

**Minutes
Executive Committee Meeting
Massachusetts Clean Water Trust**

DATE: July 26, 2017

START TIME: 1:35

PLACE: State House, Room 327

NOTICE: Due public notice given

MEMBERS OF THE EXECUTIVE COMMITTEE –

PRESENT: Sue Perez, Executive Director of the Trust
Rachel Madden, Director of Finance & Administration of the Trust
Steve McCurdy, Director of Program Development of the Trust

ALSO PRESENT: Bernard Greene, Senior Legal Counsel of the Trust
Nate Keenan, Deputy Director of the Trust
Kristin LaCroix, Budget Director, DEP

SUMMARY OF DISCUSSIONS (INCLUDING DECISIONS MADE/ACTIONS TAKEN/ VOTES):

1. Budget. DEP Budget Director, Kristin LaCroix, met with the Committee to discuss the fiscal year 2018 budget. The budget was presented to the Committee. Ms. Perez noted that the June 30 actual payroll numbers paid with the federal grant and state match are up \$2.2 million from the budgeted amount. A similar increase also occurred last year. This was due to DEP drawing from the grant in June to make sure that there is money available for payroll in July. It was agreed that in the future, the money would be wired on July 1, which will only be a problem if payroll is due on July 1 and the wire does not go through the same day. Ms. Perez, referring to page two of the budget document, stated that the Board must be given a reasonable explanation for increases in DEP's total operating expenditures between fiscal year 2015, when it was \$7.8 million, and 2016, when it was \$8.8 million. Ms. Madden also noted that during this time DEP was losing people, yet the budget numbers are increasing. Ms. LaCroix explained that some of the increase was due to contractual additions, increases in fringe benefits, and collective bargaining increases. Mr. McCurdy added that although some people had retired, the budget had not been adjusted to reflect lower costs.
2. DBE Fair Share Goals. Ms. LaCroix reported that Larry Wells, the EPA Small Business Coordinator for Region 1, called her to say that the Trust's fair share objectives have been accepted. EPA did not have any questions. The next step is to begin to prepare a budget for a full disparity study.
3. Falmouth Wind Turbine. Ms. Perez commenced a discussion on one of the options to assist Falmouth that was discussed at the Board meeting. That option would convert the Falmouth loan to a zero percent loan and give the Town a credit for the

principal that accrued during the period that Wind 2, which was funded by the Trust, was operating. This would give the Town principal forgiveness during the period from the loan approval date through July 2017 and total forgiveness of interest. Ms. Perez circulated a spread sheet showing this conversion. The original principal amount borrowed was \$4.86 million, which at a 2% rate of interest would have resulted in total debt service of \$5.9 million. If the Board approves this option, the Town would have to pay \$2.9 million in total debt service, comprised of principal only, beginning July 2018. \$1 million of interest and \$1.9 million of principal, related to the period that Wind 2 was operating, would be forgiven. Program counsel has reviewed this option and agrees that the Board has authority to offer zero percent interest. After the Board votes on August 2, the Trust will inform the Town by letter.

4. Plymouth. Mr. Keenan reported on the request by the Town of Plymouth to split its \$48.2 million loan that the Board voted in August 2016 for a sewer main reconstruction project into four loans. He circulated a projected loan amortization schedule for the split loan showing relatively level debt service over a 30-year period. The Committee expressed agreement with the proposal.
5. Charlton. Mr. Keenan reported that the Town of Charlton has received a settlement payment from Exxon/Mobil related to the company's pollution of the town's water supply. They want to pay-off their loan from the Trust with this money. The loan however is a pledged loan. He circulated a spreadsheet that showed a present value calculation of debt service payments through 2030 that the Trust would need assuming a 2% interest rate. That amount would total \$1,966,196.20, which, if accepted by the Trust as payoff of the loan, would save the town \$45,399.18 in debt service. The Committee agreed to the payoff of the Charlton loan in this manner.
6. Affordability. Mr. Keenan reported on the principal forgiveness amounts for communities qualifying under the Trust's affordability criteria. According to the federal grant requirements, clean water projects must provide at least 10% and up to 30% of the state's capitalization grant as additional subsidization, including principal forgiveness. Drinking water projects must be given a minimum of 20% of the capitalization grant in additional subsidization. The Committee agreed to request that the Board approve \$3,090,200 or 20% of the drinking water grant and \$4,536,300 or 10% of the clean water grant for principal forgiveness.
7. Barnstable County. Mr. Keenan reported on the proposal by Barnstable County to add administrative and support functions to its Title 5 loan program and expand monitoring and evaluation of traditional and advanced onsite septic systems. The county will use the 5% interest earnings they receive from homeowners who borrowed from the Title 5 funds provided to the county by the Trust. Mr. McCurdy praised this idea and noted that the implementation of the Cape Cod Section 208 Plan includes managing septic systems. The Committee agreed that the county's proposal is a good plan and that the Trust should notify the county to express its support.

8. Principal Forgiveness. Ms. Perez circulated to the Committee a list of all principal forgiveness loans for projects that are completed but are not yet closed out with a project completion certificate. Receipt of DEP's project completion certificate is required for the Trust to forgive the loan. The Trust will monitor these borrowers to help get their project completion certificates finalized.
9. Group of Projects. Mr. McCurdy reported on discussions with MWRA that DEP has held regarding the projects to be included in an amended group of projects list for the clean water grant application. These discussions generally went well but DEP is asking for more information from MWRA to complete the project regulatory agreements for these projects.
10. Cape Cod. Mr. Keenan reported that the Trust will be meeting with Senator Cyr on Thursday, July 27. Ms. Perez noted that a bill has been introduced again to create a Cape Cod Water Protection Trust. The draft of the bill that is currently available would authorize this newly created Trust to issue bonds backed by the full faith and credit of the Commonwealth. The Committee discussed this and other issues presented by the draft bill but agreed that it would wait until a final bill is available before commenting.

LIST OF DOCUMENTS AND EXHIBITS USED:

1. Fiscal Year 2018 Budget materials
2. Proposed August 8, 2017 Board of Trustees agenda
3. Town of Plymouth Schedule of Borrower Payments – fiscal year 2018 to maturity
4. Town of Charlton Drinking Water Debt Summary
5. Falmouth proposed debt service at zero percent loan with principal forgiveness for period Wind 2 was operational compared to original debt service schedule.
6. Proposal by Barnstable County: "Enhancement of the Septic Loan Program to provide a better management structure and advanced treatment onsite septic systems"
7. Drinking Water Principal Forgiveness
8. Clean Water Principal Forgiveness
9. List of all principal forgiveness- awaiting close out

The meeting adjourned at 2:50 p.m.

Approved: October 18, 2017