Sewer bond vote planned April 4

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All Metro Council members present at Wednesday’s council meeting voted to place a call for a general obligation bond issue of up to $230 million for sewerage system improvements on the April 4 ballot.

Councilman Kip Holden was absent. Councilman Doug Welborn said he wanted his vote recorded as being cast "under protest."

The sewerage system improvements to be financed by the bond issue at up to 12 percent interest for up to 25 years are required under the federal Clean Water Act, which went into effect in 1974.

Parish Attorney Lynn Williams said the city-parish went to court to fight the required improvements in 1975 and lost. Raphael Kazmann, a retired LSU engineering professor and leader of an organization calling itself Citizens Against Unnecessary Sewage Treatment, said — as he has at several previous meetings — that scientific studies show that upgrading wastewater treatment here will have no appreciable impact on the quality of the water in the Mississippi River.

In the 1975 suit, a federal judge ruled that even if it could be proven that the improvements were not justified by any scientific standard, the law required them and the only way to get out of doing them would be to change the law, something only Congress can do.

Kazmann insists that the city-parish go back to court and fight the U.S. Environmental Protection Agency, which is threatening up to $80 million in fines for non-compliance. Williams cautioned that the city-parish would risk "devastating" consequences by doing as Kazmann advised.

Council members agreed they did not have the option of doing as Kazmann advised.

Councilman Ben Peabody said the sewer problem buck had been passed for years. But time has run out and this council and this administration have run out of alternatives, Peabody noted.

“I don’t think there’s a miracle worker out there” to relieve the current council of its burden, Peabody said.

Councilman Tom Ed McHugh said he

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saw no way out either and that the only question was how to go about paying for the necessary work. The council could float a revenue bond issue financed by a massive increase in the sewer user fee without going to the public for a vote. Hoping to avoid that, council members opted to ask the voters to approve a general obligation bond issue. The ballot item contains no specific millage figure, but if it passes, the council will be empowered to levy whatever millage is necessary from year to year to make the annual payments.

Bond counsel Jerry Osborne said the ballot item includes the terms “up to 12 percent interest” and “up to 25 years” to provide maximum flexibility in structuring the issue.

According to the latest calculations by financial adviser Bob Phelps, the city-parish realistically will be looking at a total bond issue of $229,155,000 issued in four stages, all of which expire by 2010.

If paid off exclusively by a property tax levy, that would cost taxpayers about 22 mills a year at its peak. But by using $4.6 million a year generated by the sewer user fee, Phelps said, the biggest property tax needed will be 17.51 mills if one assumes an 8 percent interest rate and no growth in assessments. Assuming only an annual 2 percent growth rate, the millage would go no higher than 16.18 mills.

Phelps projects this year’s additional millage being about 3.9 mills if the bond issue passes, the figure escalating to the maximum by 1990. All figures at this point are best-guess estimates. Actual construction costs will not be known until bids are taken. Actual bond redemption costs will not be known until bonds are sold.

The $4.6 million from the sewer user fee is currently tied up in a roughly $5 million annual payment to holders of $55 million in revenue bonds. But at present there are no holders of those bonds, and the $4.6 million is expected to be available for use in the general obligation bond issue because the underwriter of the $55 million revenue bond issue has agreed to let the city-parish out of its contract.

The revenue bonds were marketed at 8.06 percent interest but have never been sold because the issue is tied up in a court battle. The underwriter, Donaldson Lufkin & Jenrette, agreed to let the city-parish out of the contract if the city-parish wanted out. Osborne advised that if the general obligation bond issue passes April 4, the city-parish should scuttle the revenue bond issue.

Osborne and Mayor Pat Screen said Tuesday that taking advantage of the lower interest rates now available would save the city-parish $3.75 million. Phelps said Wednesday that the $3.75 million represents what the city-parish would save on each 0.5 percent that rates drop. At present, Phelps said, the bonds could go for 7 percent, which would mean a savings of more than $7 million.

McHugh noted that much of his district will not be affected by the work, but all property owners who are not covered by homestead exemption will pay for the bond issue if it passes.

McHugh, who represents Baker and Zachary and the large unincorporated area north of the city, said his constituents include many rural homeowners who pay $2,000 or so for a package treatment plant when they buy their homes. Such people are not tied into the sewer system and the bond issue will obligate them to pay for something they do not use. McHugh said he would like to see the city-parish address that situation somehow, perhaps through some type of rebate for such homeowners.

"This is one of those times when I'm thankful I've already made my decision about not running," McHugh said.