

THE BOND BUYER

Monday, December 22, 2014 | as of 11:15

AM ET

Regional News

Harrisburg Water Agency Cites a 'Year of Transformation'

by [Paul Burton](#)

DEC 22, 2014 10:21am ET

Shannon Williams stepped up to the podium and smiled.

"2014 has been a year of transformation," the chief executive of Capital Region Water told reporters in Harrisburg, Pa.

Public-works agency Capital Region Water, formerly the Harrisburg Authority — long associated with the bond financing fiasco that nearly bankrupted Pennsylvania's capital city — took what its officials describe as significant steps this year toward a possible investment-grade rating, which it hopes to attain within 18 months.

The latest forward step was agency board approval last week of a partial consent decree the agency reached in late November with the U.S. Department of Justice, the U.S. Environmental Protection Agency and the Pennsylvania Department of Environmental Protection.

Should the agency reduce combined sewer overflows and improve system performance in accordance with performance deadlines, it will pay no fines.

That followed a year and a half of negotiations about alleged violations of the federal Clean Water Act and Pennsylvania Clean Streams Law during the past six years.

The decree is labeled partial because the agency must fully analyze data before undertaking full remedial work. Williams estimated the cost of the work could reach \$300 million.

She believes the agreement is a credit positive.

"The past year has been enlightening and exciting," Williams said in a recent interview. "We've had our ups and downs, but we've had reason to smile as we see the improvements."

Also last month, Capital Region Water received a \$125,000 grant from the state Department of Conservation and Natural Resources to develop a "green" stormwater infrastructure plan. This will enable it to evaluate using green infrastructure to reduce the impacts of runoff on the city, the Susquehanna River and Paxton Creek, as well as its underground infrastructure.

The agency re-entered the capital markets this year for the first time since 2011, when Moody's

Investors Service withdrew the Harrisburg Authority's Ba3 rating.

The authority had sold city-guaranteed debt for an incinerator retrofit project, financing overruns for which largely accounted for Harrisburg's roughly \$600 million in debt.

Shortly after the Commonwealth Court of Pennsylvania approved the so-called Harrisburg Strong financial recovery plan that included the sale of the city incinerator to neighboring Lancaster County, the Harrisburg Authority rebranded itself as Capital Region Water.

As part of the recovery plan, the agency took over Harrisburg's water systems.

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

Loans from M&T Bank and the Pennsylvania Infrastructure Investment Authority, or Pennvest, have helped the agency do upfront planning work for the sewer improvements. Capital Region Water issued \$29.7 million of related variable rate demand sewer revenue bonds in July.

Williams, who oversees 85 employees, said the negotiations with the state and federal authorities were positive.

"We have a lot of work to do, but we have been working together as opposed to against each other," she said. "They understand we have limits with our rate-paying base. They were very supportive."

Also last week, Capital Region Water approved the adoption of regulations for its stormwater system. The city must approve them, as must state and federal environmental regulators. The authority said it is seeking public input.