



CAPE COD AND ISLANDS
WATER PROTECTION FUND

2021 ANNUAL REPORT

PREPARED FOR:

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

Senate:

Rebecca L. Rausch, Chair
James B. Eldridge, Vice Chair
24 Beacon Street, Room 218
Boston, MA 02133

House:

Carolyn C. Dykema, Chair
Mindy Domb, Vice Chair
24 Beacon Street, Room 473F
Boston, MA 02133

Cape Cod and Islands Legislative Delegation

Senator Julian Cyr
24 Beacon Street, Room 312-E
Boston, MA 02133

Senator Susan L. Moran
24 Beacon Street, Room 506
Boston, MA 02133

Representative David T. Vieira
24 Beacon Street, Room 167
Boston, MA 02133

Representative Kip A. Diggs
24 Beacon Street
Boston, MA 02133

Representative Sarah K. Peake
24 Beacon Street, Room 7
Boston, MA 02133

Representative Timothy R. Whelan
24 Beacon Street, Room 542
Boston, MA 02133

Representative Dylan A. Fernandes
24 Beacon Street, Room 472
Boston, MA 02133

Representative Steven G. Xiarhos
24 Beacon Street
Boston, MA 02133

PREPARED BY:

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

3225 Main Street
P.O. Box 226
Barnstable, MA 02630

January 2021

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, fund revenue to date (July 2019 through November 2021) totals \$39,337,123.18. Income generated by the fund for this period totals \$95,312.05.

Subsidies for projects listed on Intended Use Plans for the Clean Water State Revolving Fund dating back to the creation of the CCIWPF (2018) 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. Subsidy awards made to date are described below. The Year 1 transfer from the Clean Water Trust totals \$13,708,673, as detailed in the Expenses and Project Summaries section below. The balance of the fund at the end of the calendar year 2021 is \$25,723,762.23.

CCIWPF	Amounts
Revenue to Date	\$39,337,123.18
Fund Income to Date	\$95,312.05
Year 1 (2021) Transfer	\$13,708,673.00
Balance	\$25,723,762.23

Expenses and Project Summaries

On April 14, 2021 the Board voted to award the first set of 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).

Final Commitments for 2018 and 2019 Intended Use Plans Projects

Town	IUP Year	Description	Project Cost	Total Subsidy
Chatham	2018	Phase 1D – Chatham/Harwich Regionalization	\$8,174,858	\$2,043,715
Chatham	2019	Sewer Extension	\$1,324,983	\$331,246
Harwich	2018	Harwich Sewer Collection System – Phase 2	\$22,214,467	\$5,553,617
Bourne	2019	Buzzards Bay Wastewater Treatment Facility	\$4,660,410	\$1,165,103
Orleans	2019	Downtown Area Collection System and Wastewater Treatment Facility	\$59,409,200	\$14,852,300
Totals			\$95,783,918	\$23,945,981

Contingent Commitments for 2020 and 2021 Intended Use Plans Projects

Town	IUP Year	Description	Project Cost	Total Subsidy
Barnstable	2020	Wastewater Pump Station Improvements Project	\$1,000,000	\$500,000
Barnstable	2020	Strawberry Hill Road Sewer Expansion	\$13,275,023	\$3,318,756
Barnstable	2020	Route 28 and Yarmouth Road Intersection Sewer	\$1,853,762	\$463,441
Barnstable	2020	Solids Handling Upgrade Project	\$8,495,050	\$2,123,763
Chatham	2021	Chatham Queen Anne Pumping Station Upgrade 2021 PE	\$2,464,000	\$616,000
Chatham	2021	Chatham Stormwater Improvement Projects - 2021	\$6,161,000	\$1,540,250
Barnstable	2021	Route 28 East Sewer Expansion Project	\$17,106,000	\$4,276,500
Barnstable	2021	Wastewater Pump Station Improvements Project	\$2,000,000	\$500,000
Mashpee	2021	Mashpee WRRF and Collection System - Phase I	\$51,200,000	\$12,800,000
Falmouth	2021	Falmouth Wastewater Treatment Facility TASA Improvements	\$19,000,000	\$4,750,000
Totals			\$122,554,835	\$30,888,710

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 Clean Water Trust prior to the establishment of the CCIWPF. On April 14, 2021, the Board voted to award subsidies for pre-existing debt to the towns of Barnstable, Chatham, Falmouth, and Provincetown, subject to verification of eligibility. In April 2021, estimated pre-existing debt totaled approximately \$65.9 million, 25% of which would be subsidized through the fund, per the unanimous vote of the Board.

Town	Estimated Pre-Existing Debt (April 2021)	Estimated Total Subsidy
Provincetown	\$19,198,453	\$4,799,613
Barnstable	\$3,958,400	\$989,600
Chatham	\$34,619,778	\$8,654,945
Falmouth	\$8,113,640	\$2,028,410
Totals	\$65,890,271	\$16,472,568

Upon verification, the final pre-existing debt and subsidy amounts are presented below.

Town	Eligible Pre-Existing Debt	Total Subsidy
Provincetown	\$11,729,661	\$2,932,415
Barnstable	\$4,842,300	\$1,210,575
Chatham	\$21,391,410	\$5,347,853
Falmouth	\$7,675,200	\$1,918,800
Totals	\$45,638,571	\$11,409,643

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 2019 through November 2021 total \$112,057.30, as detailed below. At their December 14, 2021, the Board's Executive Committee voted to recommend the Board reimburse the Commission for these expenses. It is anticipated the Board will vote on this matter in early 2022.

Expenditures	Amount
Cape Cod Commission Personnel	
Salaries, including fringe benefits and indirect costs	\$38,352.30
Contractual Services	
Pierce Atwood – legal	\$44,455.00
PFM Financial Advisors	\$29,250.00
Total Expenditures	\$112,057.30

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. Growth in revenue is anticipated to be greater in 2022 and 2023, as a result of increased short-term rental use over the course of the COVID-19 pandemic.

	2021	2022	2023	2024	2026	2027
Revenue	\$15,000,000	\$17,400,000	\$19,140,000	\$19,618,500	\$20,108,963	\$20,611,687
Revenue Growth		16.00%	10.00%	2.50%	2.50%	2.50%

In summary, the Cape Cod and Islands Water Protection Fund receipts through November 2021 totaled \$39,337,123.18. In 2021, the CCIWPF Board voted to award subsidies for 15 projects and to 4 towns for pre-existing debt. The total transferred from the CCIWPF in 2021 for project subsidies totaled \$13,708,673. With the addition of fund investment income totaling \$95,312.05, the balance of the fund at the end of the calendar year 2021 was \$25,723,762.23.

At their meeting on January 11, 2022, the CCIWPF Board voted to approve final commitments for subsidies to fund qualified projects listed on the 2020 Clean Water State Revolving Fund Intended Use Plans, for which Project Regulatory Agreements have been executed in the amounts of:

Town	Project	Project Cost in PRA	Total Subsidy
Barnstable	Solids Handling Upgrade Project	\$11,313,805	\$2,828,451
Barnstable	Wastewater Pump Station Improvements Project	\$1,226,751	\$306,688
Barnstable	RTE 28 Yarmouth Rd Sewer	\$1,731,512	\$432,878
Barnstable	Strawberry Hill Road Sewer Expansion	\$12,289,531	\$3,072,383

The CCIWPF Board also 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 in the amounts of:

Town	Eligible Pre-Existing Debt	Total Subsidy
Provincetown	\$11,729,661	\$2,932,415
Barnstable	\$4,842,300	\$1,210,575
Chatham	\$21,391,410	\$5,347,853
Falmouth	\$7,675,200	\$1,918,800
Totals	\$45,638,571	\$11,409,643

Lastly, the CCIWPF Board voted to approve additional subsidies for authorized debt and debt that was not issued as of April 14, 2021 in the amounts of \$1,478,010 for Provincetown, pending loan issuance and closure, and \$803,750 for Chatham, as show below:

Town	Amount	Status	Total Subsidy
Provincetown	\$1,651,000	Pending Loan Closure	\$1,478,010
	\$2,486,000	Pending Loan Closure	
	\$1,775,041	Pending Issuance	
Chatham	\$1,850,000	Closed 5/27/2021	\$803,750
	\$235,000	Closed 5/27/2021	
	\$1,130,000	Closed 5/27/2021	

These subsidies, and any transfers or payments made related to these subsidies, will be reflected in the 2022 annual report.