

Municipal bonds, a viable financial solution for Local Public Administrations, an advantageous saving and investment instrument

Elena Andrei - Director BCR Securities

Starting with 2001, Local Public Administrations have a new instrument for the medium and long term financing of the investment projects: **Municipal Bonds** issue.

For a Local Public Administration, one of the main advantages of bonds, as compared to bank loans, is the absence of a real guarantee, as the issue may be guaranteed only with the revenues obtained by the Local Public Administration throughout the period of the bonds maturity. A bond issue can also finance non-profit projects, such as the construction of schools, hospitals etc. A non-profit bank loan financed project requires supplementary analyses made by the bank to identify the guarantee possibilities of the Local Public Administration.

Bond issue costs are lower than bank loan costs. For instance, in the domestic market, the loan interest rate is of about 44% plus the costs related to the loan management and other bank commissions. The latest interest rate of treasury bonds offered to the public has been of 35 %. If the calculation is based on the interest rate, to which 1-2 percentages are added to make the bonds issue more attractive, the cost of a bond issue amounts to approx. 37%. The intermediary's commission and other costs related to the public offer initiation are added hereto, which may increase the costs up to 41 – 42%.

From the point of view of the bond owner, a natural person, the main potential investor in such bonds, the acquisition of municipal bonds entitles him to an interest higher than the bank interests offered by the Romanian banks for deposits or treasury bonds issued by the Ministry of Finance.

At the same time, once the bonds are listed on an organized and supervised capital market (Bucharest Stock Exchange or Rasdaq), this saving instrument gives the investor the possibility to sell the bonds before their maturity, also receiving the interest for the period he owned those bonds.

In case the investor will not sell his bonds before the maturity date, he is protected from the unpredictable fluctuations of the inflation by a variable interest rate, which is in a predetermined relation with the well known interest rate indices, accessible to the public (for instance, in case of Mangalia municipal bonds issued this year, the interest rate is calculated every quarter as the average of BUBID-BUBOR interest rates plus 2%).

Over this period, BCR Securities, the brokerage house of the Romanian Commercial Bank, intermediates the issue of the guaranteed bonds by Mangalia. The interest paid by the issuer to the investors for this loan is variable. For the first quarter the interest rate is of 36%. The issuer expects to obtain funds amounting to 10 billion lei. The subscription period will be of 10 working days, between 12.10.2001 and 25.10.2001.

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* On November 15th, 2001, the meeting of the National Energy Policy Reform Working Group within the MUNEE program will take place in Bucharest. The participants represent the partner countries' specific organizations.

* The local partnership of specialists from Romanian municipalities that promote EE projects (REEN – Romanian EE Network) is enlarging. Until now, 51 representatives from 40 municipalities have been registered. Municipalities willing to join REEN can contact APER.

* The Romanian Energy Efficiency Society - SOCER - will organize between 10-11 December

2001, in Craiova, the 6th edition of the National Conference "Methods, Installations and Equipments for Energy Measurement, Conservation and Management".

* The specialized exhibition for indoors and outdoors lighting systems "Lighting Romania 2001" will take place between 23-26 October 2001 at the Palace Hall in Bucharest.

* The Governmental Ordinance no.78 / 2001 regarding the modification of the Efficient Use of Energy Law no.199 / 2000 has been published in the Official Journal 541 / 2001.

Attn: Energy Professionals**Considerations on the implementation of EE measures in the public lighting sector.***Eng. Mihai Grigorescu - APER*

The comparative example presented below considers a simplified analysis model for the primary investment and its economic implications on the local budgets, comparing 3 situations of efficient public lighting solutions with the common situation met in Romanian municipalities. This example is only meant to give a first image, useful to the decision-makers for initiating EE municipal projects. The tables below take into account the following data:

- lamp necessary: 5,000 pcs.
- assembling expenses: quasi-equal (1-4)
- yearly operation period: 4,000 hours
- electricity price: 42.7 EUR / MWh
- investment cost: estimated based on companies' offers catalogues

The results lead to the following considerations:

- Situation no. 2: electricity savings and convenient depreciation of supplementary investment - local budget energy expenses will decrease with 40%.
- Situation no.3: needs an important investment but it will accordingly relieve the local budget of 60% of the energy expenses - in addition, the security in operation will increase due to the special protection against water (this will also result in reducing maintenance costs). This solution is recommended for lighting high-traffic roads.
- Solution no. 4: medium investment, which results in 64% relieves of energy costs in the local budgets, in circumstances of lower life period and higher maintenance price.

Obviously, when elaborating feasibility studies, experts consider more complex criteria, in accordance with a specific project. We reduced our analysis to outlining the benefits of **Energy Efficiency** projects.

Case no.	Lamp type	Bulb type	P _n lamp	P _{inst.}	Light flow	Bulb light η	Lamp η	Protection class	Life time	Lamp cost	Bulb cost
	-	-	Kw	Kw	lm	lm/w		-	hours	€	€
1	PVSB 12BM 250	SON 250E	0.27	1350	27,000	108	0.6	IP43/IP33	20,000	70	17
2	SGS 102/150	SON-T 150	0.16	800	15,000	100	0.7	IP65/IP43	20,000	100	17
3	SGS 305/100	SON-T PLUS 100	0.11	550	10,500	105	0.8	IP66/IP43	20,000	250	18
4	SRS 201/091	**	0.10	475	17,000	187	0.8	IP65	12,000	190	30

Case no.	Total investment	Supplementary investment compared to case 1	Yearly electricity consumption	Yearly energy bill	Savings in the yearly energy bill	Supplementary investment depreciation time
	€	€	MWh	€	€	years
1	435,000	-	5,400	230,580	-	
2	585,000	150,000	3,200	136,640	93,940	1.60
3	1,340,000	905,000	2,200	93,940	136,640	6.62
4	1,100,000	665,000	1,900	81,130	149,450	4.45

- **Current energy resources will be exhausted!**
- **Energy is expensive!**
- **It's high time we used energy efficiently!**

The next issue of APER NEWSLETTER presents:

“MODERN ELABORATION / DESIGN OF LIGHTING SYSTEM FOR STREETS”

Author: prof.univ.dr.eng. Cornel BIANCHI a/o