

# INTRODUCTION TO THE MASSACHUSETTS CLEAN WATER TRUST

**SEPTEMBER 28, 2021**



# MASSACHUSETTS CLEAN WATER TRUST (TRUST) OVERVIEW

The Trust oversees financing for the Clean Water (CW) and Drinking Water (DW) state revolving funds (SRF) in partnership with MassDEP.

The SRF provides subsidized loans to local governmental units for CW and DW infrastructure development. Projects financed are those ranked by engineers at MassDEP on a priority basis, based on responses to a series of questions intended to identify the most relevant public health and environmental related projects.

The Trust receives significant federal and Commonwealth support — over **\$2.69 billion** in federal capitalization grants and state matching funds through FY 2019.

The Trust has leveraged those funds in the municipal bond market to be able to provide over **\$7 billion** in loans to nearly **300** borrowers to improve and maintain the quality of water in the Commonwealth — an estimated **97%** of Massachusetts residents have benefited from these essential projects.

The Trust issues Green Bonds backed by its AAA rated credit by all three major rating agencies.

# PROJECTS OFFERED FINANCING BY THE TRUST

Each year MassDEP develops the **Intended** Use Plan (IUP), committing funding to projects throughout the state for both Clean Water (CW) and Drinking Water (DW).

**CW has consistently offered approximately \$450 million annually to finance clean water projects, examples include:**

- Replacement of aged infrastructure components
- Installation of advanced water treatment technologies
- Reduction to the carbon footprint of treatment facilities by installing more energy efficient equipment
- Address stormwater management issues
- Septic system replacements – including \$25 million in loans to upgrade systems in Barnstable County

**DW has consistently offered over \$100 million annually to finance drinking water projects, examples include:**

- Construction or upgrade of a municipal water treatment facility
- Replacement or rehabilitation of water mains and pump stations to address deficiencies in the water supply distribution system
- Construction or rehabilitation of water storage tanks to ensure a reliable water supply

## PROJECTS OFFERED FINANCING BY THE TRUST (CONTINUED)

With the amount of CW financing available, it is anticipated that traditional project applications from Cape Cod communities would qualify for financing each year.

Year	Clean Water SRF IUP	Drinking Water SRF IUP
2020	\$500MM	\$162MM
2019	\$500MM	\$147MM
2018	\$484MM	\$127MM
2017	\$545MM	\$125MM
2016	\$414MM	\$124MM

# PROJECTS FINANCED BY THE TRUST

Once borrowers are notified that they qualified for financing on the IUP, they can decide if they will continue with the project.

The chart below shows a **five-year average** of projects that were approved, the total dollar amount of those projects, and the amounts disbursed. Funds disbursed are from both the interim financing (construction financing) available to projects and projects that have been put into repayment.

		5-Year Average
<b>CWSRF</b>	Projects	37
	Total Dollar Amount	\$189.3MM
	Amount Disbursed *	\$193.7MM
<b>DWSRF</b>	Projects	20
	Total Dollar Amount	\$99.8MM
	Amount Disbursed *	\$80.5MM

\* Includes both Interim Project Financing and Loans in Repayment

# AVAILABLE SUBSIDIES

Type	Subsidy	Provided By
<b>Nutrient Enrichment Reduction Loans</b>	0% Interest Rate Loan	The Trust
<b>Loan Forgiveness (Affordability Communities) *</b>	Tier 1 – 3.33% Tier 2 – 6.66% Tier 3 – 9.99%	The Trust
<b>Housing Choice</b>	0.5% Interest Rate Reduction **	The Trust
<b>Cape Cod Trust Fund Subsidy</b>	25%	Cape Cod Trust Fund

\* Estimates using the 2020 Clean Water forgiveness percentages

\*\* Interest rate cannot be below 0%

# ADVANTAGES OF BORROWING THROUGH THE TRUST

## **Fixed Low-Interest Rates**

*These rates are established by statute and offer a stable planning tool for communities.*

Projects primarily addressing nitrogen should qualify for 0% interest rate financing.

## **Interim Loans**

### **Construction Loans**

The Trust offers interim loans with no fees and 0% interest rate. These loans allow for one-stop financing through the Trust.

## **Additional Subsidy Loan Forgiveness**

The Trust uses a percentage of its annual grant and additional state funding as additional subsidy each year. This subsidy comes in the form of loan forgiveness to qualifying communities. Cape communities will also have access to subsidy through the Cape Cod Trust Fund.

## **Flexible Repayment Terms**

Loans can be financed up to 30 years, with a certification of useful life, at a 0% interest rate, if primarily addressing nitrogen.

# NUTRIENT REDUCTION 0% INTEREST LOANS

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- Project primarily intended to **remediate** or prevent nutrient enrichment of a surface water body or a source of water supply
- Applicant not currently in violation of Enforcement Orders or Administrative Orders due to a violation of a nutrient-related standard
- Applicant has a MassDEP approved **Comprehensive Wastewater Management Plan**
- Project deemed consistent with the regional water resources management plan, if one exists
- Applicant has adopted Land Use Controls that limit wastewater volume increases to the amount authorized



# CAPE COD & ISLANDS WATER PROTECTION TRUST FUND

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- The fund was created through Chapter 337 of the Acts of 2018, (the Airbnb Legislation).
- The fund has provided a 25% subsidy to projects, details on the following slide.
- The subsidy is in addition to other subsidies the Trust applies to projects.
- The fund is held by the Trust but the decision on how the funds are distributed to projects is made by the Cape Cod and Islands Water Protection Fund Management Board.
- The fund was created to incorporate the existing financial and engineering expertise at the Trust and MassDEP, not to create an entirely new financing process.
- Since the creation of the fund at the beginning of the fiscal year, it has received \$22.9 million in deposits.

# CAPE COD TRUST FUND SUBSIDY

- The Cape Cod and Islands Water Protection Fund Management Board approved the subsidy for the projects listed below on April 14<sup>th</sup>, 2021.
- The Management Board is providing a 25% subsidy to all wastewater projects and the subsidy will be applied over four years.

IUP Year	Town	SRF ID	Project	Project Cost	Subsidy Awarded	Year One Payment/ Set Aside
2018	Chatham	4430	Phase 1D	\$8,174,858	\$2,043,715	\$510,928.75
2018	Harwich	4424	Phase 2 Sewer	\$22,214,467	\$5,553,617	\$1,388,404.25
2019	Chatham	4516	Sewer Extension	\$1,324,983	\$331,246	\$82,811.50
2019	Bourne	4519	Buzzards Bay Facility	\$4,660,410	\$1,165,103	\$291,275.75
2019	Orleans	4486	Downtown Facility	\$59,409,200	\$14,852,300	\$3,713,075.00
2020	Barnstable	6675	WW Pump Station	\$1,000,000	\$500,000	\$125,000.00
2020	Barnstable	6714	Strawberry Hill Expansion	\$13,275,023	\$3,318,756	\$829,689.00
2020	Barnstable	6711	Rte 28/Yarmouth Rd Sewer	\$1,853,762	\$463,441	\$115,860.25
2020	Barnstable	6730	Solids Handling	\$8,495,050	\$2,123,763	\$530,940.75
2021	Chatham	6768	Queen Anne Pump Station Upgrade	\$2,464,000	\$616,000	\$154,000.00
2021	Chatham	6772	Stormwater Improvement	\$6,161,000	\$1,540,250	\$385,062.50
2021	Barnstable	6883	Rte 28 Expansion	\$17,106,000	\$4,276,500	\$1,069,125.00
2021	Barnstable	6788	Pump Station Improvements	\$2,000,000	\$500,000	\$125,000.00
2021	Mashpee	6749	Phase 1 System	\$51,200,000	\$12,800,000	\$3,200,000.00
2021	Falmouth	6759	TASA Improvements	\$19,000,000	\$4,750,000	\$1,187,500.00
<b>TOTAL</b>				<b>\$218,338,753</b>	<b>\$54,834,691</b>	<b>\$13,708,673.00</b>

# LOAN TERMS AND FEES

	Permanent Financing	Interim Financing
<b>Standard Loan Rate</b>	2% (20 years) Calculated (30 years) <sup>1</sup>	0%
<b>Nutrient Enrichment Reduction Loan Rate</b>	0%	0%
<b>Housing Choice Loan Rate</b>	1.5% (20 years) <sup>2</sup>	0%
<b>Maximum Term</b>	30 years <sup>3</sup>	Up to 3 years <sup>4</sup>
<b>Administrative Fee</b>	0.15%	0%
<b>Origination Fee (One Time)</b>	Approximately \$5.00 per \$1,000	\$0

<sup>1</sup> Rate Calculated at time of bond sale, estimated between 2.4-2.9%.

<sup>2</sup> Communities designated as Housing Choice Communities on the IUPs are eligible for an interest rate discount of 0.5%. Interest rates on loans cannot be reduced to less than 0% interest.

<sup>3</sup> Requires useful life certificate certifying useful life will exceed the life of the loan.

<sup>4</sup> Interim loans are put into repayment based upon percentage of loan drawn and estimated project completion date.

# PROJECT SOLICITATION/SELECTION PROCESS

## FOR THE CLEAN WATER SRF PROGRAM

In June of each year, MassDEP sends out a solicitation to each city, town, and public water supplier in the state requesting project applications. The applications received are then ranked based on the following criteria by MassDEP on their CW SRF Intended Use Plan (IUP):

- What is the cause of the environmental/public health problem?
- What areas are affected? Any critical environmental receptors?
- How effectively will the project eliminate or mitigate the problem?
- Is the project consistent with MassDEP watershed management plans and priorities?
- Does the project include innovative/alternative technologies to mitigate the problem?
- Does this project include elements that provide energy efficiencies or on-site renewable energy generation?
- Does the project incorporate a regional approach to mitigate the problem?
- Is it consistent with the Cape Cod 208 plan?

It is the problem being addressed by the project, not the size or the location that drives the scoring criteria. The most compelling environmental and public health problems receive the highest ranking.

# THE LOAN PROCESS

The process of financing a project through the Trust can take approximately two years from the initial project solicitation to financing being provided to start the project. The Trust and MassDEP can move as quickly as the towns can complete the steps. The below process would be for projects appearing on the 2023 IUP.





# CONCLUSION

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There is already a clearly defined process in place that effectively completes millions of dollars' worth of water infrastructure projects each year and saves communities money, the SRF program.

The new Cape Cod Trust Fund provides the potential for additional subsidy to a project that qualified for a loan through the Clean Water SRF. The new Cape Cod Trust Fund will “bolt” onto this existing process and follow the same requirements as all SRF borrowers in the Commonwealth, albeit with a deeper subsidy provided from Cape Cod funds.

We look forward to working with the Cape communities to solve the nutrient issue in order to protect the environment on the Cape, while keeping costs as low as possible.

# CONTACT INFORMATION

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