

Green Evaluation

City Of Oakland Park, Florida

Water And Sewer Proposed Revenue Bonds, Series 2019

Transaction Overview

The City of Oakland Park owns and operates a water and wastewater conveyance system within city limits, located four miles north of Ft. Lauderdale, Fla. The proposed series 2019 revenue bonds are being issued to refund the city's water and sewer revenue bonds taxable series 2010B (Build America Bonds Direct Subsidy) and pay the issuance costs. The approximately \$11.3 million in proposed series 2019 bonds will mature on Sept. 1, 2040. The series 2010B bond proceeds were used to fund capital expenditures for the city's water and wastewater utility system, fund a reserve, and to pay the issuance costs. The bonds will be labeled green bonds, and all project costs fall within the scope of our Green Evaluation.

Entity: City of Oakland Park, Florida
Subsector: N.A.
Location (HQ): U.S.
Financing value: \$11.3 million (proposed)
Amount evaluated: 100%
Evaluation date: Sept. 18, 2019
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Green Evaluation Overview

Transaction's Transparency

- Use of proceeds reporting
- Reporting comprehensiveness

51

Transaction's Governance

- Management of proceeds
- Impact assessment structure

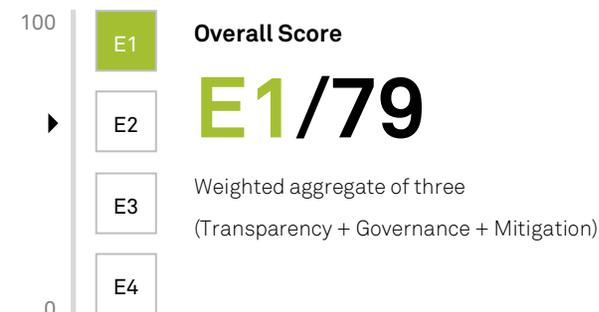
73

Mitigation

Sector	→ Net Benefit Ranking	→ Hierarchy Adjustments	
Water	Reducing water losses in water distribution network Wastewater treatment with no energy recovery	Improving delivery of existing freshwater supplies Increasing freshwater availability through system enhancements	88

Adaptation NA

NA



Project Description

Oakland Park used the series 2010B bond proceeds to improve the water and wastewater conveyance systems throughout the service area. The projects were necessitated by aging infrastructure and the desire to improve system performance by increasing water system reliability while also improving wastewater system efficiency. Selected water projects prioritized reducing water main breaks, and investments in the wastewater system prioritized reducing inflow and infiltration (I&I) in the system. The projects were organized into multiple “bid packs” based on the geographic area, as well as whether the projects addressed the water or wastewater system. All combined, series 2010B funded seven of the 10 highest-priority bid packs covering approximately half of the Oakland Park footprint.

Water system improvements included replacing existing two-inch water lines, upgrading four- and six-inch mains, and installing additional fire hydrants. The city experienced 200 main breaks in the three years before the water main improvements program began. In the wastewater system, the city lined a portion of the underground pipelines that had cracks and holes, thereby reducing the amount of groundwater I&I. Reducing I&I both reduced wastewater treatment and system operating costs, as well as created additional capacity for city development. These investments also reduced the likelihood of sanitary sewer overflows during wet weather events, and the need to run pumps continuously. Our Green Evaluation includes the positive environmental impact from the increase in available fresh water in the local aquifer. Other positive environmental impacts of the project outside the scope of our Green Evaluation include reducing water pollution.

The city has informed us that the water and wastewater systems, including projects funded by the series 2010B bonds, were designed to be resilient over their expected lifetime to at least 1-in-100-year storm, including projected sea level rise, coastal flooding, and inland flood risk. The city does not have a specific global warming scenario that it incorporates into its projections.

Scoring Summary

This transaction achieves an overall Green Evaluation score of E1/79, which is the strongest Green Evaluation score on our scale of E1 (highest) to E4 (lowest). We determined this score by taking a weighted average of the transaction’s solid Governance (73) and satisfactory Transparency (51) assessments and its excellent Mitigation score (88). In our view, the projects’ expected reductions in water and energy usage compared to baseline will have a significant environmental impact.

Rationale

- The excellent Mitigation score (88) reflects our view that the projects increase the quantity of freshwater available in the local aquifer by improving the efficiency of the water delivery and wastewater treatment systems. The financing receives a relatively strong net benefit ranking due to the high water stress in the Ft. Lauderdale area.
- The above-average Governance score reflects the fact that the city can demonstrate—with external verification—that all proceeds of the series 2010B bonds were spent on environmentally beneficial projects as prioritized in the 2010 project delivery plan. The city does not track environmental performance at the project or bond issue level, but does measure and report overall system performance and complies with all environmental regulations.
- The absence of a commitment to publicly report on the environmental impacts specific to this financing (as opposed to reporting on an aggregate level for the utility system) is reflected in the fair Transparency score.

Key Strengths And Weaknesses

The city's public works director has confirmed that the full amount of series 2010B proceeds were applied to a set of projects selected in the city’s 2010 Water and Wastewater Improvements Project Delivery Plan. In our view, water-related mitigation projects focus on using water resources and networks more efficiently and improving the quality of water treatment for various end uses and the environment. This plan explicitly prioritized investments in reducing water main breaks and reducing I&I in the wastewater system, improving water and sewer system efficiency from a baseline scenario. While these priorities were chosen for multiple reasons, including reducing operating costs, their adherence with environmental principles is an important factor in our evaluation. Importantly, most projects in this sector address regional water stress, which is a relative measure of supply and demand for potable water uses.

We view the financing’s governance framework, assessed at 73, as above average. The city can confirm that all proceeds were used for the planned projects. The water and sewer utility is a separate revenue fund of the city, with its own construction funds. It furthermore reports on the use of funds on a project-level and bond-level basis quarterly, which provides ongoing financial control.

The city does measure system performance on an ongoing basis, particularly indicators needed to remain in compliance with all environmental regulations. However, metrics are tracked at a systemwide level, as opposed to the project or bond issue level. Further, ongoing performance indicators such as the number of main breaks or the volume of wastewater treated do not directly map to the water metrics tracked by many investors, and therefore are more difficult to compare to similar investments made in other systems.

Sector level scores

Sector	Location	Technology	Use of Proceeds (Mil. US\$)	Use of Proceeds Treatment	Net Benefit Ranking
Water	Ft. Lauderdale, Florida	Wastewater Treatment Potable Water No Energy Recovery	5.1	Actual	99
Water	Ft. Lauderdale, Florida	Water Distribution Network Improvements	6.1	Actual	89
			11.3		

Water

Green Evaluation Process

51

Transparency

73

Governance

88

Mitigation

Weighted aggregate of three
(Transparency + Governance + Mitigation)

E1/79

Overall Score

Technology	Baseline Water Stress	Net Benefit Ranking	→ Water Stress and Hierarchy Adjustment	Environmental Impact Score	Proceeds (Mil. US\$)
	High  Low Florida				
Recycling wastewater for water (agricultural uses)					
Recycling wastewater for water (other uses)					
Wastewater treatment with no energy recovery		99	Increasing freshwater availability through system enhancements	100	5.1
Wastewater treatment with energy recovery					
Unspecified					
Reducing water losses in water distribution network		89	Improving delivery of existing freshwater supplies	79	6.1
Unspecified					
Water desalination to supply municipal water			Increasing freshwater availability with significant negative environmental impact		
Unspecified					
Conservation measure in residential buildings					
Conservation measure in commercial buildings					
Conservation measure in industrial buildings					
Smart metering in residential buildings					
Unspecified			Reducing demand on potable water supplies		

Increasing Water Sustainability

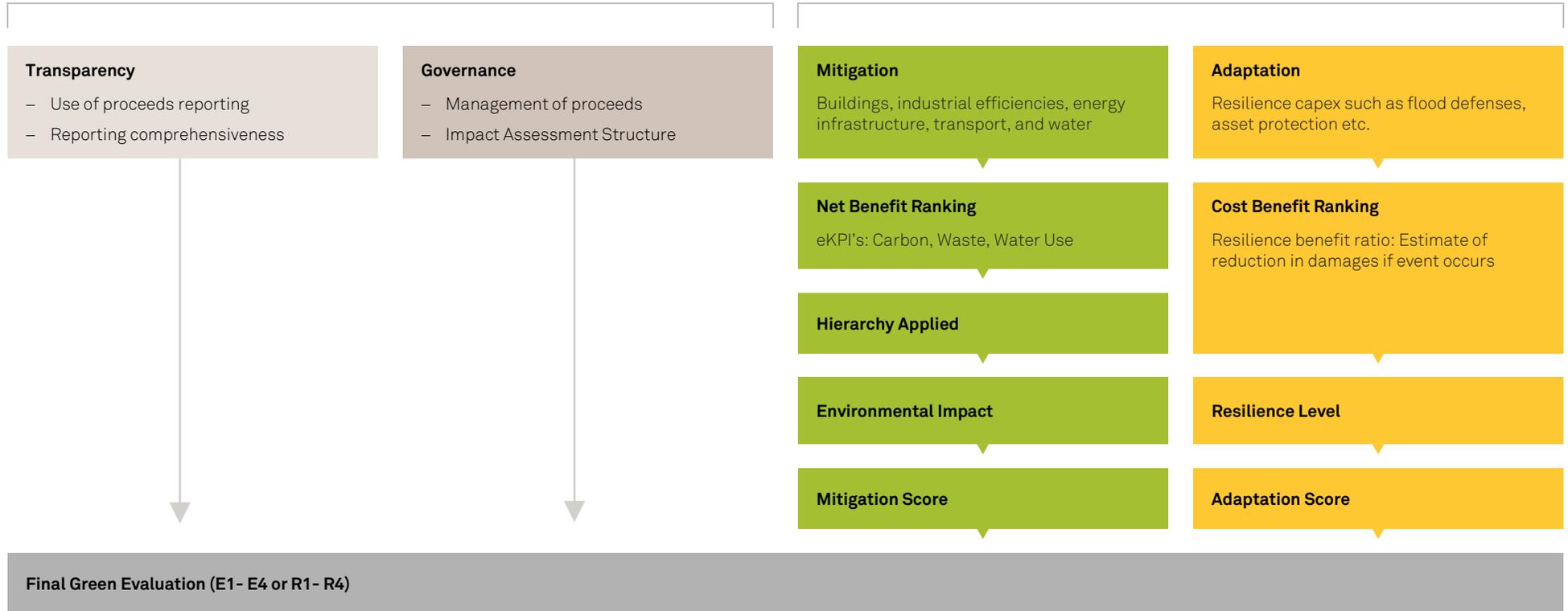
Our Green Evaluation Approach

Weighted aggregate of three:



Common approach used amongst opinion providers

Unique to S&P Global Ratings



eKPI – Environmental Key Performance Indicator

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