Fund 403, Sewer Bond Parity Debt Service

FY 2008 Adopted Budget Plan	
Fund 403, Sewer Bond Debt Parity Service	
Total Expenditures:	$6,642,531
Revenue:	
General Fund Support	$0
Bond Revenue	$0
Other Revenue	$6,650,160
Total Revenue	$6,650,160

Note: All expenditures in sewer operations and maintenance are supported by a Transfer In from the Sewer Revenue Fund.

► Summary of Program

The Sewer System issues bonds under the 1985 General Bond Resolution (Resolution) adopted by the County Board of Supervisors. The Resolution includes a rate covenant under which the System has agreed that it will charge reasonable rates for the use of services rendered by the System. Furthermore, the System will adjust the rates, from time to time, to generate net revenues sufficient to provide an amount equal to 100 percent of its annual principal and interest requirements and the System's annual commitments to fund its proportionate share of other jurisdictions' debt service requirements. In the opinion of the Wastewater Management Program Directors, the System is in compliance with all Resolution covenants.

Payment of the principal and interest on all Sewer revenue bonds is secured by a pledge of gross revenues derived from the System after provisions for payment of the operating expenses of the System. The bonds do not constitute general obligations of the County, and authorization to issue any additional debt rests with the Board. In addition, the System is required to adhere to and is in compliance with the rebate and reporting requirements of the federal regulations pertaining to arbitrage.

In August 1986, the System issued $75 million of revenue bonds (the Series 1986 Bonds) payable from the net revenues generated through the System's operations. The proceeds of the bonds were used primarily to fund the expansion of the System's Noman M. Cole, Jr. Pollution Control Plant and the System's share of the expansion of Blue Plains. On May 18, 1993, the System issued $72,100,000 of variable rate revenue bonds (the Series 1993 Bonds) to advance refund the outstanding Series 1986 Bonds. The net proceeds of $70,806,000 (net of a discount of $232,000 and after payment of $1,062,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide the resources for all future debt service payments on and to redeem the Series 1986 Bonds. As a result, the advance refunded Series 1986 Bonds are considered to be defeased and the liability for these bonds has been removed from the System's statements of net assets. On November 15, 2003, the System used available resources to redeem all of the outstanding Series 1993 Bonds in the total principal amount of $55,330,000. Although this redemption resulted in the recognition of an accounting loss of $1,813,460, reported as a special item in the statement of revenues, expenses, and changes in net assets, the System reduced its aggregate interest payments over the next 13 years by approximately $20.9 million and obtained an economic gain (the present value of the debt service savings) of approximately $4.4 million.

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On July 24, 1996, the System issued $104,000,000 of Sewer Revenue Bonds (the Series 1996 Bonds), to fund plant expansion at the Noman M. Cole, Jr. Pollution Control Plant and other system improvements. On October 14, 2004, the System issued $94,005,000 of Series 2004 Sewer Revenue Refunding Bonds with an average interest rate of 4.61 percent (true interest cost of 4.33 percent) to advance refund $91,430,000 of the outstanding Series 1996 Bonds with an average interest rate of 5.82 percent. Net proceeds of $96,287,570 together with $3,257,766 of the System's resources being held in reserve for debt service on the Series 1996 Bonds were used to purchase U.S. government securities which were deposited into an irrevocable escrow account to provide the resources for future debt service payments on and to redeem the Series 1996 Bonds on July 15, 2006. As a result, the advance refunded Series 1996 Bonds are considered defeased, and the liability for these bonds has been removed from the System's statements of net assets. Although the reacquisition prices exceeded the net carrying values of the refunded bonds by $9,119,135, which is being amortized over the life of the refunding bonds, the System reduced total debt service payments over future years by approximately $16.8 million and obtained an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately $7.7 million.

▶ Funding Availability and Future Considerations

Funds are made available through the transfer of funds from Fund 400, Sewer Revenue. Transfers are based on the debt service schedule established by the 2004 Bond series.

▶ Status of Program

The 2004 Bond Series will be paid off in 2029.

▶ Mandate Information

There is no federal or state mandate for this LOB.