

Sewer Debt: Help The City, Help Yourself

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The Sanibel City Council did well in managing the 2012 budget process. Despite a 20% decrease in property values since 2007, the City has managed to reduce expenses over the intervening years, avoiding the need to increase *ad valorem* taxes next year. There is, however, a notable exception related to the Sanibel sewer system debt.

The City and its property owners have borrowed over \$71.5 million to develop and expand the sewer system since the City of Sanibel acquired it in 1991. The *non-valorum* assessment on our tax bills each year provides approximately thirty-seven percent (37%) of the annual debt service payments (principal and interest) required on the state revolving fund (SRF) loans debt.

Because of meeting debt coverage ratio requirements next year, the City paid down the remaining SRF debt an extra \$2.2 million in 2011. This reduced the balance of the bond and SRF loans yet to be retired to about \$31 million. However, there was still a projected shortfall in meeting debt coverage ratio requirements on the debt. Therefore, city council increased sewer utility bills by 3 % for the 2012 fiscal year. Sanibel property owners received the first bill for the increased amount in November.

How Sanibel Homeowners Can Help

Starting in 2001, as residents hooked up to the sewer system, they were assessed a fee which could be paid in full at the time of connection or amortized over 20 years. As of May 1, 2011, there were 1444 residences that still had outstanding sewer assessments in the amount of nearly \$9 million. This amounts to about 29% of the total outstanding sewer debt.

Property owners can help the City and help themselves by paying off any residual debt that is being carried in their name. Since the interest rate charged on this debt is 3.0-3.5 % and current money market investments are typically paying less than 0.5%, it may make sense for many homeowners to pay off this loan. If the amount of the outstanding sewer loans were reduced, it may eliminate the need to increase residential and commercial sewer rates again in 2013.

Homeowners who are interested in eliminating their outstanding sewer debt can call the City of Sanibel's Finance Department (472-9615) to find out how much they currently owe. Since the rate changes each day as interest is accumulated, the specific amount you need to pay will be determined on the day you actually give the Finance Department a check.

Committee of the Islands invites your input and ideas on this important subject. Please email your comments to coti@coti.org. You can read commentaries on other island issues on our website at coti.org and/or visit Committee of the Islands on Facebook.