Metro Council OKs plan to sell sewer revenue bonds

By JIM McDONNELL
Advocate staff writer

A majority of Metro Council members decided to move ahead with a plan to sell up to $60 million in sewer revenue bonds rather than take an alternative course recommended by long-time city-parish bond counsel Fred Benton.

The final step in the revenue bond issue will be a report from investment bankers Donaldson Lufkin & Jenrette at a special meeting next Wednesday at which council members decide whether to authorize the actual sale of the bonds.

At that same special meeting, scheduled for 3 p.m., the council will decide whether to roll millages forward to raise another $1.9 million for the general fund. They are also expected to decide whether to reallocate any of the library system's $2.3 million general fund allocation for 1986 into a contingency fund to deal with a looming budget crisis.

Voting to move forward with the revenue bond issue were council members Larry Bankston, Gary Bergeron, David Braud, Lank Corsentino, Gordon Curry, Pearl George, Kip Holden and Doug Welborn.

Voting against were Lynda Imes, Tom Ed McHugh and Ben Peabody. Mayor Pro Tem Mike Roubique was absent due to illness. Curry, as vice pro tem, chaired Wednesday's meeting.

The $60 million raised by the bond sale will pay for construction at the north and south wastewater treatment plants.

On a related issue, Wells joined the three dissenters when the council voted to approve a set of documents related to the bond issue. McHugh, Imes and Peabody said they had no intention of approving documents they had not read.

The documents in question apparently did nothing but formalize action already taken, as well as authorize hiring special bond counsel Steve Hicks, representing the Foley Judell law firm.

The problem was that the documents were presented to the council members
only minutes earlier. McHugh, Ires and Peabody said they were not prepared to approve documents they had not had a chance to read. Welborn joined them in protest.

"The administration is going to get what they want regardless," Welborn said. "I just don't appreciate having anything shoved down my throat."

Mayor Pat Screen supported proceeding with the revenue bond issue, saying the advice of everyone on the investment team except Benton.

Another $40 million in improvements must also be completed by July 1, 1988, to satisfy the federal government, and an additional $140 million will be required in the years that follow.

Screen's game plan is to try and raise the rest of the money in an April 4 bond election. If the voters reject the proposal, the sewer user fee will have to be increased drastically to finance the additional improvements.

But, Benton said, the entire $100 million in sewerage system improvements could be paid for with little or no additional bond issues or increases in user fees or taxes if the council chose to use general obligation bonds rather than revenue bonds.

On Wednesday, the national bond rating service Standard & Poor's gave the proposed bond issue a Baa rating, equivalent to the Baa rating given the issue by another rating service, Moody's, the day before. The rating is the same as bonds for the Centrocoplex parking garages built in 1978.

The Baa rating assures the sale of the bonds at an interest rate of 8 percent or less, Screen said.

Benton said he could do better.

By selling the $60 million in revenue bonds now the city-parish would be able to take advantage of current interest rates, which are the lowest they have been in several years.

Benton said he would be willing to bet that interest rates go down even further between now and the spring of 1987.

Even if they do not, he said, a $100 million general obligation bond issue, approved by the public and backed by the full faith and credit of the Consolidated Sewerage District, could easily secure an A rating that would bring with it a lower interest rate than the inferior Baa and B ratings.

In addition, he said, general obligation bonds could be marketed under generally more favorable conditions than revenue bonds, Benton said, providing taxpayers a much better deal all around.

Benton recommended temporary financing to tide the construction projects over until after the results of the April bond election.

The council will make its final decision on the revenue bond issue next Wednesday, as well as a series of decisions that will decide how much trouble the city-parish will have balancing its 1987 budget.

City-parish officials are heading into the coming fiscal year looking at a $9.6 million gap between projected available revenues and the expenditures necessary for a standstill budget.

A roll forward of general fund revenues to maximum allowable levels will produce $1.9 million next year and a likely amount next year.

The library tax passed by the voters Sept. 27 will generate about $8 million a year for the library system beginning with the first tax collection at the tail end of this year.

Up until the approval of the new tax, the library system operated mostly on money from the city-parish general fund.

Its budget this year from the general fund was about $2.3 million. Approval of the new tax not only provides the library with its own money, but reduces the burden of the city-parish general fund by $2.3 million a year.

Screen noted after passage of the tax that reallocating the $2.3 million budgeted for the library this year and next year would, together with general fund millage rollups, produce a total of $8.4 million worth of relief for the 1987 budget.

But, if the council approves an alternative offered by the library board earlier this week, the city-parish general fund will be able to recoup only $850,000 of this year's $2.3 million.