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# ENVIRO MATTERS

## Maryland Department of the Environment Passes Savings to Local Governments with Bond Refunding

In a one-time market opportunity, the Maryland Department of the Environment's (MDE) financial experts have taken advantage of recent lower interest rates, resulting in millions of dollars in savings in capital infrastructure costs. By refinancing, or "refunding," 80 percent of the savings will be shared back with local government borrowers that exist in the bond portfolio. On July 28, the MDE's Water Quality Financing Administration (WQFA) completed a bond refunding resulting in \$5.5 million in debt service savings. As approved by the Board of Public Works, the MDE will be sharing up to 80% of the savings, or \$4.3 million. These savings will be realized by local jurisdictions through lower interest rates on loans, as it reduces their semi annual payments, and perhaps helps maintain reasonable sewer rates.

### A Unique Action

This action is unique, since agencies like MDE would normally exercise their option to keep the savings within the department, rather than passing them on to local governments. The WQFA was created under state law to encourage capital investment for wastewater and drinking water projects for local jurisdictions. WQFA administers the Water Quality Revolving Loan Fund, and the Drinking Water Revolving Loan Fund, and is also responsible for the financial management of the recently enacted Bay Restoration Fund. These programs provide financial assistance to jurisdictions to upgrade wastewater treatment and drinking water facilities.

### Who Benefits

Since the Water Quality Revolving Fund has grown to \$1 billion in assets, MDE felt that such a mature program can afford to share some of the savings with local governments. Thirty-one borrowers will benefit in the savings sharing, which ranges from \$3,700 to \$810,000. The savings amount was based on the borrower's total outstanding loan debt service on existing loans. Some of the larger beneficiaries are Baltimore County (\$810,000), Frederick County (\$529,000), Baltimore City (\$516,000), Anne Arundel County (\$444,000), WSSC (\$325,000) and Harford County (\$323,000).

The source of funding for these programs comes from federal grants, state matching funds, loan repayments, investment earnings and special fees. Financial assistance (loans and grants) is provided for wastewater treatment upgrades for Enhanced Nutrient Removal, Biological Nutrient Removal, sewerage infrastructure upgrades and non-point source projects pursuant to the Federal Clean Water Act of 1987 and Maryland State Bay Restoration Fund legislation. Similarly, financial assistance is provided for drinking water treatment and infrastructure upgrades under the Safe Drinking Water Act and its Amendments of 1996. The loan funds are approved through the Board of Public Works.

Upgrading sewage treatment plants for nutrient removal is among Governor Ehrlich's top environmental priorities. This refunding action is an example of how MDE works consistently with local jurisdictions to maximize the use of available resources. It benefits both infrastructure development, and fosters growth while maintaining our overarching goal to protect the environment.



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