



DeKalb County Government

Manuel J. Maloof Center
1300 Commerce Drive
Decatur, Georgia 30030

Minutes - Draft

FAB-Finance, Audit & Budget Committee

Tuesday, January 25, 2022

3:30 PM

This meeting will be conducted via teleconference (Zoom). Simultaneous public access to the meeting will be available

(1) via live stream on DCTV's webpage,

(2) on DCTVChannel23.TV

Meeting Started At: 3:50PM

Attendees: Commissioners Rader, Johnson, Cochran-Johnson, Terry, Davis Johnson, Bradshaw

Present 3 - Commissioner Jeff Rader, Commissioner Lorraine Cochran-Johnson, and Commissioner Larry Johnson

I. MINUTES

2022-1098 Commission District(s): ALL
Minutes for the January 11, 2022 Finance, Audit, and Budget Committee

MOTION was made by Lorraine Cochran-Johnson, seconded by Jeff Rader, that this agenda item be approved. The motion carried by the following vote:

Yes: 2 - Commissioner Rader, and Commissioner Cochran-Johnson

Not Present: 1 - Commissioner Johnson

II. DISCUSSION

FAB Committee Goals

-discussion not heard in committee

III. AGENDA ITEM*Previously Heard Agenda Items:*[2022-1030](#)

Commission District(s): All Commission District

A resolution (1) authorizing the issuance and sale by the County of its Tax Anticipation Notes (Federally Taxable) due December 15, 2022 in the aggregate principal amount not to exceed \$140,000,000 (TAN) for the purposes of obtaining a temporary loan to pay current expenses during the 2022 calendar year -- not to exceed \$70,000,000 of which will be loaned to the County's Watershed Department as a bridge until the County receives proceeds from its new money water and sewerage revenue bonds expected to be issued later in 2022 and (2) ratifying and approving the appointment of Piper Sandler & Co. to serve as placement agent to the County in connection with the TAN.

MOTION was made by Lorraine Cochran-Johnson, seconded by Jeff Rader, that this agenda item be recommended for deferral to the Board of Commissioners, due back on 2/8/2022. The motion carried by the following vote:

Yes: 3 - Commissioner Rader, Commissioner Cochran-Johnson, and Commissioner Johnson

-information provided by COO Williams, Director Houser, CFO McNabb

-Question JR: could you respond to the questions submitted by commissioners regarding this?

-presentation shown of the administration's responses to commissioner questions regarding the TAN

-Question JR: could we have not be prepared to issue rate-based debt now?

-D McNabb: The main reason we haven't issued the debt sooner is the revenue optimization efforts that were initiated. We are ensuring we are maximizing the rate increases to the best extent possible.

-Z Williams: there were recommendations two or three years ago from staff members that we need to rate increases in order of magnitude 10% or 11%. The CEO ensured that we evaluated and made sure that we went back and reevaluated and did all we could do to reduce those impacts, and that resulted in the \$80 million in savings by finding other resources and being more efficient.

-D McNabb: that's the bottom line on why we haven't done the bond issuance before now

-Question JR: is Atlanta's bill entirely capital projects?

D McNabb: yes it is; we have operating expenses with Atlanta too but that's not reflected here

Z Williams: we believe we want to pay them as quickly as possible

-Question JR: you are saying a viable option would be to use a private placement at an attractive rate, that can be executed more quickly than a competitive public offering?

D McNabb: correct; but adding the \$70 million to it, we have to do a historical pro-forma for the debt service coverage, and that is something we are evaluating

-JR: you said that you need the operating TAN for the second half of the year, and you would be looking to issue the new watershed debt as late as April; if we don't need the operating TAN until the second half of the year, why don't we make it work harder? Specifically use that \$70 million first half of the year to do the Watershed program, and refund that debt through the debt issuance, and then that money would be available the second half of the year? If it happened that we didn't get that done then it seems that we could issue another set of TAN's that are a marginal increase in cost based on your previous answers

-D McNabb: the issue would be that if we can get the new money bonds issued in the second quarter of the year, then we might have the money to fund the General Fund TAN. It is timing as to when the expenditures hit and what our cash balances are.

-JR: so if we issued \$70 million in TAN's and did an interfund loan between the General Fund and Watershed for the first 6 months, then we could get that money back in June and then reuse that same money for the rest of the year for operating expenses. If we go with \$140M we'll be paying interest on money that will be sitting in the bank for the second half of the year.

It seems that it would make better sense, rather than earning minimal interest, using that money for a productive public purpose which would be the loan to the Watershed department which would be taken out of as soon as the debt was issued

D McNabb: that would work so long as we have no delays in our issuing our new money bonds

Z Williams: our primary objective is the Water/Sewer TAN. If the Board were to say we want to do the Water/Sewer TAN now and bring the General Fund TAN later, once we do the refunding for the Water/Sewer - we haven't mapped that scenario out because there are other variables. That's why we have come to you today, we know for sure we need the Watershed TAN, and would like to get a due pass on the joint. But I see where you are going

-Question JR: there are 2 things I see as being outstanding - 1 is whether that would actually work and we could recycle that money twice rather than once. Second is to whether or not we can privately place the refunding plus the additional \$70 million with a private placement at a superior interest rate than we could expect in the competitive market.

-LCJ: we saw this coming for quite some time, and knew that new rates would be needed. We don't have firm numbers on the revenue that's going to be generated on the debt service; but we don't have an option because we need the cash flow

Z Williams: I completely understand; as it relates to the \$70 million and the refunding - that can happen independent of a rate increase. But the Consent Decree - the \$2.4B of work that needs to happen, cannot be done independent of a rate increase. M

Houser: we have to turn in our plan on February 1st to the EPA/EPD of what work we have to accomplish; in our semi-annual reports we have to let them know if we anticipate missing any deadlines coming up

-JR: the question isn't if we're going to fund it, but how we're going to fund it; this shouldn't affect your plans; we want to know what is most cost effective and consistent with the priorities of the public

-Question LJ: have TAN's been used this way before?

Z Williams: they have not; but you can use them this way

-Question LJ: but the money will be paid back once you get the bond?

Z Williams: absolutely

-LJ: I don't think we need to wait to pay the City of Atlanta; I'd like to propose that the more we keep pushing economic development, unincorporated DeKalb is always first and foremost

-LCJ: motion to defer to Thursday's Special Called FAB

-JR: I'd like to get an update on the feasibility of recycling this \$70 million twice; the second part of it is trying to issue the \$70M and bundle it with the refunding from private placement; the second option would be to pay it back when we issue this new debt in April. If we could get a focused response to those issues on Thursday, we would be able to make a better informed decision

-Second JR

-SB: if we go this route, what is the primary route of this advantage?

JR: if we only borrow \$70M, then we save the debt service on the second \$70M. The other piece of this investigation is the decision to use this private placement opportunity to save us over the long term of refunding debt. The question is can we add \$70M to that, which would save us money over a period. Whether we go with private placement or a public offering for the future expenditure debt, it seems to be possible that if we expect to issue this new debt before July we can recycle for Watershed and for our operating expenses

SB: do you see any potential risk?

JR: the risk is if the county could not issue through the private issuance, and secondly through the public offering - which is what we are proposing to do in April. If neither were implemented, the downside is that additional TAN's would need to be implemented for the second part of the year

SB: my ask to the administration is to spell out the positives and negatives that would help inform my decision

-LJ: on Thursday please provide us some history of our usage of TAN's

Vote: yes unanimous

-MDJ: I want us to keep in mind the progress that we've made on our consent decree; whatever we are planning, I believe the continuation of that would take priority. We have come a long way and I would not like to go backward with that

Meeting Ended At: 5:04PM

MOTION was made by Larry Johnson, seconded by Lorraine Cochran-Johnson, that this agenda item be adjourned meeting. The motion carried by the following vote:

Yes: 3 - Commissioner Rader, Commissioner Cochran-Johnson, and Commissioner Johnson

Barbara H. Sanders-Norwood CCC, CMC