



BOARD OF PUBLIC WORKS

CITY OF HANNIBAL

OFFICE 573-221-8050
FAX 573-221-7522
www.hannibalbpw.org

ELECTRIC, WATER AND SEWER DEPARTMENTS

3 INDUSTRIAL LOOP DRIVE • PO BOX 1589 • HANNIBAL, MISSOURI 63401-1589

June 26, 2013

BOARD OF PUBLIC WORKS CONSIDERS FINANCING OPTIONS

Last week I made a bold statement suggesting the HBPW should go into debt to fund improvements to our Water System and Sewer System. Now I need to explain myself and the choices we have.

I stated earlier that several of the improvements we need are mandated by the EPA. There is no choice but to do those. But, about half of the funds we propose to spend are not mandates but are prudent investments to keep our system reliable and ensure that everybody has adequate drinking water and fire protection. There are major components in our Wastewater Treatment Plant that could fail without warning due to age causing us to go out of compliance for months while we find replacements. We could choose not to invest in or replace those, a bad choice in my mind.

A few years ago, the Board members of the HBPW chose to avoid further debt and pay down what we owed. That decision was sound and I supported it and have worked to make it happen. We have been successful over the last few years reducing our debts by almost \$5 M. In five more years we could be debt free....except for these looming mandates in our Water and Sewer Systems.

I should mention I have a personal aversion to debt. I am a fan of Dave Ramsey and before him, Larry Burkett. Some will know these names. Some will have to Google them. I hate to see the Board and the City take on new debts. But, we need \$22 million including a 10% cash reserve to make improvements over the next six years and borrowing by selling bonds is the best choice. To do so requires voter approval. Voter approval would also open the door for the HBPW to apply to the State for access to their State Revolving Fund (SRF) which features very low interest rates and some actual grants not available through any other program. This is the best choice for us, I believe.

We could choose to pay cash. It would be cheaper. No brokerage fees, no interest payments, no strings. Sounds great. We could fund the same \$20 M improvement package over six years with one rate increase of about 35% over what we are paying today. But 35% is a huge increase. A lot of people will have a hard time coming up with that much more money to pay their water and sewer bills today. Maybe it would be more fair, and more compassionate to spread those costs over twenty years with a bond issue. Doing so would allow us to hold future rate increases in the range of 3%-4% each year which basically covers inflation of labor and chemicals. There really is merit in selling Revenue Bonds in this situation.

There is a third choice. We could skip the bond sale, skip the huge rate increases, and simply lease finance the improvements through a local bank. This plan is a compromise between the other two. It is simple, and legal. Interest rates would be about two points higher than the bond option, so annual expenses to make the interest payments would also be higher. Ultimately, this would be the most expensive plan for our ratepayers and would result in rates that would ultimately be higher than any other option.



BOARD OF PUBLIC WORKS

CITY OF HANNIBAL

OFFICE 573-221-8050
FAX 573-221-7522
www.hannibalbpw.org

ELECTRIC, WATER AND SEWER DEPARTMENTS

3 INDUSTRIAL LOOP DRIVE • PO BOX 1589 • HANNIBAL, MISSOURI 63401-1589

See, there are choices. Some are better than others. We will have to choose as a community which it will be. Vote August 6th. Before that, express your views here. We would like to hear what you think.

For more information and to see copies of previous guest columns please go to our website www.hannibalbpw.org or follow us on Facebook. Post your comments or send a letter to the editor of this paper.

Sincerely,

Robert W. Stevenson, P.E.
General Manager

“The mission of the Hannibal Board of Public Works is to provide safe, reliable utility products with excellent customer service at reasonable prices.”