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Former Harrisburg Authority Targets Investment-Grade Rating

by [Paul Burton](#)

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It changed its stigmatized name and re-entered the capital markets for the first time in three years.

Now the former Harrisburg Authority, rechristened as Capital Region Water, wants to become an investment-grade credit within 18 to 24 months, said executive director Shannon Williams.

On Wednesday night, the agency's board in Pennsylvania's capital city ratified the issuance of \$29.7 million of variable rate demand sewer revenue bonds, which combines a loan from the Pennsylvania Infrastructure Investment Authority, or Pennvest, with a letter of credit from M&T bank. The agency runs Harrisburg's water and sewer systems.

"It's a big accomplishment, moving forward from the days of not being able to finance anything," Williams said in an interview.

The Harrisburg Authority, unrated after 2011 when Moody's Investors Service withdrew its Ba3 rating, was linked to the debt crisis that pushed the city to the brink of bankruptcy. It sold city guaranteed debt for an incinerator, financing overruns for which largely accounted for Harrisburg's roughly \$600 million in debt.

As part of the Harrisburg Strong recovery plan, Harrisburg sold its incinerator to the Lancaster County Solid Waste Management Authority for \$130 million.

In April, Amalgamated Bank completed a six-year, \$22 million refinancing loan agreement with Capital Region Water. The deal involved lower payments over the first two years, intended to save the agency nearly \$4 million during that time.

Infrastructure improvements range from enhanced technology that reduced estimated water bills from 6,000 to 1,200 over seven months, a \$50 million improvement project to reduce the amount of nitrogen entering the Susquehanna River and meet new Chesapeake Bay requirements, and the cleaning of stormwater inlets after years of deferred maintenance.

"We could stick to old routines and only react to service failures, but we've decided to do better," said Williams.

Capital Region Water has also established a lockbox accounts for revenue receipts and a new billing system. The Harrisburg Authority's forensic audit on January 2012 referenced the city's siphoning of bond proceed money from the authority.

The agency has begun a marketing campaign that Williams said would enhance investor confidence. It doesn't have an underlying rating yet.

"We're riding on M&T's credit rating at this time," she said. "The folks who dig deep, M&T and Amalgamated, know us and understand us. Over 18 to 24 months we'll hopefully have more of a track record and some financial statements to show, and we can see that level of investor confidence increase."

Capital Region Water was scheduled to begin a series of public meetings on Thursday night. Williams said the agency also intends to meet with suburban municipalities soon. As part of the recovery plan, the city settled with the suburban communities for rate overcharges over several years.

"We're going out and telling people how we're different," said Williams.

The agency also has a new website, capitalregionwater.com, which Williams said will include an investor toolkit.



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