

COMMONWEALTH OF MASSACHUSETTS

CITY OF LOWELL

In City Council

LOAN ORDER – WASTEWATER TREATMENT BONDS

To borrow an additional \$450,000 for implementing Phase 1A of the Lowell Regional Wastewater Utility's Long-Term Control Plan and Phase 1C of the Lowell Regional Wastewater Utility's Capital Improvement Plan, and to appropriate, by borrowing, funds to pay costs of such purchase.

IT IS ORDERED BY THE CITY COUNCIL OF THE CITY OF LOWELL BY A TWO-THIRDS VOTE as follows:

Ordered: That the sum of \$450,000 is appropriated, in addition to the \$40,000,000 appropriated vote of this Council on October 1, 2013 to pay costs of or implementing Phase 1A of the Lowell Regional Wastewater Utility's Long-Term Control Plan and Phase 1C of the Lowell Regional Wastewater Utility's Capital Improvement Plan, including the payment of costs incidental or related thereto, and that to meet this appropriation the Treasurer, with the approval of the City Manager, is authorized to borrow \$450,000 and to issue bonds or notes therefor under M.G.L. c. 44, §7(1) or any other enabling authority; that the City Manager is authorized to contract for and expend any federal or state aid available for this purpose; that the City Manager is authorized to take any action necessary to carry out the purposes of this order; and that the Treasurer is authorized to file an application with the Municipal Finance Oversight Board to qualify any or all of the bonds under M.G.L. c.44A and to provide such information and execute such documents as such board may require for these purposes.

Any premium received upon the sale of any bonds or notes approved by this loan order, or upon the sale of any other bonds or notes approved by any other loan order of the City adopted prior to the date of this loan order, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with M.G.L. c. 44, §20, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

ORDER RECOMMENDED AND INTRODUCED BY:



Eileen M. Donoghue, City Manager



Eileen M. Donoghue
City Manager

November 14, 2018

Mayor William J. Samaras
And
Members of the Lowell City Council

Dear Mayor Samaras and Members of the Lowell City Council,

Enclosed is a vote to authorize a loan order in the amount of \$450,000 to appropriate funds to complete the financing necessary to begin the construction phase of the last component of Phase 2 of the Capital Improvement Plan ('CIP') at the Wastewater Treatment Plan ('WWTP').

In the fall of 2013, the Lowell City Council authorized funding through the approval of a \$40 million loan order to embark on an ambitious capital program to improve the city's sewer infrastructure. Projects financed to date have greatly improved flood mitigation, enhanced the reliability of the sewer system, and protected the environment by reducing the number of combined sewer overflows (CSOs) throughout the system. Perhaps most important of all, however, is that the improvements made to the West Street flood pump station have been the catalyst for the city to request the Army Corp. of Engineers to recertify the city's flood mitigation system and FEMA flood plain map. Residents now may have the opportunity to achieve real savings in flood insurance.

The final project of Phase 2 in the CIP will make critical upgrades to the 'duck island' treatment plant and an additional appropriation is needed. It is important to note, also, that pursuant to the Inter-Municipal Agreement ('IMA') between the city and the towns, most of the debt service associated with the work will be shared proportionally by those communities because they benefit, too, from these upgrades. Enclosed with this letter is a memorandum from the Chief Financial Officer which further details the efforts of the Administration to mitigate the debt service impact on the rate payers.

Sincerely,

Eileen M. Donoghue
City Manager

CC: Conor Baldwin, Chief Financial Officer
Mark Young, Director of Water/ Sewer Utility

Conor Baldwin
Chief Financial Officer

Heather Varney
Deputy CFO

MEMORANDUM

TO: Eileen M. Donoghue, City Manager

FROM: Conor Baldwin, Chief Financial Officer *CB*

CC: Mark Young, Executive Director, Water/ Wastewater

DATE: November 8, 2018

RE: **Wastewater CIP Phase 2 Funding Needs**

Over the course of the past several months, the finance team and management from the wastewater treatment plant ('WWTP') have met regularly on the ongoing financing needs of Phase 2 of the capital improvement plan ('CIP'). In October of 2013, the City Council authorized a \$40 million loan order to fund several critical infrastructure projects to further comply with the EPA's administrative order ('AO'). Projects completed since 2013 include: widespread improvements to the 'Duck Island' WWTP; rehabilitation of a flood pumping station at West Street; upgrades to remote pumping stations; and a wet-weather storage project at Read Station. These projects advance the city's objective to reduce the number of combined sewer overflows ('CSOs'), provide better flood protection to residents, and improve the reliability of the wastewater transport and treatment systems.

To date, these improvements have greatly reduced the volume and frequency of CSOs in the regional service area. Ten years ago, the city typically discharged upwards of one billion gallons of CSOs into the local waterways. In the past four years, the average annual CSO discharge volume has been slightly less than 200 million gallons - an 80% reduction. Discharges of untreated sewage into the Merrimack River continue to decrease, thus improving water quality in the entire Merrimack River.

Despite the substantial financial investment by the city in 2013, federal and state environmental authorities require further spending to address additional work to reduce the city's environmental impact. The finance team has worked closely with the wastewater management team to mitigate the financial impact to the ratepayers by utilizing low-interest financing through the Massachusetts Clean Water Trust ('MCWT') for eligible capital projects. Not only has the city achieved savings in interest cost, but in 2017 the MCWT awarded \$403,726 in 'principal forgiveness' grants. As an example of interest cost savings, for the \$15.5 million wastewater treatment plan project approved for financing through the MCWT, the city will save approximately \$3.15 million in debt service over the term of the bond or approximately \$157,000 per year¹.

¹ **Assumptions:** MCWT: 20 Years @ appx. 2.2% "AIC" with MCWT Origination & Administrative Fees vs. CITY: 20 Years @ GO bond appx. 3.73% "TIC". **Savings based on current rates which are subject to change based on market conditions**



Conor Baldwin
Chief Financial Officer

Heather Varney
Deputy CFO

In order to complete the final improvements to the wastewater facility and execute contracts, an additional appropriation of \$450,000 is needed by the Council. Despite the principal forgiveness in nearly an identical amount from the Commonwealth, in order to proceed, the spending authority must first be approved by the City Council before the city can complete Phase 2 of the CIP. I will work with the Law Department to prepare the necessary vote to be introduced for consideration by the body.

The Administration has worked tirelessly to structure the debt service in such a way that ratepayers are never disproportionately impacted all at once, and instead incrementally raised rates, in accordance with the Council's 2013 directive. However, current discussions between the city and the EPA and MassDEP are indicative that another, substantial investment will be required to maintain compliance with the AO. When the scope of the work is determined and approved by the appropriate regulatory authorities, an additional request to fund Phase 3 of the CIP can be expected.