

# THE BOND BUYER

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TREND IN THE REGION

## South Carolina Ruling Will Expedite Sewer Sale

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By Shelly Sigo

BRADENTON, Fla. - A [South Carolina Supreme Court ruling](#) striking down a referendum requirement will make it easier and less costly for cities and towns to sell their old, leaky water and sewer systems to counties that can make improvements, benefiting economic development prospects and the environment.

The ruling, which became final last week, also has the potential for prompting the issuance of more utility debt from the state as local governments improve services, a South Carolina bond attorney said.

Eliminating the costly and time-consuming referendums also means Dorchester County is now free to put the finishing touches on a \$15 million wastewater revenue bond sale and use a portion of proceeds to buy the sewer system now operated by St. George, the county seat.

The sale, according to Dorchester County administrator Jason Ward, will enable the county to achieve economies of scale that the town could not obtain on its own to pay for upgrading and expanding its aging wastewater system. That, in turn, will allow the town and county to work on creating desperately needed jobs through economic development projects that have eluded the area because the infrastructure is not in place, Ward said.

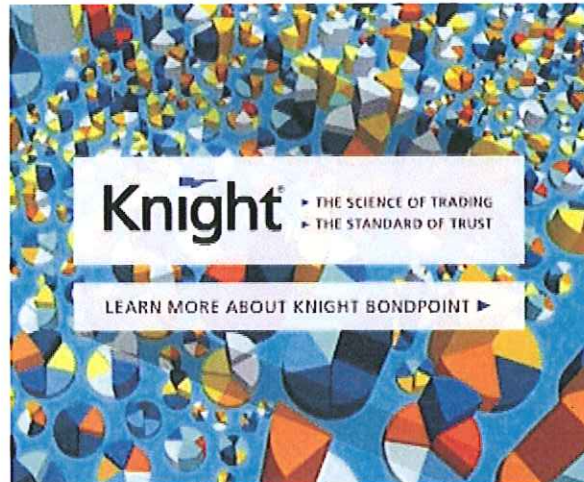
Work on the St. George-Dorchester sale actually began last year.

But a state law requiring a referendum - one of the last vestiges of South Carolina's pre-home rule days - impeded the St. George sale and has for many years made it difficult for small city-run utility systems across the state to improve and expand, said bond attorney Margaret Pope with Pope Zeigler LLC, who represents cities, counties, and sewer districts across the state.

Despite home rule, which gives local governments in South Carolina self-regulation powers, an old state law required that a petition be signed by at least 25% of the affected property owners requesting a referendum be held before the sale could proceed.

"That was a hard step for a lot of people to take and in my mind it was unnecessary because under the U.S. Constitution you can't have the right to vote contingent upon the petition of freeholders or people who own property," said Pope, who provided that opinion to the town.

Pope - whose firm worked on the St. George-Dorchester County case that ultimately struck down the state law - said dispensing with the referendum requirement most likely would allow more revenue bonds to be issued "because pulling a city system into a more regional system will mean more customers and more available revenues."



The case is also a victory for home rule that allows other cities interested in selling their wastewater systems to do so by ordinance, and not a costly petition method that disenfranchised ratepayers who are not property owners, Ward said. He added that neither the town nor the county has encountered major opposition to the sale or upcoming bond issuance.

"I think everyone understood [the project] from the standpoint of really trying to increase the opportunities for employment on this end of the county and ultimately provide an increased tax base," he said.

While it is an important ruling for St. George, all utilities in the state need to analyze the efficiencies of collaborating on the delivery of services, according to Reba Campbell, deputy executive director of the Municipal Association of South Carolina.

"In some instances this ruling may allow the opportunity for more collaboration, but that may not be the case for others [and] each city will need to make that determination themselves," Campbell said. "We agree in tough times when efficient delivery of government services is a prime concern we need to be looking at ways to most effectively deliver utility services."

For St. George and Dorchester County, the ruling underpins a joint effort to create economic development opportunities and new jobs where there is double-digit unemployment.

While Dorchester County is in the southeastern part of the state and included in the Charleston metropolitan statistical area, rural St. George is in the northern part of the county near the convergence of Interstates 95 and 26. But the county hasn't been able to capitalize on those major shipping routes because the area lacked the sewer infrastructure necessary to lure development and new jobs.

The area is perfectly positioned for distribution services along the East Coast and to the Midwest, Ward said, noting that the county recently certified a 600-acre industrial site and opened a workforce training center.

"Without the county's intervention to purchase the wastewater system from the town we would not have been able to provide wastewater for the requisite economic development," he said. "We've got interstates, we've got power, we've got rail and waterlines, but we needed sewers and a workforce. This is a multifaceted effort coming together to change the economic fortunes of our part of the world."

With the court case settled, bond documents and related studies are being prepared for the county's \$15 million sewer bond issue in October, said Carol Clark with Haynsworth Sinkler Boyd PA, bond counsel on the deal. Wells Fargo is serving as financial adviser and underwriter.

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