Capital Program Funding Plan 2026-2035

DeKalb County, Department of Watershed Management

August 18, 2026

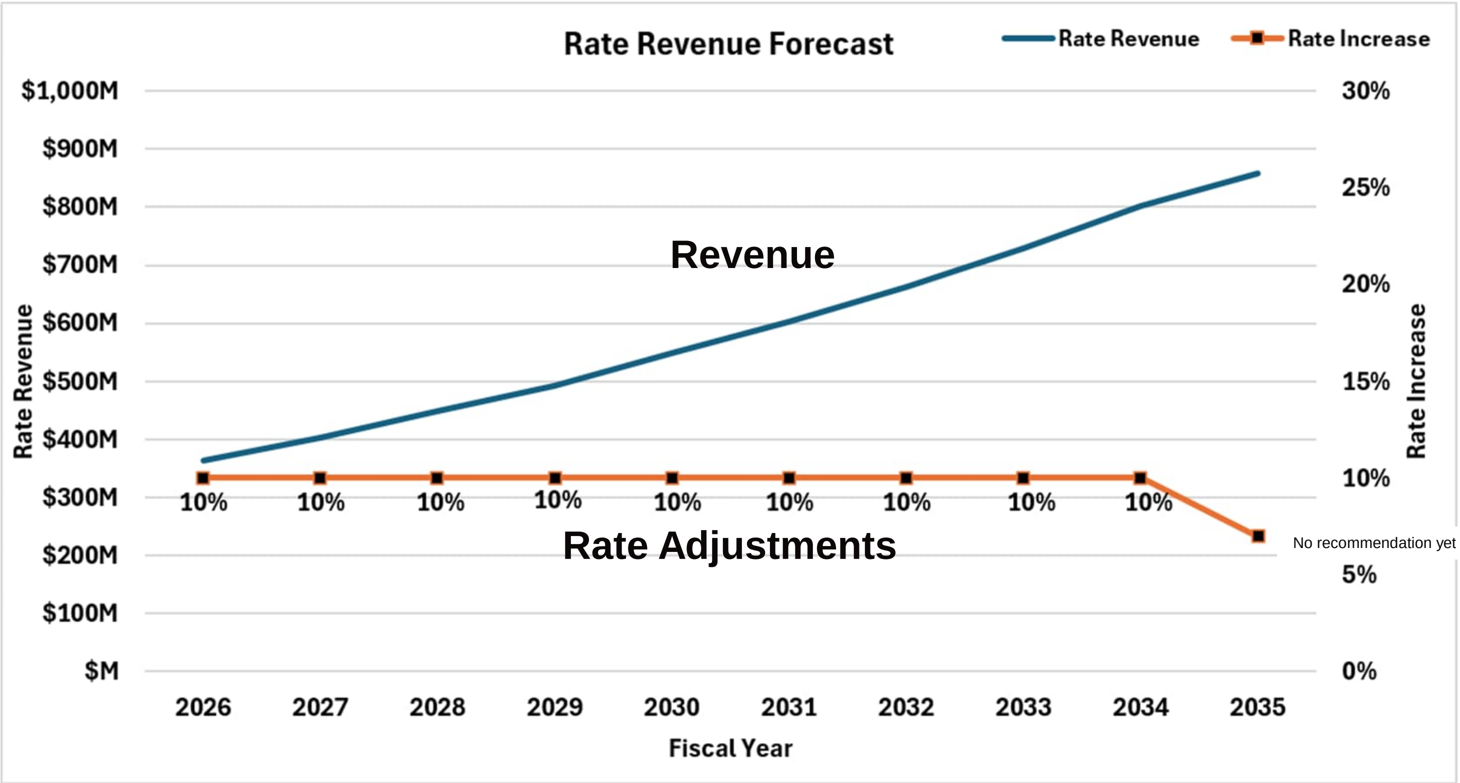
Introduction

Purpose - provide an updated funding plan for Watershed's Capital Improvement Program

- Forecast Period is 2026 through 2035
- Rate Adjustments: 10x10 (2025 through 2034) plan is not changing
- Provide a plan to fund Watershed's $4.4 billion Capital Program from 2026-2035
  - Identify funding sources (WIFIA, GEFA, Impact Fees, Cash Funded, Bonds)
  - Identify how much bond debt is needed
  - Identify when Watershed will need to issue Bonds
  - Ensure Bond Resolution financial metrics are met (Debt Service Coverage)

The Capital Program Funding Plan is used by rating agencies, EPA, and investors to evaluate the Department's debt burden and gauge future progress toward the capital program.

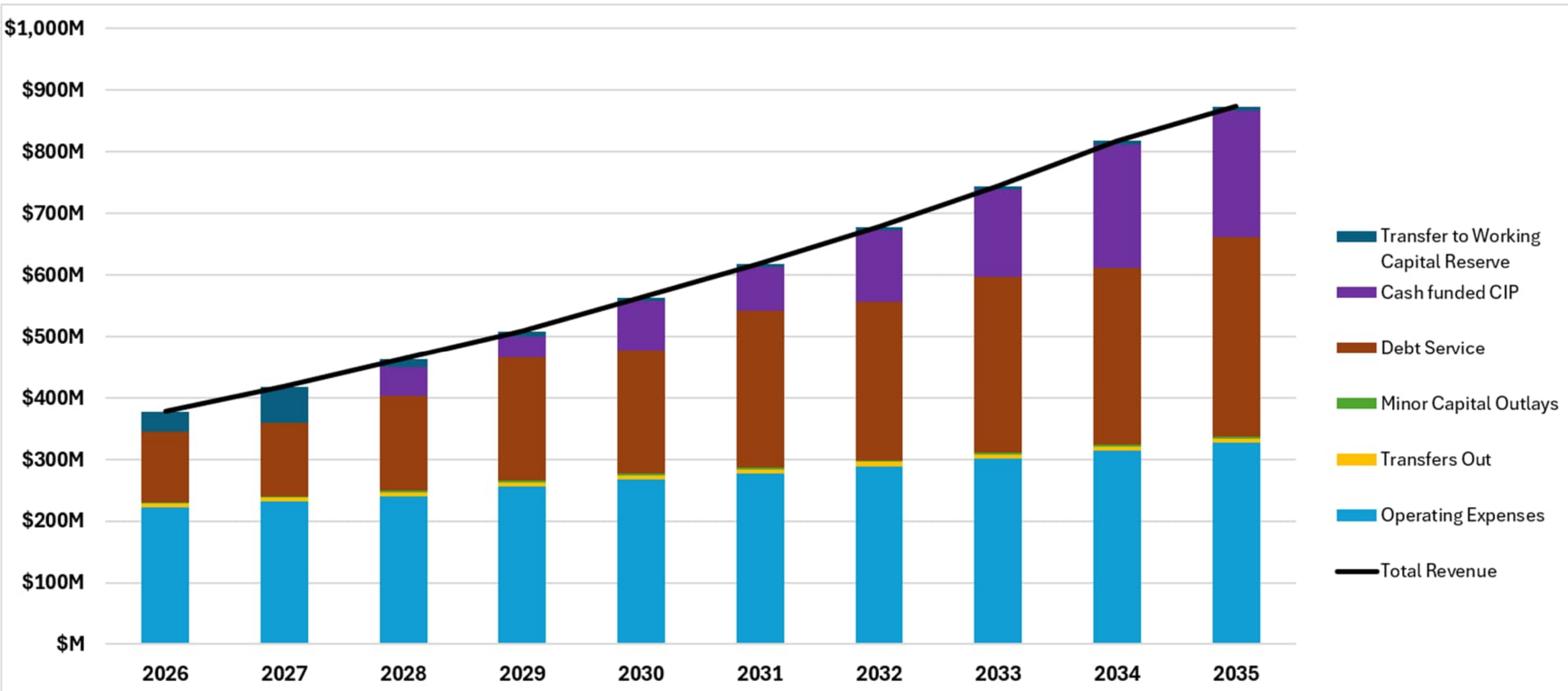
Revenue Forecast



Notes:

1. Assumes no customer growth during forecast period
2. Assumes billing collections of 95% in 2026, increases to 96% in 2027, increase to 97% in 2028 and 2029, then increases again in 2030 to 98% for the remainder of the forecast period
3. 2035 forecasted rate adjustment has not been recommended nor adopted

Revenue Requirement



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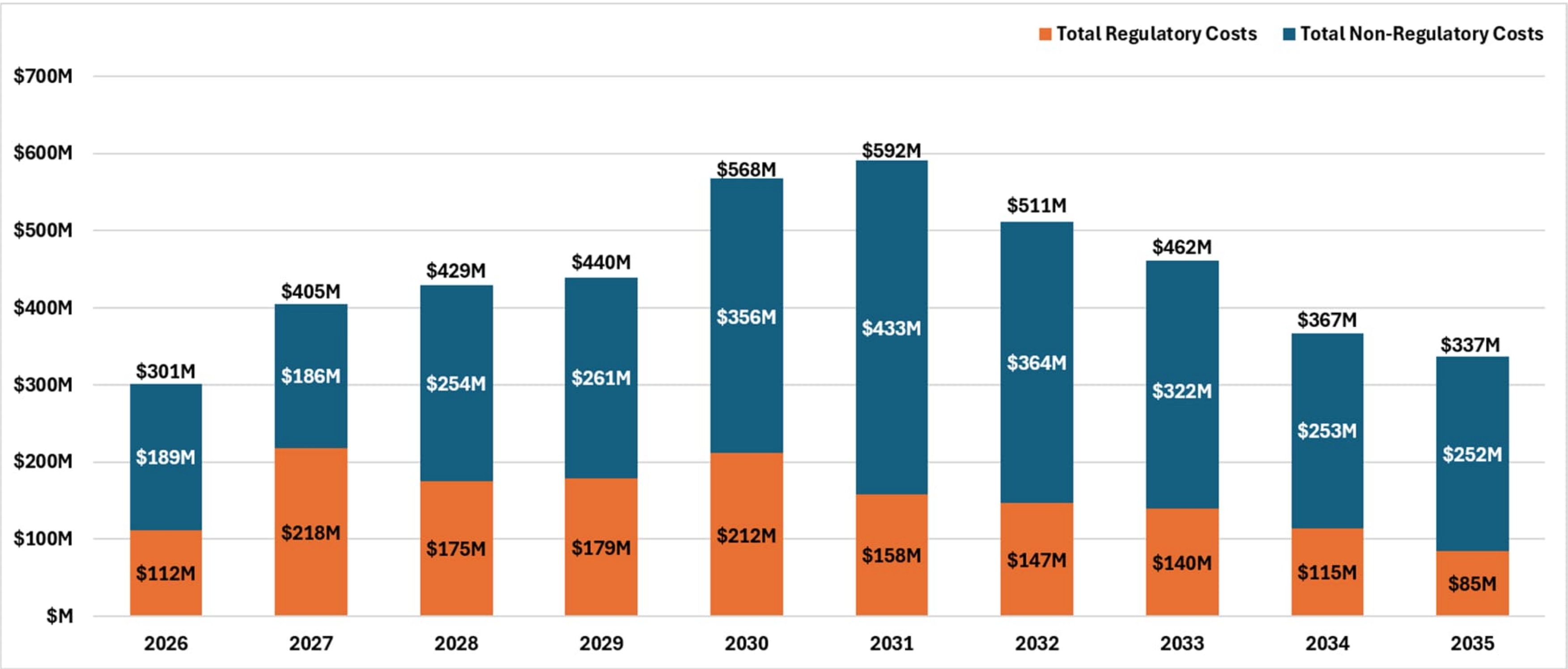
Capital Improvement Plan

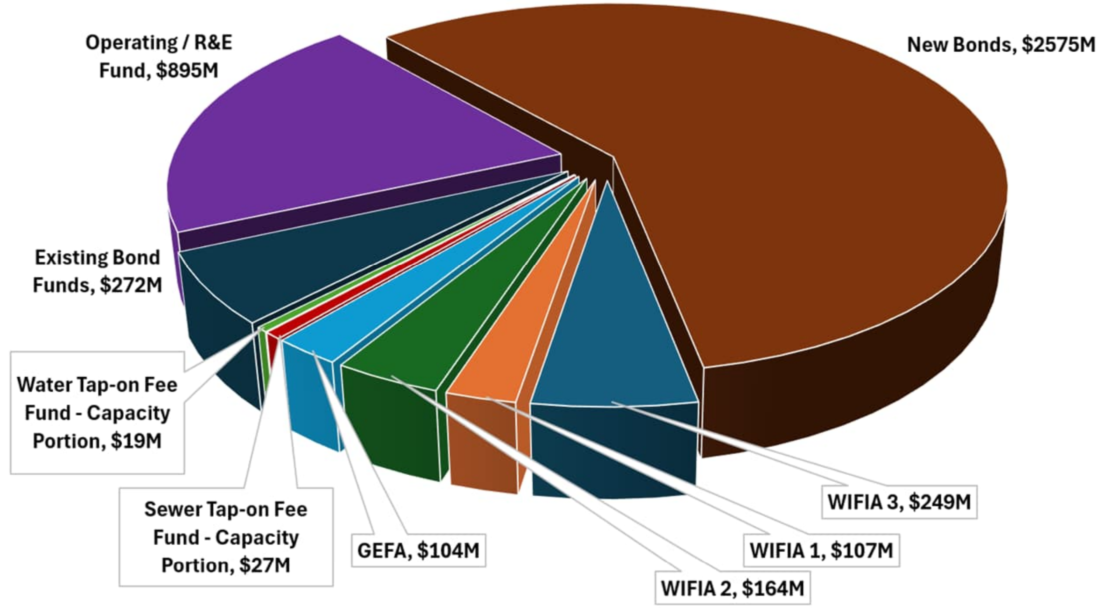


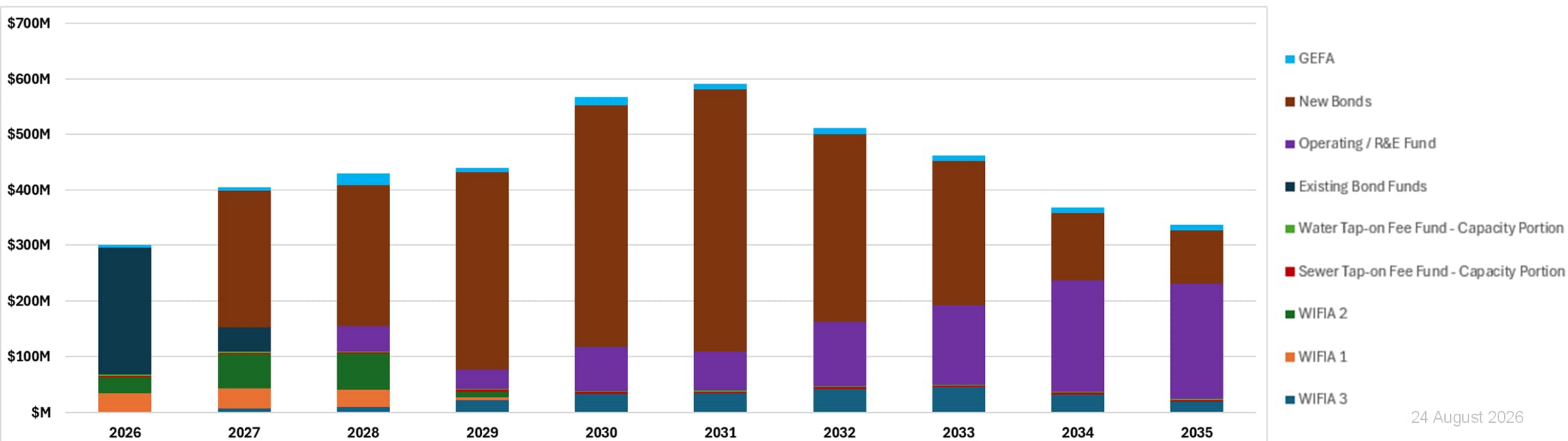
Notes:

1. $1.54 Billion (35%) in Regulatory Costs during the forecast period
2. $2.87 Billion (65%) in Non-Regulatory Costs during the forecast period
3. Total CIP 2026-2035: $4.41 Billion

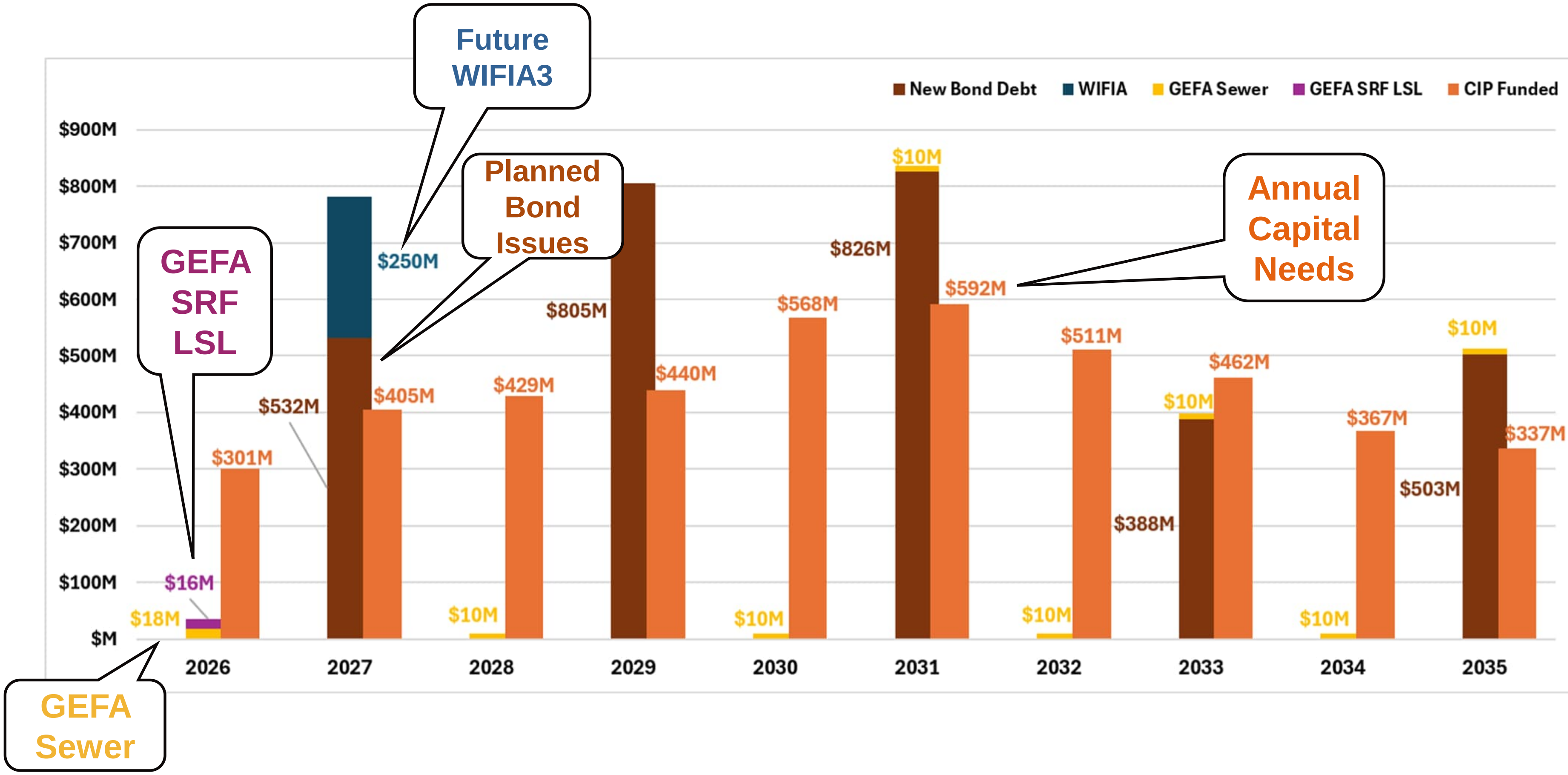
Capital Funding Sources

- WIFIA / GEFA Funding - 14%
- Bond Funding – 64%
- Cash Funding – 22%





Future Debt Issuances



Rate Covenant & Debt Service Coverage

Rate Covenant:

- an agreement to maintain rates and fees sufficient to operate the System (generally measured as Debt Service Coverage)

Master Bond Resolution Rate Covenant:

- Section 6.1.1: Provide for 100% of Expenses of Operation and Maintenance
- Section 6.1.2: Net Revenue (after payment of Expenses of Operation and Maintenance) equal to at least 120% of annual debt service requirement on Senior Bonds (Debt Service Coverage)

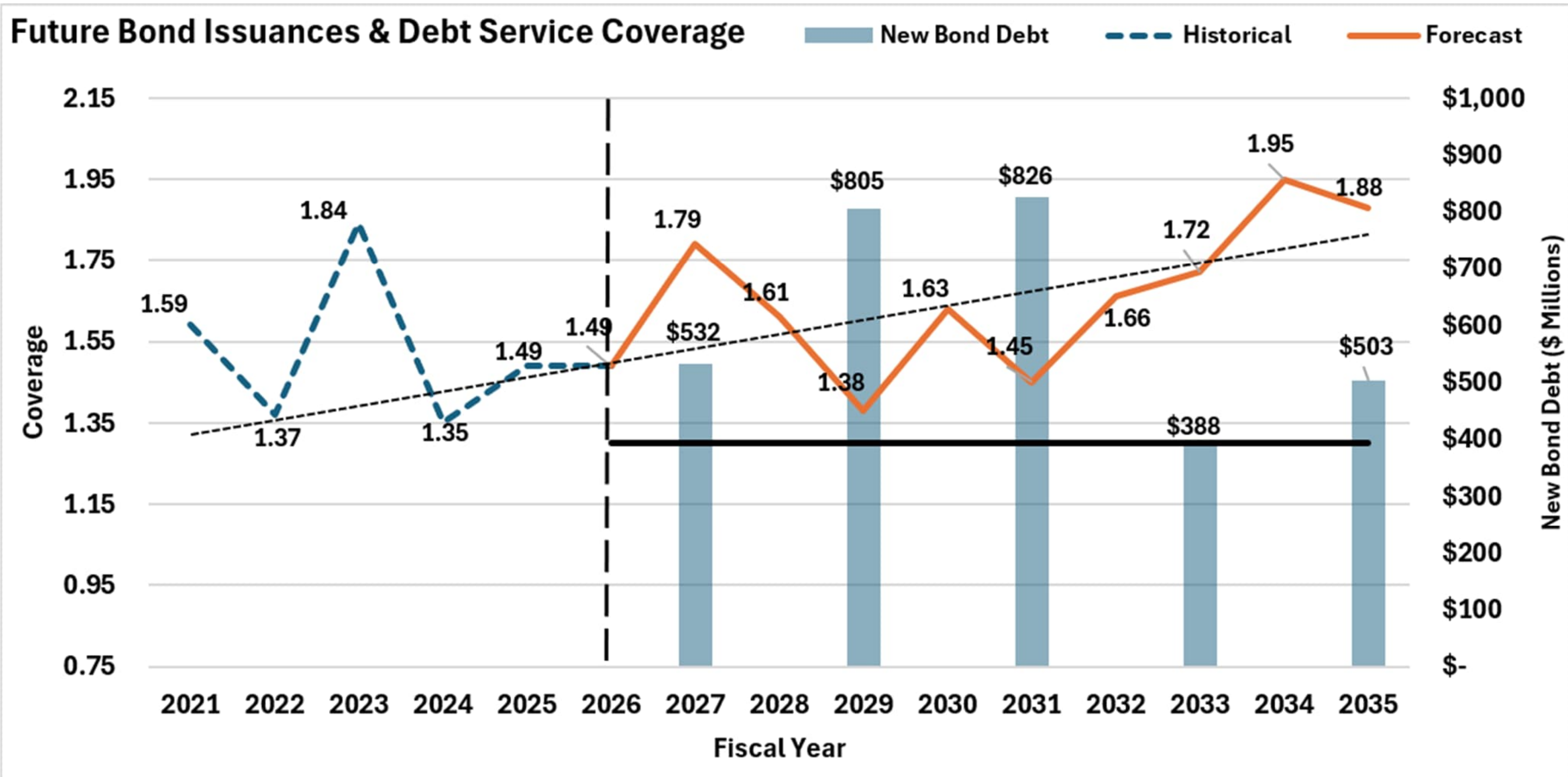
County Debt Service Coverage Goal:

- Debt Service Coverage of at least 130%
- Lowered from 175% to allow for $4.4B CIP and limit annual rate increases to10x10
- Average AA credit DSC is 200%

Debt Service Coverage Formula:

$$\frac{\text{Revenue} - \text{Operating Expenses}}{\text{Annual Debt Payment}} = \text{at least } 1.20\ (120\%)$$

Debt Service Coverage & Future Bond Issuances



Watershed Bond Ratings Downgrade

ARCADIS

Moody's (Aa3/Stable; April 2026):

Moody's Investors Service reviewed DeKalb County, Georgia's Water and Sewer Enterprise and downgraded from Aa2/Negative to Aa3/Stable

"The county has proactively adopted 10 years of annual 10% rate increases to help fund the CIP, but the scale of the borrowing will cause the enterprise's leverage and coverage ratios to lag sector peers."

Fitch (AA-/Negative; July 2026):

Fitch has assessed the county's water and sewer system's standalone credit profile at 'AA-'; the rating outlook is revised to Negative from Stable

"The Negative Outlook reflects Fitch's expectation that leverage…could remain elevated as the system works through a capital-intensive period."

DeKalb County's Perspective:

- Downgrades were anticipated given the level of debt needed to fund Watershed's Capital Program
- Future interest rates are anticipated to be 5 to 10 basis point (0.05% to 0.10%) higher as a result of the ratings downgrades
- Rate increases would need to be higher to avoid potential downgrade, i.e., higher DSC and cash funded CIP (PAYGO).
- Future revenue levels (~2033) will be sufficient to reestablish ratings levels: Bond Upgrade
- The County will explore refunding options at this time

Conclusions

- Rate Adjustments: 10x10 plan is not changing (2026 through 2034)
- 10x10 plan is sufficient to support a plan that fully funds Watershed's $4.4 billion Capital Program from 2026-2035
  - WIFIA & GEFA – approximately $624 Million
  - Bonds – approximately $2.8 Billion
  - Cash and Impact Fees – approximately $940 Million

Plan Risks

- Inflation – both Capital and Operating
- Collections Rate
- Availability of State and Federal Funding (GEFA & WIFIA)
- Bond Interest Rates
- "Black Swan" events (example: COVID)

- Debt Service Coverage Target of 1.30x is met annually with the forecasted financial plan