

# Richland County Government



## Office of the County Administrator

### MEMORANDUM

**TO:** Council Members

**FROM:** Pam Davis

**DATE:** April 22, 2003

**SUBJECT:** Addendum to the A&F Committee Agenda

On the following pages is a Council Request of Action regarding the issuance of sewer system general obligation bonds. The County's bond attorney highly urges that this matter be considered by the A&F Committee at its meeting tonight since the State needs to know in very short order whether the County wishes to use the State Revolving Loan Funds which are currently committed and reserved for Richland County for this purpose.

The Chair of the committee has been notified and approves of this item being added to the agenda. For your convenience and speed, you will receive this Council Request of Action by fax as well as e-mail. Additional copies will be available at tonight's meeting.

If you have any questions, please do not hesitate to contact me at 576-2066 or at [pamdavis@richlandonline.com](mailto:pamdavis@richlandonline.com).

# Richland County Council Request of Action

**Subject:** Ordinance for Sewer System G. O. Bonds

## **A. Purpose**

County Council is requested to approve an ordinance authorizing the issuance and sale of Sewer System General Obligation Bonds in an amount not to exceed \$15,500,000.

## **B. Background/Discussion**

The Utilities Division of the County's Public Works Department (the "Utilities Division") has been working for an extended time on plans for a new sewage treatment plant on the Broad River which is intended to provide improvements to the service and additional treatment capacity for the area currently served by the Nicholas Creek Plant. The most recent cost estimate for this project is \$15 million to \$15.5 million. The project is necessary to address treatment issues and to expand capacity.

The Utilities Division has been in the process of completing an application for a loan from a state program known as the State Revolving Fund ("SRF"). More recently, the County Administrator has been advised by the County's bond counsel and Columbia Capital Market, Inc., financial advisors, that the new money needed for the Broad River plant could be obtained from bonds issued in connection with the sewer system refunding bonds which have been approved by County Council.

With two possible funding options, an analysis has been performed of the advantages and disadvantages of using the SRF loan or publicly-sold sewer system general obligation bonds. The key points in this comparison are as follows:

### State Revolving Fund (SRF) Loan

- (a) Repaid over 20 years at an interest rate of 3.75%.
- (b) Annual payments on the SRF loan and existing debt will be approximately \$1.5 million to \$1.6 million.
- (c) Requires a rate increase of \$10.25 per month per customer.
- (d) Requires a fee of \$140,000 to SRF which cannot be paid from loan proceeds.

### Publicly-sold Sewer System General Obligation Bonds

- (a) Repaid over 30 years at an interest rate of approximately 4.75%
- (b) Annual payments for new money and existing debt will be approximately \$1.1 million to \$1.2 million.
- (c) Requires a rate increase of \$4.80 per month per customer.
- (d) No up-front fees; all costs of issuance can be paid from bond proceeds.
- (e) These bonds do not count against the County's 8% debt limitation.

**C. Financial Impact**

Both options will require a rate increase because State law requires that the County make an irrevocable commitment to charge and collect rates from the users of the system which will be sufficient to repay the debt. The SRF loan will require a larger rate increase.

**D. Alternatives**

- (1) Enact the Ordinance authorizing the public sale of sewer system general obligation bonds.
- (2) Direct the staff to finalize arrangements with SRF.
- (3) Do not approve the financing.

**E. Recommendation**

The publicly-sold general obligation bonds, which will be repaid over an additional ten years, thereby costing more in interest to be paid, but will, however, require significantly lower annual payments and, therefore, a smaller rate increase over time.

Recommended by:                      Department:                      Date:

**F. Approvals**

**Finance**

Approved by (Finance Director):                      Date:  
Comments:

Approved by (Budget Director):                      Date:  
Comments:

**Legal**

Approved by:                      Date:  
Comments:

**Administration**

Approved by:                      Date:  
Comments: