

Water System Improvement

Funding Options

\$7.2 Million

Funding Mechanisms

- General Obligation Bond-A **general obligation bond** is a common type of municipal **bond** in the United States that is secured by local government's pledge to use property tax revenues to repay **bond** holders.
- Revenue Bond-Utility **Revenue bonds** are municipal **bonds** payable from the revenues derived from the operation of the utility system after the expenses are paid, the net revenues are used to pay the debt service on revenue bond
- Installment Purchase Revenue Bonds-An **installment purchase agreement** is a **contract** used to finance the acquisition of assets. Under the terms of such an **agreement**, the buyer pays the seller the full **purchase** price by making a series of partial payments over time

Debt History

- In FY2007-08, a GOB was issued for \$2,700,000 to purchase the Bell Buoy property. Maturity is April 1, 2037. Interest rates range from 4.3% - 5%. The resulting interest at term is \$2,450,929. Issued by referendum so it does not impact 8% constitutional debt limit of ~ 4.2 M based on 8% of assessed value of all taxable property. Town may consider refinancing.
- The Town used revenue bonds to fund utility system upgrades in 1999. The amount of the bond was \$1,405,000 with interest rates from 4.25% to 5.15%.
- The Town refinanced the revenue bond in 2012 because of lower interest rates- the term is 30 year term that closes in 2042-the amount borrowed was \$1,675,000 and the town maintained same annual payment in addition to ~\$400,000 in cash to pay for system improvements-Point Street expansion

Proposed Choices

- \$7.2 General Obligation Bond-Proposed by Bond Attorneys
- \$7.2 Revenue Bond-Proposed by Water and Sewer Committee
- \$5.1 Revenue/\$2.1 General Obligation Bond Hybrid-Proposed by Financial Advisor

General Obligation Bonds

Pros

- Best Interest Rates based on AA+ bond rating
- Everyone pays-even those who are not using the system but have the option to use the system and its infrastructure in the future (empty lots-353)
- Secured by Town's full faith credit taxing power meaning they are payable if there is ever a short-fall in the sources of funding –Town imposes property tax in amount necessary to pay bonds
- Tax deductible, if itemize taxes
- If approved by referendum, does not affect Town's borrowing capacity of 8%
- Preserves capacity to issue revenue bonds in the future-there is not an unlimited ability to issue revenue bonds because they are payable from the utility system
- Cost of issuance is less than other funding mechanisms
- Limits and restrictions put on millage used for operating budgets do not apply to debt service
- Requires a referendum-Voters have input

Cons

- Requires a referendum in a special or general election, if over the Town's allowed 8% constitutional limit (the earliest the town could hold special election to consider referendum and meet state regulations would be December 6, 2016)-takes time and costs money
- Not based on usage
- Everyone pays-more expensive properties pay more-inequities

Utility Revenue Bond

Pros

- Promotes water conservation-the more used the more paid
- Utility fees pay for the utility improvement
- Tax deductible if the home is a rental
- Does not require a referendum-Council can approve by ordinance

Cons

- Does not require a referendum-voters have not input
- Generally have higher interest rates than GOB
- Certain tests dealing with the level of rates charged and the level of revenues the utility generates limits revenue bonding capacity in future years
- No way to collect for non payment-no mechanism to guarantee taxing power
- Costs more to issue revenue bonds than GOB

Installment Purchase Revenue Bond

Pros

- Does not require a referendum-quicker
- Either property taxes or utility fees can be used to pay
- Recommended over revenue bonds by financial advisor since rates may be better

Cons

- Does not require a referendum-no voter input
- Higher interest rates than GOB
- Requires establishment of a Board of Trustees

General Obligation Bond
25-Year
Example Property Tax Increases

• \$200,000	\$ 85.99
• \$300,000	\$128.99
• \$400,000	\$171.99
• \$500,000	\$214.98
• \$600,000	\$257.98
• \$700,000	\$300.98
• \$800,000	\$343.97
• \$900,000	\$386.97
• \$1,000,000	\$429.97

Water Rates-Operation and Maintenance Only

Residential Water - RO O&M Only								
<i>Proposed Rate Increase</i>	0%	7%	7%	7%	7%	5%	3%	3%
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Flat Rate per 6 Months (includes up to 24,000 gallons)	\$142.47	\$152.44	\$163.11	\$174.53	\$186.75	\$196.09	\$201.97	\$208.03
Rate per Thousand Gallons 24,000 - 48,000 gallons	\$1.59	\$1.70	\$1.82	\$1.95	\$2.08	\$2.19	\$2.25	\$2.32
Rate per Thousand Gallons 48,000 - 72,000	\$1.77	\$1.89	\$2.03	\$2.17	\$2.32	\$2.44	\$2.51	\$2.58
Rate per Thousand Gallons > 72,000 gallons	\$1.98	\$2.12	\$2.27	\$2.43	\$2.60	\$2.73	\$2.81	\$2.89

Business / Docks / Irrigation Water - RO O&M Only								
<i>Proposed Rate Increase</i>	0%	7%	7%	7%	7%	5%	3%	3%
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Flat Rate per 6 Months (includes up to 24,000 gallons)	\$142.47	\$152.44	\$163.11	\$174.53	\$186.75	\$196.09	\$201.97	\$208.03
Rate per Thousand Gallons 24,000 - 48,000 gallons	\$3.16	\$3.38	\$3.62	\$3.87	\$4.14	\$4.35	\$4.48	\$4.61
Rate per Thousand Gallons 48,000 - 72,000	\$3.55	\$3.80	\$4.06	\$4.35	\$4.65	\$4.89	\$5.03	\$5.18
Rate per Thousand Gallons > 72,000 gallons	\$3.96	\$4.24	\$4.53	\$4.85	\$5.19	\$5.45	\$5.61	\$5.78

\$7.2 Revenue Bond Rate
Example Water Rates

Residential Water - RO O&M Plus \$7.2M Revenue Bond								
<i>Proposed Rate Increase</i>	<i>0%</i>	<i>15%</i>	<i>15%</i>	<i>11%</i>	<i>6%</i>	<i>6%</i>	<i>5%</i>	<i>2%</i>
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Flat Rate per 6 Months (includes up to 24,000 gallons)	\$142.47	\$163.84	\$188.42	\$209.14	\$221.69	\$234.99	\$246.74	\$251.68
Rate per Thousand Gallons 24,000 - 48,000 gallons	\$1.59	\$1.83	\$2.10	\$2.33	\$2.47	\$2.62	\$2.75	\$2.81
Rate per Thousand Gallons 48,000 - 72,000	\$1.77	\$2.04	\$2.34	\$2.60	\$2.75	\$2.92	\$3.07	\$3.13
Rate per Thousand Gallons > 72,000 gallons	\$1.98	\$2.28	\$2.62	\$2.91	\$3.08	\$3.27	\$3.43	\$3.50

Business / Docks / Irrigation Water - RO O&M Plus \$7.2M Revenue Bond								
<i>Proposed Rate Increase</i>	<i>0%</i>	<i>15%</i>	<i>15%</i>	<i>11%</i>	<i>6%</i>	<i>6%</i>	<i>5%</i>	<i>2%</i>
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Flat Rate per 6 Months (includes up to 24,000 gallons)	\$142.47	\$163.84	\$188.42	\$209.14	\$221.69	\$234.99	\$246.74	\$251.68
Rate per Thousand Gallons 24,000 - 48,000 gallons	\$3.16	\$3.63	\$4.18	\$4.64	\$4.92	\$5.21	\$5.47	\$5.58
Rate per Thousand Gallons 48,000 - 72,000	\$3.55	\$4.08	\$4.69	\$5.21	\$5.52	\$5.86	\$6.15	\$6.27
Rate per Thousand Gallons > 72,000 gallons	\$3.96	\$4.55	\$5.24	\$5.81	\$6.16	\$6.53	\$6.86	\$7.00

\$5.1 M Revenue Bond Water Rate-20 year
Example Water Rates

**Town of Edisto Beach Recommended Semi-Annual Rates
(Scenario: RO O&M & \$5.1 M Revenue Bond - 20 Year Term)**

Residential Water - RO O&M Plus \$5.1M Revenue Bond (20 Year Term)								
<i>Proposed Rate Increase</i>	0%	12%	12%	12%	6%	6%	4%	3%
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Flat Rate per 6 Months (includes up to 24,000 gallons)	\$142.47	\$159.57	\$178.71	\$200.16	\$212.17	\$224.90	\$233.90	\$240.91
Rate per Thousand Gallons 24,000 - 48,000 gallons	\$1.59	\$1.78	\$1.99	\$2.23	\$2.37	\$2.51	\$2.61	\$2.69
Rate per Thousand Gallons 48,000 - 72,000	\$1.77	\$1.98	\$2.22	\$2.49	\$2.64	\$2.79	\$2.91	\$2.99
Rate per Thousand Gallons > 72,000 gallons	\$1.98	\$2.22	\$2.48	\$2.78	\$2.95	\$3.13	\$3.25	\$3.35

Business / Docks / Irrigation Water - RO O&M Plus \$5.1M Revenue Bond (20 Year Term)								
<i>Proposed Rate Increase</i>	0%	12%	12%	12%	6%	6%	4%	3%
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Flat Rate per 6 Months (includes up to 24,000 gallons)	\$142.47	\$159.57	\$178.71	\$200.16	\$212.17	\$224.90	\$233.90	\$240.91
Rate per Thousand Gallons 24,000 - 48,000 gallons	\$3.16	\$3.54	\$3.96	\$4.44	\$4.71	\$4.99	\$5.19	\$5.34
Rate per Thousand Gallons 48,000 - 72,000	\$3.55	\$3.98	\$4.45	\$4.99	\$5.29	\$5.60	\$5.83	\$6.00
Rate per Thousand Gallons > 72,000 gallons	\$3.96	\$4.44	\$4.97	\$5.56	\$5.90	\$6.25	\$6.50	\$6.70

\$5.1 M Revenue Bond Water Rate-25 year
Example Water Rates

**Town of Edisto Beach Recommended Semi-Annual Rates
(Scenario: RO O&M & \$5.1 M Revenue Bond - 25 Year Term)**

Residential Water - RO O&M Plus \$5.1M Revenue Bond (25 Year Term)								
<i>Proposed Rate Increase</i>	0%	11%	10%	10%	8%	8%	4%	3%
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Flat Rate per 6 Months (includes up to 24,000 gallons)	\$142.47	\$158.14	\$173.96	\$191.35	\$206.66	\$223.19	\$232.12	\$239.08
Rate per Thousand Gallons 24,000 - 48,000 gallons	\$1.59	\$1.76	\$1.94	\$2.14	\$2.31	\$2.49	\$2.59	\$2.67
Rate per Thousand Gallons 48,000 - 72,000	\$1.77	\$1.96	\$2.16	\$2.38	\$2.57	\$2.77	\$2.88	\$2.97
Rate per Thousand Gallons > 72,000 gallons	\$1.98	\$2.20	\$2.42	\$2.66	\$2.87	\$3.10	\$3.23	\$3.32

Business / Docks / Irrigation Water - RO O&M Plus \$5.1M Revenue Bond (25 Year Term)								
<i>Proposed Rate Increase</i>	0%	11%	10%	10%	8%	8%	4%	3%
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Flat Rate per 6 Months (includes up to 24,000 gallons)	\$142.47	\$158.14	\$173.96	\$191.35	\$206.66	\$223.19	\$232.12	\$239.08
Rate per Thousand Gallons 24,000 - 48,000 gallons	\$3.16	\$3.51	\$3.86	\$4.24	\$4.58	\$4.95	\$5.15	\$5.30
Rate per Thousand Gallons 48,000 - 72,000	\$3.55	\$3.94	\$4.33	\$4.77	\$5.15	\$5.56	\$5.78	\$5.96
Rate per Thousand Gallons > 72,000 gallons	\$3.96	\$4.40	\$4.84	\$5.32	\$5.74	\$6.20	\$6.45	\$6.65

GOB/IPR Hybrid – 20 Year Example Property Tax Increases

	GOB Portion	IPR Portion
• \$200,000	\$27.92	\$68.78
• \$300,000	\$41.88	\$103.17
• \$400,000	\$55.85	\$137.56
• \$500,000	\$69.81	\$171.96
• \$600,000	\$83.77	\$206.35
• \$700,000	\$97.73	\$240.74
• \$800,000	\$111.69	\$275.13
• \$900,000	\$125.65	\$309.52
• \$1,000,000	\$139.61	\$343.91

GOB/IPR Hybrid – 25 Year
Example Property Tax Increases

	GOB Portion	IPR Portion
• \$200,000	\$27.92	\$68.78
• \$300,000	\$41.88	\$103.17
• \$400,000	\$55.85	\$137.56
• \$500,000	\$69.81	\$171.96
• \$600,000	\$83.77	\$206.35
• \$700,000	\$97.73	\$240.74
• \$800,000	\$111.69	\$275.13
• \$900,000	\$125.65	\$309.52
• \$1,000,000	\$139.61	\$343.91

Questions

- Does the property tax increase example consider whether taxed as resident or non-resident? No, these are based on average necessary millage increase considering current millage value. Examples will vary depending on status.
- Can the Town purchase insurance to cover lost revenues for non-payment? Loss of business income must be tied to a direct loss of an insured asset. So were the water or wastewater treatment plant to suffer a direct loss by a covered peril, then it would respond if you could not provide water or wastewater. If the direct loss is not to your property but to another who then has no reason to purchase water or wastewater, it would not apply. We currently carry \$1,000,000 for Business Income/Rental Income. This can be increased.
- What happens if the new facility is damaged while being built? The Town would require the project to be bonded. Once the project is completed, it is added to our assets and insured based on the value to replace.