



Commonwealth of Massachusetts
Executive Office of Energy & Environmental Affairs

Department of Environmental Protection

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2018 Intended Use Plan for the Clean Water State Revolving Fund

REVISED JUNE 2018

To All Interested Parties:

The Massachusetts Department of Environmental Protection (MassDEP) is pleased to present the 2018 Intended Use Plan (IUP), which details the projects, borrowers and amounts that will be financed through the Clean Water State Revolving Fund (CWSRF) loan program. The CWSRF is a joint federal-state financing loan program that provides subsidized interest rate loans to improve or protect water quality in the Commonwealth.

As noted in Table 1, Massachusetts is offering approximately \$484million to finance clean water projects across the Commonwealth. Approximately \$442 million will fund 39 new construction projects, and an additional \$21.2 million will be allocated towards funding 6 previously approved multi-year projects. \$3 million has been allocated to the emergency set-aside account, and \$5 million will be directed to the Community Septic Management Program to remediate failed septic systems in participating communities. An additional \$12.1 million will fund 13 planning projects.

The Project Priority List (PPL) of this IUP is presented in Table 2. The PPL lists by ranking, all of the proposals that MassDEP received in the 2018 solicitation. The IUP is the subset of the PPL selected to receive financing offers.

ITEMS OF NOTE:

- 1) Congress recently enacted the fiscal year 2018 federal budget, increasing the program allotment nationally by \$300M. The CWSRF grant to MA increased this year to \$54,495,000. The additional funds do not affect the IUP project listing, since all of the applicants are being offered financing. The additional grant amount will be deposited to the CWSRF and will be available to finance the 2018 projects as needed, or become additional capacity for the 2019 solicitation.

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- 2) Congress requires states to use 10% of the CWSRF grant towards additional project subsidy for communities that might otherwise be unable to afford to undertake the project. MassDEP will therefore allocate approximately \$5,449,500 to subsidize projects that meet the affordability criteria recently established by the Clean Water Trust (CWT) in response to WRRDA. The additional subsidy funds will be distributed in a pro-rated share to all of the proponents meeting appropriate criteria and who execute a construction contract on or before June 30, 2019. As in previous years, MassDEP is also offering additional subsidy for all projects with a renewable energy component.
- 3) The Massachusetts Clean Water Trust has approved the use of a matching \$5,449,500 in equity, to match the federal subsidy contribution, making a total of \$9M available for loan forgiveness to the qualifying projects. The CWT funds are derived from Contract Assistance Funds allocated by the Commonwealth to the CWT. CWT's affordability index website is:
<http://www.mass.gov/treasury/docs/mwpat/inthenews/final-affordability-calculation-to-govern-distribution-of-principal-forgiveness.pdf>
- 4) The Water Resources Reform and Development Act of 2014 (WRRDA) amended the Clean Water Act, resulting in important changes to the CWSRF Program that affect most borrowers. The primary changes to the program are the requirements for borrowers to develop and maintain a Fiscal Sustainability Plan, which is similar to an asset management plan, and a certification that the cost and effectiveness of the project has been evaluated and that the project maximizes water efficiency and energy conservation. The body of the IUP discusses these WRRDA requirements in greater detail.
- 5) MassDEP expects to receive an estimated \$54 million federal grant to subsidize the CWSRF program. Last year, the Congress required 10% of the federal grant be used to fund "green infrastructure". MassDEP expects a similar requirement for 2018. The 2018 IUP lists 2 new "green infrastructure" construction projects. The exact monetary value of the green portion of these projects will be determined when project applications are submitted.
- 6) Section 302 of the 1996 Safe Drinking Water Act Amendments allows states the flexibility to move some funds between the Clean and the Drinking Water SRF programs, to better address specific state priorities. CW IUP capacity is frequently sufficient to allow Massachusetts to finance all of the Clean Water projects that request financing in a given year. On the Drinking Water side, generally one third to one half of the projects goes unfunded each year. Transferring a limited amount of funds from CWSRF to DWSRF this year and in the future will help to modestly increase the capacity of the DWSRF and reduce this imbalance in our ability to provide financing. Therefore, Massachusetts will transfer funds from the CWSRF to the DWSRF program in the amount of \$8,505,420 (33% of the estimated 2018 DW grant amount of \$25,774,000). These will be recycled funds freed up from the repayment of previous loans.

MassDEP appreciates the efforts that proponents have invested in the development of applications. We know that significant effort goes into every application, and we appreciate your efforts to enhance and protect the quality of waters of the Commonwealth.

Sincerely,

Steve McCurdy, Director
MassDEP Division Municipal Services

TABLE 1
CLEAN WATER STATE REVOLVING FUND
Calendar Year 2018 CWSRF Intended Use Plan

NEW PROJECTS

Rating	Applicant	SRF ID	Project	Project Cost	2018 IUP Cost
119	HARWICH (PF)	4424	Harwich Sewer Collection System - Phase 2	\$20,280,000	\$20,280,000
119	TAUNTON (PF)#	4417	2019-2020 Sewer & Drain Improvements	\$6,000,000	\$6,000,000
119	MARION #	4435	WWTP & Collection System Improvements	\$25,200,000	\$25,200,000
113	HULL (PF)#	4445	Fiscal Sustainability Plan and CMOM Upgrades	\$8,257,000	\$8,257,000
109	FALL RIVER (PF)	4432	CSO Abatement Program - City Pier	\$25,200,000	\$18,200,000
109	CHATHAM	4430	Phase 1D - Chatham/Harwich Regionalization	\$7,100,000	\$7,100,000
108	NANTUCKET	4418	Surfside Road Area Sewer System Improvements	\$5,100,000	\$5,100,000
107	REVERE (PF)	4439	Illicit Connection & Sump Pump Removal Program	\$2,000,000	\$2,000,000
107	FALL RIVER (PF)	4420	CSO Abatement Program -- Middle Street	\$9,200,000	\$9,200,000
107	REVERE (PF)#	4440	Phase IX Construction - I/I, IDDE, P.S. & Drainage	\$4,700,000	\$4,700,000
106	SAUGUS (PF)#	4448	Comprehensive Sewer System Rehab Sub-System PS-4	\$1,901,714	\$1,901,714
105	SPRINGFIELD WATER AND SEWER COMMISSION (PF)	4455	York St. Pump Station & Connecticut River Crossing	\$81,013,400	\$50,000,000
105	LAWRENCE (PF)#	4427	Sewer and Drainage Improvements	\$14,267,267	\$14,267,267
105	NANTUCKET	4419	Phase 2 Surfside WWTF Improvements	\$7,600,000	\$7,600,000
101	FRAMINGHAM (PF)	4414	Worcester Road Pumping Station Elimination Project	\$23,500,000	\$23,500,000
100	FALL RIVER (PF)#	4454	President Avenue Sewer Pump Station Replacement	\$4,300,000	\$4,300,000
94	NORWOOD (PF)	4416	Underdrain Area Sewer Rehabilitation	\$2,700,000	\$2,700,000
93	PITTSFIELD (PF)	4458	Wastewater Treatment Plant Nutrient Removal	\$74,029,000	\$50,000,000
92	FALL RIVER (PF)	4447	Cress Brook Drainage Improvements	\$7,455,200	\$7,455,200
89	NEW BEDFORD (PF)	4431	Wastewater Collection System Improvements	\$36,400,000	\$36,400,000
87	FALL RIVER (PF)	4456	Hyacinth Street Drainage Improvements	\$723,000	\$723,000
82	FALL RIVER (PF)	4451	Hyacinth Street (South) Drainage Improvements	\$1,020,000	\$1,020,000
81	WINTHROP (PF)#	4423	Town Center - Sewer and Drainage Improvements	\$4,931,500	\$4,931,500
80	NORTON (PF)	4421	West Main Street Sewer Extension Project	\$3,320,000	\$3,320,000
76	EASTON	4449	Easton Five Corners Sewer	\$9,618,000	\$9,618,000
75	BROCKTON (PF)	4436	WWTP Upgrade	\$7,800,000	\$7,800,000
67	BILLERICA (PF)	4452	WWTF & Pump Station Upgrades	\$7,239,000	\$7,239,000
66	MWRA #	4446	Nut Island HW Odor Control & HVAC - Contract 7548	\$30,109,200	\$9,066,624
66	BILLERICA (PF)	4442	Sewer Contracts 37 & 38	\$25,661,428	\$25,661,428

66	SESD	4450	Primary Clarifier Concrete Restoration	\$9,321,000	\$9,321,000
64	MARTHA'S VINEYARD AIRPORT COMMISSION (PF)	4426	Martha's Vineyard Airport WWTF Upgrades	\$1,908,750	\$1,908,750
64	ACTON	4453	West Acton Sewer Extension Project	\$11,748,000	\$11,748,000
61	SAUGUS (PF)#	4444	Lincoln Avenue Pumping Station Improvements	\$1,072,500	\$1,072,500
60	TYNGSBOROUGH	4422	Phase 2 Middlesex Road North	\$11,149,553	\$11,149,553
56	PEPPERELL (PF)#	4438	Pepperell WWTF Upgrade	\$4,542,000	\$4,542,000
54	MWRA	4441	Dorchester Interceptor Sewer Renewal Contract 7279	\$6,000,000	\$6,000,000
48	FALL RIVER (PF)	4433	Wastewater Treatment Facility Improvements	\$39,000,000	\$8,200,000
35	MWRA	4428	North Low Service Sewer Sections 19, 20 & 21 Rehab	\$13,650,000	\$13,650,000
34	GLOUCESTER (PF)#	4415	Sewer PS Rehabilitations & FOG Mitigation	\$1,375,000	\$1,375,000
TOTAL OF NEW PROJECTS				\$556,392,512	\$442,507,536

(Count: 39)

(Average Rating: 85.36)

(PF) - Affordability Criteria

(RE) - Potential Renewable Energy Projects

- Projects contains Energy Efficiency, Renewable Energy, and/or meets EPA's definition of a Green Project
(<http://water.epa.gov/aboutow/eparecovery/index.cfm>)

MULTI-YEAR CARRYOVER AND STATUTORY PROJECTS

Applicant	SRF ID Project	Project Cost	2018 IUP Cost
MWRA	4150 DITP Asset Protection Phase 3	\$61,600,000	\$3,000,000
MWRA	4117 Facility Asset Protection	\$22,526,969	\$3,036,709
MWRA	4118 DITP Asset Protection Phase 2	\$60,100,000	\$3,000,000
MWRA	3981 Remote Headworks Upgrade	\$158,818,264	\$6,000,000
MWRA	2885 Wastewater Treatment Plant and Sewer	\$56,224,235	\$6,246,667
TOTAL OF MULTI-YEAR CARRYOVER AND STATUTORY PROJECTS		\$359,269,468	\$21,283,376

(Count: 5)

MassDEP PRIORITY PROJECTS

Applicant	SRF ID Project	Project Cost	2018 IUP Cost
COMMUNITY SEPTIC MANAGEMENT PROGRAM	3850 Community Septic Management Program	\$5,000,000	\$5,000,000
EMERGENCY SRF SET-A- SIDE	2977	\$3,000,000	\$3,000,000
TOTAL OF MassDEP PRIORITY PROJECTS		\$8,000,000	\$8,000,000

(Count: 2)

PLANNING PROJECTS

Applicant	SRF ID Project	Project Cost	2018 IUP Cost
BROCKTON	4381 2018 Sewer System Evaluation Survey Program	\$4,000,000	\$4,000,000
COHASSET	4385 Town of Cohasset CWMP- Planning	\$450,000	\$450,000
FALL RIVER	4391 Stafford Square Collection System Evaluation	\$400,000	\$400,000
FALL RIVER	4380 Fall River Asset Management	\$500,000	\$500,000
HULL	4389 SSES	\$1,306,200	\$1,306,200
HULL	4388 WWTF Reliability Centered Maintenance Assessment	\$355,000	\$355,000
HULL	4383 Facility Plan and Resiliency Plan Update	\$435,300	\$435,300
NEW BEDFORD	4382 WWTP Facilities Planning	\$2,500,000	\$2,500,000
NORWOOD	4379 Stormwater Planning	\$250,000	\$250,000
REVERE	4387 Phase X Field Investigations - I/I and IDDE	\$1,000,000	\$1,000,000
REVERE	4386 Illicit Connection and Sump Pump Investigation	\$500,000	\$500,000
TYNGSBOROUGH	4390 Tyngsborough I-I Program	\$250,000	\$250,000
WESTPORT	4384 IWRMP	\$150,000	\$150,000
TOTAL OF PLANNING PROJECTS		\$12,096,500	\$12,096,500

(Count: 13)

TOTAL OF INTENDED USE PLAN **\$935,758,480** **\$483,887,412**

I. Introduction

The Federal Water Quality Act of 1987 established a program of capitalization grants to the States to create Clean Water State Revolving Fund (CWSRF) loan programs. These programs provide state-administered below market rate financing for the construction of publicly owned water pollution abatement facilities and implementation of non-point source management projects. Under the CWSRF program, States provide a 20% match to the federal capitalization grant to create the loan fund. Projects to be financed are selected using a priority ranking system based upon the public health and environmental protection benefits of the proposed projects.

The CWSRF is jointly administered by the Massachusetts Department of Environmental Protection (MassDEP) and the Massachusetts Clean Water Trust (the Trust). MassDEP manages the technical aspects of the project development, while the CWT manages the disbursement of funds and the sale of bonds to provide capital to the program.

Pursuant to the applicable provisions of the Federal Water Pollution Control Act of 1972, as amended, Chapter 21 of the General Laws, and 310 CMR 44.00, MassDEP has developed its Calendar Year 2018 Intended Use Plan/Project Priority List (IUP/PPL), with its attendant ranking of water pollution abatement projects. In order for a project to receive financial assistance under the State Revolving Fund Loan program, that project must appear on the Project Priority List and the Intended Use Plan Project Listing.

This IUP includes approximately \$495 million in financing and describes Massachusetts' intended uses for all funds available in the CWSRF program for 2018, including the projects that Massachusetts expects to provide financial assistance to and an overview of how the state will comply with federally mandated requirements.

All new projects receiving financial assistance from the CWSRF will be eligible for loans at 2% interest. The Commonwealth subsidizes these loans, funding the spread between market interest rates and the 2% loan. This subsidy, so-called Contract Assistance, will continue to be allotted to the SRF programs in this and upcoming budget cycles. Certain projects, whose primary purpose is nutrient reduction, may be eligible for 0% interest rate loans, if they meet specific statutory requirements. Prior to committing to permanent financing, MassDEP will review all submitted information to determine a projects' eligibility for the reduced rate financing.

To be considered for funding priority, communities must have appropriated the necessary local project funds or have committed to a schedule to obtain those funds by June 30, 2018. Also, complete applications must be submitted to MassDEP at the earliest possible time, but not later than October 15, 2018. A complete application must contain the local funding authorization and the required supporting documentation. Any project not meeting these deadlines will be removed from the IUP Project Listing. Projects offered financing that do not advance, may be replaced by the highest ranked project on the Project Priority List that is ready to proceed.

All SRF related documents, including this IUP, the priority ranking system, loan application forms, regulations, and IUPs from the previous year, may be found on the MassDEP web site at <http://www.mass.gov/eea/agencies/massdep/water/grants/state-revolving-fund.html>.

II. Calendar Year 2018 Project Funding

In 2018, MassDEP expects to finance 39 new construction projects, 6 carryover projects, and 13 planning projects totaling \$12.1m. Included in this amount is a \$3 million emergency reserve to finance unanticipated problems of acute public health concern that may arise during the year. A \$3 million allocation to the Community Septic Management Program is also proposed. Table 1 is the funding list for 2018 and Table 2 is the extended Project Priority List.

Congress has not yet passed legislation funding the CWSRF for 2018. For the purposes of this IUP, MassDEP is assuming that the capitalization grant for 2018 will be the same as 2017 and will include the same program conditions. The following are some of the more notable requirements applicable to the CWSRF program:

a) Additional Subsidy

Congress requires states to use 10% of the CWSRF towards additional project subsidy for communities that might otherwise be unable to afford to undertake a project. MassDEP will therefore allocate \$5,449,500 of federal funds to subsidize projects that meet the affordability criteria recently established by the Massachusetts Clean Water Trust in response to the Water Resources Reform and Development Act of 2014 (WRRDA). The additional subsidy funds will be distributed in a pro-rated share to all of the proponents meeting appropriate criteria and who execute a construction contract on or before June 30, 2018. As in previous years, MassDEP is also offering additional subsidy for all projects with a renewable energy component.

The Massachusetts Clean Water Trust (CWT) has approved the use of a matching \$5,449,500 in equity, to match the federal subsidy contribution, making a total of \$10.9M available for loan forgiveness to the qualifying projects. The CWT funds are derived from Contract Assistance Funds allocated by the Commonwealth to the CWT. CWT's affordability index website is : <http://www.mass.gov/treasury/docs/mwpat/inthenews/final-affordability-calculation-to-govern-distribution-of-principal-forgiveness.pdf>

Massachusetts will provide the additional subsidies based, in part, on Affordability Criteria, developed by the Clean Water Trust in response to the Water Resources Reform and Development Act of 2014. The Affordability Criteria established three tiers of subsidy. The highest level of subsidy goes to communities that are below 60% of the statewide Adjusted Per Capita Income (APCI). The second level of subsidy goes to communities that fall within 60-80% of the statewide APCI and the third level of subsidy goes to communities between 80-100% of the statewide APCI. Communities above the statewide APCI are not eligible for additional subsidies. The exact amount of additional subsidy any project receives depends on which tier the community falls under and how many projects eligible for additional subsidy proceed to construction.

Additional subsidies will be awarded to construction contracts executed by June 30, 2019. Awards will be based on a prorated share of the total eligible cost of the subsidy-eligible projects that meet the deadline. For multi-year projects in communities that fall below 60% of the statewide APCI, contracts executed after June 30, 2019 will be eligible for additional subsidy in the following year(s). Multi-year projects in other communities will be eligible in the first year only.

In addition to meeting the Affordability Criteria, under Chapter 259 of the Acts of 2014, An Act Improving Drinking Water and Wastewater Infrastructure, applications for additional subsidy are evaluated on criteria including best management practices and recipients are required to (1) establish water enterprise funds (or equivalent separate restricted accounts) and (2) not have made any transfers from such enterprise fund since January 1, 2015 to fund the community's general operating budget. If a community cannot certify as to having met these conditions at or prior to project completion, then principal forgiveness cannot be applied and the loan will remain subject to repayment. More information regarding the best management practices can be found on the Clean Water Trust's website at: <https://www.mass.gov/best-management-practices-mcwt>.

b) Green Infrastructure

- a. For 2017, Congress required that at least 10 % (ten percent) of the federal grant be dedicated to Green Infrastructure projects or components as defined by USEPA. For Massachusetts, this requires that an estimated \$5.449 million be allocated towards Green Infrastructure projects. For 2018, MassDEP has identified and highlighted 2 new projects with a total value of \$1.2 million that meet EPA guidelines for Green Infrastructure. These projects are not entirely green; therefore, determining the exact value of the green portions of the project is not possible at this time. The total value of green components of those projects will be determined when detailed project applications are submitted. MassDEP expects to meet the minimum \$5.449 million that EPA requires be allocated towards Green Infrastructure projects.

c) Applicant Cap

The Massachusetts SRF regulations (310 CMR 44) place a limit on any one proponent receiving any more than 33% (thirty-three percent) of the available funding in a given year. Because of the shortfall of available funding relative to the number of worthwhile projects, and in order to extend financial assistance to as many highly ranked projects as possible, MassDEP is proposing to implement an applicant cap of \$50 million for the 2018 funding period. MassDEP, however, reserves the right to waive the applicant cap limitation if MassDEP determines that one or more projects on the Intended Use Plan Project Listing are not ready to proceed. If the applicant cap is waived, communities may see an increase in financing support for projects not fully funded on the IUP listing.

d) . WRRDA Requirements

The Water Resources Reform and Development Act of 2014 (WRRDA) amended the Clean Water Act, resulting in important changes to the CWSRF Program that affect most borrowers. The following are the specific provisions that may have an impact on borrowers:

- Fiscal Sustainability Planning – For treatment works proposed for repair, replacement, or expansion, the USEPA is now requiring that borrowers develop and implement a fiscal sustainability plan (FSP) that includes:
 - *an inventory of critical assets that are a part of the treatment works;*
 - *an evaluation of the condition and performance of inventoried assets or asset groupings;*
 - *a certification that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan; and*
 - *a plan for maintaining, repairing, and, as necessary, replacing the treatment works and a plan for funding such activities; or*
 - *a certification that the borrower has developed and implemented a plan that meets these requirements.*

With the exception of the third bullet, these are all components of an asset management plan. The USEPA issued a Best Management Practices guide for the development of asset management plans, which may be used as a basis for the development of an FSP (http://water.epa.gov/type/watersheds/wastewater/upload/guide_smallsystems_assetmanagement_bestpractices.pdf). There are numerous other guidance documents available on the USEPA website and several other states (New Mexico and New Jersey among others) have developed detailed guidance on the development of asset management plans, which is publicly available.

At the end of each project, MassDEP requires certification from the project engineer stating that an FSP has been developed and implemented. The development of FSPs is an eligible SRF cost, and borrowers on the 2018 IUP may request an increase to their project cost to cover the development of the FSP.

- Cost and Effectiveness –USEPA requires a certification that the borrower:
 - *has studied and evaluated the cost and effectiveness of the processes, materials, techniques and technologies for carrying out the proposed project; and*
 - *has selected, to the maximum extent practicable, a project maximizes the potential for efficient water use, reuse, recapture, and conservation, and energy conservation, taking into account—*
 - ① *the cost of constructing the project;*
 - ① *the cost of operating and maintaining the project over the life of the project; and*
 - ① *the cost of replacing the project.*

MassDEP expects that applicants will have evaluated the cost of their project as well as the effectiveness of the solution in the required planning element such as a Comprehensive Wastewater Management Plan or a Project Evaluation Report. These reports typically evaluate alternatives and compare their various life cycle costs. The only additional work is to evaluate that the project maximizes the potential for efficient water use and energy conservation. This evaluation, if not already complete, can be appended to the planning document.

A Cost and Effectiveness Certification form is required to be submitted with each Loan Application package.

- Architectural and Engineering (A/E) Services Procurement –The USEPA is requiring that A/E services that are paid with **federal** funds be procured using the qualifications based selection process under Chapter 11 of title 40, United States Code or an equivalent state qualifications based requirement.

Massachusetts has two different statutes for procuring A/E services: one for vertical construction (Chapter 149); and one for horizontal construction (Chapter 30B). Chapter 149 appears to meet the qualifications based selection requirement while Chapter 30B does not appear to meet it. In addition, the federal requirement does not appear to take into account the procurement of an Owners Project Manager (OPM) which is an additional requirement of Chapter 149 for large projects.

Rather than add in a third method of procurement or forcing communities into using a different method of procurement for horizontal construction and/or OPM services, the CWT has chosen to not use **federal** funds for any A/E services. SRF funds will still be available for construction services. *However, on some large projects that may receive federal funds for construction, the*

A/E services may need to be split out into a separate loan. While this will have an impact on certain communities, the CWT felt this was a lesser burden than modifying Massachusetts' various procurement processes.

- **Affordability Criteria** – The USEPA required each state to develop new affordability criteria for the distribution of additional subsidy by September 30, 2015. These criteria needed to take into account income, unemployment rate, and population trends. The CWT developed these criteria, accepted public comment and approved the final criteria on September 23, 2015.
- **Project Accounting** – The USEPA is requiring that projects accounts be maintained in accordance with generally accepted government accounting standards, including standards relating to the reporting of infrastructure assets. MassDEP has always required that project accounts be maintained in accordance with generally accepted government accounting standards, but not particularly with respect to the reporting of infrastructure assets. The most recent applicable standard is Governmental Accounting Standards Board (GASB) Statement No. 34, issued in June 1999, which details governmental reporting requirements including standards for reporting of infrastructure assets. MassDEP will be changing the standard condition in the Project Regulatory Agreement to reflect this change. It is expected that this change will have little, if any impact on SRF borrowers as most communities are already complying with GASB 34 requirements.

III. Short and Long Term Goals

The following are the goals that Massachusetts has set for its CWSRF.

a. Short Term Goals

- Incorporate the affordability criteria into the additional subsidy distribution;
- Provide enhanced subsidy to projects that include renewable energy components recommended by comprehensive energy audits;
- Finance projects that focus on rehabilitation of wastewater infrastructure that promote sustainable infrastructure and smart growth principles; to include prioritization of regional wastewater management alternatives where appropriate;
- Identify and finance stormwater management projects that utilize green infrastructure approaches
- Finance projects to correct combined sewer overflows, including those affecting the Connecticut and Merrimack Rivers, Boston Harbor and Buzzards Bay;
- Finance wastewater treatment projects to address nutrient removal, especially in the Massachusetts Estuaries Program (MEP) areas;
- Utilize the SRF program to provide \$5M in loan assistance for the correction/upgrade of failed septic systems through the Collection Systems, Nonpoint Source, and Community Septic Management Programs;
- Finance studies that encourage comprehensive water resource management planning;
- Perform outreach activities to Clean Water SRF borrowers that identify the focus on and eligibility of energy efficiency/alternative energy projects;
- Reserve \$3.0 million in available program capacity, to finance at MassDEP's discretion unanticipated problems of acute public health concern that may arise during the year. To be financed under this reserve, proposed projects must constitute an imminent

environmental or public health threat and otherwise meet MassDEP's applicable criteria; and

- Support planning and construction projects for compliance with NPDES stormwater discharge permits.

b. Long Term Goals

- Continue correction of combined sewer overflows (CSO), Sanitary Sewer Overflows (SSO) and inflow/infiltration (I/I) problems, which retain high public health and environmental priority as serious sources of water quality degradation;
- Continue upgrading of secondary treatment to address nutrients;
- Support financing of non-traditional solutions to water quality problems, particularly those caused by stormwater;
- Develop infrastructure projects that promote and support smart growth by concentrating development and avoiding sprawl into green space;
- Ensure that wastewater treatment projects financed through the SRF fully consider cost-effective energy efficiency measures and/or renewable energy strategies;
- Promote investments in nutrient reduction particularly as they affect waterbodies that have established Total Maximum Daily Loads (TMDLs) or those that have been identified through the MEP;
- Ensure that, where applicable, projects are consistent with the Cape Cod Area-Wide Section 208 Water Quality Management Plan; and
- Continue financing projects identified in the statewide Nonpoint Source Program.

IV. Allocation of Funds

a. Criteria and Method for Distribution of Funds

Massachusetts rates projects using the Commonwealth's priority ranking system (see <http://www.mass.gov/eea/agencies/massdep/water/grants/state-revolving-loan-fund-programs.html>). The ranking system is reviewed annually to reflect changing priorities at MassDEP. The criteria emphasize the nature of the public health problem that the project will address, the criticality of the resources affected, the environmental benefits of the project, the effectiveness of the project solution, the extent to which the project is consistent with regional or watershed wide plans and the extent to which projects qualify as green projects.

Once all projects have been rated and ranked, the Project Priority List is developed (Table 2). With input from the Trust, MassDEP identifies all of the sources of funds and spending limits, and develops the IUP Project Listing (Table 1).

To be considered for funding, projects must meet State and Federal eligibility requirements, must be ready to proceed during the funding period, must have appropriated local funds necessary to finance the project, and must have a MassDEP-approved planning element. An approvable planning element can be a Project Evaluation Report, Comprehensive Water Resources Management Plan, Long-term CSO Strategy, Stormwater Management Plan, or other MassDEP sanctioned planning document. Projects on Cape Cod are required to be

consistent with the Cape Cod Area-Wide Section 208 Water Quality Management Plan. Harwich and Chatham, two Cape Cod communities, have proposals on this IUP, which are consistent with the Cape Cod 208 Plan. .

Eligibility includes consistency with the assurances described in this document and the requirements contained within MassDEP's financial assistance regulations. In some years, certain projects on the Project Priority List may have higher priority point totals than the projects on the IUP Project Listing. That occurs because those particular projects on the Project Priority List are not ready to proceed. Since all proposals received are included on the IUP recommendation, such is not the case in 2018. An important indicator of readiness to proceed is that a project has completed the State Environmental Review Process (SERP).

MassDEP reserves the right to increase the amount allocated to any project appearing on this IUP, should additional federal or state funding or program loan capacity, become available.

Project Bypass Procedure

A project on the IUP Project Listing may be bypassed if MassDEP determines that the bypassed project will not be ready to proceed during the Funding period. Project(s) bypassed will be replaced by the highest ranked priority project(s) on the Project Priority List that are ready to proceed or the funds may be used for cost increases to other projects previously approved. Complete project applications not received by MassDEP by October 15, 2018 will be automatically considered for bypassing.

b. Types of Projects to be Funded and Financing Rates

Any water pollution abatement project of an eligible borrower is eligible to receive financial assistance from the Trust. Such eligible projects include, but are not limited to:

- Wastewater Treatment Projects, as defined in 310 CMR 44.03;
- Infiltration Inflow ("I/I") Projects, as defined in 310 CMR 44.03;
- Collection System Projects, as defined in 310 CMR 44.03, provided, however, that 85% of the expected wastewater flow into the proposed collection system will be for wastewater flows in existence as of July 1, 1995;
- Nonpoint Source Projects, as defined in 310 CMR 44.03;
- Nutrient Management Projects, as defined in 310 CMR 44.03
- Stormwater Projects;
- Green Infrastructure Projects; and
- The planning or design for any project in one of the categories identified above.

Costs of construction that MassDEP determines are necessary for the completion of the project are eligible for financing in the loan and to receive a subsidy under the loan, subject to the applicant cap. Although costs for design are eligible, they will not be financed during this funding period due to the high demand for construction funding.

All projects on the Intended Use Plan are eligible for 2% interest rate loans. Certain projects that are primarily for nutrient removal are eligible for 0% rate interest loans

(<http://www.mass.gov/eea/agencies/massdep/water/grants/state-revolving-fund.html>.

Appendix J). These nutrient removal projects will be evaluated in accordance with 310 CMR 44.04(2) and a determination will be made as to the eligibility for 0% interest loans before the loan is permanently financed.

V. Financial Management

a. Source of State Match

Based on a 2018 federal grant of \$54.4495 million, the required 20% state match totals \$10.9 million. These funds are provided to the CWT from the Commonwealth's Capital Plan.

b. Fee Income

The CWT charges approximately \$5.50 per \$1,000 as a loan origination fee to offset the costs incurred during bond issuance. Recipients of SRF loans are charged an annual administrative fee of 0.15% (15 basis points) against the outstanding loan principle to fund salaries and expenses of the CWT and MassDEP related to SRF project development and loan management. As of June 30, 2017, the CWT has approximately \$45 million in administrative fees available.

c. Program Administration

The Commonwealth of Massachusetts intends to use the full 4 percent of the Federal capitalization grant funds (\$2,179,800) for administrative support of activities related to the Federal Fund. Use of those funds is detailed in the CWSRF Grant Application that the CWT files each year with the USEPA.

d. Anticipated Cash Draw Ratio

Massachusetts will draw 100 percent of the state match funds before drawing federal funds. This will ensure that Massachusetts remains in compliance with the required cash draw ratios.

e. Transfer of Funds to the Drinking Water State Revolving Fund (DWSRF)

Section 302 of the 1996 Safe Drinking Water Act Amendments allows states the flexibility to move some funds between the Clean and the Drinking Water SRF programs, to better address specific state priorities. The EPA allows an equivalent of up to 33% (thirty-three percent) of the Drinking Water grant to be transferred between the Clean Water and Drinking Water funds.

CWIUP capacity frequently allows Massachusetts to finance all of the Clean Water projects that request financing in a given year. Transferring a limited amount of funds from CWSRF to DWSRF this year and in the future will help to modestly increase the capacity of the DWSRF and reduce this imbalance in our ability to provide financing.

The level of federal grant funding of the Massachusetts Drinking Water SRF is insufficient to meet the need for project financing. Therefore, Massachusetts will transfer funds from the CWSRF to the DWSRF program in the estimated amount of \$8,505,420 (33% of the anticipated 2018 DW grant amount of \$25,774,000). These will be recycled funds freed up from the repayment of previous loans. The purpose of this transfer is to help increase the capacity of the DWSRF.

This transfer of funds will not result in any changes to the 2018 list of projects. The transfer will be used to increase the capacity of the 2019 IUP.

f. Estimated Sources and Uses

The sources of funds available to the Massachusetts CWSRF include the federal capitalization grant, state match and borrower free-ups. The CWT may leverage these funds up to 3 times. Under this authority, the CWT will offer to finance approximately \$494 million.

VI. Program Management

a. Assurances and Special Conditions

MassDEP and the CWT have provided the required assurances and certifications as part of the Operating Agreement between Massachusetts and the USEPA. The Operating Agreement (OA) describes the mutual obligations among EPA, MassDEP and the Trust. The purpose of the OA is to provide a framework of procedures to be followed in the management and administration of the CWSRF.

The OA addresses the commitment to key CWSRF requirements, including:

- 602(a) Environmental Reviews: The CWSRF will conduct environmental reviews according to the State Environmental Review Process developed for the SRF.
- 603(b) (3) Binding Commitments: The CWSRF will enter into binding commitments for 120 percent of each quarterly grant payment within one year of receipt of the payment.
- 602(b) (4) Expeditious and Timely Expenditures: The CWSRF will expend all funds in the CWSRF in a timely manner.
- Consistency with Planning. The Commonwealth agrees that it will not provide assistance to any project unless that project is consistent with plans developed under Section 205(j), 208, 303(e), 319 or 320.

b. Federal Requirements

A number of federal requirements apply in an amount equal to the capitalization grant including:

- Single Audit Act (OMB A-133)
- Disadvantaged Business Enterprise compliance (DBE)
- Federal environmental crosscutters
- Federal Funding Accountability and Transparency Act (FFATA) reporting

MassDEP and the CWT will identify the group of projects that must comply with these requirements in the grant application. Frequently, the group of projects changes as projects move towards construction, usually due to attrition. If changes are made to the group of projects, appropriate amendments to the grant application will be made.

c. Davis-Bacon Wage Rates

The amendments to the Clean Water Act, as part of WRRDA, apply the Davis-Bacon Act requirements to all treatment works projects going forward. The Davis-Bacon requirements do not apply to nonpoint source projects, unless said projects contain a constructed treatment element. MassDEP ensures that the required Davis Bacon language is included in contracts, and conducts field verifications of project compliance with the wage rate requirements.

d. American Iron and Steel

The amendments to the Clean Water Act, as part of WRRDA, apply the American Iron and Steel (AIS) requirements to all treatment works projects going forward. MassDEP ensures that the required AIS language is included in contracts and conducts field verifications of project compliance. Appropriate AIS language has also been included on the Project Regulatory Agreement and the Loan Agreement.

e. Audits and Reporting

MassDEP and the CWT will comply with all of the auditing and reporting requirements of the USEPA. A single audit is conducted annually and reporting to the USEPA is done through the Clean Water Benefits Reporting system, the National Information Management System, Annual Report and FFATA reporting.

VII. Public Review and Comment

Notice of the availability of the Draft Calendar Year 2018 IUP/PPL was made on December 5, 2017. A public hearing on the Draft IUP took place on January 9, 2018 at the MassDEP offices at One Winter Street, Boston, MA. Written public comments were accepted until January 11, 2018. No verbal or written testimony was received concerning the proposed Draft IUP. Records of this meeting will be maintained in the MassDEP files.

Revisions to the CWSRF Intended Use Plan we developed in response to an unanticipated increase in the 2018 federal grant appropriations and those revisions have been included in this version of the IUP, re-published in June 2018.

TABLE 2
CLEAN WATER STATE REVOLVING FUND
Calendar Year 2018 CWSRF Project Priority List

NEW PROJECTS

Rating	Applicant	NPDES/PERMIT	SRF ID	Project	Project Cost
119	HARWICH (PF)	GW Permit	4424	Harwich Sewer Collection System - Phase 2	\$20,280,000
119	TAUNTON (PF)#	MA0100897	4417	2019-2020 Sewer & Drain Improvements	\$6,000,000
119	MARION #	MA0100030	4435	WWTP & Collection System Improvements	\$25,200,000
113	HULL (PF)#	MA0101231	4445	Fiscal Sustainability Plan and CMOM Upgrades	\$8,257,000
109	FALL RIVER (PF)	MA0100382	4432	CSO Abatement Program - City Pier	\$25,200,000
109	CHATHAM	GW Permit	4430	Phase 1D - Chatham/Harwich Regionalization	\$7,100,000
108	NANTUCKET	GW Permit	4418	Surfside Road Area Sewer System Improvements	\$5,100,000
107	REVERE (PF)	MA0103284	4439	Illicit Connection & Sump Pump Removal Program	\$2,000,000
107	FALL RIVER (PF)	MA0100382	4420	CSO Abatement Program -- Middle Street	\$9,200,000
107	REVERE (PF)#	MA0103284	4440	Phase IX Construction - I/I, IDDE, P.S. & Drainage	\$4,700,000
106	SAUGUS (PF)#	MA0100552	4448	Comprehensive Sewer System Rehab Sub-System PS-4	\$1,901,714
105	SPRINGFIELD WATER AND SEWER COMMISSION (PF)	MA0101613	4455	York St. Pump Station & Connecticut River Crossing	\$81,013,400
105	LAWRENCE (PF)#	MA0100447	4427	Sewer and Drainage Improvements	\$14,267,267
105	NANTUCKET	GW Permit	4419	Phase 2 Surfside WWTF Improvements	\$7,600,000
101	FRAMINGHAM (PF)	MA0103284	4414	Worcester Road Pumping Station Elimination Project	\$23,500,000
100	FALL RIVER (PF)#	MA0100382	4454	President Avenue Sewer Pump Station Replacement	\$4,300,000
94	NORWOOD (PF)	MA0103284	4416	Underdrain Area Sewer Rehabilitation	\$2,700,000
93	PITTSFIELD (PF)	MA0101681	4458	Wastewater Treatment Plant Nutrient Removal	\$74,029,000
92	FALL RIVER (PF)	MA0100382	4447	Cress Brook Drainage Improvements	\$7,455,200
89	NEW BEDFORD (PF)	MA0100781	4431	Wastewater Collection System Improvements	\$36,400,000
87	FALL RIVER (PF)	MA0100382	4456	Hyacinth Street Drainage Improvements	\$723,000
82	FALL RIVER (PF)	MA0100382	4451	Hyacinth Street (South) Drainage Improvements	\$1,020,000
81	WINTHROP (PF)#	MA0103284	4423	Town Center - Sewer and Drainage Improvements	\$4,931,500
80	NORTON (PF)	MA0100897	4421	West Main Street Sewer Extension Project	\$3,320,000
76	EASTON	MA0101702	4449	Easton Five Corners Sewer	\$9,618,000
75	BROCKTON (PF)	MA0101010	4436	WWTP Upgrade	\$7,800,000
67	BILLERICA (PF)	MA0101711	4452	WWTF & Pump Station Upgrades	\$7,239,000
66	MWRA #	MA0103268	4446	Nut Island HW Odor Control & HVAC - Contract 7548	\$30,109,200

66	BILLERICA (PF)	MA0101711	4442 Sewer Contracts 37 & 38	\$25,661,428
66	SESD	MA0100501	4450 Primary Clarifier Concrete Restoration	\$9,321,000
64	MARTHA'S VINEYARD AIRPORT COMMISSION (PF)	GW Permit	4426 Martha's Vineyard Airport WWTF Upgrades	\$1,908,750
64	ACTON	GW Permit	4453 West Acton Sewer Extension Project	\$11,748,000
61	SAUGUS (PF)#	MA0100552	4444 Lincoln Avenue Pumping Station Improvements	\$1,072,500
60	TYNGSBOROUGH	MA0100633	4422 Phase 2 Middlesex Road North	\$11,149,553
56	PEPPERELL (PF)#	MA0100064	4438 Pepperell WWTF Upgrade	\$4,542,000
54	MWRA	MA0103284	4441 Dorchester Interceptor Sewer Renewal Contract 7279	\$6,000,000
48	FALL RIVER (PF)	MA0100382	4433 Wastewater Treatment Facility Improvements	\$39,000,000
35	MWRA	MA0103284	4428 North Low Service Sewer Sections 19, 20 & 21 Rehab	\$13,650,000
34	GLOUCESTER (PF)#	MA0100625	4415 Sewer PS Rehabilitations & FOG Mitigation	\$1,375,000
TOTAL OF NEW PROJECTS				\$556,392,512

(Count: 39)

(Average Rating: 85.36)

(PF) - Affordability Criteria

(RE) - Potential Renewable Energy Projects

- Projects contains Energy Efficiency, Renewable Energy, and/or meets EPA's definition of a Green Project
(<http://water.epa.gov/aboutow/eparecovery/index.cfm>)

MULTI-YEAR CARRYOVER AND STATUTORY PROJECTS

Applicant	NPDES/PERMIT	SRF ID	Project	Project Cost
MWRA	MA0103284	4150	DITP Asset Protection Phase 3	\$61,600,000
MWRA	MA0103284	4117	Facility Asset Protection	\$22,526,969
MWRA	MA0103284	4118	DITP Asset Protection Phase 2	\$60,100,000
MWRA	MA0103284	3981	Remote Headworks Upgrade	\$158,818,264
MWRA	MA0103284	2885	Wastewater Treatment Plant and Sewer Improvements	\$56,224,235
TOTAL OF MULTI-YEAR CARRYOVER AND STATUTORY PROJECTS				\$359,269,468

(Count: 5)

MassDEP PRIORITY PROJECTS

Applicant	NPDES/PERMIT	SRF ID	Project	Project Cost
COMMUNITY SEPTIC MANAGEMENT PROGRAM	N/A	3850	Community Septic Management Program	\$5,000,000
EMERGENCY SRF SET-A-SIDE	N/A	2977		\$3,000,000
TOTAL OF MassDEP PRIORITY PROJECTS				\$8,000,000

(Count: 2)

PLANNING PROJECTS

Applicant	SRF ID	Project	Project Cost
BROCKTON	4381	2018 Sewer System Evaluation Survey Program	\$4,000,000
COHASSET	4385	Town of Cohasset CWMP- Planning	\$450,000
FALL RIVER	4391	Stafford Square Collection System Evaluation	\$400,000
FALL RIVER	4380	Fall River Asset Management	\$500,000
HULL	4389	SSES	\$1,306,200
HULL	4388	WWTF Reliability Centered Maintenance Assessment	\$355,000
HULL	4383	Facility Plan and Resiliency Plan Update	\$435,300
NEW BEDFORD	4382	WWTP Facilities Planning	\$2,500,000
NORWOOD	4379	Stormwater Planning	\$250,000
REVERE	4387	Phase X Field Investigations - I/I and IDDE	\$1,000,000
REVERE	4386	Illicit Connection and Sump Pump Investigation	\$500,000
TYNGSBOROUGH	4390	Tyngsborough I-I Program	\$250,000
WESTPORT	4384	IWRMP	\$150,000
TOTAL OF PLANNING PROJECTS			\$12,096,500

(Count: 13)

TOTAL OF PROJECT PRIORITY LIST**\$935,758,480**