



Portland Water District

From Sebago Lake to Casco Bay

March 4, 2025

Senator Mark Lawrence, Chair
Representative Melanie Sachs, Chair
Members of the Energy Utilities and Technology Committee

Subject: Support for LD 481 An Act to Allow a Water District Created by Special Act of the Legislature to Borrow Money and Issue a Warrant Prior to a Default

Dear Senator Lawrence, Representative Sachs, and Members of the Energy Utilities and Technology Committee:

Portland Water District (PWD or the "District") is a quasi-municipal utility created by private and special law of the State Legislature in 1908 to provide water to the people of greater Portland. Today, PWD provides drinking water to over 200,000 people in 11 Cumberland County member communities (Member Municipalities), and wastewater treatment services to six of those communities. The affairs of PWD are managed by a Board of Trustees composed of 11 members, all popularly elected by a plurality of the voters from the communities they represent. We do not have shareholders that profit from our activities and therefore our sole interest is meeting the needs of our customers.

I am providing this testimony to you in support of LD 481 An Act to Allow a Water District Created by Special Act of the Legislature to Borrow Money and Issue a Warrant Prior to a Default.

The proposed legislation is important because it potentially lowers the cost of borrowing money used to finance needed infrastructure improvements. To understand how, I will explain the current law and how it works and its shortcoming. When the District issues a bond to finance a project, the bond is primarily secured by the revenue collected from its ratepayers. Since the municipalities we serve specifically approved the current §6103 law's provisions, the District's bonds are also secondly secured by the general taxes of those municipalities, proportionally by the state valuation of each municipality. However, under current law, this secondary security provision can only be used after the district has defaulted on a scheduled bond payment. The process for the municipalities to collect tax revenue and remit the proceeds to the District might take up to 20 months. At that point (after 20 months), the defaulted bond obligation would then be paid. From the bond market perspective, waiting for up to 20 months to get paid is too long.

To address this concern, the proposed amendment to the law only modifies the timing of when the District is allowed to issue a tax warrant to its members. The proposed changes would allow the District to avoid an actual bond default by authorizing the District to proactively make a reasonable determination that a bond payment default is likely to occur. Following such a determination, the District could then issue the same tax warrant to its member communities as it is currently authorized to do, but with the important distinction that under the new §6103, it can do so before a default actually occurs. After the issuance of the warrants, the District would then enter into a short-term borrowing in an amount sufficient to make the scheduled debt service payment in timely fashion. The District would use the then pending tax assessment as collateral for this short-term borrowing. In addition, within 30 days of issuing any tax warrants, the new statute requires the District to create a financial plan addressing the financial situation. The plan would be submitted to the Maine Public Utilities Commission for review and appropriate action.

For the Portland Water District, the proposed change addresses the 'weak legal security provisions' noted in its 2024 Moody's Bond Rating report, and the District is hopeful the rating agencies will consider increasing the District's bond rating due to making the security on the debt stronger with the proposed amendment being proposed here and adopted.

The Portland Water District reached out to Maine Municipal Association, Maine Public Utilities Commission, the Public Advocate and all the local municipal governments of the Member Municipalities it serves, and incorporated their comments in the proposed legislation now before you. The proposed changes have been reviewed to determine whether there is any negative impacts on the local Member Municipalities backing the debt and it has been determined that it does not have any negative impact, because the local Member Municipality's obligation doesn't change with this legislation, just the timing of issuing the tax warrant changes.

In summary, the proposed change could reduce the borrowing costs for water utilities and does not have any negative operational or financial impacts on the District or any of its member municipalities. This "no cost" amendment to §6103 could result in debt service savings to be shared with rate payers, including the municipalities securing the debt. Because of the potential benefits to enacting the proposed amendment, and the absence of any downside, we urge the legislature to adopt the proposed amendment.

Sincerely,

A handwritten signature in black ink, appearing to read "David Kane", written in a cursive style.

David Kane

Executive Director of Administration, Treasurer