

**DeKalb County
Department of Watershed Management (DWM)**

Commitments to the Consent Decree and CIP

Cash/Funding Needs Analysis and TANs

January 25, 2022



Agenda Item – TAN (February 2022)

- **\$140,000,000* = \$70,000,000 Government + \$70,000,000 DWM**
Loan will be memorialized through an interfund loan agreement
- **Federally Taxable**
- **Estimated Rate: 0.6%**
- **Maturity Date: December 15, 2022**
- **Placement Agent: Piper Sandler & Co.**

* Estimate based on 2021 actual cash flows

1. CONTEXT

How did we get here?



DEKALB COUNTY GOVERNMENT
WATER DEPARTMENT
**NOTICE OF A SANITARY
SEWER SPILL**

THE DATE THE SPILL OCCURRED: 02-13-2020

THE SPILL LOCATION: 2711 Foyles Dr

THE CAUSE OF THE SPILL: I & T

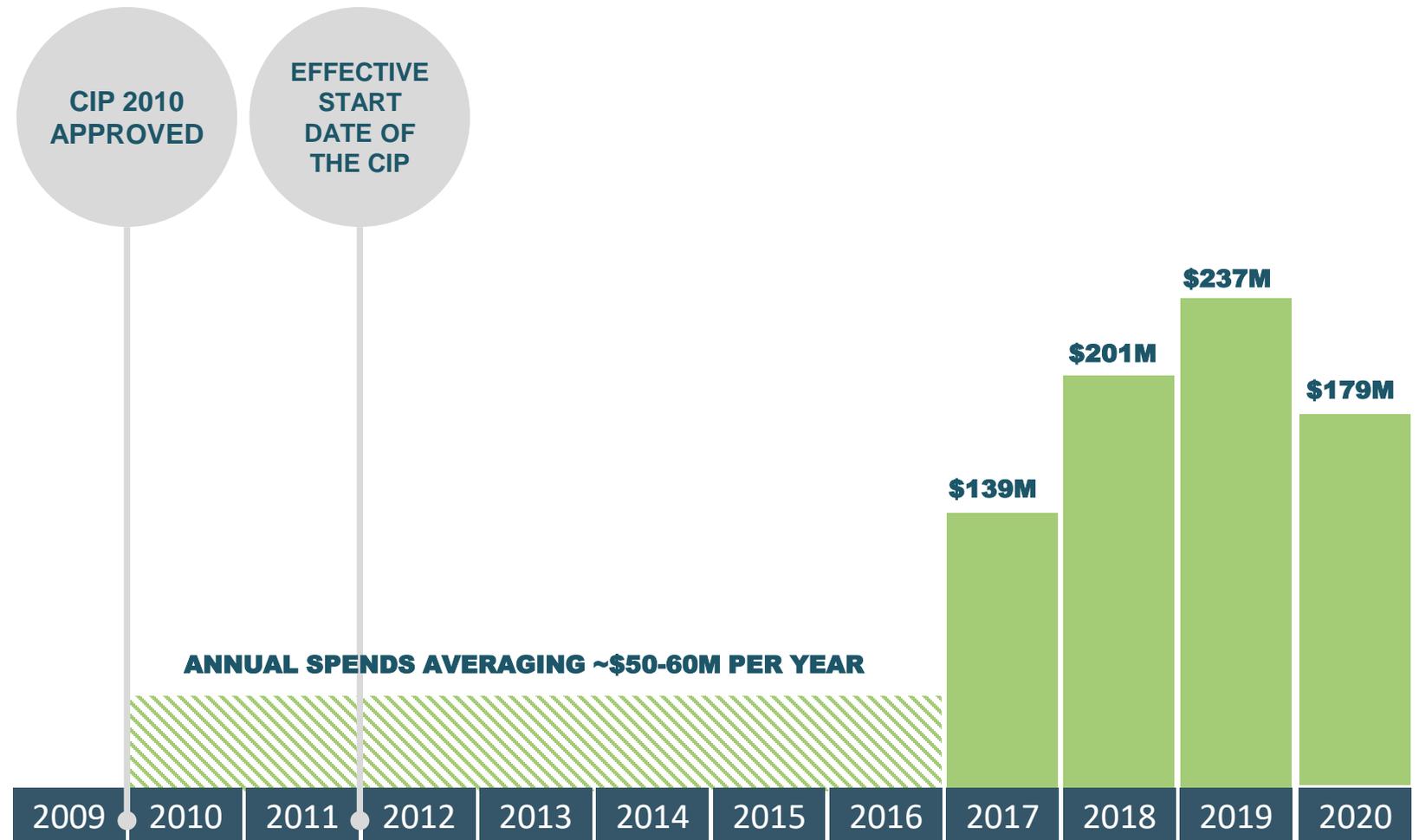
THE ESTIMATED VOLUME OF THE SPILL: 22.75

RECEIVING STREAM: Shoal Creek

RECOMMENDED ACTION TAKEN: Wiped until cars

2010 Capital Improvement Plan (CIP): A Missed Opportunity

- ▶ Consent Decree and CIP Program Managers not contracted until 2014 and 2015, respectively
- ▶ Failed to complete the 2010 CIP during the planned 5 years
- ▶ Negative Arbitrage \$80,000,000
- ▶ 2017 “New Day”



A construction site with a blue overlay. In the foreground, there is a deep trench with a concrete curb on the right side. Several workers in hard hats and safety vests are visible in the background. A large pipe is lying on the ground to the right. A CAT excavator is partially visible on the left. The scene is outdoors with trees and utility poles in the background.

2. PIVOT

What has been accomplished?

Over \$900 million invested in infrastructure since 2017

Sewer Rehabilitation** Completed Versus Required by 2027



- ▶ Pipe Lining: 95 of 133 miles (71%)
- ▶ Point Repairs: 896 of 1,662 (54%)
- ▶ Small diameter sewer pipe replacement or upsizing: 10 of 35 miles (29%)
- ▶ Major trunk sewer capacity projects: 45 miles by 2027

****estimates the County is preventing on average 3-5 SSOs from occurring each year at about 2500 gallons per SSO**

3. WHAT IS NEXT?

Consent Decree Modification entered 9/22/21

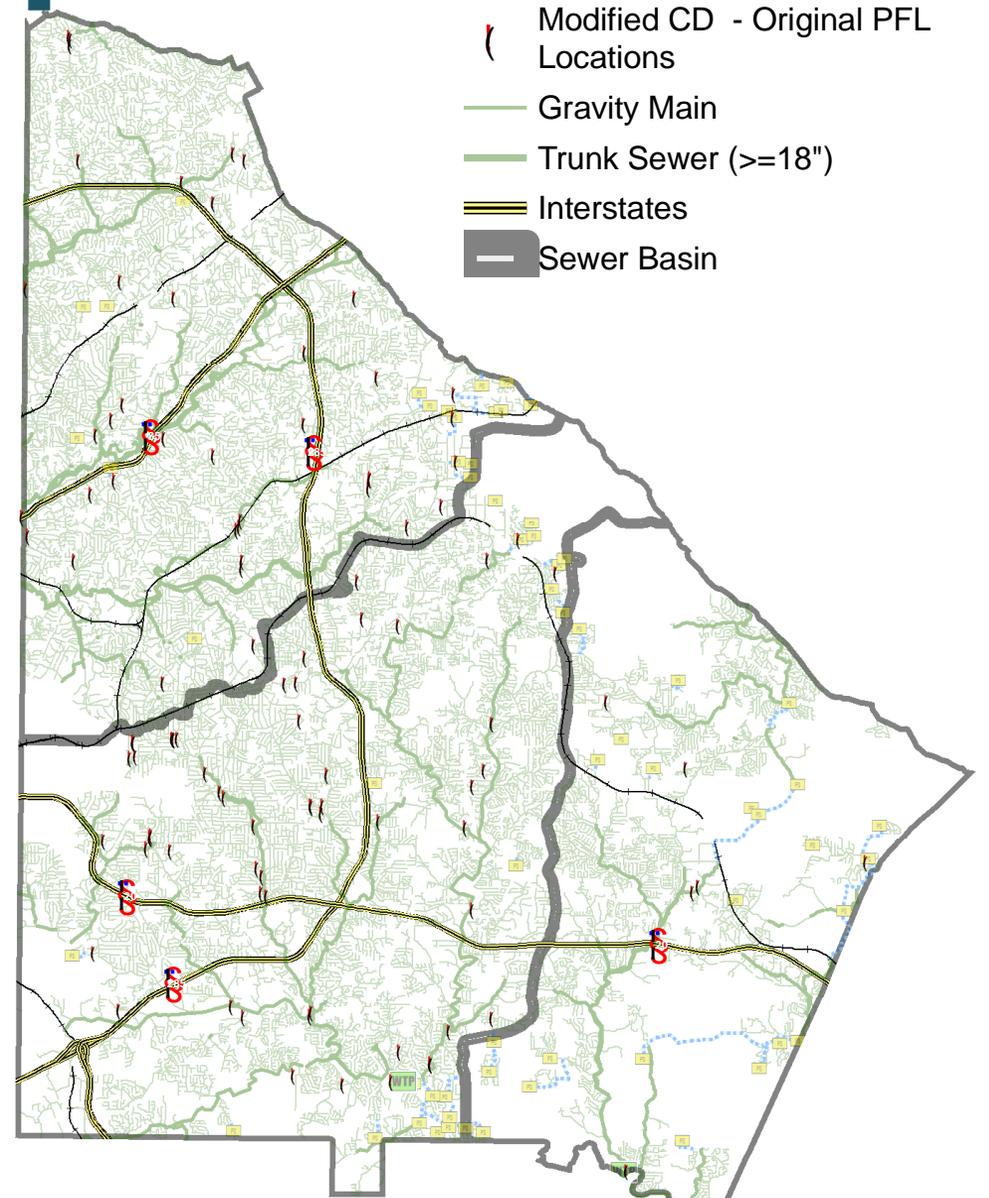
- **Obligation to address the repeat spill sites**
- **Requires ~\$1 billion**

CHALLENGES AHEAD

- **COVID Impacts**
- **Inflationary Pressures**
- **Supply Chain Issues**
- **Labor Shortages**

Work Completed to Fix 42 Spills

- The Priority Fix List (PFL) provided in the Modified Consent Decree represents a list of 103 repeat SSO sites to be Adequately Fixed
- In the 3Q 2021 Report to EPA/EPD, 42 of these PFL sites were reported as Adequately Fixed
 - ✓ This includes the sites associated with historical repeat SSO, (e.g., Hood Circle) which have been addressed through a capacity relief project



Work to be Done

- ▶ **Of the remaining PFL Sites (at least 61), there are three primary SSO causes the County is addressing:**
 - ▶ **Maintenance – The County has placed these sites on a preventative maintenance schedule and provided education on FOG where applicable**
 - ▶ **Structural – The County is continuing design/construction of sewer rehabilitation to address structural defects**
 - ▶ **Capacity – Projects are under planning, design, or construction to address capacity limitations within the system**
- ▶ **Costs to address the Consent Decree = ~ \$1 billion**

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4. Funding Plan

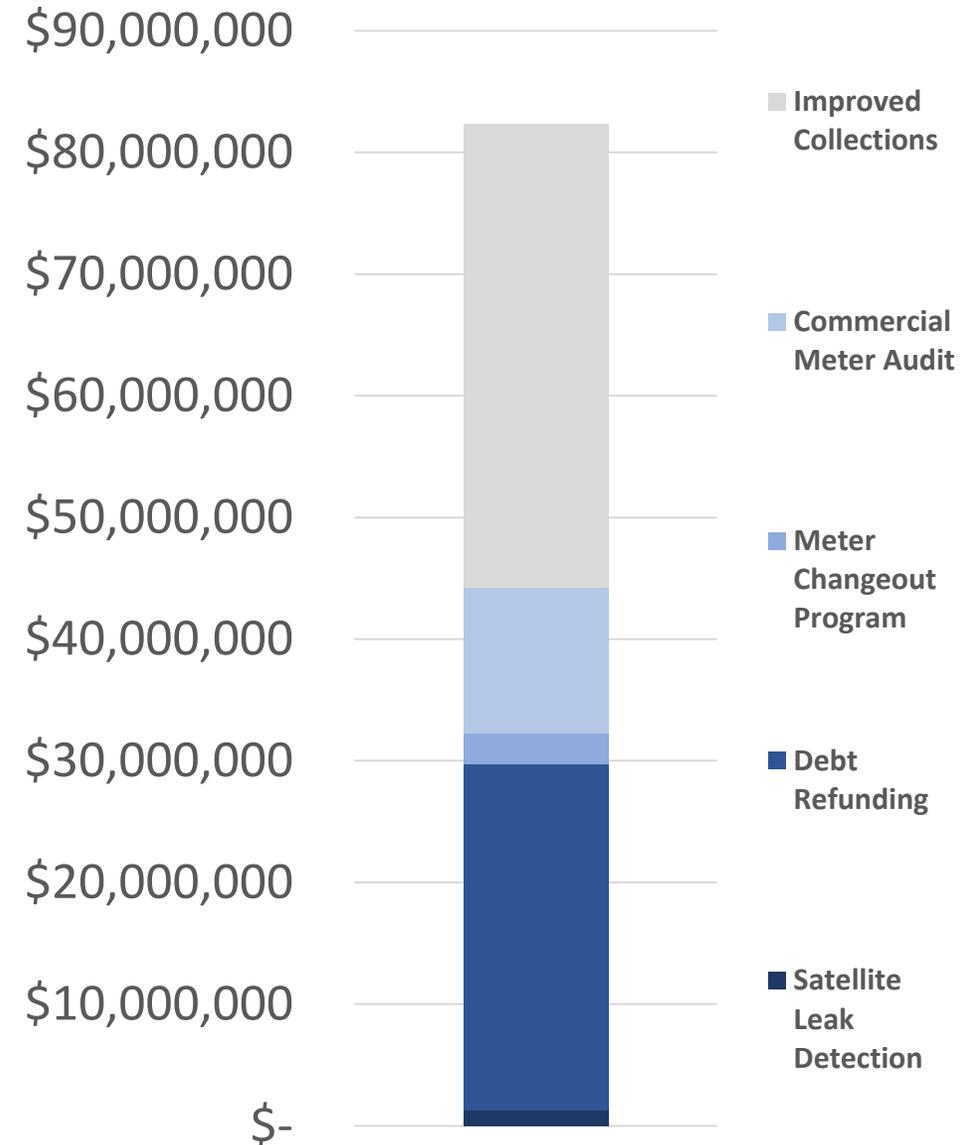
- **Modified Consent Decree Requirements**
- **Broader CIP Obligations**

Promised Optimization

- Lifting the Service Disconnection Moratorium
- Reduce Water Loss
- Maximize Low Interest Debt (WIFIA & GEFA)
- Reduce Negative Arbitrage
- Revenue Optimization Efforts:
 - ✓ URM Commercial Audit
 - ✓ Meter Changeout Program
 - ✓ Reduce Unauthorized Consumption

Optimization efforts have delayed rate increases of 30% since 2019 (average savings of \$1,080)

Optimization



Funding Strategy

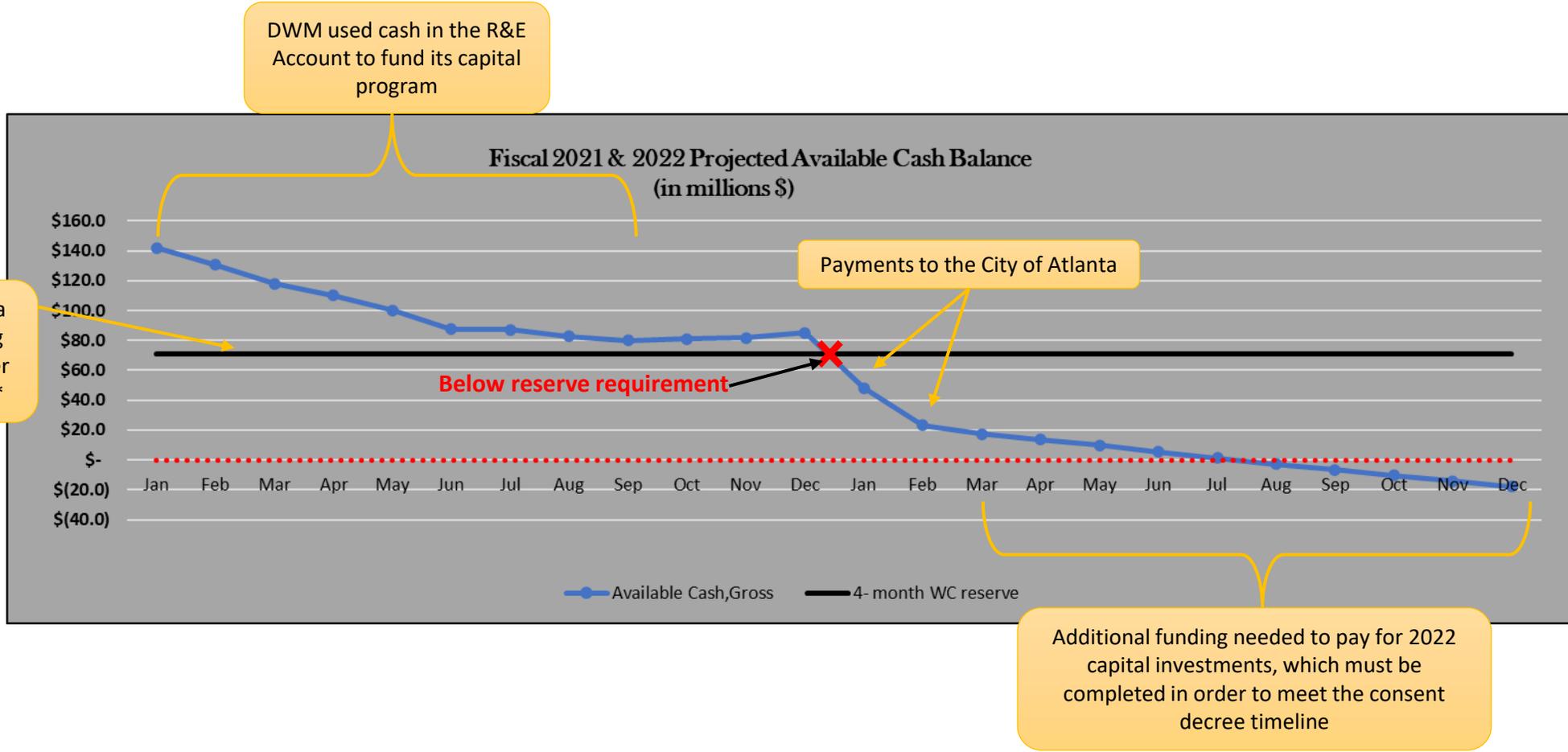
- **Step 1: Issue a \$70 million TAN in Feb. 2022**
 - **The most immediate DWM need is \$45 million in payments due to the City of Atlanta (COA)**
 - ✓ **Payments are DeKalb County's share of the R.M. Clayton Water Reclamation Center capital improvements per the Intergovernmental Agreement**
 - ✓ **Majority of the COA payment was invoiced in 2019**
- **Step 2: In order to fund the approved CIP 2021 (approved Feb 23, 2021), including consent decree requirements, DWM will need to begin issuing revenue bonds approximately every two years starting early 2022**
 - **Without a new bond issue, DWM does not have available cash to fund capital needs for 2022**

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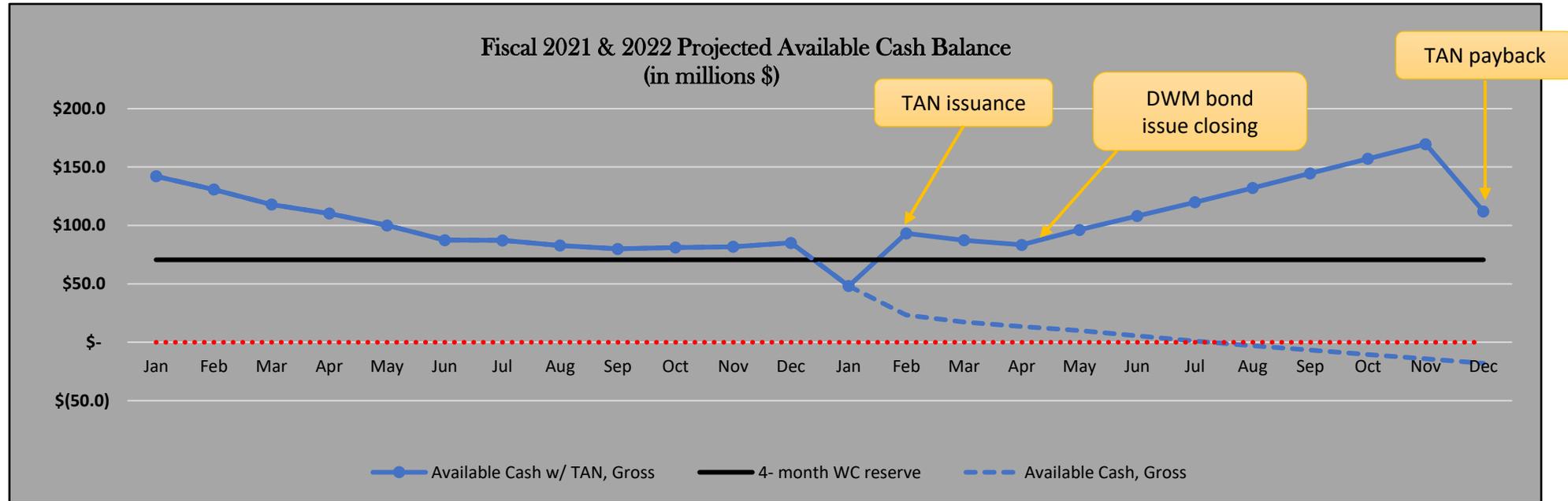
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Cash Projection Without Funding



* Section 4.3.12 of the Bond Resolution states a reserve shall be maintained at an amount as the Director of Finance of the County deems reasonable and prudent . A 4-month reserve is consistent with industry best practice.

Plan Forward



- DWM will need to issue a bond to pay back the TAN by December 31, 2022 (which is required by the Georgia Constitution) and fund capital expenditures in 2022

Conclusions

In order to continue DWM's capital program (including consent decree requirements) and fund City of Atlanta payments for R.M. Clayton WRC, County/DWM is planning the following:

1. Issue a TAN (\$70M for DWM) in February 2022 (note – per Georgia constitution short-term financing such as TANs, must be paid off by December 31, 2022)
2. Obtain approval of the Capital Improvement Funding Plan, in January/February 2022
3. Issue Revenue Bonds in April 2022, which will include new money for capital expenditures through 2023 (estimated) and paying off the DWM portion of the TAN

In order to continue DWM's capital program and settle the TAN by the end of 2022, as required by the Georgia constitution, DWM will need to obtain bond funding before year end.