




Conor Baldwin
Chief Financial Officer

MEMORANDUM

TO: Thomas A. Golden, Jr., City Manager 

FROM: Conor Baldwin, Chief Financial Officer

CC: Mark Young, Executive Director Water/ Sewer

DATE: July 6, 2022

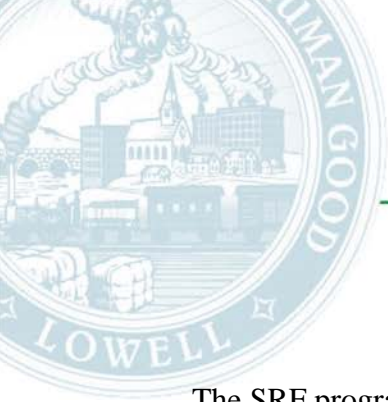
SUBJECT: Informational – Loan Forgiveness/ Clean Water Trust

I am pleased to inform you that at the most recent meeting of the Massachusetts Clean Water Trust ('MCWT') the board voted to approve the City of Lowell's application for a critical infrastructure project to upgrade Lowell's water distribution system for a total of \$6,344,000 to be borrowed at a reduced interest rate of 1.5%. By way of illustration, the potential savings from using the Trust to finance a \$6.3 million project is approximately \$3 million over the term of the outstanding bond¹.

The City of Lowell's Transmission Main Connection project (DWP-21-14) involves installation of approximately 4,000 linear feet of transmission main as an extension to a previously installed water main needed to provide redundancy from the Water Treatment Facility to the existing distribution system. The project area is along Pawtucket Boulevard and the scope includes redundant transmission main installation, new CLDI main construction, existing distribution system connections, existing water mains interconnections, culvert crossings, existing small diameter water main modifications adjacent to the Project area. The Work for replacement of the 24-inch water main has been bid and awarded and is scheduled to be substantially complete by June 30, 2023

In addition to low-interest financing, participating in the MCWT grant program unlocks the potential for principal forgiveness by the Commonwealth. Oftentimes, using state budget surpluses or federal funding (such as ARPA), the Legislature will appropriate funding to further reduce payments from communities. This underscores the important partnership between the City and the State Treasurer's Office. The Trust, in collaboration with the Massachusetts Department of Environmental Protection (MassDEP), helps communities build or replace water infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health and develops resilient communities. It accomplishes these objectives by providing low-interest loans and grants to cities, towns and water utilities through the Massachusetts State Revolving Funds ('SRF's').

¹ Assumes a 4% interest rate (GO Bonds)/ 30 year term vs. 1.5% interest rate (MCWT)/ 30 year term.



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The SRF programs are partnerships between the United States Environmental Protection Agency (EPA) and the Commonwealth. SRFs function like an environmental infrastructure bank by financing water infrastructure projects. The Trust administers two SRF programs, the Clean Water and Drinking Water SRFs. The Clean Water SRF (CWSRF) was established in 1987 with amendments to the Clean Water Act. The Drinking Water SRF (DWSRF) was established in 1996 under the amended Safe Drinking Water Act. MassDEP manages project development and oversight while the Trust manages the flow of funds to borrowers. SRFs receive funding from the EPA in the form of annual capitalization grants, supplemented by state matching funds and the repayment of loans. When loans to local governments are paid back, the funds are then loaned out again, which is how the fund “revolves.”

These opportunities involve significant administrative effort by the Lowell Regional Water Utility and the Wastewater Treatment Plant, but the savings passed along to the rate payers in Lowell and the other regional communities have great value. With interest rates typically around 2%, these programs are invaluable financing opportunities for gateway communities like Lowell. Because Lowell is a Housing Choice Community and submitted a competitive application, the interest rate on the approved project will be 1.5%.