COUNTY AGENDA REQUEST

Department:	Finance/Water System	Presenter(s):	Mary S. Holland/Tony Parrott
Meeting Date:	Wednesday, November 2, 2011	Type of Request:	Old Business

Wording for the Agenda:

Discussion of staff's request to work with Merchant Capital in order to partially refund the Water System's Revenue Bonds, Series 2002, which aggregate an outstanding balance of $19,600,000, and to issue additional bonds totaling $9,000,000 for the Water System's Magnetic Ion Exchange Project.

Background/History/Details:

During the February 2011 Board Retreat and the March 24, 2011 BOC meeting, staff discussed the requirement to upgrade the two Fayette County water plants for removal of total organic carbons (TOC) in order to meet new restrictions by 2012 as set by EPA. Results of pilot testing were presented and the Magnetic Ion Exchange (MIEX) process was recommended. The BOC authorized Mallett Consulting to design engineering plans and oversee a bidding process pertaining to the MIEX project. It was anticipated at that time that a 4-7% water rate increase would be necessary to raise funding to pay for the Project. At the June 9, 2011 BOC meeting, approval was given for a contract with Mallet Consulting for engineering services, including design, plans, specifications, bid documents, contract administration, and project management of the MIEX process. The engineering report has been submitted to DNR. Once DNR approval is granted, the County will be ready to move forward with the MIEX project for which funding of $9,000,000 will be necessary.

To eliminate the need for a water rate increase to fund the Project, staff is recommending the BOC approve a refunding of the Water System Revenue Bonds, Series' 2002, along with additional funding of $9,000,000 for the MIEX project. In the current market and after issuance costs, the present value savings as a percent of the refunded bonds would be 9.93% or $1,500,000. The original rate of the bonds is 5.06% while the current refunding yield is estimated to be 2.40%. In the current market, the additional funding of the $9,000,000 is estimated to have a rate of 3.30%.

What action are you seeking from the Board of Commissioners?

Consensus to place on the Nov. 10 BOC Consent Agenda approval of staff to begin work with Merchant Capital on the partial refunding of the Water System Revenue Bonds, Series 2002, and the issuance of $9,000,000 of new bonds for funding the MIEX project. If this request is approved, staff will update the Board from time to time on any progress made. If/When a final proposal for refunding and reissuing bonds is developed, the Board will need to take several actions to initiate said refi/reissuance of bonds.

If this item requires funding, please describe:

$9,000,000 is needed to fund the Water System's MIEX project.

Has this request been considered within the past two years?	Yes	If so, when?	Various
Is Audio-Visual Equipment Required for this Request?		Backup Provided with Request?	Yes

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Approved by Finance	Yes	Reviewed by Legal	Yes
Approved by Purchasing	Not Applicable	County Clerk's Approval	Yes
Administrator's Approval	Yes		

Staff Notes: