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CAPE COD
COMMISSION

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January 15, 2025

Chairs of the Joint Committee on Environment and Natural Resources
Cape Cod and Islands Legislative Delegation
24 Beacon Street
Boston, MA 02133

Dear Chairs of the Joint Committee on Environment and Natural Resources and Cape Cod and Islands Legislative Delegation,

On behalf of the Cape Cod and Islands Water Protection Fund ("Fund") Management Board, enclosed, please find the *2024 Cape Cod and Islands Water Protection Fund Annual Report*, prepared in accordance with M.G.L. Chapter 29C, Section 20, which includes information on Fund revenue and expenses to date and provides a 5-year revenue projection.

As you know, the cash flow model developed in 2021 by PFM Financial Advisors LLC to support administration of the Fund was supportive of providing a 25% subsidy to eligible projects. The 25% subsidy provided by the Fund has been a primary driver of long overdue progress on local wastewater projects. The certainty of the subsidy has helped garner community support for water quality project implementation and has resulted in significant action. However, local commitment to project implementation and eligible project costs have consistently exceeded expectations and assumptions used to develop the cash flow model.

In 2024, the Management Board took significant steps to stabilize the Fund. The Fund has been instrumental in spurring implementation of critical wastewater and water quality projects in the region and the Board's actions ensure the Fund's ability to continue supporting those projects at the necessary funding level. The Board voted to adopt a new model for providing subsidies which extends the subsidy payout period over the loan term, leveraging revenues for a longer period and allowing for sustained funding for water quality projects into the future.

The Management Board and Cape Cod Commission appreciate the Legislature's support of the Fund. Should you have any questions regarding this report, please do not hesitate to reach out.

Sincerely,

Kristy Senatori
Executive Director

cc: Kevin Galligan, Chair, Cape Cod and Islands Water Protection Fund Management Board

Enclosure





CAPE COD AND ISLANDS
WATER PROTECTION FUND

2024 ANNUAL REPORT

PREPARED FOR:

**Chairs of the Joint Committee on Environment
and Natural Resources**

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24 Beacon Street, Room 527A
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PREPARED BY:

Cape Cod Commission, on behalf of the
Cape Cod and Islands Water Protection Fund
Management Board

3225 Main Street
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Barnstable, MA 02630

January 2025

The Cape Cod and Islands Water Protection Fund (CCIWPF) was established by the Massachusetts Legislature in 2018 (M.G.L. Chapter 29C, Section 19) to help Cape Cod and Islands towns pay for necessary wastewater infrastructure and water quality remediation projects. Creation of the CCIWPF was the result of efforts by a diverse set of stakeholders, including the Cape Cod and Islands Legislative Delegation, local officials, environmental groups, business leaders, and the Cape Cod Chamber of Commerce, who recognized the need for new financial tools to address the region's degrading water quality and lack of wastewater infrastructure.

The CCIWPF is a dedicated fund within the Massachusetts Clean Water Trust set up to solely benefit communities within the counties of Barnstable, Dukes, and Nantucket. Its source of revenue is a 2.75% excise tax on traditional lodging and short-term rentals. The fund is administered by the Clean Water Trust and overseen by a management board comprised of representatives from every member town from the region. Currently, the 15 Cape Cod communities are members of the CCIWPF.

The Cape Cod and Islands Water Protection Fund Management Board (Board) was established by M.G.L. Chapter 29C, Section 20. The Board is responsible for determining the method for allocating subsidies from the fund, including, but not limited to, an equitable distribution among participating municipalities consistent with revenue deposited from each municipality into the fund. The Board is also responsible for ensuring that the Water Protection Fund is spent only for the purposes set forth in M.G.L. Chapter 29C, Section 19.

This report has been prepared pursuant to M.G.L. Chapter 29C, Section 20, Cape Cod and Islands Water Protection Fund Management Board.

CCIWPF Revenue

As received from the Department of Revenue through the Clean Water Trust (CWT), fund revenue to date (July 2019 through December 2024) totals \$103,316,592.11. Income generated by the fund for this period totals \$5,703,389.86.

Subsidies for projects listed on Intended Use Plans for the Clean Water State Revolving Fund dating back to the creation of the CCIWPF (2018) through 2022 will be paid over 4 years, while subsidies for eligible pre-existing debt incurred for clean water projects that pre-date the CCIWPF will be paid over 10 years. Transfers from the fund for Years 1 through 4 are presented below. The balance of the Fund at the end of the calendar year 2024 is \$61,781,937.35.

CCIWPF	Amounts
Revenue to Date	\$103,316,592.11
Fund Income to Date	\$5,703,389.86
Administrative Expenses to Date	\$247,020.15
Subsidy Transfers to Date	\$42,433,330.47
Pre-Existing Debt Payments	\$3,907,884.00
Monitoring Transfers	\$649,810.00
Balance	\$61,781,937.35

Expenses and Project Summaries

In 2024, the Board voted to award subsidies to qualified and eligible water quality projects in several Cape Cod towns. Per the regulations established by the Board in 2020, projects in excess of \$1 million received subsidies equal to 25% of the project costs. Projects of \$1 million or less received 50% subsidies.

Projects eligible for funding include, but are not limited to, innovative strategies and alternative septic system technologies, water quality and wastewater management planning, the construction of sewer collection systems and wastewater treatment plants, and the implementation of drainage improvements and water treatment programs to improve water quality in freshwater ponds and marine resources. Member communities must go through the Clean Water State Revolving Fund program, or SRF, and be listed on the Clean Water SRF Intended Use Plan (IUP) to receive funds. Contingent commitments are made upon release of the annual IUP. Final commitments are made following execution of a Project Regulatory Agreement (PRA).

At its meeting on March 22, 2024, the Board voted final subsidy awards for projects on the 2022 IUP. This vote reflects final subsidies based on PRAs, and a reduction in the total subsidy provided by the CCIWPF from 25% to 5%, to reflect an additional 15% subsidy from the CWT using American Rescue

Plan Act funds. The original commitment to the Towns for a 25% subsidy for these projects remains unchanged despite the sourcing of the funds to provide that 25% subsidy.

Modified Final Commitments for 2022 Intended Use Plan Projects

Town	Description	IUP Cost	Contingent Subsidy at 25%	Subsidy with Remaining Payouts Reduced to 5%
Barnstable	Wastewater Pump Station Replacement Project	\$11,000,000	\$2,750,000.00	\$550,000.00
Chatham	Chatham Stage Harbor (1C-5/1E-2) Sewer Extension	\$15,754,810	\$3,938,702.50	\$787,740.50
Chatham	Chatham Mill Pond Pumping Station Upgrade 2022	\$3,605,672	\$901,418.00	\$180,284.00
Falmouth	Falmouth WWTF TASA Improvements	\$31,265,218	\$7,816,304.50	\$1,563,260.69
Orleans	Meetinghouse Pond Area Collection System and PS	\$29,443,754	\$7,360,938.50	\$1,472,187.50
	Totals	\$91,069,454	\$22,767,363.50	\$4,553,472.69

At its meeting on March 22, 2024, the Board also voted contingent commitments for projects listed on the 2024 IUP.

Contingent Commitments for 2024 Intended Use Plan Projects

Town	Description	IUP Cost	Contingent Subsidy
Barnstable	Nitrogen Removal Improvements & New Headworks Facility	\$30,000,000	\$7,500,000
Barnstable	Rt 28 West Sewer Expansion Project	\$10,000,000	\$2,500,000
Barnstable	Phinney's Lane Neighborhoods Sewer Expansion	\$10,000,000	\$2,500,000
Dennis	Phase 1 – WRRF and Collection System	\$50,000,000	\$12,500,000
Harwich	Rt 28 Sewer Project	\$6,500,000	\$1,625,000
Mashpee	Phase 2 Treatment and Collection System	\$50,000,000	\$12,500,000
Provincetown	Jermone Smith Pump Station	\$848,000	\$424,000
Provincetown	I-I and Sewer Redirects	\$974,000	\$487,000
Provincetown	Phase 6B Collection System	\$32,988,700	\$8,247,175
Sandwich	Sandwich High School WWTF Upgrades	\$9,100,000	\$2,275,000
Wellfleet	Enhanced I&A Septic System Program	\$448,000	\$224,000
Wellfleet	95 Lawrence WW Treatment and Collection System	\$6,309,000	\$1,577,250
Yarmouth	Phase I – WRRF and Collection System	\$50,000,000	\$12,500,000
	Totals	\$257,168,500	\$64,859,825

Previously, the Board voted contingent subsidy awards for projects on the 2023 IUP at its June 13, 2023 meeting, which resulted in the return of \$10,485,675.01 in Year-1 contingent subsidies to the CCIWPF. In addition, at its meeting on June 10, 2024, the Management Board voted to approve contingent commitments for 25% subsidies to fund the portion of projects listed on the 2023 and 2024 IUPs for which the Town of Bourne is responsible, as specified in the town’s intermunicipal agreement with Wareham. Bourne’s assessment for 2023 equals \$2,865,600 and for 2024 equals \$3,662,595. This represents a subsidy of \$716,400 and \$915,648.75 for 2023 and 2024, respectively.

In 2024, 14 projects received their final 4-year subsidy, representing \$39,018,225.40 in subsidies that supported \$205,407,439 in project costs. Subsidy commitments for these projects have been met.

Finally, at its meeting on March 22, 2024, following coordination and collaboration with CWT staff, the Board took significant action to continue its ability to provide a 25% subsidy to qualifying projects by voting to approve a change from the principal forgiveness model of subsidy payment to a debt service model of subsidy payment, which had originally been discussed during the creation of the Fund. Following years of increases in the number of projects listed on the IUP and the increasing costs of those projects, and due to the success of the Fund in supporting towns with necessary funding for implementation of their water quality improvement projects, projects that appeared on the 2023 IUP and those thereafter will receive subsidy payments in equal amounts over the life of an executed loan agreement between the qualified borrower and the CWT, beginning with the first principal payment, instead of providing the full subsidy amount in the first four years following listing on the final IUP. This revised subsidy model allows the Fund to remain solvent into the future and continue to provide the level of subsidy necessary to ensure water quality projects are implemented on Cape Cod.

Pre-Existing Debt

Consistent with the provision in M.G.L. Chapter 29C, Section 19, certain Cape Cod and Islands communities are eligible for subsidies for debt incurred for water pollution abatement projects apart from the CWT prior to the establishment of the CCIWPF.

At its meetings on April 14, 2021 and January 11, 2022, the Board voted to approve final subsidies to qualified and eligible town projects for verified pre-existing debt in the towns of Barnstable, Chatham, Falmouth, and Provincetown. At its meeting on December 10, 2024, the Board voted to approve final subsidies for verified pre-existing debt in the town of Provincetown that had not been previously considered in 2021 and 2022. The following are the revised total subsidy amounts approved for pre-existing debt:

Town	Eligible Pre-Existing Debt	Total Subsidy
Barnstable	\$4,842,300	\$1,210,575
Chatham	\$24,606,410	\$6,151,603
Falmouth	\$7,675,200	\$1,918,800
Provincetown	\$19,212,902	\$4,803,225.50
Totals	\$56,336,812	\$14,084,203.50

Water Quality Monitoring

Pursuant to M.G.L. c. 29C §§ 19-20, the Management Board may use up to 10% of annual CCIWPF revenue to monitor the water quality and watersheds of areas in the coastal waterways of Barnstable, Dukes, and Nantucket counties, including to evaluate and report on the efficacy of adaptive management measures to reduce nitrogen pollution undertaken pursuant to an area wide wastewater management plan (or equivalent plan), and to support further assessment of water quality monitoring to further refine an area wide wastewater management plan. In the original legislation establishing the fund, this work was required to be conducted subject to a memorandum of understanding (MOU) with the Massachusetts Department of Environmental Protection (MassDEP).

Under its authority, on September 6, 2023, the Management Board executed a Memorandum of Agreement (MOA) with MassDEP regarding funding in support of water quality evaluation, monitoring, or assessment in the waters surrounding Cape Cod and the Islands. The MOA included a project funding payment of \$325,000 from the Fund to MassDEP to support this work. A contract with the Center for Coastal Studies (CCS) was executed on October 11, 2023 in the amount of \$324,810 to provide water quality monitoring through July 31, 2024.

In 2024, the Massachusetts Legislature removed the requirement for the MOU, allowing the Board sole discretion as to the use of up to 10% of the revenue for monitoring, evaluation, and reporting. At its meeting on June 10, 2024, the Board committed an additional \$325,000 to support monitoring through July 31, 2025 and the contract with CCS was subsequently extended for the term of one year. Of the 284 total stations monitored in the region, 150 of those are monitored by CCS or their partners at the Buzzards Bay Coalition under contract with CCS, and 29 sentinel stations are monitored under that effort.

Administrative Expenses

The Cape Cod Commission is charged with providing administrative and technical support to the Board. On behalf of the Management Board, the Commission contracts with consultants to provide additional financial and legal support, as necessary and requested by the Board. Costs associated with this support from January 2024 through December 2024 total \$41,639.90, as detailed below. At its January 9, 2025 meeting, the Executive Committee voted to reimburse the Commission for these expenses.

Expenditures	Amount
Cape Cod Commission Personnel	
Salaries, including fringe benefits and indirect costs	\$31,719.90
Contractual Services	
Pierce Atwood – legal	\$920.00
PFM Financial Advisors	\$9,000.00
Total Expenditures	\$41,639.90

5-Year Revenue Projections

The Board, through Barnstable County through the Cape Cod Commission, contracted with PFM Financial Advisors to provide advisory services relative to subsidy allocations and revenue projections. In consultation with the Board and based on their expertise in forecasting and financial modeling, PFM Financial Advisors developed the following 5-year revenue projections.

	2025	2026	2027	2028	2029	2030
Revenue	\$21,467,324	\$21,727,221	\$22,219,361	\$22,765,464	\$23,341,453	\$23,941,857
Revenue Growth	-3.4%	1.2%	2.3%	2.5%	2.5%	2.6%

In summary, the Cape Cod and Islands Water Protection Fund receipts through December 2024 totaled \$103,316,592.11. In 2024, the Board voted to award subsidies for 13 projects, the total cost of which equals \$257,168,500. The amount transferred from the CCIWPF in 2024 for project subsidies totaled \$57,176,684.04. With the addition of fund investment income totaling \$5,703,389.86, the balance of the fund at the end of the calendar year 2024 was \$61,781,937.35.