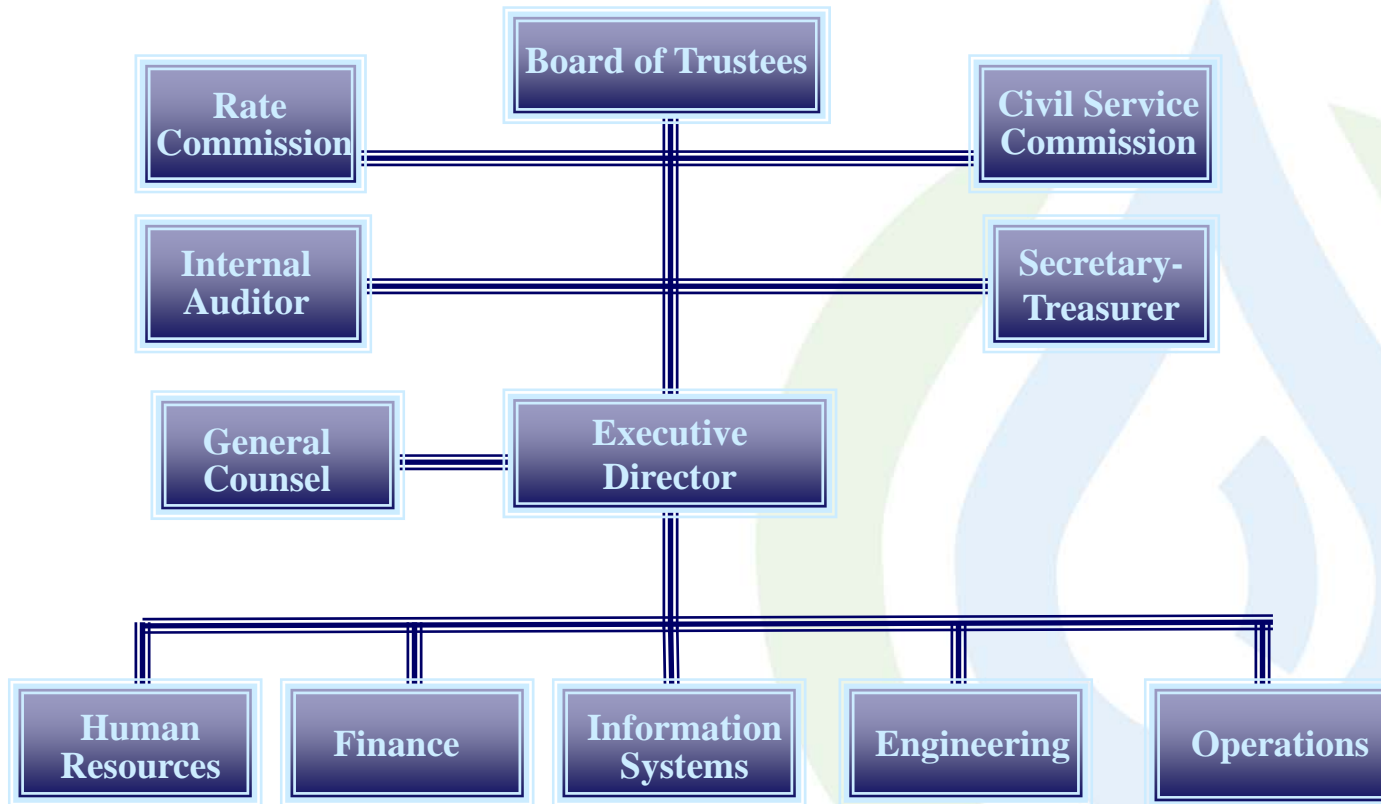
# I. OVERVIEW AND GOVERNANCE



# Authority and Governance

- 🔹 Established and chartered in 1954 pursuant to a special election to provide for wastewater and stormwater services in the City of St. Louis and most of St. Louis County
  - Governance is vested in a six-member Board of Trustees
  - The Mayor of St. Louis and the St. Louis County Executive each appoint three trustees
  - A Rate Commission reviews proposed changes to rates and charges and makes recommendations to Trustees
  - A Civil Service Commission serves in an advisory position regarding personnel, administrative, and civil service matters and hears appeals of disciplinary actions
  - Revenue Bonds are issued pursuant to referendum approval of a majority of voters
  - Charter changes also subject to majority approval of voters

# Organization



# Management Team Leadership

## **Brian Hoelscher, P.E., Executive Director**

- Assumed executive leadership position in March 2013
- Twenty years prior experience at MSD, most recently as Director of Engineering
- Previous responsibilities included oversight of Capital Improvement and Replacement Program (CIRP)
- Part of four-member MSD staff leadership team that negotiated terms of the final EPA Consent Decree

## **Tim R. Snoke, Secretary-Treasurer**

- Assumed the Secretary-Treasurer position in May 2014
- Twenty-one years prior experience at Ralcorp Holdings, Inc.
- Holds a BSc. Business Administration from Valparaiso University and a Masters of Business Administration from St. Louis University

## **Marion Gee, Director of Finance**

- Assumed the Director of Finance position in September 2015
- Recently served as Assistant Finance Director for the City of San Antonio and before that as Finance Director at Louisville Metropolitan Sewer District for eleven years
- Certified Public Accountant with a BSc. in Business Administration and a Masters of Business Administration from University of Louisville



# Management Team Leadership

## **Susan M. Myers, General Counsel**

- Assumed the General Counsel role in April 2011
- Started at the District as in-house counsel in 2001
- Served as an environmental engineer for two years with EPA Region VII in RCRA Permitting and for nine years on a billion dollar Department of Energy Superfund Clean-up project
- Part of four member MSD staff leadership team that negotiated terms of the final EPA Consent Decree executive leadership position in March 2013

## **Richard Unverferth, P.E., Director of Engineering**

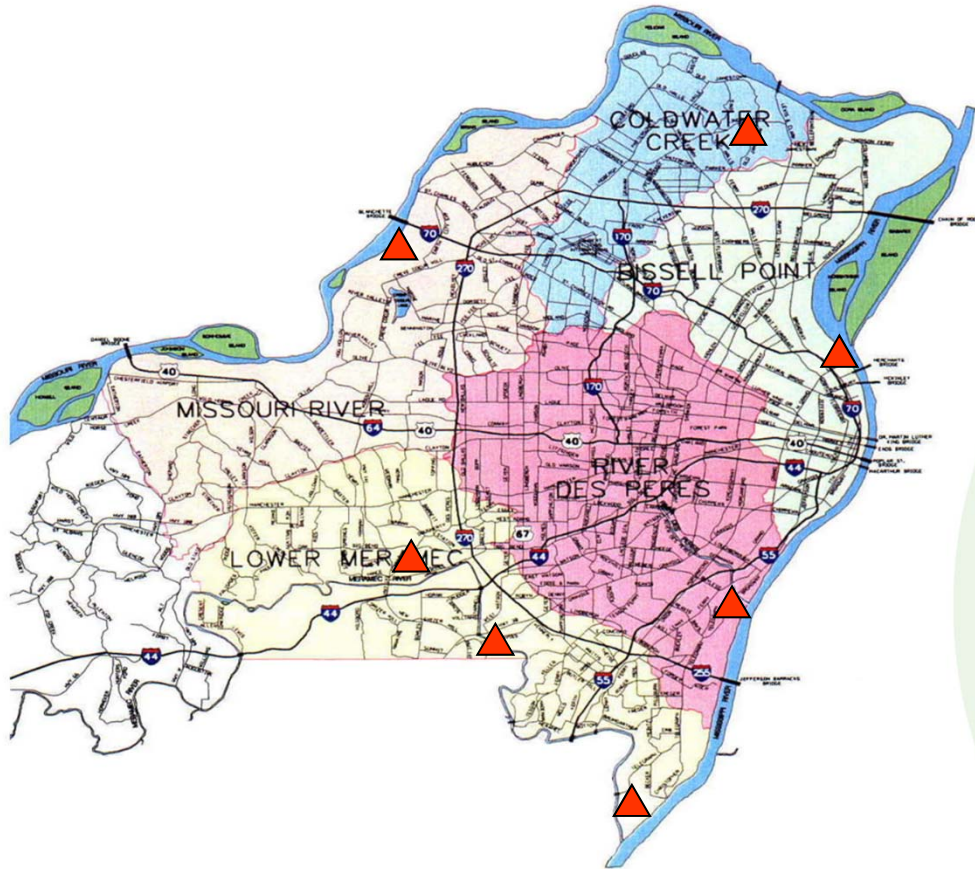
- Assumed engineering leadership position in May 2013
- Twenty-nine years prior experience at MSD in engineering, as well as leadership role in long-term planning group
- Extensive familiarity with District CIRP and operations
- Responsible for developing background data for MSD position in EPA Consent Decree negotiations

## **John Strahlman, Assistant Secretary-Treasurer**

- Assumed the Assistant Secretary-Treasurer position in January 2015
- Prior experience includes treasury management positions at Metropolitan Pier and Exposition Authority in Chicago and at the Cook County Treasurer's office
- Holds a BSc. Public Finance from Indiana University and a Masters of Business Administration from DePaul University



# Service Area



- Includes 520 square miles pursuant to 1977 referendum and subsequent annexation
- Includes the City of St. Louis and 90 other cities, including approximately 87% of St. Louis County
- Serves a population of 1.3 million
- Encompasses five watershed areas

# System Profile

- MSD currently treats an average daily flow of 270 MGD, operating seven treatment facilities
- The System serves approximately 426,000 wastewater accounts, 94% of which are single- and multi-family residential customers
- Approximately 80% of customer accounts are in St. Louis County, with the balance of 20% in the City of St. Louis
- Ten largest customers contribute approximately 5.0% of user charges as indicated to the right:

Customers	FY 2018 User	
	Charges	% Total
InBev Anheuser-Busch	\$5,246,961	1.45%
City of St. Louis	2,840,881	0.79%
Washington University	2,047,182	0.57%
Sigma-Aldrich	1,398,158	0.39%
Jost Real Estate LLC	1,215,907	0.33%
Missouri-American Water Co.	1,212,638	0.33%
St Louis University	1,186,675	0.33%
BJC Health System	1,082,621	0.30%
The Boeing Company	1,004,081	0.28%
GKN Aerospace N America Inc.	871,570	0.24%
<b>Total</b>	<b>\$18,106,674</b>	<b>5.01%</b>

# MSD Wins Top National Awards

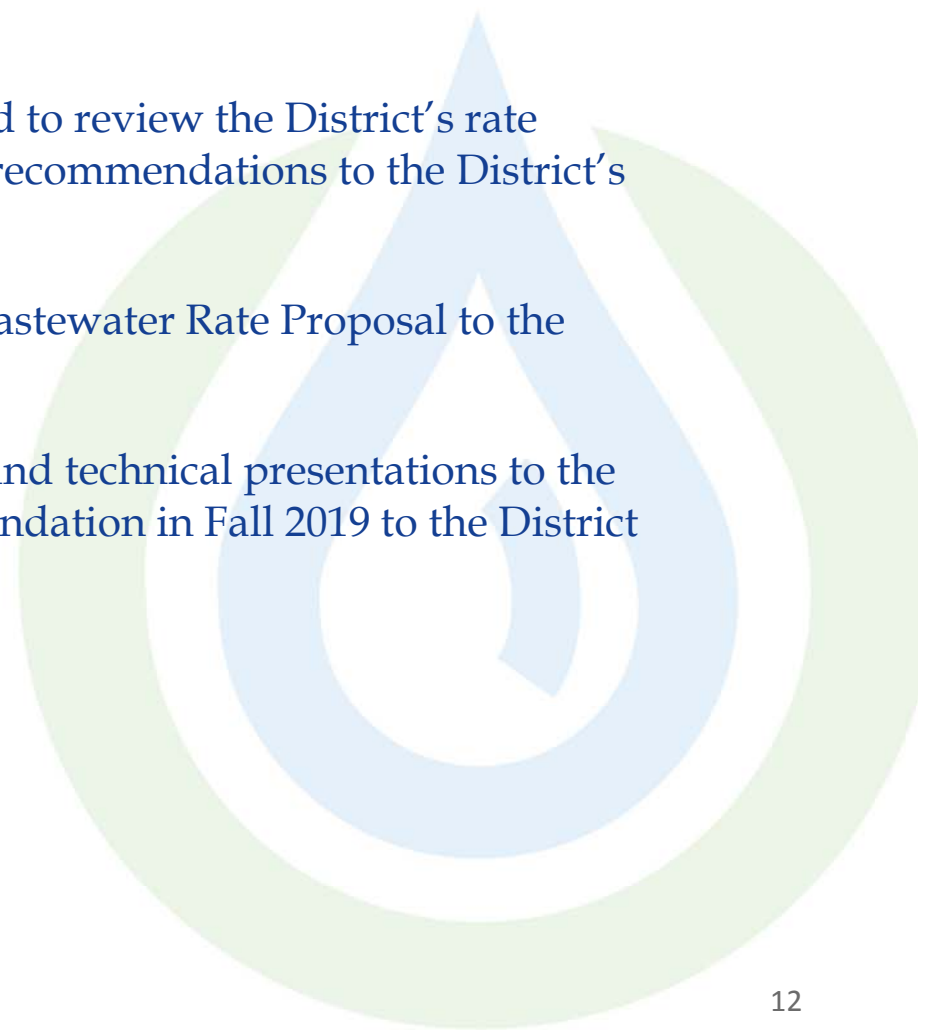
- 🔹 In 2018, MSD received several NACWA Peak Performance Awards recognizing public wastewater treatment facilities for outstanding environmental compliance in the 2017 calendar year:
  - The “Platinum Performance Award” honors member agencies for outstanding 100% compliance over a five-year or more consecutive period
    - ✓ Fenton and Lower Meramec plants (perfect compliance for ten consecutive years)
  - The “Gold Performance Award” honors facilities with one year 100% compliance
    - ✓ Missouri River and Grand Glaize plants earned Gold honors
  - The “Silver Performance Award” honors facilities with five or less violations per year
    - ✓ Bissell, Coldwater and Lemay Treatment Plant earned Silver honors

# MSD Wins Top National Awards

- 💧 In 2018, NACWA presented MSD with the Excellence in Management Platinum Award. This award is presented to member utilities in the area of effective utility management. This award honors member agencies on their commitment to sustainable, successful programs that exemplify the many attributes of an effectively managed utility. The award is presented to Utilities that have achieved excellence in at least nine out of ten categories. This level of achievement is only obtained by a handful of agencies each year.
- 💧 MSD also received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation award for the 31<sup>st</sup> consecutive year, the Excellence in Financial Reporting for the 29<sup>th</sup> consecutive year, and the Popular Annual Financial Report Outstanding Achievement Award for the 5th year in a row

# FY2021-FY2024 Rate Commission and Proposal Process

- 💧 The Rate Commission was established in 2000, by voter-approved amendments to the District's Charter
- 💧 The 15-member Rate Commission is required to review the District's rate proposal, seek public feedback, and submit recommendations to the District's Board of Trustees
- 💧 The District will submit a comprehensive Wastewater Rate Proposal to the Commission in early 2019
- 💧 The District will hold community briefings and technical presentations to the Commission. It will then submit a recommendation in Fall 2019 to the District Board of Trustees.



# Current Rate Proposal Cycle

- 🔹 The Board adopted new rates on June 9, 2016
- 🔹 Board approved rates for the average household are as follows:

Typical Bill for Single Family Residence using 7ccf/month		
	Rate	% Change
FY 2017	\$44.59	9.50%
FY 2018	\$49.31	10.59%
FY 2019	\$54.63	10.79%
FY 2020	\$60.44	10.64%

- 🔹 For more information and supporting documents:  
<https://www.stlmsd.com/our-organization/organization-overview/rate-commission/fy2017-fy2020-rate-proposal>

## **II. REVIEW OF REGULATORY COMPLIANCE AND PROGRAM**





# Regulatory Compliance – Consent Decree

## 💧 Consent Decree entered April 27, 2012

- Consent Decree drives the majority of the long term investment in the sewer system
- Estimated \$4.7 Billion (2010 dollars) over 23 years in capital system improvements
- Almost \$1.4 Billion in capital expenditures from 2013 through 2018
- Substantial operational commitment is aimed at reducing overflows and building backups
- Consent Decree Amendment

## 💧 District's long-term planning means Consent Decree obligations are well defined

- The Combined Sewer Overflow Long Term Control Plan was approved in 2011, and provides parameters for about a third of the capital program
- The Sanitary Sewer Overflow Master Plan was approved in 2014, and provides a schedule and milestones for elimination of overflow structures, accounting for about a third of the program
- The balance of Consent Decree obligations, wastewater system asset renewal, along with other regulatory requirements, accounts for the rest of the program

# Regulatory Compliance – Program Notes and the Future

## Program Notes

- The 2018 capital program was under budget
- The 2017 to 2020 capital program is tracking to be under budget
- The capital program for 2019 includes more than 145 projects
- The District has demonstrated the ability to manage large annual capital programs within budget
- The District’s focus on budgetary controls and operational efficiencies have successfully contained total Operations and Maintenance costs

## The Future Program

- Continued compliance with the Consent Decree and other regulatory requirements
- Continued construction to enable removal of Sanitary Sewer Overflow structures
- Over the next five years, the District will complete a majority of planned neighborhood scale projects and begin transitioning to larger regional projects, such as tunnel and tank storage facilities
- Continued Wastewater System Asset Renewal

A large, stylized graphic of a water drop in light blue, centered on the right side of the page. The drop is surrounded by a light green circular glow. The text is positioned to the left of the drop.

**III. CAPITAL IMPROVEMENT AND  
REPLACEMENT PROGRAM (CIRP)  
UPDATE AND FUNDING PLAN**

# CIRP Investment Planned: 2017-2020

## Allocation of 2017-2020 CIRP Projects:

- \$600 Million for the elimination of Sanitary Sewer Overflows
- \$371 Million for system renewal and capacity projects
- \$237 Million for the reduction and control of Combined Sewer Overflows
- \$54 Million for treatment plant improvements

Fiscal Year	Program Level
2017 Actual	\$258,000,000
2018 Actual	\$281,000,000
2019 Estimate	\$348,000,000
2020 Estimate	\$375,000,000
<b>Total 4-Year Program</b>	<b>\$1,262,000,000</b>

# CIRP Investment Planned: 2021-2024

## Allocation of 2021-2024 CIRP Projects:

- \$313 Million for the elimination of Sanitary Sewer Overflows
- \$596 Million for system renewal and capacity projects
- \$180 Million for the reduction and control of Combined Sewer Overflows
- \$427 Million for treatment plant and air emissions improvements

Fiscal Year	Program Level
2021 Estimate	\$347,000,000
2022 Estimate	\$336,000,000
2023 Estimate	\$424,000,000
2024 Estimate	\$409,000,000
<b>Total 4-Year Program</b>	<b>\$1,516,000,000</b>

# CIRP Funding – Debt and PAYGO

	CIRP	Debt	Cash	% Debt	% Cash
<b>2004 - 2018</b>	\$2,432,567,586	\$1,822,086,882	\$610,480,704	75%	25%
<b>Planned PAYGO</b>					
	<b>FY 2018</b>				
	<b>Actual</b>	<b>FY 2019</b>	<b>FY 2020</b>		<b>Subtotal</b>
PAYGO Directly to CIRP	\$58,000,000	\$120,000,000	\$120,000,000		
Asset Management Projects	14,048,473	10,238,454	10,355,314		
Capitalized Internal Labor	9,615,353	11,756,669	12,226,935		
<b>Total Planned PAYGO</b>	<b>\$81,663,826</b>	<b>\$141,995,123</b>	<b>\$142,582,249</b>		<b>\$366,241,198</b>
CIRP Needs	\$280,974,504	\$348,000,000	\$375,000,000		<b>\$1,003,974,504</b>
PAYGO as % CIRP	29%	41%	38%		<b>36%</b>

## 2018-2020 unrestricted cash

- Unrestricted cash is expected to remain steady through 2020
- Excess unrestricted cash may be available for PAYGO in later years

# WIFIA Loan

- 💧 WIFIA Loan will be issued to fund projects planned to begin in FY2020:
  - Deer Creek Sanitary Relief Phase III and Phase IV - to alleviate surcharging, basement backups & eliminate five constructed SSOs
  - Deer Creek Sanitary Tunnel Pump Station to control and eliminate SSOs
- 💧 The WIFIA Loan is amortized to wrap around expected 20-year SRF Loan
- 💧 The WIFIA Loan will be on parity with the other District Senior Lien Bonds but will not be secured by the Debt Service Reserve Fund
- 💧 Project planning anticipates next Senior Lien new money bond issue in FY2020



# Existing and Proposed Debt Service

Year Ended June 30	Debt outstanding					Proposed New Money				Aggregate Estimated Debt Service
	Senior Debt			Subordinate Debt	Aggregate	WIFIA	SRF	SRF Debt	Estimated Debt Service	
	Principal	Interest <sup>(1)</sup>	Debt Service	Debt Service	Debt Service	Debt Service <sup>(3)</sup>	Debt Service <sup>(3)</sup>	Service (WIFIA) <sup>(3)</sup>		
2018										
2019	\$ 22,355,000	\$ 55,584,848	\$ 77,939,848	\$ 35,096,460	\$ 113,036,307	\$ 4,108	\$ 1,603,678	\$ -	\$ 114,644,093	
2020	23,305,000	54,731,298	78,036,298	35,330,527	113,366,824	56,613	1,603,678	3,177,428	118,204,543	
2021	24,280,000	53,638,898	77,918,898	35,543,467	113,462,365	321,507	1,603,678	3,177,428	118,564,978	
2022	24,500,000	52,582,648	77,082,648	35,971,237	113,053,885	763,786	1,603,678	3,177,428	118,598,776	
2023	25,600,000	51,399,898	76,999,898	36,026,977	113,026,874	1,200,773	1,603,678	3,177,428	119,008,753	
2024	26,410,000	50,242,873	76,652,873	36,277,002	112,929,875	1,444,416	1,603,678	3,177,428	119,155,396	
2025	27,660,000	48,889,765	76,549,765	36,517,632	113,067,397	1,482,059	1,603,678	3,177,428	119,330,562	
2026	32,175,000	47,542,815	79,717,815	33,328,185	113,046,000	1,482,059	1,603,678	3,177,428	119,309,165	
2027	36,365,000	45,943,065	82,308,065	26,875,155	109,183,220	1,482,059	1,603,678	3,177,428	115,446,385	
2028	38,980,000	44,124,815	83,104,815	23,305,173	106,409,988	1,482,059	1,603,678	3,177,428	112,673,153	
2029	40,705,000	42,175,815	82,880,815	22,614,841	105,495,656	1,482,059	1,603,678	3,177,428	111,758,821	
2030	45,190,000	40,140,565	85,330,565	20,337,097	105,667,662	1,482,059	1,603,678	3,177,428	111,930,827	
2031	46,970,000	37,975,415	84,945,415	19,057,701	104,003,116	1,482,059	1,603,678	3,177,428	110,266,281	
2032	49,055,000	35,686,015	84,741,015	16,557,357	101,298,372	1,482,059	1,603,678	3,177,428	107,561,536	
2033	48,065,000	33,311,178	81,376,178	16,471,535	97,847,713	1,482,059	1,603,678	3,177,428	104,110,877	
2034	50,185,000	30,993,028	81,178,028	16,636,095	97,814,122	1,482,059	1,603,678	3,177,428	104,077,287	
2035	49,585,000	28,573,978	78,158,978	12,496,834	90,655,811	1,482,059	1,603,678	3,177,428	96,918,976	
2036	51,900,000	26,289,422	78,189,422	5,910,876	84,100,298	1,482,059	1,603,678	3,177,428	90,363,463	
2037	55,090,000	23,868,340	78,958,340	5,966,378	84,924,718	1,482,059	1,603,678	3,177,428	91,187,883	
2038	57,555,000	21,462,860	79,017,860	2,374,160	81,392,020	1,482,059	1,603,678	3,177,428	87,655,185	
2039	62,045,000	18,958,955	81,003,955	-	81,003,955	1,482,059	-	3,177,428	85,663,442	
2040	64,140,000	16,321,450	80,461,450	-	80,461,450	4,262,059	-	-	84,723,509	
2041	67,275,000	13,183,600	80,458,600	-	80,458,600	4,260,879	-	-	84,719,479	
2042	70,570,000	9,891,750	80,461,750	-	80,461,750	4,262,064	-	-	84,723,814	
2043	36,235,000	6,363,250	42,598,250	-	42,598,250	4,260,459	-	-	46,858,709	
2044	28,040,000	4,551,500	32,591,500	-	32,591,500	4,261,064	-	-	36,852,564	
2045	29,445,000	3,149,500	32,594,500	-	32,594,500	4,258,724	-	-	36,853,224	
2046	21,020,000	1,677,250	22,697,250	-	22,697,250	4,263,439	-	-	26,960,689	
2047	12,525,000	626,250	13,151,250	-	13,151,250	4,259,899	-	-	17,411,149	
2048	-	-	-	-	-	4,258,259	-	-	4,258,259	
2049	-	-	-	-	-	4,263,364	-	-	4,263,364	
2050	-	-	-	-	-	4,259,904	-	-	4,259,904	
2051	-	-	-	-	-	4,263,034	-	-	4,263,034	
2052	-	-	-	-	-	4,262,444	-	-	4,262,444	
2053	-	-	-	-	-	4,261,488	-	-	4,261,488	
<b>Total</b>	<b>\$ 1,167,225,000</b>	<b>\$ 899,881,040</b>	<b>\$ 2,067,106,040</b>	<b>\$ 472,694,687</b>	<b>\$ 2,539,800,727</b>	<b>\$ 85,679,168</b>	<b>\$ 32,073,564</b>	<b>\$ 63,548,551</b>	<b>\$ 2,721,102,010</b>	

**Notes**

<sup>(1)</sup> Net of BABs subsidy

<sup>(2)</sup> Includes fees associated with the loans; net of DSRF earnings

<sup>(3)</sup> Preliminary and subject to change

# Outstanding and Planned Bonds Under Existing Voted Authority

Date	Series	Term	New Money Issued	Par Outstanding
<b>Outstanding</b>				
04/28/04	2004B (SRF)	20 Year, Fixed	\$ 161,280,000	\$ 73,190,000
05/06/04	2004A	29 Year, Fixed	175,000,000	-
05/19/05	2005A (SRF)	20 Year, Fixed	6,800,000	3,120,000
04/27/06	2006A (SRF)	20 Year, Fixed	42,715,000	20,965,000
11/28/06	2006B (SRF)	20 Year, Fixed	14,205,000	7,400,000
11/28/06	2006C	30 Year, Fixed	60,000,000	-
10/28/08	2008A	30 Year, Fixed	30,000,000	-
10/28/08	2008B (SRF)	20 Year, Fixed	40,000,000	23,700,000
10/21/09	2009A (SRF)	20 Year, Fixed	23,000,000	14,783,300
12/15/09	2010A (SRF)	21 Year, Fixed	7,980,700	5,659,600
01/28/10	2010B	30 Year, Fixed	85,000,000	85,000,000
12/21/10	2010C (SRF)	20 Year, Fixed	37,000,000	25,787,000
11/17/11	2011A (SRF)	22 Year, Fixed	39,769,300	33,120,300
12/22/11	2011B	30 Year, Fixed	52,250,000	18,055,000
8/23/12	2012A	30 Year, Fixed	225,000,000	159,340,000
11/14/12	2012B	20 Year, Fixed	-	131,935,000
10/31/13	2013A (SRF)	20 Year, Fixed	52,000,000	44,480,000
12/18/13	2013B	30 Year, Fixed	150,000,000	116,615,000
8/19/15	2015A (SRF)	20 Year, Fixed	75,000,000	67,584,000
12/15/15	2015B	30 Year, Fixed	150,000,000	192,810,000
12/22/16	2016A (SRF)	20 Year, Fixed	20,000,000	2,674,765*
12/22/16	2016B (SRF)	20 Year, Fixed	75,500,000	25,582,916*
12/20/16	2016C	30 Year, Fixed	150,000,000	147,295,000
12/19/17	2017A	30 Year, Fixed	200,000,000	316,175,000
<b>Planned</b>				
Dec. 2018	WIFIA	35 Year, Fixed	47,808,354	47,808,354
Dec. 2018	SRF		25,000,000	25,000,000
2019	SRF (WIFIA-Related)		49,483,900	49,483,900
<b>Total</b>			<b>\$ 1,994,792,254</b>	<b>\$ 1,637,564,135</b>

\*Par outstanding as of July 1, 2018. Not fully drawn.



## **IV. FINANCIAL PERFORMANCE UPDATE**

# Historical Coverage

Fiscal Year	Net Available Revenues	Total Debt Service			Total Senior Debt Service	Total Coverage Ratio	Senior Coverage Ratio
		Principal	Interest	Total			
2008	79,538,110	8,640,000	17,694,791	26,334,791	12,577,634	3.0	6.3
2009	81,283,885	12,110,000	17,503,892	29,613,892	13,197,272	2.7	6.2
2010	64,007,720	13,022,500	20,187,151	33,209,651	14,991,341	1.9	4.3
2011	59,641,434	14,576,800	20,140,021	34,716,821	17,247,269	1.7	3.5
2012	91,708,084	16,540,200	22,517,473	39,057,673	18,448,587	2.3	5.0
2013	95,181,961	18,749,700	31,191,190	49,940,890	28,256,656	1.9	3.4
2014	113,870,820	10,037,200	34,399,261	44,436,461	34,221,408	2.6	3.3
2015	128,080,337	20,252,200	41,596,192	61,848,392	38,352,415	2.1	3.3
2016	154,099,469	29,588,000	44,171,592	73,759,592	44,381,319	2.1	3.3
2017	167,090,678	38,026,700	51,333,869	89,360,569	58,182,077	1.9	2.9
2018	211,622,478	42,716,800	57,682,698	100,399,498	67,923,285	2.1	3.1

Notes:

1. District covenants to set rates that ensure that Net Operating Revenues will equal at least 125% of Debt Service Requirement on all Senior Bonds and 115% of the Debt Service Requirement on all outstanding debt for the year of computation

2. The methodology used to calculate the net available revenues and the coverage ratio was adjusted during fiscal year 2013 and all previous years were restated for comparative purposes. The 2013 change in methodology consisted of removing agency fees, previously reflected as a deduction from net available revenues, and now combining them with interest in the debt service section. Additionally, in fiscal years 2010 and 2011, the change in methodology consisted of removing the Build America Bond Tax Credit from the pledged revenue section and reapplying the credit to interest expense in the debt service section. This was made to ensure consistency with fiscal years 2012 and 2013. In fiscal 2017 the methodology was changed to exclude GASB non-cash transactions from the debt service calculation. Fiscal years 2015 and 2016 have been adjusted to also exclude the GASB 68 non-cash pension expense.

# Projected Coverage

Fiscal Year Ending June 30				
	Actual 2017	Actual 2018	Projected 2019	Projected 2020
Net Revenue*	\$ 167,090,679	\$ 208,226,653	\$ 229,040,900	\$ 261,968,136
Debt Service				
Becoming Due in Each Fiscal Year				
Senior Lien Bonds	58,182,077	67,923,285	77,943,955	78,092,911
Total Debt	89,360,569	100,399,498	114,644,093	118,204,543
Coverage				
Senior Bonds	2.87x	3.07x	2.94x	3.35x
Total Debt	1.87x	2.07x	2.00x	2.22x
2017 Projected Coverage				
Senior Bonds	2018	2019	2020	
Senior Bonds	2.84x	2.76x	2.63x	
Total Debt	1.91x	1.90x	1.90x	

\*Reflects GASB 68 pension expense adjustment

# Trend Liquidity

💧 Liquidity (with long-term investments) is expected to remain well in excess of 365 days through 2020 planning period. CIRP appropriations for the years 2013 through 2018 were close to \$1.4 billion

Key Liquidity Ratios	2013*	2014**	2015	2016***	2017***	2018***
Cash and Investments (No Long-Term Unrestricted)	\$149,343,613	\$188,544,191	\$132,950,967	\$182,927,020	\$286,332,159	\$300,591,076
Days Cash on Hand/Liquidity Ratio	372	449	297	397	619	673
Cash and Investments (Adds Long Term Unrestricted)	\$238,236,371	\$257,118,093	\$298,732,325	\$339,921,143	\$347,607,159	\$367,855,784
Days Cash on Hand/Liquidity Ratio	594	612	668	737	751	824
Net Working Capital (No Long-Term Unrestricted)	\$144,815,216	\$195,153,196	\$141,906,809	\$199,480,611	\$300,033,117	\$324,914,813
Working Capital Ratio/Days Working Capital	361	465	317	433	649	727
Net Working Capital (Adds Long-Term Unrestricted)	\$233,707,974	\$263,727,098	\$307,688,167	\$356,474,734	\$361,308,117	\$392,179,521
Working Capital Ratio/Days Working Capital	583	628	688	773	781	878

\*Unrestricted Cash & Investments reflect reclassifications per the District's 2013 CAFR  
 \*\*Unrestricted Cash & Investments reflect reclassifications per the District's 2014 CAFR  
 \*\*\*Reflects GASB 68 pension expense adjustment

# Long-Term Investment Portfolio (as of June 30, 2018)

Product Type	Callable Bond	Face Value	Market Value	Coupon Rate	Rating	Maturity Date	Duration
FHLMC	Non-Callable Bond	1,325,000.00	1,304,038.50	0.875%	Aaa	7/19/2019	1.05
FFCB	Non-Callable Bond	5,000,000.00	4,957,810.00	1.750%	Aaa	9/5/2019	1.17
FHLB	Non-Callable Bond	8,550,000.00	8,501,555.70	2.000%	Aaa	9/13/2019	1.19
TNOTES	Non-Callable Bond	1,520,000.00	1,492,093.75	0.875%	AA+	9/15/2019	1.20
TNOTES	Non-Callable Bond	2,840,000.00	2,787,859.38	0.875%	AA+	9/15/2019	1.20
TNOTES	Non-Callable Bond	725,000.00	711,689.45	0.875%	AA+	9/15/2019	1.20
FHLMC	Callable Bond	7,000,000.00	6,909,560.00	1.500%	Aaa	9/27/2019	1.23
FHLMC	Callable Bond	15,000,000.00	14,806,200.00	1.500%	Aaa	9/27/2019	1.23
FHLB	Callable Bond	4,000,000.00	3,971,000.00	2.150%	Aaa	2/14/2020	1.59
FHLB	Non-Callable Bond	4,000,000.00	4,104,008.00	4.125%	Aaa	3/13/2020	1.65
FHLB	Non-Callable Bond	5,000,000.00	4,913,440.00	1.500%	Aaa	3/13/2020	1.68
FHLB	Non-Callable Bond	3,000,000.00	3,078,006.00	4.125%	Aaa	3/13/2020	1.65
FHLB	Non-Callable Bond	3,000,000.00	2,966,628.00	1.875%	Aaa	3/13/2020	1.68
TVA	Non-Callable Bond	3,500,000.00	3,479,227.50	2.250%	Aaa	3/15/2020	1.68
TVA	Non-Callable Bond	5,000,000.00	4,970,325.00	2.250%	Aaa	3/15/2020	1.68
TVA	Non-Callable Bond	7,000,000.00	6,958,455.00	2.250%	Aaa	3/15/2020	1.68
TVA	Non-Callable Bond	4,000,000.00	3,976,260.00	2.250%	Aaa	3/15/2020	1.68
FFCB	Non-Callable Bond	5,000,000.00	4,913,750.00	1.500%	Aaa	3/23/2020	1.71
FNMA	Non-Callable Bond	2,000.00	1,955.00	1.500%	Aaa	6/22/2020	1.95
		<b>85,462,000.00</b>	<b>84,803,861.28</b>				

Avg. Days to Maturity	Avg. Years to Duration
534.76	1.44

Approximately 20% of Long-Term investment Portfolio allocated to Restricted Long-Term Investments



# Pension Fund Update

- 💧 MSD offers a defined benefit plan providing retirement, death and disability benefits to full-time employees commencing service prior to December 31, 2010 (plan is not accepting new entrants)
- 💧 As of December 31, 2017, MSD's assumed rate of return is 6.90% with key statistics as follows:
  - 595 active plan members
  - \$277.98 million Actuarial Value of Assets
  - \$48.4 million in unfunded liability, down from \$67.0 million as of December 31, 2016
  - Actuarial Value of Assets/ Actuarial Accrued Liability increased slightly to 83.1% as of December 31, 2017, versus 82.0% as of December 31, 2016
- 💧 Effective January 1, 2011, MSD offers a defined contribution plan for current employees with less than 10 years of service as of December 31, 2010, and all new employees commencing service on or after January 1, 2011
  - As of October 31, 2018, the plan has 433 participants and \$8.6 million in assets

# OPEB Considerations

💧 MSD's total OPEB unfunded accrued liability as of December 31, 2017, the latest actuarial valuation, was approximately \$24.2 Million, assuming a 3.44% return on investment

- The initial projected liability of \$76 million (based on a 2006 study) has been significantly reduced to \$24 million by a change in benefits offered to existing and future retirees age 65 and over
- MSD is partially funding the OPEB liability through the payment of the monthly health claims on an ongoing basis for pre-age 65 retirees. There are 126 individuals in this group (as of 6/30/2017)
- MSD has continued to elect a Pay-Go approach to assure flexibility in future benefits.

## **V. SUMMARY OF CREDIT STRENGTHS**



# MSD Credit Strengths

## 💧 Consistently Strong Financial Performance

- The District has maintained healthy liquidity levels
- Actual coverage levels have exceeded 2017 projections
- Proactive management of pension and OPEB obligations mitigate future liabilities

## 💧 Successful Rate Proposal and Rate Commission Process

- The District Board of Trustees accepted the Rate Commission's recommendations for FY2017-FY2020
- Consistent with the District's prior referendums, the voters overwhelmingly approved \$900 Million bond authorization
- Voters also approved District-wide levy for stormwater services

## 💧 On Time and On Budget Implementation of Consent Decree

- All related litigation settled
- Over \$2 billion in projects to be funded through 2020
- Strong relationship with Regulators

# Contact Information

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