

# **Annual Report**

**CITY OF LOWELL, MASSACHUSETTS**

**For the Fiscal Year Ended  
June 30, 2019**

CITY OF LOWELL, MASSACHUSETTS  
/s/ Kelly Oakes, Treasurer

Filing Date: March 26, 2020

## CITY OF LOWELL, MASSACHUSETTS

### General

The City of Lowell is located in Middlesex County, 25 miles northwest of Boston and approximately 5 miles south of the New Hampshire border. Located on the Merrimack River, Lowell was the nation's first planned industrial community and is often referred to as the "cradle of the American Industrial Revolution". From its early days, Lowell has been a socially diverse community, with many of America's immigrant groups represented in its population. This has continued in recent years with the City becoming an important center for Khmer culture in the United States.

In June 1999, Lowell was named an All-American City by the National Civic League. The All-American City Award recognizes exemplary grassroots community problem-solving and is given to communities that cooperatively tackle challenges and achieve results. Lowell was chosen for its impressive work in the following areas: Community Policing, the Mayor's Joint Youth Commission and the City's Asian Water Festival.

Lowell is bordered on the northwest by the Town of Tyngsborough, on the north by the Town of Dracut, on the east by the Town of Tewksbury, and on the southwest by the Town of Chelmsford. Lowell is the population center of the Lowell MA-NH Primary Metropolitan Statistical Area (PMSA). The Lowell MA-NH PMSA is comprised of the City, the Massachusetts towns of Billerica, Chelmsford, Dracut, Dunstable, Pepperell, Tewksbury, Tyngsborough and Westford and the Town of Pelham, New Hampshire. Lowell has a population of approximately 106,519 (2010 U.S. Bureau of the Census) and occupies a land area of 13.4 square miles. Lowell was incorporated as a township in 1826 and it became a City in 1836. Lowell is governed by a nine-member elected City Council and a City Manager who is appointed by the Council. The Mayor is elected by the members of the City Council and serves as the presiding officer of the Council. The principal executive officers of the City are as follows:

### PRINCIPAL EXECUTIVE OFFICERS

<u>Title</u>	<u>Name</u>	<u>First Entered Office</u>	<u>Term Expires</u>
Mayor	John Leahy	January 2020	December 2021
City Manager	Eileen Donoghue	April 2018	Indefinite
Assistant City Manager	Kara Keefe Mullin	June 2018	Indefinite
Chief Financial Officer	Conor Baldwin	July 2014	Indefinite
City Treasurer/Tax Collector	Kelly Oakes	February 2019	Indefinite

### Municipal Services

The City provides general governmental services for the territory within its boundaries, including police and fire protection; collection, recycling, and disposal of solid waste; public education; water and sewer services; street maintenance; and parks and recreational facilities.

Water is supplied to all City residents and businesses by the municipal water department. Current daily capacity is 30 million gallons. Current average daily consumption is 14 million gallons. The City's water treatment plant and distribution system has been extensively rehabilitated. The City has water supply contracts with the towns of Tewksbury, Dracut, Tyngsborough, and Chelmsford. At present, approximately 99% of the City is sewered. The City's E.P.A. Award Winning wastewater treatment plant, which was originally constructed in the late 1970s and rehabilitated in the late 1980s and early 1990s, has capacity for 32 million gallons per day of sewage, and currently processes 29 million gallons per day on average. The City has contracts with the towns of Chelmsford, Dracut, Tyngsborough and Tewksbury for use of the wastewater treatment facility.

The City currently disposes of its solid waste through a contract with Wheelabrator. (See "INDEBTEDNESS—Contractual Obligations" below.) The City closed its solid waste landfill in 1993 and completed the capping of the landfill in December 1996. In 1992, the City implemented a voluntary recycling program for materials including paper, glass, plastics, and metal cans. The City estimates that as a result of this program, 5,000 to 6,000 tons of solid waste is diverted annually from the solid waste stream.

Gas, electric and cable television services are provided by established private utilities. Vocational-technical education is provided for at the high school level by the Greater Lowell Regional Vocational Technical High School District. The Lowell Housing Authority provides public housing. The Lowell Regional Transit Authority provides public bus transportation in Lowell and surrounding communities. Direct commuter rail service is available to Boston.

## Education

The City currently operates 12 elementary schools, 6 middle schools, 2 pre-K through grade 8 schools, 5 alternative schools, and 1 high school. Total estimated capacity of these buildings is approximately 16,800. Capacity in the High School is approximately 4,000, compared to current enrollment of 3,101. Capacity of elementary and middle schools is approximately 13,300, compared to current enrollment of 11,299. The City authorized and borrowed \$219,645,000 for school purposes since 1990 and received Massachusetts School Building Authority (the "Authority") approval for grants reimbursing eligible project costs. The City also authorized an additional \$44.5 million for the renovation of other schools, for which it is also entitled to grants reimbursing eligible project costs from the Authority. In May 2019, the City authorized \$340.9 million for construction and reconstruction of a new high school. The total amount authorized for this project will be reduced to the extent of school building grant funds paid to the City by the Massachusetts School Building Authority. The reimbursement rate will be approximately 80% of eligible project costs. See "CITY FINANCES - State School Building Assistance" herein.

The following table sets forth the trend in public school enrollments.

### Public School Enrollments – October 1,

	Actuals				
	2015	2016	2017	2018	2019
Elementary (PK-4)	6,757	6,783	6,614	6,921	6,417
Middle/Junior High (5-8)	4,248	4,360	4,478	4,740	4,882
Senior High (9-12)	3,145	3,135	3,155	3,430	3,101
SP/Other				346	34
<b>Totals</b>	<b>14,150</b>	<b>14,278</b>	<b>14,247</b>	<b>15,437</b>	<b>14,434</b>

The City is a member of the Greater Lowell Technical High School District, which includes 4 communities: Lowell, Dracut, Tyngsborough, and Dunstable. As of October 1, 2019, the District enrollment was approximately 2,271 of which 1,707 were from Lowell.

## Industry and Commerce

Lowell is a city with an industrial past and currently diverse modern economy. Education and health services are the largest sectors of the local economy representing 43 percent of total employment. Manufacturing, wholesale trade, transportation, public utilities, professional and business services, leisure and hospitality, and government are the other key sectors of Lowell's economy.

Over the past several decades, there has been a shift in Lowell's economy, from manufacturing to service-related industries such as banking and finance, medical care, and education. The Lowell Community Health Center recently expanded its footprint to include dental and eye care for existing and new patients (see "Economic Development").

Since 2002, the U.S. Department of Labor has used the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry as shown below.

Industry	Calendar Year				
	2014	2015	2016	2017	2018
Construction	724	867	878	949	974
Manufacturing	3,035	2,888	3,042	3,318	3,669
Trade, Transportation & Utilities	3,667	3,838	3,954	4,126	4,096
Information	1,227	1,052	1,428	1,541	1,454
Financial Activities	1,514	1,475	1,435	1,378	1,390
Professional & Business Services	3,729	4,317	4,070	4,497	5,364
Education & Health Services	9,548	10,070	15,277	16,421	16,691
Leisure & Hospitality	2,929	2,880	3,388	3,387	3,509
Other Services	1,254	1,055	1,047	1,033	1,092
Public Administration	1,503	1,421	1,448	1,465	1,433
<b>Total Employment</b>	<b>29,130</b>	<b>29,863</b>	<b>35,967</b>	<b>38,115</b>	<b>39,672</b>
Number of Establishments	2,750	2,953	3,134	3,319	3,566
Average Weekly Wage	\$ 1,002	\$ 1,048	\$ 1,057	\$ 1,147	\$ 1,186
<b>Total Wages</b>	<b>\$ 1,799,434,117</b>	<b>\$ 1,932,563,522</b>	<b>\$ 1,977,047,970</b>	<b>\$ 2,273,094,107</b>	<b>\$ 2,446,416,074</b>

Source: Massachusetts Department of Employment and Training

## Largest Employers

The following table sets forth the largest employers in Lowell (>100 employees) as of March 2020, excluding the City itself.

Company Name	Nature of Business	Approximate Number of Employees
Lowell General Hospital (including Saints' Campus)	Healthcare	3,800
U-Mass Lowell	Education	2,260
Kronos	Software	1,637
Verizon	Communications	876
Demoulas /Market Basket	Supermarket	750
Community Teamwork (CTI)	Social Services	540
D'Youville Life & Wellness Community	Healthcare	526
Aramark Corp.	Hospitality/ Food Services	500
Lowell Community Health Center	Healthcare	490
Middlesex Community College	Education	423
MACOM Technology Solutions	Electronics	414
Arris (Motorola)	Electronics	371
Wordplay (former Vantiv)	Software	340
Enterprise Bank & Trust	Financial Services	330
Unwrapped Inc.	Manufacturing	270
Target	Retail	264
Northwood Rehabilitation Center	Healthcare	253
Genesis Health Care ( Heritage and Willow Manor)*	Healthcare	245
Cirtec (former Metrigraphics)	Manufacturing	225
Veoneer (former AutoLiv)	Electronics	220
Fairhaven Healthcare Center*	Healthcare	217
D.S. Graphics*	Printing & Publishing	210
Trinity EMS	Healthcare	171
Lowe's Home Improvements*	Retail	155
Jabra	Electronics	150
Jeanne D'Arc Credit Union	Financial Services	145
TRC Environmental Corporation*	Environmental	136
Scheidt and Bachmann	Electronics	132
Circle Home (former Visiting Nurses Assoc. of Lowell)*	Healthcare	130
DS Smith (former Interstate Container)	Corrugated Manufacturing	130
Hannaford	Supermarket	130
Rapid Micro Biosystems	Life Sciences	125
Evoqua Water Technologies (former Siemens)	Electronics	120
Town and Country Nursing Home	Healthcare	112
Wingate*	Healthcare	112
Segue Manufacturing Services	Manufacturing	110
Fred C. Church Insurance Company	Insurance Services	109
Captivate	Marketing	101

Source: City Division of Planning and Development Survey, March 2020.

\*Reflects 2019 job counts.

## Economic Development

The City of Lowell has a proactive economic development strategy to spur start-up activity for new ventures, attract new companies and retain growing local businesses, create job opportunities, and expand the commercial/industrial tax base of the City. The City Manager's office spearheads these efforts in concert with the City's Department of Planning and Development and other institutions and organizations such as the Lowell Development and Financial Corporation (LDFC) and the Lowell Plan. Partnerships extend to the University of Massachusetts, Lowell, Middlesex Community College, the Middlesex 3 Coalition, Entrepreneurship for All, the Entrepreneurship Center at CTI (formerly Merrimack Valley Small Business Center), MassHire Greater Lowell Workforce Board and Career Center, Greater Lowell Chamber of Commerce, and many other organizations allowing for each to expand its capacity to deliver a full-service range of business assistance. The City's economic development success translates to over \$150 million in private investment in the past decade stemming from project certified by the Commonwealth Economic Development Incentive Program (EDIP) and over \$4.6 million in investment since 2000 in over 40 downtown retail establishments through the City's partnership with the LDFC. The following summary offers an overview of the main actors in economic development in the City of Lowell:

**Department of Planning & Development:** The City's Department of Planning and Development (DPD), through the Economic Development Office, serves as the first line of entry for business related inquires in the City. The Economic Development Office offers site finding assistance, permitting and licensing assistance, connections to financing, workforce development and technical assistance to existing Lowell businesses and to those looking to locate in the city. Since 2000, the Economic Development Office, working with private developers, has facilitated the rehabilitation and reoccupancy of over 3,000,000 square feet of vacant downtown buildings. The DPD has also championed urban renewal and revitalization through initiatives like The Acre Plan, the Jackson/ Appleton/ Middlesex Streets Revitalization Plan (JAM Plan), the Hamilton Canal Innovation District Project (HCID) , and the Ayer's City Industrial Park (ACIP). DPD also maintains close working relationships with the partners listed below as well as others throughout the community.

**Awards & Recognition:** Recently, the City of Lowell received the "2019 Small Business Friendly Community Award" from Partner America-The Mayors Small Business Initiative (part of the U.S. Conference of Mayors). This award illustrates the strong partnerships between the City and local economic development organizations resulting in wraparound services to our local small business community. Also, in fall of 2018, Lowell's Canalway Cultural District was recognized by the American Planning Association as a "Great Neighborhood."

The **Lowell Development and Financial Corporation (LDFC)** is a non-profit development corporation created in 1975 by an Act of the Massachusetts Legislature to assist in the economic revitalization of Lowell. Since then the LDFC has financed more than 200 projects citywide, totaling more than \$85M in development. Among the programs supported through the LDFC are loans in support of the renovation of commercial and industrial properties city-wide, renovation of mixed-use properties in the neighborhoods, and energy efficiency retrofits of historic properties in the downtown. The LDFC also provides zero-interest loans to first time homebuyers in the form of down payment assistance. The Downtown Venture Fund program, created in collaboration with the City of Lowell, offers loans targeted to new and existing businesses that enhance the economic vitality of Downtown. The boundaries of this program were recently expanded to include portions of commercial districts adjacent to the Downtown as well as the concentration of artists at Western Avenue Studios. In furtherance of the City's efforts to support its growing community of entrepreneurs, the LDFC created two additional programs: The Launch in Lowell program, assisting start-up businesses associated with Lowell Makes and the EforAll Accelerator program; and the Incubator Loan Fund, providing loans to entrepreneurs affiliated with the UMass Lowell Innovation Hub or M2D2 programs. The LDFC's strong partnership with the City of Lowell and local lending institutions continues to play an instrumental role in the city's revitalization.

The **Lowell Plan, Inc.** is a private, non-profit economic development corporation founded in 1979 to assist the city in advancing various economic and community development projects. Privately funded, it has raised over \$7 million since its inception, investing those funds in a variety of ways to help stimulate economic, cultural, education and quality of life initiatives, often in cooperation with city, state and federal partners. A key role of the Lowell Plan is to provide a regular forum for private and public sector representatives to discuss and develop consensus on strategies for revitalizing Lowell.

Its broad mission allows for a quick response to city-wide priorities like implementing a marketing plan, advocating for a new high school, or proposing a change in the traffic pattern for downtown. The Lowell Plan recently completed a new strategic plan for the organization, recommitting to the fostering dialogue among key public and private stakeholders. The plan outlines the following guiding principles: 1) promote change through visioning and collaborative planning; 2) focus on economic development advantages and innovations; and 3) support of educational civic engagement initiatives.

**Lowell National Historical Park:** The Lowell National Historical Park was established in 1978 by an Act of Congress to recognize Lowell's unique contribution to the American Industrial Revolution and to preserve and interpret key physical elements of 19<sup>th</sup> century manufacturing. Over the last three decades, the Park has been developed according to a plan

approved by the Secretary of the Interior, and over \$170 million has been invested to preserve its historic assets. The Park's major exhibit at the Boott Cotton Mills and the Tsongas Industrial History Center is a focal point of the Park and provides a comprehensive view of the Park's themes. The Park is currently working with the City to design and construct a major multi-million dollar Canalway and Riverwalk Development Project financed by both public and private sources that will enhance the City's 5.6-mile historic canal system.

**University of Massachusetts Lowell:** The University of Massachusetts Lowell is an active partner in the City's economic development strategy. The rapid growth of the University has fueled local demand for housing and services and the associated construction boom has generated significant jobs and spending in the local economy. In addition, the University's expanding research and development programs have a mutually beneficial relationship with local technology businesses. In the fall of 2012, UMass Lowell completed the construction of the Emerging Technologies and Innovation Center, a \$70 million, 84,000 square foot building on North Campus, which houses nanotechnology, plastics engineering, biomedicine, and electro-optics. To support the ongoing growth of North Campus, a new 550-space parking garage was also completed. In the fall of 2013 on South Campus, a new \$40 million, 69,000 square foot Health & Science building and new student housing, Riverview Suites, a \$42 million dollar project with approximately 500 beds, was completed. In 2014 on East Campus, the University Suites, a 148,000 square foot building with 472 additional beds, was completed.

UMass Lowell solidified its role in downtown revitalization by making three major real estate acquisitions: the former Doubletree Hotel, the Tsongas Arena, and the former Saint Joseph's Hospital on upper Merrimack Street. The purchase and rehabilitation of the hotel represents a total investment of \$19 million dollars that brought over 300 students to the downtown and will boost the local economy. Renamed the UMass Lowell Inn & Conference Center, the hotel includes 31 fully-renovated, inn-style guest rooms as well as 200 seasonal hotel-style rooms. The transformed Conference Center is also open all year for various public/private functions. In February 2010, UMass invested over \$5 million and reenergized Lowell's 6,500 seat downtown arena as the Tsongas Center and is currently soliciting developer interest in the adjacent 3 acre riverfront parcel. The former St. Joseph's Hospital site was recently redeveloped as University Crossing, which houses student services, campus police, the campus store, dining services, and university administration. This 300,000 square foot building opened to students in the fall of 2014.

In June of 2015, UMass Lowell celebrated the opening of their new Innovation Hub at 110 Canal in Hamilton Canal District. The Innovation Hub supports entrepreneurs and start-ups with premium office space, co-working space, equipment, programs, and services. Currently, the I-Hub has over 20 new start-ups. The site is also home of the Massachusetts Medical Device Development (M2D2) Center on the 4<sup>th</sup> floor. The 1<sup>st</sup> and 2<sup>nd</sup> and floors have been recently occupied to house the the UML Fabrics Discovery Center, a R&D and business incubator for "smart fabrics" and the NERVE Center. This project alone represents an investment of \$11.3 million. The Fabric Innovation Center will spur future innovation and allow new technologies from R&D stage to commercialization.

In the April 2017, UMass Lowell celebrated the opening of the Pulichino Tong Building, the new home of the Manning School of Business. \$45M was invested in the 54,000 square foot facility which modern style classrooms, a trading room, a behavioral research lab, a business analytics lab; and collaborative spaces in the heart of the north campus.

In January of 2019, UMass Lowell reopened Perry Hall after a \$50M renovation project. Perry Hall features eight new labs (3 teaching and five research) for biomedical, chemical and environmental engineering, as well as biomanufacturing and clean energy. Dedicated co-location spaces, meanwhile, will enable the university to expand its industry partnerships. In addition to a gut renovation of the building's existing 47,825 square foot of space, the project includes the addition of 5,600 square feet of new space on the reopened fourth floor, which now connects to adjacent Ball Hall.

UMass Lowell's enrollment has grown dramatically within the past ten (10) years and the University's Master Plan calls for continued expansion to approximately 20,000 students in 2020.

**UMASS Lowell Enrollment Trends**

<b>Year</b>	<b>Undergraduate</b>	<b>Graduate</b>	<b>Continuing Education</b>	<b>Total Enrollment</b>
2019	11,545	3,608	1,857	18,338
2018	11,468	4,239	2,537	18,244
2017	11,258	4,303	2,755	18,316
2016	10,154	4,198	2,832	17,184
2015	10,500	4,200	2,800	17,500
2014	10,161	4,198	2,832	17,191

Source: UMass Lowell

As enrollment grows, the University continues to try to meet its goal of providing campus housing for 50% of its students. In July 2016 the UMass Building Authority purchased 5 properties along Perkins Street in downtown Lowell for \$61.5M to expand their East Campus. Together the properties contain 230 units of private residential apartments. UMass Lowell recently converted these units into dormitories for the 2017-2018 academic year.

### ***Financial Incentives and Technical Assistance***

**Economic Development Incentive Program/TIF's:** Under the Commonwealth's Economic Development Incentive Program (EDIP), the City of Lowell has designated seventeen (17) Economic Opportunity Areas (EOA) in which the City can offer tax increment finance agreements. Businesses, which execute such agreements with the City, are also eligible for investment tax credits from the state. To date, more than 30 projects have been approved as Certified Projects under the EDIP Program, representing more than \$400M in private investment in Lowell. Past TIF agreements include Cross Point (Motorola Mobility), Nobis Engineering, PrideStar EMS, Tremont Yard LLC. (Jeanne D'Arc Credit Union), Cristek Interconnects, Cobham Sensor Systems, HB Software Solutions, Metrigraphics, Markley Group, Somerset Industries, Kronos, Inc., and most recently M/A-COM Technology Solutions, Inc. and Plenus Group. Combined these companies are creating/retaining well over 4,500 jobs in the City.

**Opportunity Zones (OZ):** Opportunity Zones are a new community development program established by the United States Congress in the *Tax Cuts and Jobs Act of 2017* to encourage long-term investments in low-income urban and rural communities nationwide. The Opportunity Zones program provides a tax incentive for investors to re-invest their unrealized capital gains into Qualified Opportunity Funds (QOFs) that are dedicated to investing into Opportunity Zones designated by the chief executives of every U.S. state and territory. The Economic Development Office spearheaded a process whereby a total of five (5) Lowell census tracts were designated as Opportunity Zones, including most of the City's downtown, the Hamilton Canal Innovation District (HCID) and a main commercial corridor along Rt. 110, which includes key commercial assets such as the headquarters for MACOM and Cross Point. The Economic Development Office will continue to promote this program to developers and investors.

**Economic Development Loan Pools:** The City created a \$10 million loan pool under the HUD Section 108 Loan Guarantee Program. This program provides varied interest rate financing and guarantees for larger development projects that create new permanent jobs for low and moderate-income persons. The City has leveraged over \$90 million in private investment with approximately \$7 million of public funds. This has resulted in private to public ratio of 12 to 1 with nearly 3,000 jobs created and retained in the City.

**The Downtown Venture Fund:** The City, in conjunction with the LDFC and several other banking institutions in the City, formed the Downtown Venture Fund in 2000. The fund offers low interest loans to businesses seeking to locate or expand in the downtown area, and offers loans of up to \$100,000 with flexible repayment options that include no payments in the first year. To date, the project has been a tremendous success, financing 46 new businesses in Downtown resulting in the creation of over eighty (80) new jobs and a total investment of over \$4.6 million dollars. The total leveraged private investment is estimated at \$2.1 million.

**Small Business Retention Program:** Recognizing a need to address challenges faced by existing, established businesses, the Economic Development office, in collaboration with our partners at the Entrepreneurship Center at CTI (former Merrimack Valley Small Business Center), launched a new program in 2016, to provide technical assistance and financial support to businesses that have been operating for at least three years. The intent of this program is to help businesses that may be wishing to expand or need assistance in creating or maximizing growth opportunities in Lowell. The program is geared primarily toward store-front businesses, though some service related industries may be eligible. Technical assistance in the form of marketing, bookkeeping/accounting, legal, and industry-specific consultations are provided. Financial assistance to implement recommendations of these services and/or assist with expansion or relocation of the business within Lowell rounds out the program. The program is funded through the CDBG program. Up to \$10,000 in loan funds is made available to each eligible business. These loans are forgivable as long as the business remains in Lowell for a minimum of three years. To date, ten (10) businesses have participated in this program. The program received funding for fiscal year 2019/20 and the Economic Development office will continue to assist more businesses.

**Small Business Relocation Program:** The intent of this program is to assist either existing Lowell businesses wishing to relocate and expand within Lowell or outside businesses looking to relocate to Lowell. Up to \$10,000 in loan funds is made available to each eligible business to assist with relocation expenses. To date, three (3) businesses participated in this program. The Economic Development Office is currently working with one (1) additional business looking to relocate within Downtown and expand its operations.

**Downtown Lowell Business Growth Program:** The City secured \$250,000 in State earmarked funds with the assistance of Rep. Thomas Golden, Jr. to provide grant funding to companies wishing to relocate or expand into vacant Downtown

office and lab space. A total of \$215,730 was awarded to three (3) companies. Two of these companies incubated at the UMass Lowell Innovation Hub (HUB), and a third one relocated from Knoxville, TN. This program resulted in the occupancy of approximately 13,000 square feet of office and lab space and will support the retention/creation of approximately 38 jobs. The remaining funds will be used for marketing focused on business recruitment activities.

**Small Business Marketing Grants:** This past winter of 2019, the Economic Development Office partnered with a local marketing consultant “TOMO 360” to provide a free, four-part marketing workshop, to Lowell-based small businesses, including: restaurants, retail stores, service-based businesses, small-scale manufacturers, and startups. A total of twelve (12) Lowell businesses participated and successfully completed all four classes, becoming eligible to apply for a \$1,000 grant to implement their marketing strategies. A total of eight (8) grants totaling \$8,000 were awarded in 2019.

**Lowell Entrepreneurship Assistance Program (LEAP):** Created in 2017, this program is a partnership between the City of Lowell Economic Development Office and The Capital Network (TCN) to provide financial education and support to early-stage entrepreneurs. This program offers eligible applicants with a free six-month membership with TCN. TCN provides a rotating six (6) month program that combines workshops with free mentoring on fundraising and access to capital. To date, eight (8) Lowell based early state-entrepreneurs participated in the program.

**Sign & Façade Program:** This program is funded through the City’s Community Development Block Grant program and provides commercial property owners and businesses with financial support and design assistance for the renovation of commercial building facades. Since fiscal year 2014/15, the City assisted over 20 small businesses with grants ranging from \$2,000 to \$10,000 each. In the current fiscal year (2019/20), at least five businesses have been identified to participate in this program. This program is part of the City’s economic development strategy to strengthen its neighborhood business districts and downtown commercial center by enhancing the exterior appearance of commercial properties and preserving the character of our neighborhood streetscapes.

**Technical Assistance to Small and Minority owned businesses:** The City works in partnership with the Greater Lowell Chamber of Commerce, the Greater Lowell Workforce Investment Board (WIB), the Entrepreneurship Center @ CTI (former Merrimack Valley Small Business Center), UMASS-Lowell, Middlesex Community College, Interise, Immigrant Learning Center, Entrepreneurship for All (EforALI), Cambodian Mutual Assistance Assoc. (CMAA), Coalition for a Better Acre (CBA), and the local business community to foster not only new business development, but also minority and small business development.

**Downtown Vacant Storefront Program:** The Economic Development Office in spring of 2019 submitted an application to the Massachusetts Office of Business Development to establish a “Vacant Storefront District” in Downtown Lowell. This program provides state tax credits of up to \$10,000 to businesses that occupy eligible storefronts that have been vacant for 12 months or more within a pre-designated geographic area. The Lowell “Vacant storefront District” was approved by the state late last year; therefore, retail/ restaurant tenants occupying vacant storefronts will be eligible for state tax credits.

**Community Choice Power Supply Program:** The City of Lowell is a municipal aggregator, allowing the City to competitively procure a lower cost electricity supply. This often allows the municipality to obtain better pricing than individual ratepayers due to economies of scale. Lowell’s Community Choice Power Supply Program has secured a locked-in electricity supply rate of 11.874 cents/kWh. The City’s aggregation also includes 45% more voluntary Class I Renewable Energy Certificates. This might be helpful for companies that have carbon neutral goals or goals to source 100% of electricity from renewable sources. Currently, these voluntary RECs put Lowell’s total supply at 61% renewable energy.

**The Housing Development Incentive Program (HDIP):** In June 2012 the Patrick administration unveiled the Housing Development Incentive Program (HDIP), a new state tax-credit program administered under the Department of Housing and Community Development aimed at creating more market-rate housing in 24 Gateway Cities, such as Lowell. This new program was created to serve as a development tool for Gateway Cities to increase residential growth, expand diversity of housing stock, support economic development, and promote neighborhood stabilization. The City of Lowell promptly became the second Gateway City to have a Housing Development Plan and Zone approved under the program. As a result, Lowell now offers projects that propose to create market-rate housing a state tax credit of up to 10 percent of qualified rehabilitation costs and a partial abatement of the local property tax increment generated by the investment. This program will strengthen the City’s ongoing efforts to rehabilitate vacant and underutilized upper stories of Downtown buildings with housing that will help grow the City’s tax base and introduce additional purchasing power for local shops and restaurants. To date, four (4) projects received full DHCD approval: 24 Merrimack Street, “The Adden Building” at 109 Jackson Street and the “Edge of the Merrimack” at 1 Merrimack Plaza, and “Thorndike Exchange- Phase I”, by Lupoli Companies. Two more market-rate residential projects are currently applying for assistance through the HDIP program: The “Waterhead” project at 850 Lawrence Street has received conditional approval and “Thorndike Exchange- Phase II”, by Lupoli Companies, has started the “preliminary” approval process. These projects represent \$143.5M in private investment, 401 new housing units, and \$4.5M in projected net new taxes to the City.

**The Urban Center Housing Tax Increment Financing (TIF) Program (UCH-TIF):** This is a new State statutory program authorizing cities and towns in the Commonwealth of Massachusetts to promote housing and commercial development. The UCH-TIF Program provides real estate exemptions on all or part of the increased value (the "Increment") of improved real estate. Tax increment financing may be combined with grants and loans from local, state and federal development programs. The Department of Housing & Community Development's (DHCD) Division of Community Services is responsible for the operation and administration of the UCH-TIF Program. Later last year, the Department of Planning & Development submitted a UCH-TIF Plan and Zone to the State for review and approval. The Lowell UCH-TIF Plan and Zone were recently approved providing the City with another economic development incentive tool to promote residential and mixed-use development.

**Lowell First Time Homebuyer Program:** The City has achieved significant success in the past few years in recruiting and retaining employers in the high-tech, advanced manufacturing, and other fast-growth industries. These employers pay high wages and are required, when receiving local incentives from the City, to hire Lowell residents to fill open positions. To encourage high-wage earning employees of Lowell-based businesses to live in the City, the Lowell Development Financial Corporation (LDFC) created a homebuyer incentive program that places a maximum cap of \$147,420 on the household income to qualify for the program. The program pays half of the down payment costs, up to \$5,000 to the homebuyers. This is a zero-interest loan with payments deferred for the first five years. Not only does this incentive serve as another tool the City can use in its business recruitment efforts, but it demonstrates our aggressive efforts to increase the average median income of households living in Lowell.

### **Development Projects and Plans**

Complementing the City's economic development activities are numerous development projects and plans. Some of the more significant development projects are described below:

**Cross Point:** The former site of the Wang Towers continues to be a highly successful office complex at the juncture of Routes 3 and Interstate 495. The first tenant of the 1.2 million square feet Towers was NYNEX, which occupied over 95,000 square feet and employed 425 people on site as part of its consolidation. The City provided a \$3 million tax increment financing (TIF) agreement which leveraged \$60 million in private investment. Three years ago, the City provided a 20-year TIF to Motorola, which brought over 500 employees to this location and represented \$18 million dollars in private investment. In 2010, DiagonosisOne, a healthcare information technology company, moved its headquarters from Nashua, NH to Cross Point. In 2012, PlumChoice, a provider of "premium" tech support for customers of companies including Hewlett-Packard, AT&T and Verizon relocated its headquarters from Billerica to Cross Point, occupying 38,000 square feet of class A office space. With annual revenues exceeding \$100 million a year, PlumChoice added 350 employees to Lowell's workforce. In 2014 Verizon announced the consolidation of its operations and expansion at Cross Point, significantly increasing its occupancy rate and increasing employment at this location by approximately 1,500 employees. In 2015, Jabra, a world leader in the development, manufacturing and marketing of audio devices, relocated its headquarters from Manchester, NH to Cross Point. The company occupies 35,000 square feet and relocated approximately 100 employees to Lowell. Jabra has 925 employees worldwide and in 2014 had revenues exceeding \$400 million dollars. Cross Point has been under new ownership and management since June of 2014, and as of January 2018, the property 2018, the property again changed hands. Anchor Line Partners and Farallon Capital Management, LLC had purchased Cross Point for \$100 million dollars, before selling for the property to CrossHarbor Capital Partners for \$227M. Anchor Line and Farralon Capital Management had recently completed significant physical improvements to common areas to include updated amenities such as: a renovated cafeteria, a new fitness center, a new on-site day care facility, recreational space for activities such as indoor golf, and a full service restaurant, the popular "Tavern in the Square" which opened to the general public in the spring of 2016. In May 2016 Kronos, Inc. announced its plans to relocate its headquarters from Chelmsford to the Cross Point Towers. Kronos is the world leader in cloud-based workforce management software with over 4,200 employees worldwide. This move represents an additional investment at Cross Point of over \$50 million (\$40M directly invested by Kronos). Kronos relocated and opened its new headquarters at Cross Point in the fall of 2018 bringing over 1,600 employees to Lowell. An additional 500 new positions are expected to be added over the next five years.

**Wannalancit Mills:** This historic downtown mill complex has been redeveloped with more than 500,000 square feet of office, research, and technology space. Approximately two-thirds of the complex is privately owned, leased, and managed by Farley White Interests. This property currently has high occupancy levels at consistent market rents and is home to a diverse group of engineering, research, green technology, and construction companies, among others. The balance of the property is owned by UMass Lowell and houses both administrative offices and a technology incubator focused on the manufacture of medical devices. Last year, the City of Lowell Economic Development Office assisted Farley White with the relocation and expansion of Horsepower Technologies, a start-up incubated at U-Mass Innovation Center (I-Hub).

**Boott Mills:** This historic mill complex located in the heart of Downtown has been fully redeveloped into a mix of residential and commercial space. WinnDevelopment, completed 77,000 square feet of class-B office space, at Boott Mills West. In

addition, WinnDevelopment expanded their administrative offices into Boott Mills relocating approximately 70 employees from Boston to Downtown Lowell. Farley White Interests, the owner of Wannalancit Mills, recently purchased a portion of the mill complex, “Boott Mills South” and the former Cotton Warehouse, transforming the space into commercial space. To date approximately 65% of the 94,000 sf of office space has been occupied. Farley White is working closely with startup companies at the UMass Lowell Innovation Hub to offer them “next-stage” office/lab space when they’re ready to leave the incubator space at UMass. Earlier in 2019, the City of Lowell Economic Development Office assisted Farley White with the relocation and expansion of two new tenants into Boott Mills South: CAIDE Systems, a start-up company based at the U-Mass Lowell I-Hub; and Peroxygen Systems, a Knoxville, TN based clean chemistry company.

**Cross River Center:** Located at 1001 Pawtucket Boulevard, this R&D complex underwent significant changes in 2015. Now owned and managed by Farley White Interests, this complex is nearly 80% leased. Originally constructed by Wang Laboratories in 1981, the 3-story property has been transformed into a multi-tenant project for first class office and R&D space. At 836,000 square feet, Cross River Center offers abundant space for a wide range of operations from a call center to pharmaceutical/research to medical device manufacturing and more. Its 7,000 square foot full-service cafeteria, conference facilities, fitness center and ample loading capacity provides significant added value for tenants. Cirtec (former Metrigraphics), a leading worldwide supplier of ultra-high, precision, custom micro components for original equipment manufacturers moved into Cross River Center in 2014. Their move from Wilmington to Lowell brought more than 100 new jobs to the City and more than \$5M in private investment. Currently, Cirtec has 225 employees. Veonner (formerly AutoLiv), a developer, manufacturer, and supplier of automotive safety systems, recently announced its plans to expand its presence at Cross River Center to add more than 120,000 square feet and increase its employment by 220 permanent, full-time jobs. In October 2016 Scheidt and Bachmann, one of the largest providers of fare collection and parking solutions in the U.S relocated their operations from Burlington to Cross River Center, occupying 72,000 square-feet and relocating over 100 jobs to Lowell, with a current headcount of 132 full-time jobs. When asked about choosing Lowell, senior executives at Scheidt and Bachmann noted the City’s *“growing reputation as a hub for business development”* as one of the key factors in their decision. Most recently a R&D company developing robots, Next Shift Robotics, relocated to Cross River complex, occupying approximately 20,000 sf of warehouse and R&D space.

**Former Prince Spaghetti site:** In 2015, Markley Group, Inc. purchased the former Prince Spaghetti site and announced the construction of their suburban cloud-computing and data center here in Lowell at this 16-acre vacant and blighted industrial site. This project represents a total of approximately \$200 million in private investment, with a creation of up to 100 jobs, one of the biggest economic development projects in Lowell’s recent history. This project has received approval from the Planning Board. Markley’s proposal is to renovate the 350,000 square-foot industrial building to include a new façade, a new fourth story, and significant infrastructure upgrades to the building to include fiber-optic cable, generators and cooling equipment. This project also received strong support by city officials, who approved a 20-year Tax Increment Financing (TIF) Agreement with Markley Group. This project will generate an estimated \$12 million in new taxes, above and beyond the baseline, during the 20-year period, or an average of approximately \$603,000 per year. This project has received full approval from the City and construction is underway. Phase I has been completed.

**Thorndike Exchange:** In 2014 Lupoli Companies purchased the former Thorndike Factory Outlet on Thorndike Street and is redeveloping the building as a transit-oriented mixed-use project. Thorndike Exchange promises a mix-use development with commercial and residential uses adjacent to the Gallagher Terminal and MBTA commuter rail service. The \$50M project will include the historic rehabilitation of the existing mill building as well as new construction using modern materials to complement Lowell’s historic downtown. The entire project is expected to include 140 units of market rate rental units, approximately 14,500 sf of restaurant/function space, and 3,000 sf of commercial office space. Phase I of the project was completed last year. Phase II is under construction.

**Connector Park:** In 2015 KS Partners purchased two commercial towers in the City’s Highlands neighborhood, representing 199,783 sf of class A office space along with an adjacent vacant parcel. In addition to maintaining the commercial property, the site was approved for 240 new market-rate residential units. This project represents an investment of \$40M and it is the largest single market- rate residential development in City’s history. At the request of the City, the Developer agreed to a stipulation that should they sell the building a tax-exempt entity in the future, that the entity enters into a payment in lieu of taxes with the City. This project is currently underway and will be completed by 2021.

**Vision Properties:** In July 2016, Vision Properties purchased the former headquarters of Lowell Five Cent Savings Bank at 1 Merrimack Plaza, with the intent to build 156 units of private dormitory space. Since then, the developer invested over \$40M to demolish the former bank headquarters and rebuild a new state-of-the-art private dorm. The project successfully opened for the 2017-2018 academic year. “The Edge of the Merrimack” is now home to approximately 400 students.

**Major Retail Developments:** Two of the nation’s largest retailers have opened new stores in Lowell: Lowe’s Home Improvement, and Target. Lowe’s currently employs 145 people, most are local residents. Target has 120 employees to date. In January of 2012, New York Real Estate and Management Co. purchased Target-Anchored Meadow Brook Center.

The new owners, whose portfolio consists of over 200 premium properties and who regularly works with high profile national tenants, is retaining several existing tenants and attracted new tenancies by Marshalls, DOTS, Five Below, The Children's Place, Eblens, Best Fitness, GNC, Hair Cuttery, and Mattress Firm. Comcast recently completed a new building at Meadow Brook Center to serve as its customer service center.

In addition, The Sunrise Plaza on Bridge Street has been completely renovated and filled, including the expansion of the anchoring Market Basket, retention of several strong existing tenants. A new 14,157 square foot building was also constructed in the southern side of the plaza to house Walgreens. A second Walgreens was completed at 1765 Middlesex Street. A new retail plaza was also completed at 812 Gorham St and is the new home of O'Reilly Auto Parts and Dollar Tree. At 150 Wood St., a new Lowell Five branch has been completed as well as a new retail plaza housing a Dental Office and retail. A new, 72,500 square foot Market Basket supermarket is under construction at 705 Pawtucket Boulevard, in the Pawtucketville neighborhood. In addition to a grocer, this commercial development will include 12,000 square feet of additional retail space. The project will include ancillary landscape, parking, stormwater management and utility improvements. This project represents an investment of over \$15M and will generate \$175K in annual property taxes. In addition, it will create 100 new full-time and 300 part-time jobs. The project is expected to be completed by the end of this year (2019).

**Acre Urban Revitalization and Development Plan:** In 1999, the City adopted a state-designated Chap. 121B urban renewal plan to comprehensively revitalize the Acre neighborhood including significant housing rehabilitation, new commercial development, job creation, and major public infrastructure improvements. Implementation of the Plan has resulted in the construction of a new retail complex area with a municipal senior center, a new middle school, over 300 units of new or renovated affordable and market rate housing, public parking, underground utilities, period lighting, new canal walkways with improved open space, and new or expanded commercial development to both generate and retain jobs in the neighborhood. Additional infrastructure and open space improvements are ongoing. Habitat for Humanity of Greater Lowell, Inc. recently completed eight affordable housing units on three separate sites and will construct 2 additional units starting in Spring 2018. In addition, the City is working with Broadway Street Holdings, Inc. to redevelop nearly 2 acres of land by the Stocklosa School for mixed-use redevelopment. Brownfield assessment funds are being utilized to identify potential commercial and/or residential development opportunities. The Acre Plan has generated over \$63 million in private investment, created over 250 jobs, and generated over \$350,000 in new annual tax revenue. It is frequently cited by the Commonwealth of Massachusetts as a successful model for urban renewal in MA. In the coming months, the City will review and decide whether or not it wishes to continue the Acre Plan in some fashion or not.

**Acre Urban Revitalization and Development Plan:** In 1999, the City adopted a state-designated Chap. 121B urban renewal plan to comprehensively revitalize the Acre neighborhood including significant housing rehabilitation, new commercial development, job creation, and major public infrastructure improvements. Implementation of the Plan has resulted in the construction of a new retail complex area with a municipal senior center, a new middle school, over 300 units of new or renovated affordable and market rate housing, public parking, underground utilities, period lighting, new canal walkways with improved open space, and new or expanded commercial development to both generate and retain jobs in the neighborhood. Additional infrastructure and open space improvements are ongoing. Habitat for Humanity of Greater Lowell, Inc. recently completed both a new public park and a new duplex, bringing their total construction up to 10 affordable housing units on four separate sites. In addition, the City is working with Broadway Street Holdings, Inc. to redevelop nearly 2 acres of land by the Stocklosa School for mixed-use redevelopment. Brownfield assessment funds are being utilized to identify potential commercial and/or residential development opportunities. The Acre Plan has generated over \$63 million in private investment, created over 250 jobs, and generated over \$350,000 in new annual tax revenue. It is frequently cited by the Commonwealth of Massachusetts as a successful model for urban renewal in MA. Last November, The City Council voted to extend the plan for 10 years, extending the plan to January 2030.

**Jackson/Appleton/Middlesex Urban Revitalization and Development District (JAM Plan):** Following decades of disinvestment and recognizing the need for substantial and direct public sector involvement, the Lowell City Council adopted the Jackson/Appleton/Middlesex Urban Revitalization and Development District, or JAM Plan, in early 2000. The plan was created in order to inject life into the redevelopment of the neighborhood that is located adjacent to the heart of Downtown Lowell. Since the creation of the state approved and locally adopted urban renewal district (Chap. 121B), a wave of public and private improvements and investments have materialized in the JAM Plan neighborhood, which continues to be an area ripe with redevelopment opportunities. The JAM Plan's mid-way point is also highlighted by the completion of the \$42,000,000 new home of the Lowell Community Health Center on Jackson Street. LCHC has completed Phase 2 in the adjacent mill space with new vision and dental services, now occupying approximately 165,000 square feet of space.

Building on the success of infrastructure improvements such as construction of the Early garage, a 900 space structured parking development with ground floor retail, and the conversion of Middlesex Street to two-way traffic operation to support neighborhood business, the City continues to support targeted redevelopment or rehabilitation of a number of smaller properties along Middlesex, Appleton, summer and Gorham Streets. Lowell Community Charter School has recently purchased nearly an acre of vacant property on Middlesex Street for expansion and possible creation of a school

playground/field house. The District is also home to Mill No. 5, a privately owned/managed incubator space for retailers, attracting hundreds of people to weekend markets and events. Other planned improvements include the \$25 million redesign and reconstruction of the adjacent Lord Overpass; a project that will improve multi-modal transportation access to the JAM area, and a 5-story, 24-unit development (new construction) on 160 Middlesex Street.

**Hamilton Canal Innovation District:** The most exciting and comprehensive initiative in the JAM Plan is the redevelopment of the Hamilton Canal Innovation District. This project will result in the creation of a new mixed-use transit-orientated neighborhood reconnecting Downtown Lowell with the City's transportation infrastructure at the Gallagher Intermodal Transit Center and the Lowell Connector highway. As part of the redevelopment efforts, the City completed a highly inclusive public planning process which resulted in a fully entitled master plan for the Hamilton Canal Innovation District redevelopment.

In spring 2011, the redevelopment of the Appleton Mills into 130 units of artist housing was completed. This project is now a fully-occupied creative community. The District's first commercial office space recently opened in the historic 110 Canal Street property boasting 54,000 square feet of space. UMass Lowell took full occupancy of the building for the Innovation Hub, expansion of the Massachusetts Medical Device Development (M2D2) Center and most recently, instituting their Fabric Discovery Center in the first two floors of the building. Infrastructure construction has been completed on the south side of the site to provide access and utility services for 110 Canal as well as for the next 6 development parcels. After making a successful application to the Commonwealth's MassWork Infrastructure Grant program and federal EDA program, the City is undertaking another \$7,200,000 infrastructure improvement project by constructing new streets and utility service on the north side of the district with the project to be completed by the summer 2020. The City is also managing the construction of a new 900 space parking garage to accommodate development in the district, which started in August 2019. Combined these new projects will result in more than \$40M in new public investment in the District.

As outlined in the Hamilton Canal Innovation District Master Plan, the redevelopment effort represents a \$700-\$800 million investment that will create nearly 2 million square feet of new building space, leading to the creation of at least 400 and up to 1,800 new permanent jobs in the City. The project will include the development of over 700 new units of housing, up to 55,000 square feet of retail, and up to 450,000 square feet of commercial/office space. Additionally, the Massachusetts Division of Capital Asset Management (DCAM) completed the construction of a new 225,000+ square foot, Trial Court on a portion of the site in March 2020.

**Lord Overpass:** The Lord Overpass was originally constructed in 1959 and is City owned. The overpass is a grade separated diamond interchange between Thorndike Street, Middlesex Street and Appleton Street/Chelmsford Street. The Lord Overpass today is functionally and structurally deficient. There is no access to the Hamilton Canal Innovation District (HCID) redevelopment or the new Justice Center with the current configuration. The City is currently undertaking a \$25M redesign and reconstruction of Lord Overpass; a project that will improve multi-modal transportation access to the JAM area. Construction will be starting this spring (2020) and it is expected to be completed by fall of 2022.

**Ayer's City Industrial Park Plan:** Ayer's City Industrial Park (ACIP,) the City's third and newest urban renewal plan, was approved by the Lowell City Council on April 29, 2014 and received final approval from DHCD on May 29, 2014. Ayer's City Industrial Park defines redevelopment concepts and specific projects to revitalize the Tanner Street industrial corridor to drive the next decade of job creation and industrial development in Lowell. The plan area includes approximately 108 acres roughly bounded by the Lowell Connector, Plain Street and the active railroad line that crosses over Gorham Street. The planning process engaged a diverse group of neighborhood and city-wide stakeholders for detailed discussions and solicited comments from a broad range of participants in several public meetings to craft a vision of neighborhood transformation. Every recommendation in the Ayer's City Industrial Park plan is designed to support transformation of the district into an area that is both economically and environmentally sustainable - supporting emerging industries to create jobs and increase tax revenues; and facilitating an attractive, healthy environment with improved multi-modal transportation opportunities and access to natural resources. The first project planned for the ACIP is the realignment of Tanner Street to improve vehicular and truck access to the area, with final roadway design expected by this fall. The City continues to engage and communicate with affected roadway project abutters and other area stakeholders to move this project forward. The City was fortunate to receive a \$3Million Massworks grant in order to begin construction on phase 1 of the project in summer 2020.

**Lowell Memorial Auditorium:** Following a nearly \$8 million comprehensive renovation to the facility in 1985 and approximately \$3 million worth of additional renovations since 2008, the Lowell Memorial Auditorium is a prime venue for an average of 150 concerts, touring theatrical productions, and special events annually, bringing 150,000 people to Downtown Lowell each year. The City contracts with the management company, Lowell Management Group to operate this venue. In 2017, the City replaced the facility's boilers with the goal of reducing energy consumption costs by over 45%. It also completed needed interior renovations to include the reupholstering of the entire seating area and new flooring. A portion of this work was possible through a \$300,000 matching grant by the MA Cultural Council. Most recently, the City has started renovation/ expansion of the restrooms, masonry repairs and adding new exterior lighting. These projects will represent an investment of nearly \$1.1M.

In November of 2019, the City completed the following projects: installation of two new handicap bathrooms to the 1<sup>st</sup> floor concourse, renovation of two existing bathrooms, and the installation of a new exterior entryway in the rear of the building. These projects represent an investment of over \$450,000.

**Paul E. Tsongas Center:** Constructed in the late 1990s, the Tsongas Center is a 6,200 seat multi-purpose arena, which is the home of the UMass Lowell Division 1 hockey team, and a major venue for touring concerts, athletic competitions, and special events. In January, 2010 the ownership of the \$24 million arena was transferred to UMass Lowell. As a result of this transfer, the City has no further responsibility for operating the arena, which had operated with an annual deficit of up to \$1.3 million a year. The arena brings over 300,000 people to Downtown Lowell annually.

**LeLacheur Park:** A 4,700 seat, \$10.4 million baseball stadium was opened in 1998 and is home to the Lowell Spinners, a Single-A Minor League affiliate of the Boston Red Sox, and the UMass Lowell baseball team. The Spinners have sold out nearly every home game since 2000, drawing 100,000s of people to Lowell. The City made significant upgrades to this ballpark by replacing the heating system, making significant masonry repairs to the exterior walls, as well as replacing the existing scoreboard with a new LED one. In the summer and fall of 2015 the City completed the majority of other additional renovation such as: upgrades to the bathroom facilities, new sinks, painting and new partitions.

**Lowell Riverwalk and Canalways:** The Merrimack Riverwalk, a \$3.5 million walkway along the historic “Mile of Mills” on the Merrimack River connects the University of Massachusetts at Lowell, LaLacheur Park; the City’s minor league baseball facility, and the Paul E. Tsongas Center with the City’s Central Business District. A \$4.8 million extension of the Riverwalk project is currently being constructed. The Riverwalk is the centerpiece to a network of canalside multi-use trails along the 5.6 miles of downtown Lowell canals, collectively a significant waterfront recreational amenity for Downtown Lowell.

**Concord River Greenway:** The Concord River Greenway Park (also known as the CRG or Greenway) is a multi-use trail through the green heart of Lowell along the scenic Concord River bank. The City’s ultimate goal is to link the Greenway to the Bruce Freeman Rail Trail (BFRT). The BFRT has a trailhead by Showcase Cinemas on Industrial Ave in Lowell. To date, Lowell has received \$500,000 in funding through the State’s PARC program and \$1.6M in funding through the State’s Gateway City Parks program to support the project. In 2015, the City completed the phase connecting Jolene Dubner Park with Centennial Island Apartments. Currently, the City is working with a private design firm and the Lowell Parks and Conservation Trust to bid the remaining portions of the greenway.

**Middlesex Community College (MCC):** This state-supported community school opened its Lowell campus in 1991 at the Wang Training Center building located at the Lower Locks area of the Central Business District representing a total investment cost of approximately \$12.5 million dollars. Since then, the college has expanded its facilities and has occupied other buildings in the downtown area including the Morse Federal Building on East Merrimack St and the historic Pollard Exchange building on Middle Street in affiliation with the Middlesex Academy Charter School. This purchase resulted in the expansion of the college’s health and science programs as well as the Charter school’s capacity to serve local students who have left high-school before graduating or face risks of dropping out. In the fall of 2018 MCC opened the Richard and Nancy Donahue Family Academic Arts Center. Located in the former Boston and Maine Railroad Depot, also known as the historic “Rialto Building” the Arts Center houses the College’s performing arts programs. Currently, MCC offers more than 75 associate degree and certificate programs.

The following table sets forth the trend in MCC’s enrollments.

<u>Year</u>	<u>Enrollment*</u>
2018	11,217
2017	12,009
2016	12,254
2015	13,267
2014	9,392

Data Source: Middlesex Community College

\*Enrolment is for both Lowell & Bedford Campuses, since the majority of students take classes on both campuses.

**Downtown Improvements:** Over the past decade the City of Lowell has spent \$1.7 million in City and Community Development Block Grant Funds for downtown improvements including street resurfacing, signal coordination, updated crosswalks, sidewalks and accessible ramps, resetting of cobblestone streets, tree planting, hanging planters, City Hall landscaping, installation of Victorian streetlights, bicycle lanes and sharrows, benches, directional kiosks and pedestrian signage. The City has spent over \$17 million on canal walkways, river walkways, bicycle lanes and roadway improvements in the downtown area that have improved access to businesses, cultural facilities and historic sites. Two-way traffic operations have been successfully restored to several downtown streets in the early fall of 2014, increasing accessibility,

way-finding, and the desirability of retail storefronts. The Department of Planning & Development finalized another phase in 2016 of significant physical upgrades to the downtown area such as improving street lighting, adding new planters, new banners, sidewalk repair and other streetscape improvements. The Planning Department, Economic Development staff continues to receive inquiries from new businesses wishing to locate downtown. In the spring of 2017 the City permitted a boutique hotel project on Market Street. This project is being completed by the owners of a local restaurant whose plans include renovation and expansion of the restaurant as well as the construction of a new 56 room hotel on what is now used as a surface parking lot. In 2018, the City received \$250,000 in state earmarked funds to make additional repairs to sidewalks, crosswalks and other streetscape improvements.

**Lowell General Hospital:** Lowell General Hospital has been recognized as one of the best hospitals in Massachusetts, ranking 15<sup>th</sup> overall in the state. It was also recognized as one of the “Best Place to Work” for five (5) years in a row by the Boston Business Journal. This community hospital has experienced significant growth over that last few years, when the board of trustees from both Lowell General and Saints Medical Center agreed to merge the two hospitals to become the 9<sup>th</sup> largest hospital in the state. This merger resulted in a strong financial position at both campuses, while improving the quality of health-care services. The hospital also completed an extensive physical expansion and partial-facility replacement project estimated at approximately \$100 million at its main campus on Varnum Avenue. In 2015, Lowell General Hospital and Tufts Medical Center finalized an agreement to form a strong partnership and established a new health care system, “Wellforce”, the first of its kind in Massachusetts. This new organization is the parent company of both Circle Health and Lowell General Hospital. Normand Deschene serves as CEO of Wellforce, President and CEO of Circle Health as well as President and CEO of Lowell General Hospital. The new healthcare system allows greater Lowell area residents to have access to over 1,800 additional physicians affiliated with Tufts Medical Center. In 2018 Circle Health invested \$1M to support the Lowell Community Health Center’s expansion to add dental and vision care. The new Dental and Vision Center open in the spring of 2018. Recently, Circle Health and Lowell General Parent “Wellforce” announced partnership negotiations with South Shore Health.

**Artist Live/Work Space:** The City’s first artist-live work space project occurred over 15 years ago with the redevelopment of the historic J.C. Ayer and Save-Mor Buildings on Middle Street into live-work space for local artisans. The \$4.5 million renovation of the two buildings resulted in 51 live-work units and was completed in June 2000. Since then, other successful projects came to fruition such as the Appleton Mills, which has been transformed into 130 affordable artist live/work housing units and most recently, the Western Avenue Lofts with additional 46 artist live/work space units. The Western Avenue Studios, adjacent to Western Ave Lofts, has the largest concentration of Artists’ work space in New England, with approximately 150 work studios, and over 200 artists. Also, the Gates Block on Market Street has been renovated to become the new home of the “Arts League of Lowell (ALL)” as well as new artist works studios, and gallery space.

**Other Recent/ Ongoing Residential Projects in Downtown Area:** Below is a table illustrating the residential development in the Downtown area for the past 10 years. These projects either have been completed or have been approved by the Lowell Planning Board between 2010 and February 2020. These projects represent a total investment of approximately \$438 million from 2010 to present. A total of 1,340 units were added to Downtown’s residential inventory.

Project Name	Location	Estimated Investment (million)	Total No. of Units	Status
Western Avenue Lofts	Western Avenue	\$7,500,000	50	Completed
Boott Mills East	Foot Of John Street	\$30,000,000	154	Completed
Textile Museum Phase I	491 Dutton Street	\$2,000,000	12	Completed
Appleton Mills	307 Jackson Street	\$65,000,000	130	Completed
Boott Mills- West Phase II	Foot of John Street	\$36,917,000	77	Completed
Lofts at Perkins Park Phase II	Perkins Street	\$5,000,000	41	Completed
Challifoux Building	24-26 Merrimack Street	\$7,500,000	47	Completed
One City Square	98 Central Street	\$2,000,000	11	Completed
278 Central Street	278 Central Street	---	10	Completed
Edge of Merrimack	1 Merrimack Plaza	\$50,000,000	156	Completed
Countinghouse Lofts	165 Jackson Street	\$20,878,000	52	Completed
15 Kearney Square	15-17 Kearney Square	\$8,000,000	22	Completed
Adden Building	109 Jackson Street	\$16,000,000	75	Completed
Thorndike Exchange Phase I	165 Thorndike Street	\$40,000,000	62	Completed
Textile Museum Phase II	491 Dutton Street	\$5,000,000	33	In Progress
Mass Mills Phase III	170 Bridge Street	\$42,035,800	129	In progress
1 East Merrimack	1 East Merrimack Street	\$25,000,000	66	In Progress
43 Market Street	43 Market Street	---	9	In Progress
Thorndike Exchange Phase II	165 Thorndike Street	\$25,000,000	75	Permitted
279 Dutton St.	279 Dutton Street	---	4	Permitted
Parcels # 8 & 9	Hamilton Canal Innovation District	\$50,000,000	125	Permitted

Over the past ten (10) years, an additional 85 residential projects, representing 2,470 units, were built outside of Downtown. Below is a table illustrating the residential projects that have been completed or approved by the Planning Board between 2010 and March 2020.

<u>Name of the Project</u>	<u>Description</u>	<u>No. of Units</u>	<u>Status</u>
39 Myrtle Street	Apartments	9	Approved
279 Dutton Street	Apartments	2	Approved
491 Dutton Street	Live/work	13	Approved
193.1 and 239.1 Jackson Street	Apartments	118	Approved
138 Middlesex Street	Mixed use	3	Approved
152 Jewett Street	Single-Family	1	Approved
142 Liberty Street	Single-Family	1	Approved
153 Westford Street	Multi-Family	4	Approved
160 Middlesex Street	Mixed-Use	24	Approved
408 E Merrimack Street	Multi-Family	1	Approved
23 Exeter Street	Two-Family	2	Approved
31 Fairgrove Avenue	Single-Family	1	Complete
432 Suffolk Street	Single-Family	1	Complete
55 Parker Street	Two-Family	2	Complete
41 Ellis Avenue	Single-Family	1	Complete
42 Highland Street	Multi-Family	4	Complete
205 Billerica Street	Multi-Family	3	In Progress
102 Appleton Street	Mixed-Use	4	In Progress
25 Read Street	Three-Family	3	In Progress
1 E Merrimack Street	Mixed Use	42	In Progress
122 Sixth Street	Multi-Family	1	In Progress
157 Billerica Street	Multi-Family	3	In Progress
29-31 Paige Street	Live/work	2	In Progress
755 School Street	Single-Family	1	In Progress
66 and 72 Manchester Street	Multi-Family	4	In Progress
70 Fox Street	Single-Family	1	In Progress
22 Abbott Street	Single-Family	1	In Progress
12 Manchester Street	Single-Family	1	In Progress
39 Myrtle Street	Apartments	9	Approved
279 Dutton Street	Apartments	2	Approved
491 Dutton Street	Live/work	13	Approved
193.1 and 239.1 Jackson Street	Apartments	118	Approved
138 Middlesex Street	Mixed use	3	Approved
152 Jewett Street	Single-Family	1	Approved
142 Liberty Street	Single-Family	1	Approved
153 Westford Street	Multi-Family	4	Approved
160 Middlesex Street	Mixed-Use	24	Approved
408 E Merrimack Street	Multi-Family	1	Approved
23 Exeter Street	Two-Family	2	Approved
31 Fairgrove Avenue	Single-Family	1	Complete
432 Suffolk Street	Single-Family	1	Complete

As highlighted previously, commercial development in the City has been steady within the past 10 years. As a result, a total of over 100 significant projects resulted in a total of over 4.6 million square feet of new commercial space.

Commercial projects recently completed or in progress include the following:

<b>Location</b>	<b>Description</b>	<b>Total Square Footage</b>	<b>Status</b>
268 Mt. Vernon St & 5 Farnham St	New industrial and retail building	22,000	Approved
102 Appleton Street	Mixed Use residential and commercial	2,648	Approved
48, 58, 66 Townsend Ave; 800.1 and 810 Varnum Ave	Khmer Buddhist temple	16,800	Approved
493 & 509 Market Street	Mixed Use	2,492	Approved
1 E Merrimack Street	Mixed Use residential and restaurant	915	Approved
165 Industrial Ave E	New printing facility	18,240	Approved
70 Industrial Ave E	Cannabis manufacturing facility	31,064	Approved
740 Dutton Street	Cannabis cultivation facility	6,800	Approved
330 Jackson Street	New Parking Garage	22,878	Approved
70 Industrial Ave E	Retail cannabis	5,800	Complete
78-90 Lakeview	Domino's restaurant	6,000	Complete
181 Stedman Street	Cannabis cultivation facility	14,500	Complete
1488 Middlesex Street	Commercial	7,000	In Progress
205-207 Market Street	Hotel	7,990	In Progress
484 Merrimack Street	Mixed Use residential and restaurant	2,600	In Progress
677 and 705 Pawtucket Boulevard	New Market Basket Supermarket and other retail/restaurant	84,500	In Progress
2 Prince Avenue; 1 Markley Way	Data center	60,500	In Progress
350.4 Dutton Street	New Parking Garage	49,800	In Progress
138 Middlesex Street	Mixed use commercial and residential	1,500	In Progress
70-80 Church Street	Convert building to woodworking manufacturing	28,465	In Progress
26 Wellman Street	Cannabis cultivation facility	12,503	In Progress
3 Foundry St; 49.1 Marshall Rd	Cannabis cultivation facility	12,041	In Progress
211 Plain Street	Convert building unit to a licensed establishment for the care of the sick, aged, disabled, or convalescent	12,324	In Progress
160 Middlesex Street	Mixed-Use residential and commercial	1,500	In Progress
908 Lawrence Street	Contractor's garage	3,339	In Progress
1488 Middlesex Street	Commercial	7,000	Permitted
205 Market Street	Hotel	6,990	Permitted
3504 Dutton Street	HCID Garage	256,400	Permitted
90 Old Ferry Road	Market Basket	81,000	Permitted

## Labor Force, Employment and Unemployment

According to the Massachusetts Labor and Workforce Development's Municipal Employment Data, in December 2019, the City of Lowell had a total labor workforce of 58,080 of which 56,425 were employed and 1,655 or 2.8% were unemployed as compared with 2.4% for the commonwealth.

The table below sets forth the City's average labor force and unemployment rates and the unemployment rates for the Commonwealth and the United States for the following calendar years.

### UNEMPLOYMENT RATES

Year	City of Lowell		Massachusetts	United States
	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2018	57,506	3.8 %	3.3 %	3.9 %
2017	55,404	4.3	3.7	4.4
2016	54,407	4.8	3.3	5.0
2015	54,118	6.5	4.9	5.0
2014	53,263	6.0	5.6	6.7

SOURCE: MA Department of Employment & Training and the U.S. Bureau of Labor Statistics. Data are based upon place of residence, not place of employment.

## Building Permits

The following table sets forth the number of building permits issued as well as estimated dollar value of new construction and alterations for calendar years 2015 through 2019. The estimated dollar values shown are builders' estimates which are generally considered to be conservative. Permits are filed and estimated valuations are shown for both private construction as well as for City projects.

### BUILDING PERMITS

Calendar Year	New Construction				Additions/Alterations				Total	
	Residential		Non-Residential		Residential		Non-Residential		No.	Value
	No.	Value	No.	Value	No.	Value	No.	Value		
2019	72	\$ 24,872,242	6	\$14,815,229	2137	\$ 75,357,521	281	\$ 54,926,782	2,496	\$ 169,971,774 (1)
2018	68	7,081,621	21	2,298,003	1,978	34,259,238	286	23,079,748	2,353	66,718,610 (2)
2017	63	5,323,255	17	2,313,334	1,308	30,891,585	283	29,351,292	1,671	67,879,466 (3)
2016	59	27,143,358	4	911,000	2,042	34,515,837	321	46,277,500	2,426	108,847,695 (4)
2015	78	6,200,697	14	3,176,164	1,490	28,594,088	303	37,701,889	1,885	75,672,838 (5)

- (1) Includes 73 permits for tax exempt properties for \$6,449,889.
- (2) Includes 87 permits for tax exempt properties for \$13,783,864.
- (3) Includes 45 permits for tax exempt properties for \$1,961,818.
- (4) Includes 102 permits for tax exempt properties for \$24,430,400.
- (5) Includes 169 permits for tax exempt properties for \$13,147,953.

## Transportation

The principal highways which serve the City are Interstate 495, U.S. Route 3, and state routes 38, 110 and 113. These highways provide convenient access to the rest of Massachusetts and to northern New England. The Massachusetts Bay Transportation Authority (MBTA) provides commuter rail service on a regular basis to Boston. Established trucking lines provide competitive service locally and to long distance points. The City is within commuting distance of Boston's Logan International Airport, the Worcester, Massachusetts Airport, and the Manchester, New Hampshire Municipal Airport. The Lowell Regional Transit Authority provides public bus transportation in Lowell and surrounding communities. Bus service from the Gallagher bus terminal is provided to locations throughout New England and the Northeast.

**Population, Income and Wealth Levels**

	<u>Lowell</u>	<u>Massachusetts</u>	<u>United States</u>
<b>Median Age:</b>			
2010	32.6	39.1	37.2
2000	31.4	36.5	35.3
1990	29.4	33.6	32.9
1980	28.5	31.2	30.0
<b>Median Family Income:</b>			
2010	\$ 55,852	\$ 81,165	\$ 51,144
2000	45,901	61,664	50,046
1990	35,138	44,367	35,225
1980	17,942	21,166	19,908
<b>Per Capita Income:</b>			
2010	\$ 22,730	\$ 33,966	\$ 27,334
2000	17,557	25,952	21,587
1990	12,701	17,224	14,420
1980	6,016	7,459	7,313

SOURCE: U.S. Bureau of the Census.

On the basis of the 2010 U.S. Bureau of the Census, the City has a population density of 7,731 persons per square mile.

**Population Trends**

<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
94,239	92,418	103,439	105,167	106,519

SOURCE: U.S. Bureau of the Census.

## PROPERTY TAXATION

### Tax Levy Computation

A principal revenue source of the City is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law. (For a description of those limits, see "Tax Limitations" below). The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from available funds for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements, no reserve is generally provided for uncollectible real property taxes. (See "Overlay" below). Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items. (See "Taxation to Meet Deficits" below). The table below illustrates the manner in which the tax levy was determined for the following fiscal years.

### TAX LEVY COMPUTATION

	Fiscal Year				
	2016	2017	2018	2019	2020
Amounts to be Raised:	\$334,949,487	\$341,283,890	\$350,042,591	\$363,742,397	\$376,366,067
Appropriations(1)					
Other Local Expenditures(2)	666,653	664,261	391,230	250,142	777,403
State and County Assessments	20,826,847	22,845,988	24,703,156	26,755,700	29,061,793
Overlay Reserve	1,608,847	1,092,395	1,111,806	1,110,413	1,135,655
Gross Amount to be Raised	<u>358,051,834</u>	<u>365,886,534</u>	<u>376,248,783</u>	<u>391,858,652</u>	<u>407,340,917</u>
Offsets:					
State Aid(3)	169,049,212	170,344,408	175,300,994	182,943,041	196,127,351
Local Receipts	67,679,263	66,256,197	65,674,489	68,705,804	70,847,169
Free Cash	-	-	-	-	84,118
Other Available Funds	2,089,314	5,151,795	6,765,349	6,423,999	1,950,637
Total Offsets	<u>238,817,789</u>	<u>241,752,400</u>	<u>247,740,832</u>	<u>258,072,844</u>	<u>269,009,274</u>
Tax Levy	<u><u>\$119,234,045</u></u>	<u><u>\$124,134,134</u></u>	<u><u>\$128,507,951</u></u>	<u><u>\$133,785,808</u></u>	<u><u>\$138,331,643</u></u>

(1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget, but prior to the setting of the tax rate. Also includes the wastewater department budget.

(2) Primarily includes state aid offsets and snow and ice deficits.

(3) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments.

### Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 percent of its share of the total taxable valuation; the effective rate for open space must be at least 75 percent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 35 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every five years, or pursuant to a revised schedule as may be issued by the Commissioner. The City's next revaluation will occur in fiscal 2022.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

The table below sets forth the trend in the City's assessed valuations, tax levies, and tax levies per capita for the following fiscal years.

For Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Levy Per Capita(1)
2020	\$ 8,728,067,121	\$ 315,256,353	\$ 9,043,323,474	\$ 138,331,643	\$ 1,299
2019	7,866,099,577	321,714,823	8,187,814,400	133,785,808	1,256
2018	7,371,290,220	292,910,971	7,664,201,191	128,507,951	1,206
2017 (2)	6,815,418,064	274,867,186	7,090,285,250	124,134,134	1,165
2016	6,420,432,601	263,496,390	6,683,928,991	119,234,045	1,119

(1) Based on the 2010 U.S. Bureau of Census population figure for the City (106,519).

(2) Reflects results of professional revaluation of all real and personal property of the City.

### Classification of Property

The following table sets forth the breakdown of the City's assessed real estate valuations for fiscal years 2020, 2019 and 2018.

	Fiscal 2020		Fiscal 2019		Fiscal 2018	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 7,737,369,585	88.6 %	\$ 6,893,732,383	87.6 %	\$ 6,445,465,651	87.4 %
Commercial	630,332,311	7.2	605,841,004	7.7	584,172,204	7.9
Industrial	360,365,225	4.1	366,526,190	4.7	341,652,365	4.6
Total	<u>\$8,728,067,121</u>	<u>100.0 %</u>	<u>\$7,866,099,577</u>	<u>100.0 %</u>	<u>\$7,371,290,220</u>	<u>100.0 %</u>

The following table sets forth the trend in the City's tax rates.

Fiscal Year	Tax Rate Per \$1,000 Valuation	
	Residential	Commercial/Industrial
2020	\$ 13.36	\$ 26.77
2019	14.04	28.59
2018	14.39	29.34
2017 (1)	14.92	30.64
2016	15.16	31.22

(1) Revaluation year.

## Largest Taxpayers

The following table sets forth the list of the City's ten largest taxpayers based upon assessed valuations for fiscal 2020. The taxpayers listed below are current in their payments.

Name	Nature of Business	Total Assessed Valuation for Fiscal 2020	% of Total Value
CP Associates LLC	Office Building	\$104,380,600	1.15 %
Princeton Properties	Housing/Office Building	104,040,266	1.15
National Grid / Electric	Public Utility	98,790,262	1.09
National Grid / Gas	Public Utility	92,106,744	1.02
Winn Residential	Housing / Subsidized	83,548,529	0.92
Coalition for a Better Acre	Housing / Subsidized	54,843,086	0.61
Westminster Preservation LP	Housing / Subsidized	47,159,586	0.52
New England Heritage Property Inc.	Housing	41,580,744	0.46
Massachusetts Mills	Housing	37,935,500	0.42
Farley White	R&D /Industrial	35,930,856	0.40
Total		<u>\$ 700,316,173</u>	<u>7.74 %</u>

## State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value".

The following table sets forth the trend in equalized valuations of the City of Lowell.

January 1,	State Equalized Valuation	% Change
2018	\$ 8,183,602,800	14.39 %
2016	7,154,033,100	9.18
2014	6,552,635,400	0.35
2012	6,529,851,600	(6.29)
2010	6,968,250,700	(14.88)
2008	8,186,441,400	11.91

## Abatements and Overlay

The City is authorized by law to include in each tax levy an amount approved by the Commissioner of Revenue for an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant "overlay deficit" is required to be added to the tax levy for the next fiscal year. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property taxes has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

The following table sets forth the amount of the overlay reserve for the current and last five years and the actual abatements and exemptions granted during each of those fiscal years through June 30, 2019.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Cumulative Abatements Granted Through June 30, 2019
		Dollar Amount	As a % of Net Levy	
2019	\$ 132,675,395	\$ 1,110,413	0.84 %	\$ 905,193
2018	127,396,145	1,111,806	0.87	691,286
2017	123,041,739	1,092,395	0.89	677,135
2016	117,625,198	1,608,847	1.37	706,851
2015	115,018,666	2,438,595	2.12	1,112,881

(1) Tax levy net of overlay allowance.

## Tax Collections

Property tax bills are payable quarterly on August 1, November 1, February 1, and May 1 of each fiscal year. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees). If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below. The following table compares the City's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the current and last five fiscal years.

### TAX COLLECTIONS

Fiscal Year	Gross Tax Levy	Overlay Reserve & Abatements	Net Tax Levy(1)	Collections During Fiscal Year Payable (2)		Collections as of June 30, 2019 (2)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
				2019	\$ 133,785,808	\$ 1,110,413	\$ 132,675,395
2018	128,507,951	1,111,806	127,396,145	125,847,879	98.78	127,036,425	99.72
2017	124,134,134	1,092,395	123,041,739	121,555,313	98.79	122,790,670	99.80
2016	119,234,045	1,608,847	117,625,198	116,560,504	99.09	117,604,120	99.98
2015	117,457,261	2,438,595	115,018,666	114,802,307	99.81	115,691,743	100.59

(1) Net after deduction of overlay for abatements.

(2) Actual dollar collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

## Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes thereon. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes. Uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

The table below sets forth the amount of tax titles and possessions outstanding at the end of the following fiscal years as well as the amounts of tax title redemptions in each of these same fiscal years. These include water, sewer, trash collection and other user fee liens.

Fiscal Year	Tax Titles	Tax Possessions	Tax Title Redemptions
2019	\$ 2,806,215	\$ 4,929,547	\$ 733,468
2018	2,818,904	4,374,317	755,172
2017	2,979,529	3,681,889	1,150,353
2016	3,630,963	1,615,526	857,661
2015	3,583,896	3,681,889	1,876,796

### **Taxation to Meet Deficits**

As noted elsewhere (see “Overlay” above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

### **Tax Limitations**

Chapter 59, Section 21C of the General Laws, also known as “Proposition 2 ½”, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year’s valuation.

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent

issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

#### Tax Levies and Tax Levy Limits (1)

	Fiscal year				
	2020	2019	2018	2017	2016
Primary Levy Limit (2)	\$ 226,083,087	\$ 204,695,360	\$ 191,605,030	\$ 177,257,131	\$ 167,098,225
Prior Fiscal Year Levy Limit	152,560,490	146,747,545	140,808,634	134,307,160	128,838,969
2.5% Levy Growth	3,814,012	3,668,690	3,520,216	3,357,679	3,220,974
New Growth (3)	2,530,737	2,144,212	2,418,695	3,143,795	2,247,217
Overrides	-	-	-	-	-
Growth Levy Limit	158,905,239	152,560,447	146,747,545	140,808,634	134,307,160
Debt Exclusions	-	-	-	-	-
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	158,905,239	152,560,447	146,747,545	140,808,634	134,307,160
Tax Levy	138,331,643	133,785,808	128,507,951	124,134,134	119,234,045
Unused Levy Capacity (4)	20,573,596	18,774,639	18,239,594	16,674,500	15,073,115
Unused Primary Levy Capacity (5)	\$ 67,177,848	\$ 52,134,913	\$ 44,857,485	\$ 36,448,497	\$ 32,791,065

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations (or required reduction) – certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

## **Pledged Taxes**

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "CITY FINANCES - Tax Increment Financing for Development Districts" below.)

## **Community Preservation Act**

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAX" herein). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

On November 5, 2019, the City adopted the CPA. The CPA surcharge of 1% will begin in fiscal year 2020.

## CITY FINANCES

### Budget and Appropriation Process

The budget process begins with the City Manager’s submission of a proposed budget for the ensuing fiscal year to the City Council within 170 days after the annual organization of the city government (which is ordinarily in early January). The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the City Manager, the City Council may not make any appropriation for a purpose not included in the proposed budget, except by a two-thirds vote in the case of a failure of the manager to recommend an appropriation for such a purpose within 7 days after a request from the council. The City Council may not increase any item without the recommendation of the City Manager. If the City Council fails to act on any item of the proposed budget within 45 days, that item takes effect.

If the City Manager does not make a timely budget submission, provision is made for preparation of a budget by the City Council. Water and sewer department expenditures are required to be included in the budget adopted by the City Council. Provision is also made for supplementary appropriations upon recommendation of the City Manager. Under certain circumstances and subject to certain limits and requirements, the City Council, upon recommendation of the City Manager, may transfer amounts appropriated for the use of one department (except for the school department) to another appropriation for the same department or for the use of any other department. School Committees are not autonomous with respect to school expenditures for current purposes. The school budget is limited to the amount appropriated by the City Council, but the school committee retains full power to allocate the funds appropriated.

City department heads are generally required to submit their budget requests to the City Manager between November 1 and December 1. School department budgets, expenditures, and other financial matters requiring action by the City Council shall be submitted to the City Manager for review and comment after they have been acted upon by the School Committee.

Mandatory items, such as state and county assessments, the overlay for abatements, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy.

### Budget Trends

The table below sets forth the trend in general and enterprise fund budgets for the following fiscal years. The budgets summarized below exclude expenditures for "non-operating" or extraordinary items.

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
General Government(1)	\$ 61,435,012	\$ 90,740,895	\$ 95,993,522	\$ 101,255,724	\$ 107,748,527
Public Safety	43,326,634	44,534,457	46,516,535	47,095,511	48,016,986
Public Works	37,784,719	39,828,794	39,815,347	40,682,044	40,626,186
Human Services	3,946,751	3,443,603	3,664,120	3,813,436	4,153,547
Culture/Recreation	1,979,913	2,040,531	2,289,294	2,180,484	2,145,870
Education(2)	165,165,243	169,440,620	174,288,447	178,251,008	189,438,346
Debt Service	23,197,777	24,124,141	22,393,187	25,296,620	25,617,172
<b>TOTAL</b>	<b>\$ 336,836,049</b>	<b>\$ 374,153,041</b>	<b>\$ 384,960,452</b>	<b>\$ 398,574,826</b>	<b>\$ 417,746,634</b>

(1) Includes pensions, annuities, retirement, other employee benefits, and City parking facilities.

(2) This category includes the Greater Lowell Regional Vocational Technical School District assessment.

## Revenues

**Property Taxes:** Property taxes are a major source of revenue for the City. The total amount levied is subject to certain limits prescribed by law. For a description of those limits see "PROPERTY TAXATION -- Tax Limitations" above.

**State Aid:** In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

**Motor Vehicle Excise:** An excise tax is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. The excise collected by and for the benefit of the municipality in which the vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12% per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the Registry of Motor Vehicles.

**Sewer Rates and Services:** The City's sewer services are accounted for in an enterprise fund. The City's Sewer Department provides sewer services to all commercial, industrial, and residential users in the City and has contracts with the towns of Chelmsford, Dracut, Tyngsborough and Tewksbury for use of the treatment facility. The sewer charge, which was increased in 2013, is a sliding scale ranging from \$2.71 to \$2.99 per hundred cubic feet (hcf) of metered water consumption. The trend in sewer revenues, expenditures and fund balance is detailed in the table below.

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures (including indirect charges)</u>	<u>Fund Balance</u>
2019	\$ 24,373,071	\$ 22,572,919	\$ 5,466,343
2018	21,968,682	21,986,682	2,745,229
2017	21,132,544	21,639,092	2,745,229
2016	19,012,957	20,428,118	1,923,511
2015	17,928,453	20,279,934	3,338,672

In August, 2014 the City Council approved an increase in the aforementioned sliding rate scale to a range of \$3.194 to \$3.533 per hcf of metered water consumption. The rate increase is part of a multi-year, incremental increase plan to support additional debt service related to the next phase of the sewer separation project. This project is intended to comply with mandated EPA requirements that municipalities reduce the environmental impact of overflow related to the combined sewer systems. The sewer rate was increased by as part of the FY17 budget, resulting in the current sliding scale range of \$4.170 to \$4.612 per hcf of metered water consumption. The sewer rate was increased by as part of the FY18 budget, resulting in the current sliding scale range of \$4.545 to \$5.027 per hcf of metered water consumption. The sewer rate was increased by as part of the FY19 budget, resulting in the current sliding scale range of \$4.681 to \$5.178 per hcf of metered water consumption.

**Water Rates and Services:** The City's water services are accounted for in an enterprise fund. Water is supplied to all City residents and businesses by the municipal water department. Current daily capacity is 30 million gallons. Current average daily consumption is 14 million gallons per day. The City's water treatment plant and distribution system has been extensively rehabilitated. The City has water supply contracts with the towns of Tewksbury, Dracut, Tyngsborough, and Chelmsford. The water charge, which was increased on January 1, 2011, is a sliding scale ranging from \$2.08 to \$2.55 per hundred cubic feet "hcf" of metered water consumption. In June 2018 the City Council approved an increase in the aforementioned sliding rate scale to a range of \$2.138 to \$2.623 per hcf of metered water consumption.

The trend in water revenues, expenditures and fund balance is detailed in the table below.

Fiscal Year	Revenues	Expenditures (including indirect charges)	Fund Balance
2019	\$ 11,277,836	\$ 12,581,164	\$ 8,706,581
2018	11,115,458	11,881,207	10,357,316
2017	10,937,545	11,620,047	11,123,065
2016	12,211,562	9,963,633	11,805,567
2015	11,123,279	9,904,867	9,557,639

**Room Occupancy Tax:** Under Chapter 64G, Section 3A, of the Massachusetts General Laws, local governments may tax the provision of hotel, motel, and lodging house and bed and breakfast rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located. The City levies the full 6.0% room occupancy tax as permitted under the law. Receipts of such tax totaled \$308,651 in fiscal 2017, \$331,215 in fiscal 2018 and \$183,254 in fiscal 2019.

**Local Meals Excise Tax:** In May 2010 the City enacted a local meals excise tax on sales of restaurant meals. The tax is a three-fourths percent tax on the gross receipts of a vendor from the sale of restaurant meals. The vendor pays the tax to the State Commissioner of Revenue, which in turn, pays the tax to the municipality in which the meal was sold. This tax generated \$1,227,302 in fiscal 2017, \$1,238,909 in fiscal 2018 and \$950,618 in fiscal 2019.

### **Education Reform**

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. See “Supplemental Reserve Fund” herein for a discussion of the City’s recent compliance with the net school spending requirement.

### **State School Building Assistance**

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the “Authority”) to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority’s share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant,

is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The maximum reimbursement rate for new project grant applications submitted on or after July 1, 2007 is 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

### **Investment of City Funds**

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

A breakdown of such investments may be obtained from the City Treasurer.

Pension funds are under the jurisdiction of the Lowell Contributory Retirement System.

### **Tax Increment Financing for Development Districts**

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above).

The City has not established any such development districts.

**Annual Audits**

An audit of the City's financial statements for fiscal 2019 is attached hereto as Appendix A. This audit was prepared for the City by Powers & Sullivan, Certified Public Accountants, Wakefield, Massachusetts.

The attached audit speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Annual Report or to perform audit procedures regarding the post-audit period, not have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

**Financial Statements**

Set forth on the following pages are the Governmental Funds Balance Sheets for the fiscal years ended June 30, 2019, June 30, 2018 and June 30, 2017, and Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund, for the fiscal years ended June 30, 205 through 2019. All of these statements were extracted from the City's audited financial statements.

**City of Lowell, Massachusetts**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2019 (1)**

<b>ASSETS</b>	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 33,983,017	\$ 22,509,169	\$ 56,492,186
Investments	-	1,839,943	1,839,943
Receivables, net of uncollectables:			
Real estate and personal property taxes	2,460,526	-	2,460,526
Tax liens	1,432,147	-	1,432,147
Motor vehicle and other excise taxes	2,036,585	-	2,036,585
User fees	689,998	-	689,998
Departmental and other	386,247	3,700	389,947
Intergovernmental	19,446,125	13,192,069	32,638,194
Loans	-	1,132,642	1,132,642
Tax foreclosures	4,929,547	-	4,929,547
Working capital deposit	211,500	-	211,500
<b>TOTAL ASSETS</b>	<b>\$ 65,575,692</b>	<b>\$ 38,677,523</b>	<b>\$ 104,253,215</b>
<b>LIABILITIES &amp; FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable	\$ 6,580,702	\$ 4,781,817	\$ 11,362,519
Accrued payroll	12,530,232	976,951	13,507,183
Tax refunds payable	189,700	-	189,700
Other liabilities	5,780,757	-	5,780,757
Notes payable	-	2,245,027	2,245,027
<b>TOTAL LIABILITIES</b>	<b>25,081,391</b>	<b>8,003,795</b>	<b>33,085,186</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes paid in advance	4,405	-	4,405
Unavailable revenue	16,318,012	12,291,095	28,609,107
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>16,322,417</b>	<b>12,291,095</b>	<b>28,613,512</b>
<b>Fund Balances:</b>			
Nonspendable	-	1,847,352	1,847,352
Restricted	1,150	17,101,692	17,102,842
Committed	2,166,777	-	2,166,777
Assigned	66,629	-	66,629
Unassigned	21,937,328	(566,411)	21,370,917
<b>TOTAL FUND BALANCES</b>	<b>24,171,884</b>	<b>18,382,633</b>	<b>42,554,517</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 65,575,692</b>	<b>\$ 38,677,523</b>	<b>\$ 104,253,215</b>

(1) Extracted from the audited financial statements of the City.

**City of Lowell, Massachusetts  
Governmental Funds  
Balance Sheet  
June 30, 2018 (1)**

<b>ASSETS</b>	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 39,727,621	\$ 21,561,343	\$ 61,288,964
Investments	-	1,697,296	1,697,296
Receivables, net of uncollectables:			
Real estate and personal property taxes	2,229,603	-	2,229,603
Tax liens	2,065,186	-	2,065,186
Motor vehicle and other excise taxes	1,036,642	-	1,036,642
User fees	658,921	-	658,921
Departmental and other	288,391	300	288,691
Intergovernmental	5,842,295	15,342,839	21,185,134
Loans	-	1,307,049	1,307,049
Tax foreclosures	4,374,317	-	4,374,317
Working capital deposit	211,500	-	211,500
<b>TOTAL ASSETS</b>	<b>\$ 56,434,476</b>	<b>\$ 39,908,827</b>	<b>\$ 96,343,303</b>
<b>LIABILITIES &amp; FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable	\$ 3,565,923	\$ 4,569,406	\$ 8,135,329
Accrued payroll	11,709,164	1,064,963	12,774,127
Tax refunds payable	451,500	-	451,500
Other liabilities	5,491,542	-	5,491,542
Notes payable	-	9,960,544	9,960,544
<b>TOTAL LIABILITIES</b>	<b>21,218,129</b>	<b>15,594,913</b>	<b>36,813,042</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	15,862,509	11,970,114	27,832,623
<b>Fund Balances:</b>			
Nonspendable	-	1,834,030	1,834,030
Restricted	1,150	15,341,999	15,343,149
Committed	2,687,900	-	2,687,900
Assigned	377,812	-	377,812
Unassigned	16,286,976	(4,832,229)	11,454,747
<b>TOTAL FUND BALANCES</b>	<b>19,353,838</b>	<b>12,343,800</b>	<b>31,697,638</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 56,434,476</b>	<b>\$ 39,908,827</b>	<b>\$ 96,343,303</b>

(1) Extracted from the audited financial statements of the City.

**City of Lowell, Massachusetts**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017 (1)**

<b>ASSETS</b>	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 44,309,713	\$ 17,219,951	\$ 61,529,664
Investments	-	1,998,916	1,998,916
Receivables, net of uncollectables:			
Real estate and personal property taxes	2,108,097	-	2,108,097
Tax liens	1,147,117	-	1,147,117
Motor vehicle and other excise taxes	841,948	-	841,948
Trash fees	662,538	-	662,538
Departmental and other	79,350	-	79,350
Intergovernmental	7,010,756	10,304,005	17,314,761
Loans	-	1,512,576	1,512,576
Tax foreclosures	5,911,425	-	5,911,425
Working capital deposit	211,500	-	211,500
<b>TOTAL ASSETS</b>	<b>\$ 62,282,444</b>	<b>\$ 31,035,448</b>	<b>\$ 93,317,892</b>
 <b>LIABILITIES &amp; FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable	\$ 4,101,523	\$ 4,663,483	\$ 8,765,006
Accrued payroll	11,259,906	-	11,259,906
Tax refunds payable	565,919	-	565,919
Other liabilities	5,170,529	-	5,170,529
Notes payable	-	8,327,691	8,327,691
<b>TOTAL LIABILITIES</b>	<b>21,097,877</b>	<b>12,991,174</b>	<b>34,089,051</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	17,472,808	9,315,525	26,788,333
 <b>Fund Balances:</b>			
Nonspendable	-	1,825,048	1,825,048
Restricted	1,150	13,914,634	13,915,784
Committed	4,035,971	-	4,035,971
Assigned	963,359	-	963,359
Unassigned	18,711,279	(7,010,933)	11,700,346
<b>TOTAL FUND BALANCES</b>	<b>23,711,759</b>	<b>8,728,749</b>	<b>32,440,508</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 62,282,444</b>	<b>\$ 31,035,448</b>	<b>\$ 93,317,892</b>

(1) Extracted from the audited financial statements of the City.

**CITY OF LOWELL, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (1)**  
**YEAR ENDED JUNE 30, 2019**  
**GENERAL FUND**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds	\$ 131,549,594	\$ -	\$ 131,549,594
Tax liens	737,817	-	737,817
Motor vehicle and other excise taxes	9,745,497	-	9,745,497
Hotel/motel tax	346,888	-	346,888
Meals tax	1,292,366	-	1,292,366
Charges for services	3,097,008	-	3,097,008
Penalties and interest on taxes	1,247,038	-	1,247,038
Payments in lieu of taxes	465,612	-	465,612
Fines and forfeitures	-	68,050	68,050
Intergovernmental - state aid	181,484,487	-	181,484,487
Intergovernmental - school building authority	1,192,791	-	1,192,791
Intergovernmental - teachers retirement	35,253,246	-	35,253,246
Intergovernmental - other	806,717	55,804,488	56,611,205
Departmental and other	9,483,386	3,678,195	13,161,581
Contributions and donations	-	228,508	228,508
Investment income	827,813	130,005	957,818
<b>TOTAL REVENUES</b>	<b>\$ 377,530,260</b>	<b>\$ 59,909,246</b>	<b>\$ 437,439,506</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	12,978,287	701,958	13,680,245
Public Safety	47,687,333	5,989,914	53,677,247
Education	158,307,594	39,302,548	197,610,142
Public works	12,569,761	11,642,415	24,212,176
Human services	3,705,026	8,689,532	12,394,558
Culture and recreation	4,009,598	845,376	4,854,974
Pension benefits	23,787,319	-	23,787,319
Pension benefits - teachers retirement	35,253,246	-	35,253,246
Employee benefits	42,836,174	-	42,836,174
State and County Charges	25,253,169	-	25,253,169
Debt Service			
Principal	6,057,000	170,000	6,227,000
Interest	3,011,205	26,571	3,037,776
<b>TOTAL EXPENDITURES</b>	<b>375,455,712</b>	<b>67,368,314</b>	<b>442,824,026</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,074,548</b>	<b>(7,459,068)</b>	<b>(5,384,520)</b>
<u>Other Financing Sources (Uses):</u>			
Issuance of bonds	-	16,221,399	16,221,399
Transfers In	3,295,448	837,052	4,132,500
Transfers Out	(551,950)	(3,360,550)	(3,912,500)
<b>Total Other Financing Sources (uses) Net</b>	<b>2,743,498</b>	<b>13,697,901</b>	<b>16,441,399</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,818,046</b>	<b>6,238,833</b>	<b>11,056,879</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>19,353,838</b>	<b>12,343,800</b>	<b>31,697,638</b>
<b>FUND BALANCE (DEFICITS) AT END OF YEAR</b>	<b>\$24,171,884</b>	<b>\$18,582,633</b>	<b>\$42,754,517</b>

(1) Extracted from the City's audited financial statements.

**CITY OF LOWELL, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (1)**  
**YEAR ENDED JUNE 30, 2018**  
**GENERAL FUND**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds	\$ 127,434,916	\$ -	\$ 127,434,916
Tax liens	754,170	-	754,170
Motor vehicle and other excise taxes	9,920,727	-	9,920,727
Hotel/motel tax	331,215	-	331,215
Meals tax	1,238,909	-	1,238,909
Charges for services	3,135,830	-	3,135,830
Penalties and interest on taxes	1,348,397	-	1,348,397
Payments in lieu of taxes	433,476	-	433,476
Fines and forfeitures	-	76,718	76,718
Intergovernmental - state aid	173,461,315	-	173,461,315
Intergovernmental - school building authority	1,192,791	-	1,192,791
Intergovernmental - teachers retirement	36,030,056	-	36,030,056
Intergovernmental - other	166,330	50,259,259	50,425,589
Departmental and other	8,489,107	4,248,289	12,737,396
Contributions and donations	-	3,484,642	3,484,642
Investment income	406,100	59,066	465,166
<b>TOTAL REVENUES</b>	<b>\$ 364,343,339</b>	<b>\$ 58,127,974</b>	<b>\$ 422,471,313</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	16,727,497	1,602,559	18,330,056
Public Safety	46,883,810	5,113,501	51,997,311
Education	155,796,694	37,288,212	193,084,906
Public works	14,363,568	10,988,933	25,352,501
Human services	3,483,799	8,806,381	12,290,180
Culture and recreation	4,203,854	2,122,072	6,325,926
Pension benefits	24,344,417	-	24,344,417
Pension benefits - teachers retirement	36,030,056	-	36,030,056
Employee benefits	43,366,999	-	43,366,999
State and County Charges	24,350,905	-	24,350,905
Debt Service			-
Principal	5,883,500	170,000	6,053,500
Interest	2,660,768	27,838	2,688,606
<b>TOTAL EXPENDITURES</b>	<b>378,095,867</b>	<b>66,119,496</b>	<b>444,215,363</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(13,752,528)</b>	<b>(7,991,522)</b>	<b>(21,744,050)</b>
<u>Other Financing Sources (Uses):</u>			
Issuance of bonds	-	10,251,448	10,251,448
Premium from issuance of Bonds	-	1,332,225	1,332,225
Proceeds from the sale of assets	-	584,665	584,665
Transfers In	10,982,216	2,606,894	13,589,110
Transfers Out	(1,587,609)	(3,168,659)	(4,756,268)
<b>Total Other Financing Sources (uses) Net</b>	<b>9,394,607</b>	<b>11,606,573</b>	<b>21,001,180</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,357,921)</b>	<b>3,615,051</b>	<b>(742,870)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>23,711,759</b>	<b>8,728,749</b>	<b>32,440,508</b>
<b>FUND BALANCE (DEFICITS) AT END OF YEAR</b>	<b>\$19,353,838</b>	<b>\$12,343,800</b>	<b>\$31,697,638</b>

(1) Extracted from the City's audited financial statements.

**CITY OF LOWELL, MASSACHUSETTS**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (1)**  
**GENERAL FUND**

	June 30		
	2015	2016	2017
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds	\$ 116,676,033	\$ 116,542,798	\$ 124,474,447
Tax liens	1,854,627	857,661	1,150,353
Motor vehicle and other excise taxes	8,219,813	8,364,664	9,431,194
Trash disposal	3,266,202	3,101,426	3,184,930
Penalties and interest on taxes	1,322,666	1,211,000	1,324,504
Payments in lieu of taxes	840,811	1,106,289	560,602
Intergovernmental Receipts	185,473,796	194,511,650	209,621,769
Departmental and other	8,086,894	9,599,316	9,147,063
Investment Income	522,249	415,024	379,505
TOTAL REVENUES	<u>\$ 326,263,091</u>	<u>\$ 335,709,828</u>	<u>\$ 359,274,367</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	15,157,213	15,562,918	15,447,569
Public Safety	43,125,398	43,749,124	44,898,386
Public Works	15,425,917	12,475,724	14,546,153
Human Services	3,683,201	3,399,315	3,443,881
Culture and recreation	4,001,266	4,190,593	4,014,211
Pension benefits	37,116,750	45,003,684	55,942,760
Education	144,159,904	148,149,496	151,959,252
Employee Benefits	39,435,992	41,528,938	41,516,339
State and County Charges	17,979,997	20,722,575	22,351,582
Debt Service			
Principal	10,387,504	9,502,743	6,414,162
Interest	2,794,484	2,315,778	3,328,551
TOTAL EXPENDITURES	<u>333,267,626</u>	<u>346,600,888</u>	<u>363,862,846</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,004,535)	(10,891,060)	(4,588,479)
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	4,826	37,603	4,975
Proceeds from refunding Bonds	905,000	3,775,000	1,877,500
Premium from issuance of Bonds	58,169	1,993,431	83,890
Premium from issuance of refunding Bonds	62,575	413,130	120,344
Refunding bonds and payment to escrow	(967,575)	(4,405,626)	(6,090,177)
Transfers In	6,412,561	8,778,205	10,234,085
Transfers Out	(841,673)	(687,142)	(94,092)
Total Other Financing Sources (uses) Net	<u>5,633,883</u>	<u>9,904,601</u>	<u>6,136,525</u>
NET CHANGE IN FUND BALANCES	(1,370,652)	(986,459)	1,548,046
FUND BALANCES AT BEGINNING OF YEAR	<u>24,522,824</u>	<u>23,150,172</u>	<u>22,163,713</u>
FUND BALANCE (DEFICITS) AT END OF YEAR	<u>\$23,152,172</u>	<u>\$22,163,713</u>	<u>\$23,711,759</u>

(1) Extracted from the City's audited financial statements.

## Free Cash (Uniform System of Accounting)

Under the Massachusetts Uniform System of Accounting an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is defined as surplus revenue (unreserved fund balance) less uncollected and overdue property taxes from prior years.

The following table sets forth the City's free cash at the end of fiscal 2015 through fiscal 2019.

<b>FREE CASH</b>	
Year (July 1)	Free Cash
2019	\$ 7,462,706
2018	2,513,634
2017	4,873,124
2016	1,333,385
2015	942,033 (1)

(1) Decrease reflects appropriation for net school spending (see explanation under "Supplemental Reserve Fund" herein), and to fund the Capital Debt Service Fund.

## Stabilization Fund

The City maintains a general purpose stabilization fund accounted for in the General Fund. Under Massachusetts statutes, funds may be appropriated from the Stabilization Fund for any municipal purposes by the City Council. The following sets forth the recent trend in the Stabilization Fund:

Fiscal Year (June 30)	Stabilization Fund
2019	\$ 11,794,649
2018	11,713,897
2017	10,632,884
2016	10,494,909
2015	10,949,346 (1)

(1) Increase reflects transfer of the balance in the City's Supplemental Reserve Fund to the Stabilization Fund in fiscal 2015. See "Supplemental Reserve Fund" below.

On December 29, 2017, the City received notification from the Department of Revenue (DOR) that the "free cash" certification as of July 1, 2016 was \$4,873,124 for the general fund. On January 9, 2018, upon recommendation of the City Manager, the Council appropriated \$2,458,145 from certified free cash into the stabilization fund. This amount replenished the \$1,458,145 used to set the fiscal 2018 tax rate and added an additional \$1 million to the stabilization fund's balance. The balance of the free cash certification was appropriated to replenish other special revenue funds.

Utilizing a portion of the certified fiscal 2014 free cash, the City Council voted on December 12, 2014 to create a special purpose stabilization fund to help mitigate the impact of future debt service payments relative to capital expenditures in the General Fund. The fund was seeded with \$955,290 from fiscal 2014 Free Cash. The following sets forth the balance as of June 30, 2015 through June 30, 2019 in the special purpose stabilization funds:

Fiscal Year Ended June 30,	Pension Reserve Fund Balance	Salary Fund Balance	Capital Debt Service Fund Balance
2019	\$ 8,999	\$ 1,000,009	\$ 716,074
2018	8,938	1,698	1,410,701
2017	8,871	1,685	1,591,972
2016	78,394	100,704	955,290
2015	78,394	99,999	955,290

## INDEBTEDNESS

### Authorization Procedure and Limitations

Serial bonds and notes are authorized by vote of two-thirds of all the members of the City Council. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the City Council. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be made by the Treasurer with the approval of the City Manager.

### Debt Limits

General Debt Limit. The General Debt Limit of the City of Lowell consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The City can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, bonds for water, gas, electric and telecommunication systems, solid waste disposal facility bonds and economic development bonds supported by tax increments financing; and subject to special debt limits, housing, urban renewal and economic development (subject to various debt limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time debt is authorized. The other special debt limits generally apply at the time debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

### Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types.

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR") Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any capital purpose set forth in the DOR useful life guidelines that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance, but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds has been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but, if payable in less than one year, may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursements.

Revenue (Tax) Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may under the statute be refunded from time to time up to one year from the original date of issue.

The City has not issued any revenue anticipation notes during the current or last five fiscal years.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Clean Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

## Debt Ratios

The following table sets forth the City's general obligation bonds outstanding, the population, assessed valuation, per capita debt, and general obligation debt as a percentage of assessed valuation, for the end of the five most recent fiscal years. This table considers the principal amount of general obligation bonds of the City of Lowell only. (See "Direct Debt Summary").

Fiscal Year End	General Obligation Bonds Outstanding	Population (1)	State Equalized Valuation (2)	Per Capita Debt	Debt as a % of Equalized Valuation	Net Per Capita Debt	Net Debt as a % of Equalized Valuation
2020 (projected)	\$ 264,438,247	106,519	\$ 8,183,602,800	\$ 2,483	3.23 %	\$ 2,483	3.23 %
2019	209,125,420	106,519	8,183,602,800	1,963	2.56	1,963	2.56
2018	228,259,316	106,519	7,154,033,100	2,143	3.19	2,143	3.19
2017	224,464,695	106,519	7,154,033,100	2,107	3.14	2,107	3.14
2016	230,785,081	106,519	6,552,635,400	2,167	3.52	2,167	3.52
2015	208,630,405	106,519	6,552,635,400	1,959	3.18	1,959	3.18

(1) Based on the 2010 Federal Census.

(2) 2014 equalized valuation is used for fiscal 2015 and 2016; 2016 equalized valuation is used for fiscal 2017 and fiscal 2018; 2018 equalized valuation is used for fiscal 2019 and fiscal 2020.

**CITY OF LOWELL**  
**Direct Debt Summary**  
**Projected as of June 30, 2020 (1)**

**General Obligation Bonds:**

Outstanding:

General (2)	\$ 55,527,987	
School (3)	16,730,412	
Water (4)	11,407,000	
Sewer (5)	23,646,801	
MCWT (6)	106,583,247	
Parking Garage	50,533,300	
Arena	9,500	

Total General Obligation Bonds Outstanding \$ 264,438,247

**Short Term Debt**

Bond Anticipation Notes Outstanding (7) 4,388,667

Total Short Term Debt Outstanding 4,388,667

**Total Direct Debt after This Issue**

**\$ 268,826,914**

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post-employment benefits liability.
- (2) \$424,800 is outside the City's general debt limit.
- (3) \$6,781,608 is outside the City's general debt limit.
- (4) Self-supporting. Outside the City's general debt limit. Subject to a special separate debt limit of 10% of the City's equalized valuation, or \$818,360,280.
- (5) Self-supporting. \$8,735,801 is outside the City's general debt limit.
- (6) Massachusetts Clean Water Trust, formerly Massachusetts Water Pollution Abatement Trust. \$52,061,534 is outside the City's debt limit. Sewer services are accounted for in an enterprise fund.
- (7) Payable September 25, 2020.

**Authorized Unissued Debt**

Currently, the City has approximately \$506.929 million (excluding authorized refundings) of authorized unissued debt outstanding, comprised of the following:

\$340.899 million school bonds authorized for construction and reconstruction of a new high school. The total amount authorized for this project will be reduced to the extent of school building grant funds paid to the City by the Massachusetts School Building Authority (MSBA). The reimbursement rate will be approximately 80% of reimbursable project costs.

\$67 million sewer and \$45 million water bonds authorized for the reconstruction of water and sewer mains and facility upgrades throughout the City. The City is aggressively working to maintain and improve its water and sewer infrastructure. Financing will be through the Massachusetts Clear Water Trust. Rates will be raised to support this debt as it is issued.

Additionally, the City will have authorized unissued debt of approximately \$49 million for various capital improvements.

## Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the City's outstanding debt projected as of June 30, 2020. Of the \$264,438,247 total amount outstanding, \$90,647,841, or 34% of the total outstanding, is to be paid by the end of fiscal 2025, and \$164,712,778, or 62%, is expected to be paid by the end of fiscal year 2030.

### Principal Payments by Purpose Projected as of June 30, 2020 (1)

Fiscal Year	General (2)	School (3)	Water (4)	Sewer (5)	MCWT (6)	Parking Garage	Arena	Total Outstanding Principal
2021	\$ 5,012,487	\$ 2,453,412	\$ 895,000	\$ 1,962,601	\$ 6,419,315	\$ 2,552,000	\$ 4,500	\$ 19,299,315
2022	5,125,500	2,575,500	974,500	2,029,500	5,870,396	3,125,000	5,000	19,705,396
2023	4,386,000	1,737,500	933,500	1,966,700	6,008,991	3,126,300	-	18,158,991
2024	4,355,000	784,000	860,500	1,875,500	5,795,164	2,915,000	-	16,585,164
2025	4,379,000	789,000	866,000	1,871,000	5,923,975	3,070,000	-	16,898,975
2026	4,031,500	779,500	681,000	1,878,000	5,510,478	3,070,000	-	15,950,478
2027	4,040,000	794,000	686,000	1,875,000	5,344,382	3,220,000	-	15,959,382
2028	3,983,000	723,000	690,500	1,858,500	5,307,996	3,370,000	-	15,932,996
2029	3,737,000	748,000	620,000	1,625,000	5,213,200	1,360,000	-	13,303,200
2030	3,568,500	616,500	620,000	1,465,000	5,223,882	1,425,000	-	12,918,882
2031	2,595,000	585,000	580,000	1,285,000	5,343,639	1,485,000	-	11,873,639
2032	2,190,000	605,000	530,000	885,000	4,978,725	1,540,000	-	10,728,725
2033	1,650,000	580,000	530,000	685,000	5,094,216	1,600,000	-	10,139,216
2034	1,335,000	525,000	490,000	685,000	4,894,326	1,655,000	-	9,584,326
2035	1,315,000	440,000	470,000	425,000	5,008,347	1,710,000	-	9,368,347
2036	1,220,000	450,000	475,000	425,000	5,015,340	1,760,000	-	9,345,340
2037	735,000	380,000	120,000	425,000	4,919,131	1,330,000	-	7,909,131
2038	740,000	385,000	125,000	425,000	4,100,777	1,370,000	-	7,145,777
2039	555,000	390,000	130,000	-	4,197,878	1,415,000	-	6,687,878
2040	575,000	390,000	130,000	-	3,096,591	1,455,000	-	5,646,591
2041	-	-	-	-	1,624,551	1,500,000	-	3,124,551
2042	-	-	-	-	835,315	1,545,000	-	2,380,315
2043	-	-	-	-	856,634	1,595,000	-	2,451,634
2044	-	-	-	-	-	1,645,000	-	1,645,000
2045	-	-	-	-	-	1,695,000	-	1,695,000
<b>Total</b>	<b>\$ 55,527,987</b>	<b>\$ 16,730,412</b>	<b>\$ 11,407,000</b>	<b>\$ 23,646,801</b>	<b>\$ 106,583,247</b>	<b>\$ 50,533,300</b>	<b>\$ 9,500</b>	<b>\$ 264,438,247</b>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post-employment benefits liability.
- (2) \$424,800 is outside the City's general debt limit.
- (3) \$6,781,608 is outside the City's general debt limit.
- (4) Self-supporting. Outside the City's general debt limit. Subject to a special separate debt limit of 10% of the City's equalized valuation, or \$818,360,280.
- (5) Self-supporting. \$8,735,801 is outside the City's general debt limit.
- (6) Massachusetts Clean Water Trust, formerly Massachusetts Water Pollution Abatement Trust. \$52,061,534 is outside the City's debt limit. Sewer services are accounted for in an enterprise fund.

## Debt Service Requirements

The following table sets forth the required principal and interest payments on the City's outstanding general obligation bonds and expected subsidies to be received by the City from the Massachusetts Clean Water Trust and the Massachusetts School Building Authority, to pay certain debt service projected as of June 30, 2020.

### Debt Service Requirements As of June 30, 2019

Fiscal Year	Currently Outstanding		QECB (1) Subsidy	RZEDB (2) Subsidy	MCWT (3) Subsidy	MSBA (4) Subsidy	Net Debt Service
	Principal	Interest					
2021	\$ 19,299,315	\$ 9,647,259	\$ (52,249)	\$ (138,168)	\$ (437,047)	\$ (1,192,791)	\$ 27,126,319
2022	19,705,396	7,920,175	(47,222)	(127,008)	(188,416)	(1,192,790)	26,070,135
2023	18,158,991	7,154,999	(42,194)	(115,430)	(173,569)	(1,192,787)	23,790,010
2024	16,585,164	6,470,102	(37,167)	(103,433)	(59,132)	-	22,855,535
2025	16,898,975	5,833,332	(32,139)	(91,017)	(45,521)	-	22,563,630
2026	15,950,478	5,225,599	(27,112)	(78,183)	-	-	21,070,782
2027	15,959,382	4,621,780	(22,085)	(63,648)	-	-	20,495,429
2028	15,932,996	4,012,758	(17,057)	(48,654)	-	-	19,880,043
2029	13,303,200	3,474,135	(12,120)	(33,048)	-	-	16,732,168
2030	12,918,882	3,015,435	(7,272)	(16,830)	-	-	15,910,215
2031	11,873,639	2,586,962	(2,424)	-	-	-	14,458,177
2032	10,728,725	2,253,979	-	-	-	-	12,982,703
2033	10,139,216	1,946,818	-	-	-	-	12,086,034
2034	9,584,326	1,664,399	-	-	-	-	11,248,725
2035	9,368,347	1,410,001	-	-	-	-	10,778,349
2036	9,345,340	1,162,272	-	-	-	-	10,507,612
2037	7,909,131	936,700	-	-	-	-	8,845,830
2038	7,145,777	736,401	-	-	-	-	7,882,178
2039	6,687,878	547,547	-	-	-	-	7,235,424
2040	5,646,591	390,511	-	-	-	-	6,037,102
2041	3,124,551	276,372	-	-	-	-	3,400,923
2042	2,380,315	201,426	-	-	-	-	2,581,741
2043	2,451,634	134,276	-	-	-	-	2,585,910
2044	1,645,000	75,525	-	-	-	-	1,720,525
2045	1,695,000	25,425	-	-	-	-	1,720,425
	<u>\$ 264,438,247</u>	<u>\$ 71,724,187</u>	<u>\$ (299,041)</u>	<u>\$ (815,418)</u>	<u>\$ (903,686)</u>	<u>\$ (3,578,368)</u>	<u>\$ 330,565,922</u>

(1) Qualified Energy Conservation Bonds.

(2) Recovery Zone Economic Development Bonds.

(3) Massachusetts Clean Water Trust, formerly Massachusetts Water Pollution Abatement Trust.

(4) Massachusetts School Building Authority.

## Overlapping Debt

The City of Lowell is a member of the Lowell Regional Transit Authority and the Greater Lowell Regional Vocational Technical High School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue of the Lowell Regional Transit Authority and the Greater Lowell Regional Vocational Technical High School District, and the City of Lowell's fiscal 2020 dollar assessment for each.

<u>Overlapping Entity</u>	<u>2020 Dollar Assessment(1)</u>
Lowell Regional Transit Authority(2)	\$ 1,044,338
Greater Lowell Regional Vocational Technical High School District(3)	9,267,478

(1) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(2) SOURCE: Lowell Regional Transit Authority.

(3) SOURCE: Greater Lowell Regional Vocational Technical High School District. Pursuant to special laws a number of cities may participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the District. The District recently authorized approximately \$65 million school construction bonds, the local share of which is estimated at approximately \$15 million.

## Coverage of Qualified Debt Service

The following table presents qualified debt service, projected state aid and the coverage ratio of total state aid to the City's outstanding State Qualified Bonds debt service. The table does not include debt of the Commonwealth.

<u>Fiscal Year</u>	<u>Qualified Debt Service (1)</u>	<u>Total State Aid (2)</u>	<u>Coverage Ratio: Total State Aid to Qualified Debt Service</u>
2021	\$ 20,175,521	\$ 194,934,560	9.66
2022	19,560,855	198,833,251	10.16
2023	17,263,200	202,809,916	11.75
2024	15,366,015	206,866,115	13.46
2025	15,051,550	211,003,437	14.02
2026	14,026,118	215,223,506	15.34
2027	13,714,358	219,527,976	16.01
2028	13,230,580	223,918,535	16.92
2029	10,271,105	228,396,906	22.24
2030	9,530,933	232,964,844	24.44
2031	8,052,517	237,624,141	29.51
2032	7,052,371	242,376,624	34.37
2033	6,150,791	247,224,156	40.19
2034	5,625,225	252,168,639	44.83
2035	5,150,238	257,212,012	49.94
2036	4,984,481	262,356,252	52.63
2037	3,531,313	267,603,377	75.78
2038	3,493,369	272,955,445	78.14
2039	2,843,250	278,414,554	97.92
2040	2,827,650	283,982,845	100.43
2041	1,716,900	289,662,502	168.71
2042	1,716,225	295,455,752	172.15
2043	1,719,125	301,364,867	175.30
2044	1,720,525	307,392,164	178.66
2045	1,720,425	313,540,008	182.25
Total	<u>\$ 206,494,640</u>	<u>\$ 6,425,562,630</u>	

(1) Reflects gross debt service; does not include the RZEDB or QECB Federal Subsidies.

(2) Includes total state aid available for coverage. State aid is taken from the estimated fiscal 2020 Cherry Sheet and is increased at a rate of 2% each year thereafter. The State aid figures above no longer reflect school building assistance grants as such grants are no longer paid by the Commonwealth; they are now paid by the Massachusetts School Building Authority. Therefore, such payments no longer constitute "distributable aid" of the Commonwealth under the Qualified Bond Act.

## Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but only when funds are available for the first fiscal year. Obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriations, including contracts for refuse disposal and sewerage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The City has several contractual obligations of significance which are described below.

<u>Purpose</u>	<u>Vendor</u>	<u>Expiration</u>	<u>Fiscal 2019 Budget</u>	<u>Fiscal 2020 Budget</u>
Management - Lowell Memorial Auditorium	Lowell Management Group, Inc.	6/30/2023	\$ 210,000	\$ 210,000
Transportation of Special Education Students	Pride Star	2/25/2021	5,400,000	3,175,000
School Bus Transportation	NRT Bus Inc.	6/30/2020	4,423,541	4,664,800
School Food Services	Aramark Educational Services	6/30/2024	5,004,927	8,523,302
Trash Collection	Waste Management	1/1/2024	5,455,000	4,138,575
Parking Management Services	LAZ Parking Limited, LLC	12/31/2021	1,295,355	1,197,346

## RETIREMENT PLAN

### General

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the

pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

## **Plan Description**

The City contributes to the Lowell Retirement System (the "System"). Public school teachers are covered by The Commonwealth of Massachusetts Retirement System (TRS) to which the City of Lowell does not contribute. The System and the TRS are contributory defined benefit plans covering all City employees and teachers deemed eligible and include the Lowell Regional Transit Authority and the Lowell Housing Authority.

The City pays the entire retirement allowance for certain retirees who are eligible for non-contributory benefits and are not members of the System. The City's fiscal 2019 appropriation was \$33,038. The City's FY20 budget is \$35,000.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees. Both the System and TRS provide for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the System and TRS become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The systems also provide for early retirement at age 55 if a participant (1) has a record of 10 years of creditable service, (2) was on the City payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute from 5% to 11% of their gross regular compensation depending on the date upon which their membership began.

The systems provide death and disability benefits. In addition to these benefits provided by the System and TRS, the City provides other benefits to retirees and survivors, most notably, health insurance coverage. (See "Other Post-Employment Benefits" below, and Appendix A).

## **Funding Status and Progress**

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and

make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The last full actuarial study was done by KMS Actuaries, LLC as of January 1, 2019. The total actuarial accrued liability at that time was \$664,270,790, its actuarial value of assets were \$386,905,773, resulting in an estimated unfunded pension benefit obligation was \$277,365,017, assuming a 7.65% investment rate of return; the funded ratio was 58.2%. As of 2015, the City's funding schedule was extended to 2036.

The amortization of the City's unfunded pension benefit obligation is shown below.

Fiscal Year Ending	Employer Normal Cost	Amortization Payment of UAL	Amortization Payment of ERI 2003	Net 3(8)(c) Transfers	Total Employer Cost	Increase over Prior Year	Unfunded Actuarial Accrued Liability
2020	\$6,933,967	\$20,615,996	\$521,296	\$750,000	\$28,821,259		\$277,365,017
2021	7,176,655	22,335,667	-	750,000	30,262,322	5.00%	276,652,546
2022	7,427,838	23,597,600	-	750,000	31,775,438	5.00%	274,642,202
2023	7,687,812	24,905,928	-	750,000	33,343,740	4.94%	271,168,754
2024	7,956,885	25,902,165	-	750,000	34,609,050	3.79%	266,072,139
2025	8,235,376	26,938,252	-	750,000	35,923,628	3.80%	259,551,991
2026	8,523,614	28,015,781	-	750,000	37,289,395	3.80%	251,458,064
2027	8,821,941	29,136,413	-	750,000	38,708,354	3.81%	241,626,967
2028	9,130,708	30,301,870	-	750,000	40,182,578	3.81%	229,881,085
2029	9,450,282	31,513,945	-	750,000	41,714,227	3.81%	216,027,429
2030	9,781,042	32,774,502	-	750,000	43,305,544	3.81%	199,856,386
2031	10,123,379	34,085,482	-	750,000	44,958,861	3.82%	181,140,373
2032	10,477,698	35,448,901	-	750,000	46,676,599	3.82%	159,632,384
2033	10,844,417	36,866,858	-	750,000	48,461,275	3.82%	135,064,425
2034	11,223,972	38,341,533	-	750,000	50,315,505	3.83%	107,145,822
2035	11,616,811	39,875,194	-	750,000	52,242,005	3.83%	75,561,405
2036	12,023,399	41,470,201	-	750,000	54,243,600	3.83%	39,969,538
2037	12,444,218	-	-	750,000	13,194,218	-75.68%	-
2038	12,879,765	-	-	750,000	13,629,765	3.30%	-
2039	13,330,558	-	-	750,000	14,080,558	3.31%	-
2040	13,797,127	-	-	750,000	14,547,127	3.31%	-
2041	14,280,027	-	-	750,000	15,030,027	3.32%	-
2042	14,779,828	-	-	750,000	15,529,828	3.33%	-
2043	15,297,122	-	-	750,000	16,047,122	3.33%	-
2044	15,832,521	-	-	750,000	16,582,521	3.34%	-
2045	16,386,660	-	-	750,000	17,136,660	3.34%	-
2046	16,960,193	-	-	750,000	17,710,193	3.35%	-
2047	17,553,800	-	-	750,000	18,303,800	3.35%	-
2048	18,168,184	-	-	750,000	18,918,184	3.36%	-
2049	18,804,070	-	-	750,000	19,554,070	3.36%	-

SOURCE: January 1, 2019 Actuarial Valuation of the Lowell Contributory Retirement System, KMS Actuaries, LLC.

## Contribution Requirements

The City is required to contribute in each fiscal year an amount approximating the pension benefits (less certain interest credits) expected to be paid during the year.

The City's contributions to the System for the following fiscal years were:

<u>Fiscal Year</u>	<u>Contribution</u>
2020 (budgeted)	\$27,226,906
2019	25,903,196
2018	24,310,905
2017	23,026,642
2016	20,354,632
2015	20,411,365

See Appendix A, the City's audited financial statements, for additional information on the City's retirement system.

## Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The following table shows the pay-as-you-go cost to the City for health and dental insurance provided to retirees:

<u>Fiscal Year</u>	<u>Pay-As-You-Go Cost</u>
2020 (budgeted)	\$ 15,123,477
2017	15,179,775
2018	15,297,542
2017	15,215,705
2016	14,714,162
2015	12,722,247

The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The City was required to implement the GASB reporting requirements for other post-employment benefits beginning in its fiscal year 2008 audit. The City selected Aquarius Capital Solutions Group, LLC to perform an actuarial valuation of its non-pension, post-employment benefit liability. As of June 30, 2019, the total OPEB liability for benefits was \$706,929,377 and the fiduciary net position was \$9,362,098, resulting in a net OPEB liability of \$697,567,279, assuming a 3.10% investment rate of return. The actuarial determined contribution (ADC) is an amount determined by the actuary pursuant to GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities. As of June 30, 2019, the ADC was \$47,336,248. On September 27, 2013 the City made a \$7.8 million contribution to the OPEB Trust Fund with funds freed up from its Health Trust Fund upon joining the State GIC, which is expected to reduce the unfunded OPEB liability by approximately \$32 million. The balance in the OPEB Trust Fund as of June 30, 2019 was approximately \$9,315,353 (See Appendix A — Required Supplementary Information: OPEB actuarial methods and assumptions). The City also established an OPEB Liability Funding Strategy policy in fiscal 2019, which was adopted by City Council.

Projections of benefits are based on the plan as understood by the City and the plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the City and plan members to that point. As such, any changes in benefits offered, cost sharing and the like, will have an impact upon the total amount of the City's actuarial liability for postemployment benefits, other than pensions.

## EMPLOYEE RELATIONS

The City employs approximately 3,238 full and part-time employees, 2,183 of whom are employed by the Lowell Public School Department, 106 by the public works department (DPW Clerical, Lands & Building, Streets, Electrical, Engineering, Parks, Recreation, Cemeteries), 218 by the fire department, 345 by the police department, 92 by the water, sewer, and parking enterprise fund departments and the balance of 294 regular full time and part-time employees by various other departments of the City. Approximately 2,961 employees are represented by unions including teachers and administrators.

The following is a summary of the approximate number of employees represented by each union:

Union	Number of Employees	Contract Expiration Date
UTL Teachers	1,131	6/30/2020
UTL Paraprofessionals	435	6/30/2020
LSAA Administrators	191	6/30/2020
SEIU Clerks	76	6/30/2020
UTL Cafeteria Workers	155	6/30/2020
UTL Custodians	106	6/30/2020
<b>Subtotal School Union Employees:</b>	<b>2,094</b>	

Union	Number of Employees	Contract Expiration Date (1)
Firefighters IAFF	210	6/30/2021
Police Patrolmen	187	6/30/2018
Police Superiors	53	6/30/2021
MVEA Wastewater I	19	6/30/2021
MVEA Wastewater II	12	6/30/2021
MVEA Wastewater I II IIP	8	6/30/2021
MVEA C	35	6/30/2021
MVEA D	15	6/30/2021
MVEA Inspectors	12	6/30/2021
AFSCME	195	6/30/2021
AFSCME 2532	59	6/30/2021
AFSCME 1705A	31	6/30/2021
Traffic Supervisors	27	6/30/2021
Engineers	4	6/30/2021
SEIU 888PG	8	6/30/2021
<b>Subtotal City Union Employees:</b>	<b>875</b>	

(1) Expired contract is currently in negotiations.

## LITIGATION

Various legal action and claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City.

The City has been served in a wrongful imprisonment case against former employees of the City. The amount of liability, if any, cannot be ascertained at this time. This litigation will not have any immediate financial impact, if it ever does. The City believes that it has available, viable defenses to raise in order to mitigate any potential financial exposure.

March 26, 2020

CITY OF LOWELL, MASSACHUSETTS  
/s/ Kelly Oakes, Treasurer