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Evansville issues nearly \$29 million in bonds for sewer work

Dan Shaw, Evansville Courier & Press

Evansville has completed the sale of nearly \$29 million in sewer bonds to finance the construction of a variety of projects mostly aimed at preventing flooding on the city's Southeast Side.

The money raised will be used to pay for these projects:

- The Cass Avenue project. A roughly \$4.3 million contract has been awarded to Gradex Inc. of Indianapolis for the first two phases of this five-phase project. The total estimated cost is \$20 million.
- The Eastview Terrace project. A roughly \$5 million contract for this work was awarded to S.J. Louis Construction Inc. of Rockville, Minn., in September.
- The Jeanette/Cass project. The Water & Sewer Utility Board plans to open bids for this work at 1:30 p.m. Tuesday in Room 100 of the Civic Center. The project is expected to cost \$4.5 million.
- Work to eliminate septic tanks on Mt. Auburn Road, Cave Avenue and Fickas Road, estimated to cost \$7.45 million.
- Making improvements to the city's East Treatment Plant and writing a plan to prevent untreated sewage from entering the Ohio River and Pigeon Creek, estimated to cost \$3.5 million.

Of the city's current bond issuance, \$27,450,000 consists of a special type of stimulus bonds — Build America Bonds — which will provide a rebate equal to 35 percent of the interest the city will pay to bondholders. That rebate will come from the federal government and will return \$7.9 million to Evansville's coffers throughout the 20-year duration of the bonds, according to Jim Garrard, interim director of the Water & Sewer Utility.

Counting that rebate, the Build America Bonds will have a net interest rate of 3.9 percent. The city estimates its interest costs would be \$1.8 million higher over the course of 20 years if it issued traditional municipal bonds — which exempt bondholders from having to pay income taxes on their interest earnings — instead of Build America Bonds.

The remainder of the bonds sold in the city's \$28,840,000 bond issuance were taxable bonds. The purchaser in the deal was Morgan Keegan & Company, Inc., one of five firms that bid for the opportunity to get the bonds.

To pay off the debt, the City Council voted in July in favor of a rate increase that will make the average household, defined as one that uses 5,000 gallons of water a month, pay \$32.95 a month for sewer services in 2012.

The change will raise sewer fees for the average Evansville household by \$2.44 a month in 2011, and \$3.28 more above that in 2012.

Vanderburgh County residents living outside city limits, meanwhile, will continue paying rates that are 35 percent higher than those charged in the city. Evansville officials justify the higher rates by saying that the sewage of those living outside the city must be conveyed farther to a treatment plant.

The Evansville City Council in October passed a revised ordinance giving the Water & Sewer Utility permission to sell up to \$55 million in bonds, some of them consisting of Build America Bonds. Garrard said sewer officials decided to issue only \$28,840,000 in bonds because they plan to pay for some proposed sewer work using money borrowed from the State Revolving Fund, which offers loans at low interest rates for certain public projects.

Evansville officials said they were able to secure low interest rates on the current bond issuance in part because of the bond ratings conferred on the city by the rating agencies Standard and Poor's and Moody's Investors Service. Standard and Poor's raised the city's

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sewer-bond rating from A to AA- in January 2009 and Moody's raised its from A3 to A1
in June.
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