

HERMITAGE

Sewer authority refinancing bonds

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By Joe Pinchot, *Herald Staff Writer*

Hermitage Municipal Authority gave a consultant the go-ahead Wednesday to work on a bond refinancing, but are delaying a decision on whether to borrow additional money for future projects.

Michael Zubasic, managing director for the PNC Bank's Public Finance Division, said the authority can save about \$350,000 by refinancing portions of the 2003 and 2006 bonds, and issuing new bonds at lower interest rates.

The bonds – investment vehicles bought by investors in return for pay backs at specified interest rates over a set amount of time – have more than \$15 million outstanding, but Zubasic said he would refund half of that.

He also proposed borrowing an additional \$2.4 million, keeping the total issue below \$10 million, which makes them more attractive to banks, the biggest customers for municipal bonds. "The refinancing is a no-brainer to me," said authority member Greg Ceremuga.

But, officials want to study the potential impact issuing new bonds will have on the budget. Officials said they used up their construction funds in the ongoing expansion of the wastewater treatment plant on Broadway Avenue, and need more money for projects that need to be done, including continuing the line repair and replacement work in the Rombold Road area, and undertaking repairs in the Woodlawn Drive area, where the late winter flooding exposed problems in the collection system.

"We have projects we can't move forward with now because we don't have the money," said authority Manager Tom Darby. The city is in the middle of a three-year rate hike, approved mostly to finance the plant expansion. Zubasic said he can structure the bond payments in any new issue so that there is no impact on the city's debt service for three or four years, allowing the rate hike to mature, the expansion to be completed, and any cost savings from the expansion begin to be realized.

"The board (of commissioners) is going to be interested in how we handle this in years four, five, as far as the rates go," said City Manager Gary P. Hinkson. "They're not interested in raising rates again in the short term."

Zubasic said officials probably are not risking an interest rate hike by waiting a few months to decide whether