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SB 349

March 24, 2021

TO: Members of the Environment and Transportation Committee

FROM: Natasha Mehu, Director of Government Relations

RE: Senate Bill 349 – Environment – Drinking Water Revolving Loan Fund – Use of Funds

POSITION: SUPPORT

Chair Barve, Vice Chair Stein, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 349.

Senate Bill 349 alters the conditions under which the Maryland Drinking Water Revolving Loan Fund may be used to provide financial assistance for certain purposes. The loans would be made at terms not to exceed 30 years and with respect to disadvantaged communities, as defined in the Federal Safe Drinking Water Act, the lesser of 40 years after project completion or the design life of the project. Any loan subsidies must comply with the limitation and requirements set forth in the Federal Safe Drinking Water Act and any federal appropriations or authorization acts.

The Baltimore City Department of Public Works is the regional owner and operator of the Water and Wastewater Utility systems and is the owner and operator of its own Stormwater Utility system. The City is responsible for supplying safe and clean drinking water to our regional customers as well as collecting, treating and discharging wastewater that adheres to Local, State and Federal Regulations. In addition, the City's stormwater system is subject and adheres to Municipal Separate Storm Sewer System Permit requirements (MS4 permit) that govern the quality of stormwater runoff that is released into our environment.

The combined total value of the assets of these three utilities is greater than \$4 Billion. Understanding that Baltimore has utility systems that are nearly 100 years old, with the average asset age that is greater than 70 years old, the City has developed an aggressive Capital Improvement Program that seeks to address the required rehabilitation and

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upgrades to our systems, address safety and environmental concerns, and ensure optimization of asset life while adhering to Federal mandates. In addition, the City seeks to minimize, to the greatest extent possible, the impact of these investments on rate payers via their water bill. The City offers an array of water bill assistance programs and payment plans, pursues favorable interest rates and loan terms and, when applicable, seeks loan forgiveness provisions afforded by both the Water Quality State Revolving Loan Fund and Drinking Water State Revolving Loan Fund programs to address the aforementioned initiatives.

The Six Year Capital Improvement Plan for both the Water Facility and the Wastewater Utility are independently greater than \$1 Billion. To date, greater than \$483 Million of State Revolving Funding has supported the financing of the City's Capital Program for these utilities, and the City recently received approval for over \$249 Million based on our FY21 application package and we are in the process of finalizing the FY22 application package. Senate Bill 349 would change the allowable term of these revolving loans from 20 years to 30 years, or for distressed communities, the lesser of 40 years or the design life of the project. The low interest rates for these funds have been instrumental in allowing the City to address much needed improvements while keeping ratepayers and rate increases in mind. Allowing for the paying back of these loans over a longer term could help lower the amount of debt service that would need to be paid each year until retirement of the loan.

It is for these reasons that the BCA respectfully requests a **favorable** report on Senate Bill 349.