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	AGENCY NAME & ADDRESS	Department of Public Works 600 Abel Wolman Municipal Building		
	SUBJECT	City Council Resolution 18-0094R		

DATE: October 10, 2018

TO

The Honorable President and Members
of the Baltimore City Council
c/o Natawna Austin
Room 400 – City Hall

I am herein reporting on City Council Resolution 18-0094R introduced by Council President Young and Council Members Dorsey, Scott, Costello, Bullock, Burnett, Schleifer, Pinkett, Cohen, Stokes, Sneed, Reisinger, Middleton, and Henry.

The purpose of the Resolution is to request certain agency heads, including the Director of the Department of Public Works, to provide a comprehensive and detailed briefing on each agency’s economic development projects and each project’s supporting financial resources and incentives, for the projects that are and will occur in each of the 14 City Council districts.

The Recitals of this Resolution link the economic health of the City to a strong economic development strategy “...that includes new projects, which are publically or privately funded, and the construction and maintenance of municipal infrastructure.” The intent of the Resolution is to better understand the criteria for agency prioritizing of projects, the funding resources used for these projects, for offering economic development financial incentives to the private sector, and the transparency of this process.

Capital Program and Financing – The Department of Public Works has a substantial capital improvement program with investments that comprise 77% of the City’s entire capital program (FY2019 CIP). These projects are located throughout the City as well as in the Baltimore metropolitan region. Most of this work is to repair, replace, expand or enhance existing underground and above ground assets to extend their useful life, meet environmental requirements, and provide quality and sustainable service. In addition to the Department’s rigorous internal process of prioritizing, funding and producing a capital program based on long term planning forecasts and goals, the Department’s six year capital program is part of the City’s Capital Improvement Program (CIP) process managed by the Department of Planning which has its own review, analysis, and public process. The recommended CIP is included in the annual Ordinance of Estimates which is subject to public scrutiny and City Council approval.

Managing the Department’s large capital improvement program requires coordination of multiple funding sources and mechanisms. The financial plans for the water, wastewater, and stormwater utilities are actively managed to ensure

that all operating and capital needs are fully funded while complying with all legal and policy-driven coverage and reserve metrics. Long-term borrowing is balanced with cash-financing of capital to ensure the utilities are not over leveraged. Each utility is in full compliance on the repayment of its debt.

The water, wastewater, and stormwater enterprise funds receive a significant portion of funding through traditional capital markets which require a strong fiscal position. The City issued over \$200 million in water and wastewater revenue bonds in January 2017 which received strong ratings of Aa2 from Moody's and AA from S&P. With the enactment of Ordinance 18-174, the City will be able to issue its own revenue bonds as a means to fund stormwater capital projects. In addition, the City regularly requests and is awarded funding through the Maryland State Revolving Funds (SRFs). Currently, the Department has five SRF loans secured with water revenues, 24 SRF loans secured with wastewater revenues, and one SRF loan secured by stormwater revenues. In an effort to find potential new sources of funding, the City applied for and was one of only 12 recipients nationwide awarded credit assistance under the newly minted EPA Water Infrastructure Financing and Innovation Act (WIFIA). This first round of WIFIA loans will total \$200 million and come at a more affordable rate than the Department could get on the private financial markets, resulting in approximately \$40 million in savings over the life of the loans.

How We Prioritize through Integrated Planning – In 2014 the Department developed a draft Integrated Planning Framework (IPF) in response to a U.S. EPA initiative designed to help communities prioritize certain water infrastructure programs. The Department's draft IPF utilized a total of 21 criteria that fell under one of four categories: environmental, social, financial and project delivery. This weighted scoring process was intended to help balance capital investments equitably between mandated (consent decree, federal Clean Water and Safe Drinking Water Acts' requirements) and non-mandated projects so that the most environmentally productive projects were constructed first, while ensuring available funding for stabilizing aging water and wastewater infrastructure.

The City's water, wastewater and stormwater systems are three distinct utilities that must be operated without profit or loss to other funds of the City. Just as utility funds cannot be used in place of General funds, one utility cannot fund the projects of another utility. While the IPF process results in a prioritized master list of all capital projects, each of the three utilities pull from that master list to develop its own prioritized schedule of projects. The IPF is an iterative approach that can be replicated as more projects are identified, more information becomes available, and as projects are implemented through adaptive management. This process has been revisited several times to review the scoring criteria and a modified IPF process is now being used to inform and prioritize the Department's capital project selection process.

How We Prioritize through Asset Management – Managing critical and aging infrastructure requires strategic planning over the life cycle of these expensive physical assets to provide for and maintain a desired level of service at the most appropriate cost and within an acceptable level of risk. The Department's Office of Asset Management (OAM), established in 2013, focuses on getting the most value from each asset, targeting financial resources to optimize the efficiency and reliability of each utility. Programs and methodologies adopted by this Office have helped plan for and proactively address significant challenges for underground and above ground assets.

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OAM uses a framework and methodology to assess asset condition and criticality, identify system redundancies or risk mitigation factors, and determine an overall asset level risk score. This methodology is applied in a consistent way across various water and wastewater asset classes to inform maintenance and capital investment decisions, and is in the process of being expanded to stormwater and solid waste assets. OAM helps determine the most appropriate intervention method for high risk assets, which could include renewal, replacement, rehabilitation, or operations and maintenance solutions such as proactive inspections.

Preventative maintenance is an important part of any asset management program, but can be delayed by other pressing necessities or mandates. Baltimore is under a wet weather consent decree that requires a massive capital program to repair and replace large portions of the wastewater conveyance system. Just as critical, however, are the day-to-day maintenance efforts that keep these pipes clear and flowing freely. For example, regular and predictive programs to cut and chemically treat tree roots that find their way into joints or cracks in sewer pipes is an effective means to ensure a well-functioning system. Some programs require public education, outreach, and enforcement to change behaviors, such as the Fats, Oils, and Grease (FOG) program. These OAM programs are seeing measurable results in reduced frequency of clogs and overflows in identified system hot spots.

Supporting Local Businesses – As previously mentioned in this response, the Department manages the largest portion of the City's capital improvement program. To expand the field of small, local businesses eligible to bid on these contracts, DPW has offered and promoted a Small Business Development Program to help educate and train these emerging businesses in what it takes to bid on and manage a City construction contract. Participants pay a modest registration fee to take 10 to 12 weeks of classes tailored to provide the best guidance, certifications, and networking that will equip them to succeed in their chosen fields. It is the intent of the Department to use this program to provide opportunities for local small businesses to grow their companies through the City's capital improvement program.

The Department of Public Works is prepared to appear before the Council as requested by City Council Resolution 18-0094R to further explain these programs and processes, and to answer any questions the Council may have regarding the supporting role of municipal infrastructure in economic development.


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Director

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