

Stretching out sewer debt repayment over 40 years, refinancing could offer relief

Posted: Saturday, October 5, 2013 12:01 am

By GREG MOBERLY TODAY'S NEWS-HERALD

Refinancing city sewer bonds out as long as 40 years could be a big help to lower property owners existing high sewer bills, Mayor Mark Nexsen said during an informal public discussion Friday morning at Makai Café.

Nexsen and City Manager Charlie Cassens updated local residents about their visit with the region's Congressional representatives and Sen. John McCain's office in Washington D.C. this past week during Friday's informal gathering.

Nexsen briefly outlined the discussions, generally characterizing the Congressional representatives interest in helping provide relief for Lake Havasu City wastewater rate payers as strong.

Havasu's existing challenges toward lowering sewer rates are unique, Nexsen and Cassens outlined during Friday's discussion.

Currently, the city has \$300 million in sewer debt that it needs to repay with two-thirds of ratepayers bills going to repay debt. Bonds covering the sewer are out between 10 to 26 years, he added.

The city purchased numerous different bonds to finance the wastewater expansion project with some of those bonds unable to be refinanced or "called" until 10 years in, Nexsen said. Originally, the city only was able to get 20-year loans for the sewer project, he added.

But Nexsen said he would like to be able to refinance those bonds sooner and extend them out 40 years because it will be 50 to 60 years before the wastewater treatment system should need major reconstruction.

"Why are only people in this room paying off the debt," Nexsen said. The burden needs to be shared by future customers who will benefit from the expansion, he added.

Refinancing sewer bonds out to 40 years at 3 percent interest could bring about \$8 million a year in lower principal payments, Nexsen said.

The problem has come with the federal Environmental Protection Agency not allowing municipalities to obtain 40-year loans to pay for the projects, Nexsen said. A change in federal law would be needed for that, Nexsen said he was told.

"We need to try to extend that out," Nexsen said.

Nexsen said the city also will seek to change the Water Infrastructure Finance Authority's (WIFA) standard not allowing for refinancing of bonds until 10 years have passed since the purchase. WIFA is a state agency.

The city already has considered other alternatives to lower residents monthly sewer bills but none of the alternatives are too satisfying.

"Every option didn't provide tax payer relief," Nexsen said. "It just charged them in a different way."

The city's 10-year wastewater expansion project was completed in November 2011. It involved four engineering firms and more than 20 contractors.

Nexsen and Cassens also fielded questions on other topics including attracting new industry, a commercial airline service, code enforcement and the fencing at Rotary Park among others.

The opportunity for local commercial airline service could grow as the new Arizona State University campus adds students in the next five to 10 years, Cassens said. The airlines would have to see the city as an untapped market for commercial service, he added.

After the nearly two-hour morning session, Nexsen said he would like to hold these informal public discussions monthly in the community. He said it was something he did when he first became mayor in 2007.

You may contact the reporter at gmoberly@havasunews.com.

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