CECIL COUNTY, MARYLAND
DEPARTMENT OF FINANCE

FISCAL IMPACT NOTE

SUMMARY OF LEGISLATION

SPONSOR: Council President at the request of the County Executive

BILL NO. 2017-20 – BUDGET AMENDMENT – WASTEWATER CAPITAL IMPROVEMENT PROGRAM – CONSTRUCT ELKTON WEST SANITARY SEWER

SYNOPSIS: A bill to amend the Annual Budget and Appropriation Ordinance for Cecil County, Maryland for the fiscal year ending June 30, 2018 to replace existing County General Obligation (GO) Bonds appropriation authority of $8,070,000 for the construction of the Elkton West Sanitary Sewer Sub-district project within the Wastewater Capital Projects Budget with a loan approved for the project from the United States Department of Agriculture (USDA).

FISCAL IMPACT SUMMARY: The approval of this bill will have no net financial effect on the Capital Improvement Program of Cecil County. The bill replaces the existing bond appropriation authority funding source of General Obligation Debt with a loan from the United States Department of Agriculture (USDA). However, once the bonds are borrowed and spent by the County, there will be a savings resulting from a reduced rate of interest and flexibility in repayment terms resulting in a debt service cost savings of $454,006.

FISCAL ANALYSIS:

The County Executive's goal of providing sewer infrastructure within the growth corridor was authorized through the FY2018 Capital Improvement Program. In order to fund the needed expansion, the County Executive, as part of his due diligence, wanted to explore other resources to finance those efforts. USDA met with County Administration to explain what they could offer to the County as far as loans and potentially grants for our wastewater projects. Although Elkton West was not awarded a grant, the USDA did award the County $8,070,000 loan at a rate of 2% for forty years. This is an advantageous opportunity for Cecil to save interest expense, but more importantly the additional years to repay (a general obligation bond is normally 20 years where USDA has offered 40 years) will allow the fund to bring on the additional users while having lower debt service payments.