



CAPE COD AND ISLANDS WATER PROTECTION FUND

Water Protection Fund Drives Local Progress

The 25% subsidy provided by the Cape Cod and Islands Water Protection 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.

“This fund is a critical tool that helps us address the rising costs of necessary wastewater infrastructure region-wide,”

Kevin Galligan, Management Board Chair and Town of Orleans Selectboard Member

Predicting Water Protection Fund Utilization

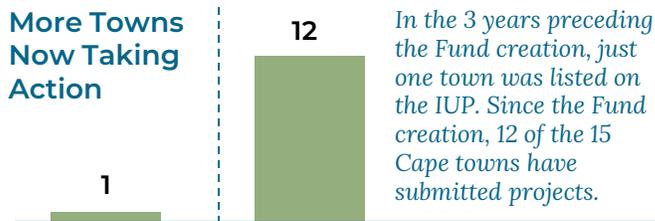


A cash flow model developed in 2021 by PFM Financial Advisors LLC to support administration of the Fund projects the Fund’s cash flow based on certain assumptions, including annual tax collections and annual Clean Water Intended Use Plan (IUP) project costs. Initial assumptions to create the model included eligible annual project costs of \$60 million and annual tax collections of approximately \$20 million. The cash flow model supported providing a 25% subsidy to eligible projects while maintaining a Fund balance of at least 50% of annual collections. To account for an increased number of projects and rising project costs, the Management Board has since adapted the model assumptions to include eligible annual project costs of approximately \$125 million.

Local Projects Gain Momentum

Since creation of the Fund, revenue has been largely consistent with projections; however, local commitment to project implementation and eligible project costs have exceeded expectations.

More Towns Now Taking Action

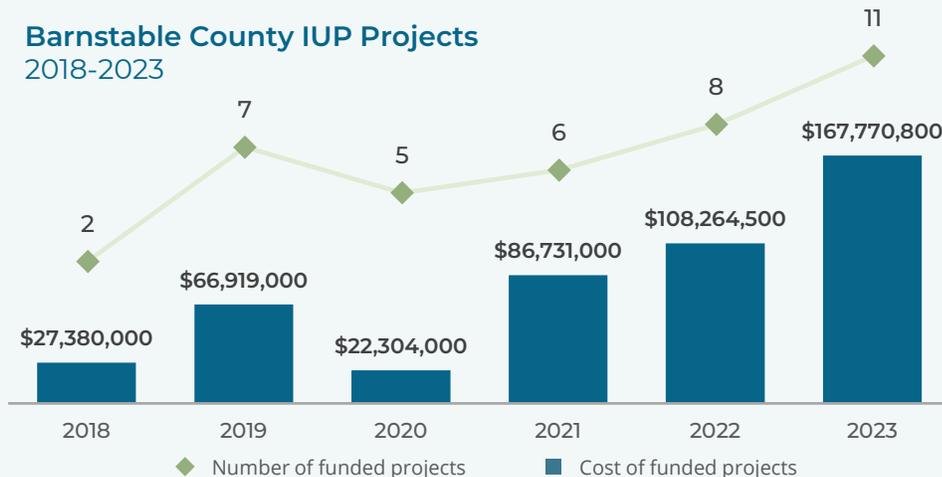


In the 3 years preceding the Fund creation, just one town was listed on the IUP. Since the Fund creation, 12 of the 15 Cape towns have submitted projects.

Unprecedented Local Commitments Continue

In 2022 and 2023, the IUP included over \$108 million and \$167 million in wastewater projects from Cape Cod, respectively – the most significant project costs listed for Cape Cod in a single year and far exceeding the \$60 million in project costs initially assumed in the model.

Barnstable County IUP Projects 2018-2023



CAPE COD AND ISLANDS WATER PROTECTION FUND

The Critical Need for Additional Funding Support

In 2024, Cape Cod communities have submitted more than \$583 million in new project costs to be considered for listing on the IUP. Based on current model assumptions, the new projects submitted for listing on the IUP are nearly four times the amount that can be awarded a subsidy in 2024.

Failure to maintain a 25% subsidy will slow progress and hinder community support. Given the recent revision of the Title 5 regulations and Watershed Permit regulations, which promote and encourage continued action on wastewater and water quality, it is imperative to maintain the momentum generated by the Fund subsidies.

Without additional revenue from the state, the Management Board will be forced to significantly reduce the subsidy in FY25. The timing of the reduction in the subsidy rate when the state is requiring increased project activity through the watershed permit regulations would undercut the Commonwealth's efforts to accelerate water quality remediation.

\$583 million

2024 CAPE COD IUP
SUBMISSIONS

A subsidy reduction would irreparably slow local projects and impede progress on one of the region's most significant environmental and economic challenges.

Funding Requests Support State's Efforts to Accelerate Wastewater Projects on Cape Cod

Environmental Bond Bill Authorization

To allow the Fund to remain solvent at a 25% subsidy rate through FY30, it is estimated that additional revenue of \$66 million spread out over FY25, FY26, and FY27 will be required.

The Management Board is requesting the Healey administration and the Cape and Islands Legislative Delegation include an authorization of \$66 million in an upcoming Environmental Bond Bill. Inclusion of an authorization of \$66 million in the bond bill coupled with a commitment to allocate authorized funding to the Fund in equal installments in the Capital Spending Plan in fiscal years 2025-2027 will provide the needed signal to towns to continue to seek voter approval for upcoming projects.

Operating Appropriation

The Management Board anticipates that actual project costs listed on the 2024 IUP will far exceed the projected \$125 million used in the cash flow model for the Fund. An operating appropriation in early 2024 will be required to support a 25% subsidy in 2024, the exact amount of which can be calculated upon release of the 2024 IUP (draft anticipated in January 2024).

In anticipation of this need to fund the subsidy for Cape projects appearing on the 2024 IUP with a cash appropriation, **the Management Board is also requesting that any shortfall in revenue be included in an early 2024 supplemental FY24 budget bill** so that towns will know the project costs for proposals placed before voters in the spring of 2024.

The Cape Cod and Islands Water Protection Fund was established by the Massachusetts Legislature in 2018 to help Cape Cod and Islands towns pay for necessary wastewater infrastructure and water quality remediation projects. It is funded by a 2.75% excise tax on traditional lodging and short-term rentals in member communities. Currently, the 15 Cape Cod communities are members of the CCIWPF. To date, it has played a significant role in accelerating the pace of wastewater projects on Cape Cod by providing a 25% subsidy to qualified projects.

The Fund is administered by the Massachusetts Clean Water Trust and overseen by a Management board comprised of representation from every member community. Each spring, following release of the Final State Revolving Fund Clean Water Intended Use Plan (IUP), the Management Board votes on contingent commitments for subsidies for projects listed from member communities.