

3225 MAIN STREET • P.O. BOX 226
BARNSTABLE, MASSACHUSETTS 02630



CAPE COD
COMMISSION

(508) 362-3828 • Fax (508) 362-3136 • www.capecodcommission.org

January 13, 2023

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

Dear Chairs of the Joint Committee on Environment, Natural Resources and Agriculture 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 *2022 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.

A cash flow model developed in 2021 by PFM Financial Advisors LLC to support administration of the Fund projects the Fund's cash flow based on certain assumptions, including annual tax collections and annual State Revolving Fund (SRF) eligible Clean Water Intended Use Plan (IUP) projects. Initial assumptions to create the model included eligible annual project costs of approximately \$60 million and annual tax collections of approximately \$20 million. The results of the model were supportive of providing a 25% subsidy to eligible projects while maintaining a Fund balance of at least 50% of annual collections.

Since the inception of the Fund, Cape Cod communities have continued their wastewater planning in earnest, highlighting the impact of Fund subsidy on town's abilities to advance pollution abatement projects with financing from the Clean Water Trust. The number of wastewater management projects in the region has increased in recent years, underscoring the success of the Fund in providing support for these projects on Cape Cod, while at the same time unprecedented inflation has increased project costs.

The 2022 IUP presented over \$108 million in projects, more than \$40 million above the assumed project costs and the greatest amount that we had seen for Cape Cod in a single year. The draft 2023 IUP has an even larger cost of projects of over \$167 million. Based on the financial model assumptions, it is projected that the Fund will be negative in fiscal year 2026 if the Management



Board maintains the 25% subsidy that it currently offers. Based on current assumptions for project costs and revenues, without receipt of significant additional revenues to the Fund the Management Board will need to consider limiting subsidies in some way.

The Management Board and Cape Cod Commission appreciate the Legislature's support of the Fund and water quality projects on Cape Cod. Should you have any questions, 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

2022 ANNUAL REPORT

PREPARED FOR:

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

Senate
24 Beacon Street, Room 218
Boston, MA 02133

House of Representatives
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 Room 26
Boston, MA 02133

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

Representative Christopher R. Flanagan
24 Beacon Street, Room B2
Boston, MA 02133

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

Representative Steven G. Xiarhos
24 Beacon Street Room 39
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 2023

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 2022) totals \$60,227,518.65. Income generated by the fund for this period totals \$616,440.73.

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 payments to towns with pre-existing debt totals \$1,302,628, and the Year 2 transfer from the Clean Water Trust totals \$16,300,077 as detailed in the Expenses and Project Summaries section below. The balance of the fund at the end of the calendar year 2022 is \$30,605,246.56.

CCIWPF	Amounts
Revenue to Date	\$60,227,518.65
Fund Income to Date	\$616,440.73
Year 1 (2021) Transfer	\$13,708,673.00
Year 1 (2022) Pre-Existing Debt Payments	\$1,302,628.00
Year 2 (2022) Transfer	\$16,300,077.00
Balance	\$30,605,246.56

Expenses and Project Summaries

On January 11, 2022 and June 2, 2022 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).

Final Commitments for 2020 and 2021 Intended Use Plan Projects

Town	IUP Year	Description	Project Cost	Total Subsidy
Barnstable	2020	Solids Handling Upgrade Project	\$11,313,805	\$2,828,451
Barnstable	2020	Wastewater Pump Station Improvements Project	\$1,226,751	\$306,688
Barnstable	2020	RTE 28 Yarmouth Rd Sewer	\$1,731,512	\$432,878
Barnstable	2020	Strawberry Hill Road Sewer Expansion	\$12,289,531	\$3,072,383
Barnstable	2021	Wastewater Pump Station Improvements	\$2,761,225	\$690,306
		Totals	\$18,009,019	\$7,330,706

Contingent Commitments for 2022 Intended Use Plan Projects

Town	Description	Project Cost	Total Subsidy
Barnstable	Wastewater Pump Station Replacement Project	\$5,540,000	\$1,385,000
Chatham	Taylor's Pond/Mill Creek (1D-2B) Sewer Extension	\$14,696,000	\$3,674,000
Chatham	Chatham Stage Harbor (1C-5/1E-2) Sewer Extension	\$11,010,500	\$2,752,625
Chatham	Chatham Mill Pond Pumping Station Upgrade 2022	\$2,268,000	\$567,000
Chatham	WPCF Sludge Processing Upgrades	\$4,750,000	\$1,187,500
Falmouth	Falmouth WWTF TASA Improvements	\$20,000,000	\$5,000,000
Orleans	Meetinghouse Pond Area Collection System and PS	\$32,906,000	\$8,226,500
Orleans	Permeable Reactive Barrier Implementation	\$17,094,000	\$4,273,500
	Totals	\$108,264,500	\$27,066,125

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.

At their meeting on January 11, 2021, the CCIWPF 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 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

The CCIWPF Board also 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	

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 2022 through December 2022 total \$62,383.19, as detailed below. At their January 10, 2023, the Board voted to reimburse the Commission for these expenses.

Expenditures	Amount
Cape Cod Commission Personnel	
Salaries, including fringe benefits and indirect costs	\$49,003.19
Contractual Services	
Pierce Atwood – legal	\$630.00
PFM Financial Advisors	\$12,750.00
Total Expenditures	\$62,383.19

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.

	2022 Actual	2023	2024	2025	2026	2027
Revenue	\$19,856,970	\$21,196,187	\$22,070,960	\$22,443,257	\$22,955,854	\$22,923,805
Revenue Growth	27.64%	6.74%	4.13%	1.69%	2.28%	-0.14%

In summary, the Cape Cod and Islands Water Protection Fund receipts through November 2022 totaled \$60,227,518.65. In 2022, the CCIWPF Board voted to award subsidies for 13 projects and to 4 towns for pre-existing debt. The total transferred from the CCIWPF in 2022 for project subsidies totaled \$17,602,705. With the addition of fund investment income totaling \$616,440.73, the balance of the fund at the end of the calendar year 2022 was \$30,605,246.56.