

Illinois Association of Wastewater Agencies

The 392% Rate Increase: How Springfield Metro Sanitary District Did It

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The Rate Increase Challenge

Public and Press

Financial





Public and Press

Discuss Projects,

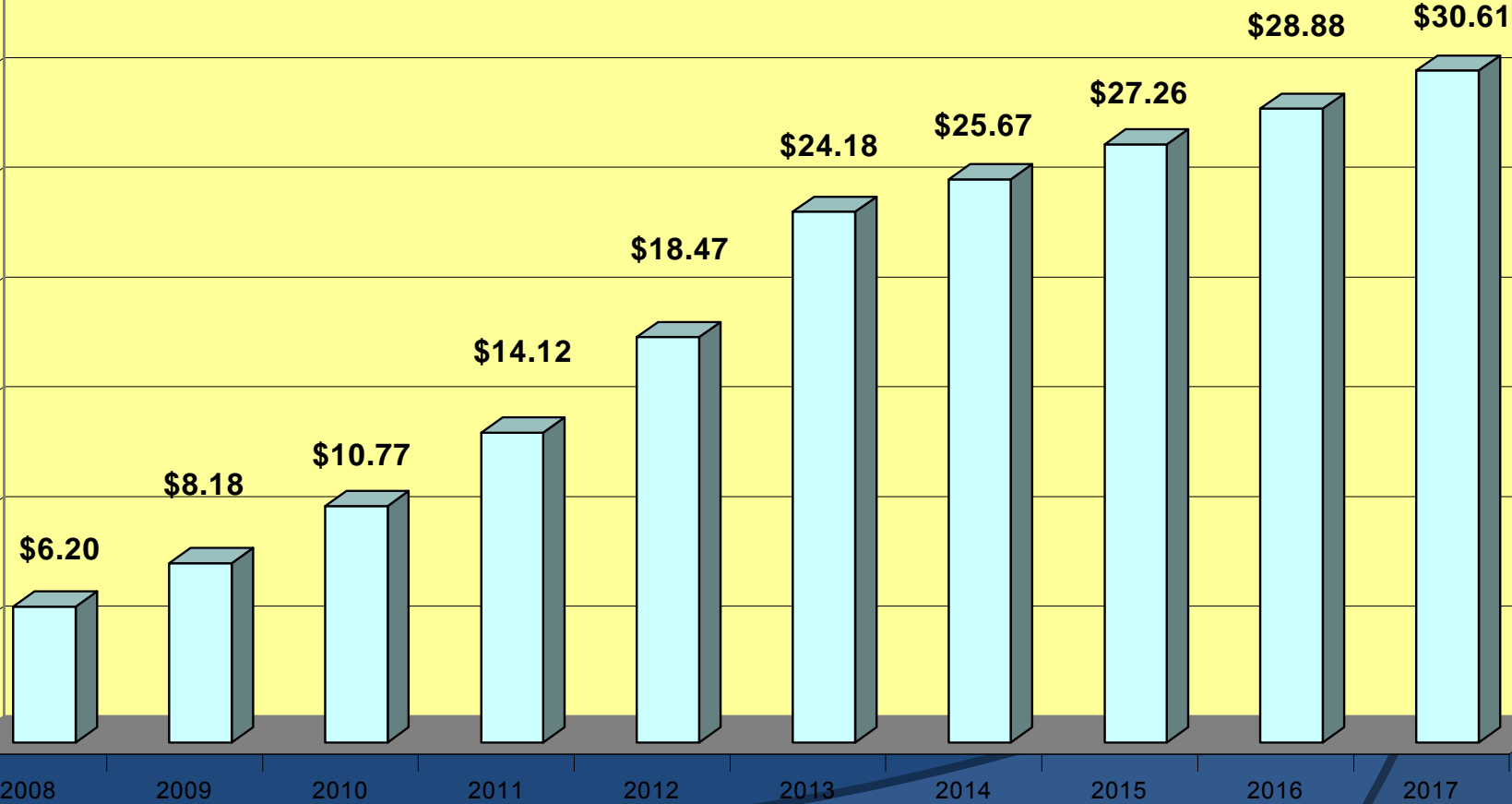
“Rates are being raised to pay for \$175 million of new facilities that we need to construct over the next 6 years.”

Not Debt

“We’re raising rates to repay \$200 million of new debt

Discuss monthly bills, not % increases

**SMSD Monthly City Residential Charge
(1000 cubic ft/month)**



Financial Challenge

Develop a comprehensive rate plan

- Let the community know what will be needed
- Ratepayers familiar with multi-year rate increases from Springfield's Dallman 4 project

What rates are needed to assure access to the bond markets?

- IEPA funding expected, but \$150 million of bond financing needed
- Financing plan needed to be part of the rate study

Financial Challenge

Focus on revenue adequacy, not cost of service

- Springfield, other cities, bill 99% of District's customers
- 3 rate classes
 - Inside city
 - Outside city
 - 600 District billed, non-metered customers
- 7 pre-treatment customers

Financial Challenge

Assess revenue adequacy based on existing rates

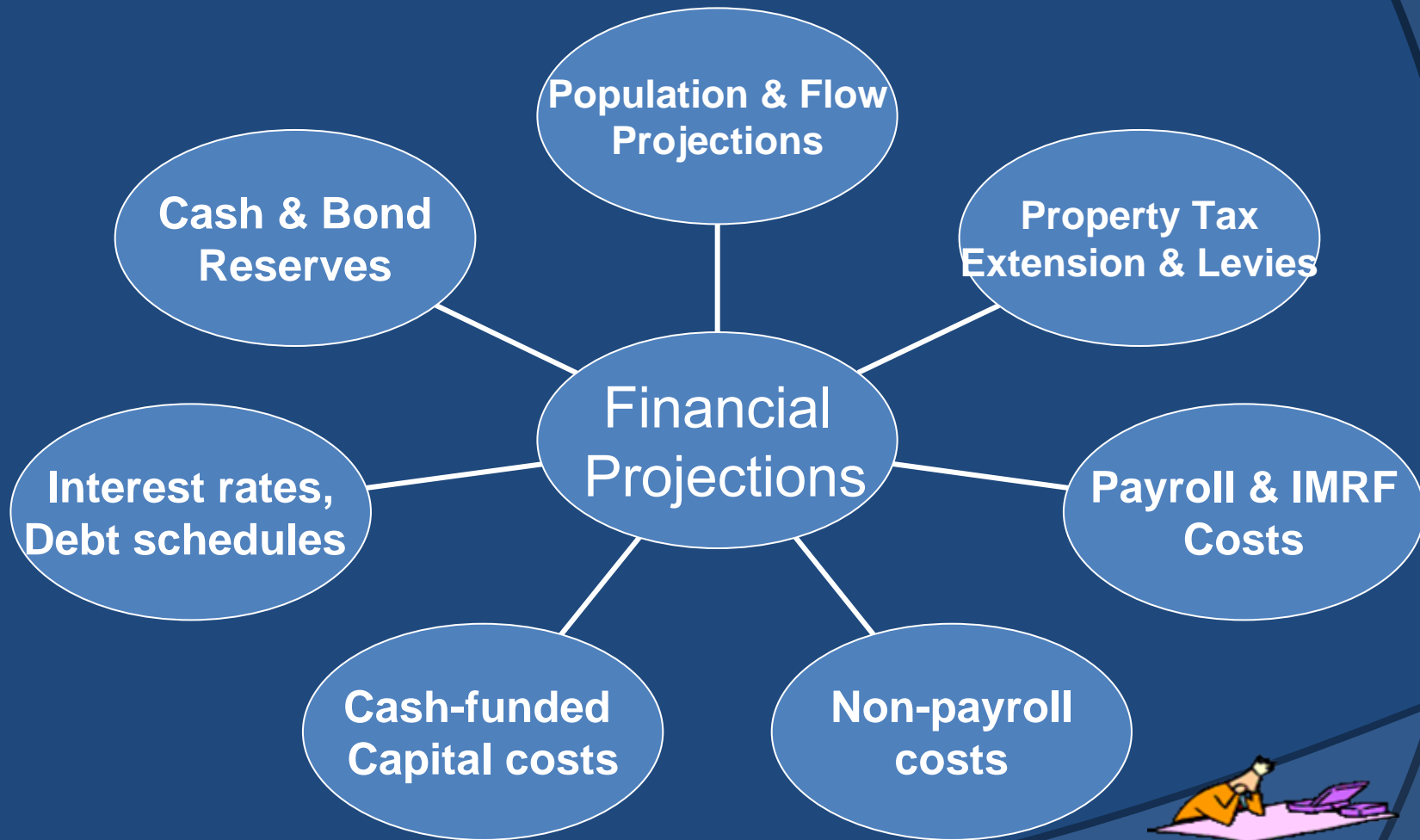
Forecast period, 9 years, fy 2008-2017

- Fiscal 2016 expected completion date for Sugar Creek improvements

Assumptions were conservative

- Any excess cash would reduce future bonding requirements

Financial Challenge



Financial Challenge

How did the model solve for the rate increase?

- Standard & Poor's 2007 criteria for water & sewer revenue bonds
- Target 125% debt service coverage and 90 days cash in fy 2013 & 2017
- Bond proceeds paying interest until projects completed

Financial Solution

And the model said,

- 392% over 7 years
- 31% annual increase for 5 years starting 5/1/08
- 6% annual increases for 4 years starting 5/1/13
- Effective date postponed by two months to conduct four public education forums

Rating Agency Success

And the rating agencies said,



- “AA-”, 2009 and 2010 G.O. Alternate Bonds, Standard & Poor’s, Fitch
- “A”, S&P; AA- Fitch, 2010 revenue bonds

Rating agencies accepted that it would take 3 years before rate increases would cover debt payments



Market Success: \$98 million of bond sales in 2009 & 2010

DIC Bond

FINAL OFFICIAL STATEMENT DATED JULY 8, 2009

NEW ISSUE—FULL BOOK ENTRY
NOT BANK-QUALIFIED

Ratings: Fitch Ratings: AA-
Standard & Poor's: AA-
See "Ratings" herein

Subject to compliance by the District with certain covenants, in the opinion of Hart, Southworth & Wiseman, Bond Counsel, under present law, interest on the 2009A Alternate Bonds is (i) excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations and (iii) is not taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the 2009A Alternate Bonds is not exempt from Illinois income taxes. See "Tax Exemption" herein for a more complete discussion.

\$18,800,000 SPRINGFIELD METRO SANITARY DISTRICT Sangamon County, Illinois General Obligation Bonds (Alternate Revenue Source), Series 2009A

Dated: Date of delivery

Due: See Inside Cover

The Springfield Metro Sanitary District, Sangamon County, Illinois (the "District") is issuing \$18,800,000 General Obligation Bonds (Alternate Revenue Source), Series 2009A (the "2009A Alternate Bonds"). Interest on the 2009A Alternate Bonds (computed on the basis of a 360-day year) is payable on January 1, 2010 and semiannually thereafter on July 1 and January 1 of each year. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Series 2009A Alternate Bonds. U.S. Bank National Association, Chicago, Illinois, will act as Bond Registrar and Paying Agent. The 2009A Alternate Bonds are subject to redemption by the District prior to their stated maturities. See "Optional and Mandatory Redemption" herein.

The proceeds from the sale of the 2009A Alternate Bonds will be used to (i) refund the District's Sewer Revenue Bonds, Series 2007, (ii) pay for capital improvements to the District, including engineering studies on the District's combined sewer overflows, (iii) pay interest on the 2009A Alternate Bonds through April 30, 2010 and (iv) pay costs related to the issuance of the 2009A Alternate Bonds.

The 2009A Alternate Bonds are valid and legally binding general obligations of the District, and are payable from (i) the net revenues of the District including certain tax revenues after payment of debt service with respect to senior lien sewer revenue bonds that the District may issue, as provided in the Bond Ordinance, and (ii) ad valorem property taxes levied against all of the taxable property in the District without limitation as to rate or amount, and all taxable property in the District is subject to the levy of such taxes. See "Security for the 2009A Alternate Bonds" herein.

The 2009A Alternate Bonds were purchased at a public sale on July 8, 2009 by Hutchinson, Stockley, Eley & Co., Underwriter. The 2009A Alternate Bonds are offered when, as and if issued and received by the Underwriter subject to receipt of the approving legal opinion of Hart, Southworth & Wiseman, Springfield, Illinois, Bond Counsel. Certain legal matters will be passed upon for the District by Stratton, Giganti, Stone, Moran & Radley, Springfield, Illinois, and for the Underwriter by Katon Machin-Rosenman LLP, Chicago, Illinois and Zachary, Laid, Springfield, Illinois. It is expected that the 2009A Alternate Bonds in definitive form will be available for delivery through the facilities of DTC on or about July 23, 2009.

DIC Bond

NEW ISSUE—FULL BOOK ENTRY

Ratings: Fitch Ratings: AA-
Standard & Poor's: AA-
(See "Ratings" herein)

Interest on the 2009E Alternate Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. Interest on the 2009E Alternate Bonds is not exempt from Illinois income taxes. See "Tax Matters" herein for a more complete discussion.

\$38,860,000 SPRINGFIELD METRO SANITARY DISTRICT Sangamon County, Illinois

Taxable General Obligation Bonds (Alternate Revenue Source), Series 2009E
(Build America Bonds - Direct Payment)

Dated: Date of delivery

Due: See Below

The Springfield Metro Sanitary District, Sangamon County, Illinois (the "District") is issuing \$38,860,000 Taxable General Obligation Bonds (Alternate Revenue Source), Series 2009E (the "2009E Alternate Bonds"). Interest on the 2009E Alternate Bonds (computed on the basis of a 360-day year) is payable on January 1, 2010 and semiannually thereafter on July 1 and January 1 of each year. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the 2009E Alternate Bonds. U.S. Bank National Association, Chicago, Illinois, will act as Bond Registrar and Paying Agent. The 2009E Alternate Bonds are subject to redemption by the District prior to their stated maturities. See "Optional Redemption with Make Whole Payment," "Extraordinary Optional Redemption" and "Mandatory Redemption" herein.

The proceeds from the sale of the 2009E Alternate Bonds will be used to (i) pay a portion of the costs for a new treatment plant and facilities upgrade at the District's Spring Creek site, (ii) pay interest on the 2009E Alternate Bonds through February 25, 2012 and (iii) pay costs related to the issuance of the 2009E Alternate Bonds.

The 2009E Alternate Bonds are being issued on parity with \$18.8 million of outstanding 2009A Alternate Bonds (together, the "2009 Alternate Bonds"). The 2009 Alternate Bonds are valid and legally binding general obligations of the District, and are payable from (i) the net revenues of the District including certain tax revenues after payment of debt service with respect to senior lien sewer revenue bonds that the District may issue, as provided in the Bond Ordinance, and (ii) ad valorem property taxes levied against all of the taxable property in the District without limitation as to rate or amount, and all taxable property in the District is subject to the levy of such taxes. See "Security for the 2009E Alternate Bonds" herein.

MATURITY SCHEDULE

\$38,860,000, 6.22% Term Bonds due January 1, 2049, Price 100%, Cusip 850922CC8

The 2009E Alternate Bonds are offered when, as and if issued and received by the Underwriter subject to receipt of the approving legal opinion of Hart, Southworth & Wiseman, Springfield, Illinois, Bond Counsel. Certain legal matters will be passed upon for the District by Stratton, Giganti, Stone, Moran & Radley, Springfield, Illinois, and for the Underwriter by Katon Machin-Rosenman LLP, Chicago, Illinois and Zachary, Laid, Springfield, Illinois. It is expected that the 2009E Alternate Bonds in definitive form will be available for delivery, through the facilities of DTC, on or about October 28, 2009.

CITI

October 14, 2009

¹ CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed above is provided solely for the convenience of bondholders only at the time of the issuance of the 2009E Alternate Bonds and the District does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time.

NEW ISSUES-FULL BOOK ENTRY

RATINGS: Fitch Ratings: A+
Standard & Poor's: A
See "Ratings" herein

In the opinion of Hart, Southworth & Wiseman, Bond Counsel, assuming compliance with certain covenants, under present law, interest on the 2010 Senior Lien Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. Interest on the 2010 Senior Lien Bonds will not be includable in gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations or as an adjustment in computing a corporation's alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on certain corporations. Interest on the 2010 Senior Lien Bonds is not exempt from Illinois income taxes. See "Tax Matters" herein for a more complete discussion.

The 2010 Senior Lien Bonds are "qualified tax exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

\$40,205,000 SPRINGFIELD METRO SANITARY DISTRICT Sangamon County, Illinois

Sewer Revenue Bonds Senior Lien Series 2010

consisting of

\$37,140,000	\$3,065,000
Sewer Revenue Bonds, Taxable Senior Lien Series 2010A	Sewer Revenue Bonds, Tax Exempt Senior Lien Series 2010B
(Build America Bonds - Direct Payment)	

Dated: Date of delivery

Due: January 1,
SEE INSIDE COVER

The Springfield Metro Sanitary District, Sangamon County, Illinois (the "District") is issuing \$40,205,000 principal amount of Sewer Revenue Bonds, Taxable Senior Lien Series 2010A (Build America Bonds - Direct Payment) (the "2010 Senior Lien Bonds") and \$3,065,000 principal amount of Sewer Revenue Bonds, Tax Exempt Senior Lien Series 2010B (the "2010 Senior Lien Bonds") and together with the 2010A Senior Lien Bonds, the "2010 Senior Lien Bonds". Interest on the 2010 Senior Lien Bonds (computed on the basis of a 360-day year) is payable on July 1, 2010 and semiannually thereafter on January 1 and July 1 of each year. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the 2010 Senior Lien Bonds. U.S. Bank National Association, Chicago, Illinois, will act as Bond Registrar and Paying Agent. The 2010 Senior Lien Bonds are subject to redemption by the District prior to their stated maturities. See "2010A Senior Lien Bonds Optional Redemption with Make Whole Payment," "2010A Senior Lien Bonds Extraordinary Optional Redemption" and "2010A Senior Lien Bonds Mandatory Redemption" herein. The Series 2010B Senior Lien Bonds are not subject to redemption prior to maturity.

The proceeds from the sale of the 2010 Senior Lien Bonds will be used to (i) pay a portion of the costs for a new treatment plant and facilities upgrade at the District's Spring Creek site, (ii) pay interest on the 2010 Senior Lien Bonds through February 25, 2012 and interest on a portion of the 2010 Senior Lien Bonds through May 1, 2012, (iii) fund debt service reserve funds with respect to each series of 2010 Senior Lien Bonds, (iv) refund the District's outstanding Sewer Revenue Subordinate Lien Bonds Series 2008D and Taxable Sewer Revenue Subordinate Lien Bonds Series 2008C, and (v) pay costs related to the issuance of the 2010 Senior Lien Bonds.

The 2010 Senior Lien Bonds are valid and legally binding limited obligations of the District and do not constitute an indebtedness or a pledge of the full faith and credit or the taxing power of the District within the meaning of any constitutional or statutory provision or limitation. The 2010 Senior Lien Bonds are payable from the net revenues of the District including certain tax revenues and additional sewer line bonds on parity with the 2010 Senior Lien Bonds that may be issued as provided in the Bond Ordinance. See "Security for the 2010 Senior Lien Bonds" herein.

The District intends to designate the 2010B Senior Lien Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

SEE INSIDE COVER FOR MATURITY SCHEDULE

The 2010 Senior Lien Bonds are offered when, as and if issued and received by the Underwriter subject to receipt of the approving legal opinion of Hart, Southworth & Wiseman, Springfield, Illinois, Bond Counsel. Certain legal matters will be passed upon for the District by Stratton, Giganti, Stone, Moran & Radley, Springfield, Illinois, and for the Underwriter by Katon Machin-Rosenman LLP, Chicago, Illinois and Zachary, Laid, Springfield, Illinois. It is expected that the 2010 Senior Lien Bonds in definitive form will be available for delivery, through the facilities of DTC, on or about April 27, 2010.

BoA Merrill Lynch

April 8, 2010

¹ Fitch will revise this rating on April 30, 2010 to "AA."

