



CECIL COUNTY, MARYLAND

DEPARTMENT OF FINANCE

FISCAL IMPACT NOTE

SUMMARY OF LEGISLATION

SPONSOR: Council President at the request of the County Executive

BILL NO. 2017-23 – BUDGET AMENDMENT – BOND AUTHORIZATION – MILL RUN SEWER EXT - USDA

SYNOPSIS: An Act authorizing and empowering Cecil County, Maryland, from time to time, to borrow not more than Eight Million Seventy Thousand Dollars (\$8,070,000) for the purpose of financing the costs of the Mill Run Sewer Infrastructure Extension, and to effect such borrowing by the issuance and sale of its general obligation bond at private sale to the United States of America, acting by and through the United States Department of Agriculture, Rural Development; empowering the County Executive to execute and deliver an executive order prior to issuing the bond in order to fix, prescribe and determine the details of the bond and the issuance and sale thereof; empowering and directing the County to levy ad valorem taxes in rate and amount sufficient to provide funds for the payment of the maturing principal of and interest on the bond; exempting the bond from the provisions of Sections 19-205 and 19-206 of the Local Government Article of the Annotated Code of Maryland, or successor provision; providing that the County may issue and sell the bond as a bond the interest on which is not excludable from gross income for federal income tax purposes; and relating generally to the issuance and sale of such bond.

FISCAL IMPACT SUMMARY: The approval of this bill will have no net financial effect on the Capital Improvement Program of Cecil County. The bill is a requirement of United States Department of Agriculture (USDA) and the County's Charter to have the County's governing body approve the County's new bond debt with USDA. As was stated in Bill No. 2017-20 the loan from USDA replaces the existing bond appropriation authority funding source of General Obligation Debt with a loan from 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. The bond bill is the formal request of approval of funding source for the bond authority to build the Mill Run Sewer Extension.