

The Massachusetts Clean Water Trust

Guide to SRF Financing

A presentation brought to you by:





Overview of the Trust

Overview of the Massachusetts Clean Water Trust

The Massachusetts Clean Water Trust was established in **1989** to finance projects to:



- SRF loans are funded by **annual grants** from the U.S. Environmental Protection Agency (EPA) and **state matching funds**
- The Trust and MassDEP jointly administer the Clean Water (CW) and Drinking Water (DW) **State Revolving Funds** (SRFs) which assist communities in complying with the Clean Water and Safe Drinking Water Acts
- To date, the Trust has financed approximately **\$8.6 billion** in loans for nearly 300 communities, serving 97% of the Commonwealth's population

Two Agencies, One Service

Massachusetts Department of Environmental Protection (MassDEP)

Administers the programmatic aspects



- Administers the Annual SRF Solicitation and Project Selections
- Develops the IUP Project Lists
- Receives and Approves Loan and Grant Applications
- Oversees Project Bidding and Awarding
- Issues Final Project Approvals
- Processes and Approves Payment Requisitions
- Project Closeout

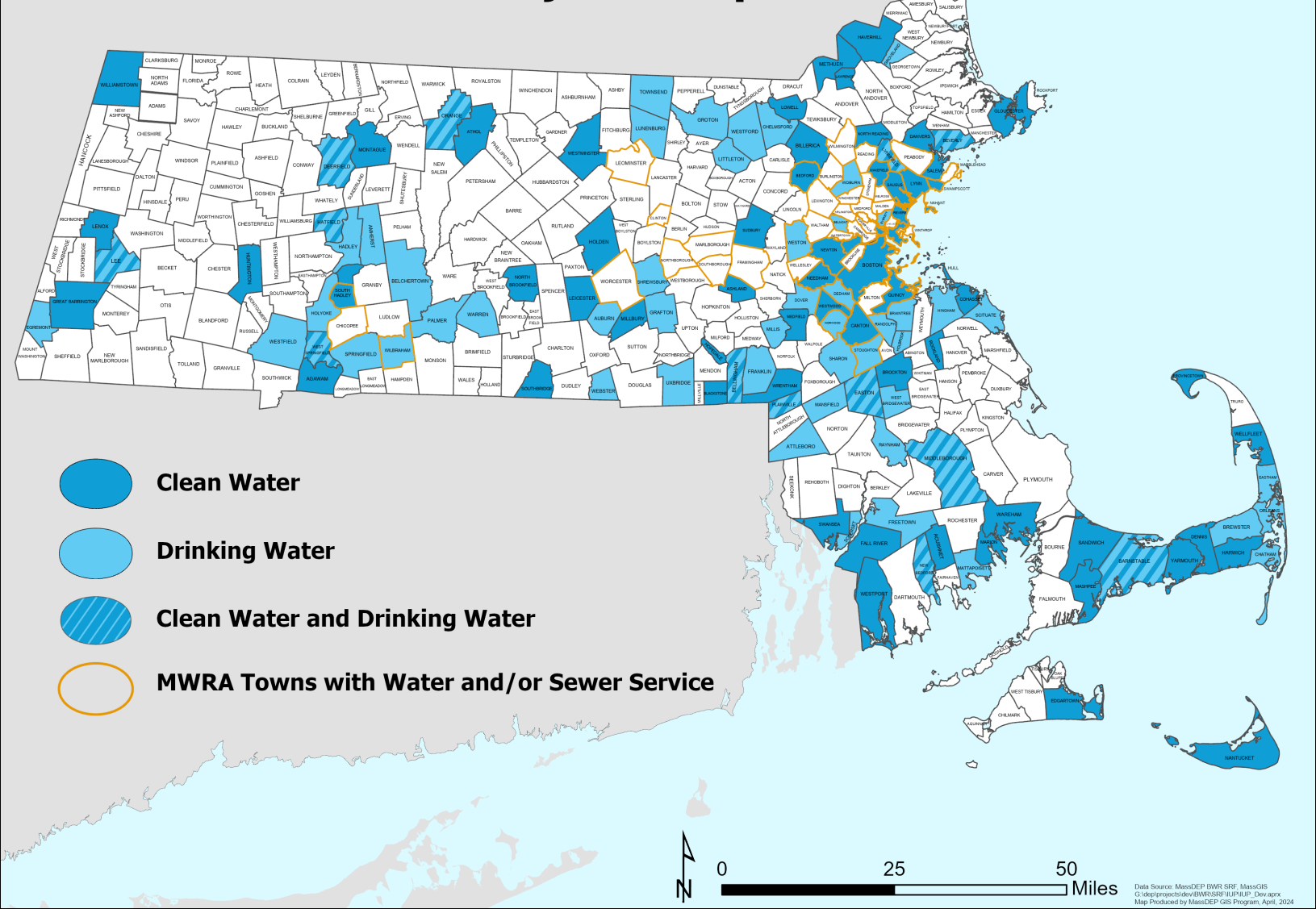
The Massachusetts Clean Water Trust (the Trust)

Administers the financial aspects



- Sends and Receives Loan Commitment Packages
- Sends and Receives Financing and Grant Agreement Packages
- Processes Interim Loan Documents
- Final Payment Requisition Approval and Disbursing Proceeds
- Loan Repayment (Permanent Financing)

2024 IUP Project Map



Overview of the Massachusetts Clean Water Trust

Each year, **MassDEP** develops the **Intended Use Plan (IUP)**, committing funding to projects throughout the state for both Clean Water (CW) and Drinking Water (DW) SRFs

Clean Water SRF (CWSRF) Funding for 2024: \$939,991,825

Established in 1987 as an amendment to the Federal Water Pollution Control Act of 1972 (aka Clean Water Act)

PROJECTS INCLUDE:

- Combined Sewer Overflow (CSO) Correction
- Wastewater Treatment Improvements
- Collection Systems
- Stormwater Management
- Infiltration/Inflow (I/I) Remediation
- Sewer System Rehabilitation Projects

Drinking Water SRF (DWSRF) Funding for 2024: \$505,851,826

Established in 1996 as amendments to the Federal Safe Drinking Water Act

PROJECTS INCLUDE:

- PFAS Remediation
- Lead Service Line Replacement
- Drinking Water Treatment Improvements
- Transmission Projects
- Source Protection and Storage Improvements

2024 Intended Use Plan Projects

| MASSDEP REGION | # OF PROJECTS | IUP COST |
|---------------------------|--------------------------|------------------------|
| CENTRAL | 24 | \$147,438,508 |
| NORTHEASTERN | 49 | \$452,708,548 |
| SOUTHEASTERN | 63 | \$742,678,783 |
| WESTERN | 33 | \$30,017,812 |
| Total | 169 | \$1,372,843,651 |

Bipartisan Infrastructure Law (BIL)

BIL Grant Background Information

- President Biden signed into law the \$1.2 trillion Infrastructure Investment and Jobs Act of 2021 or the Bipartisan Infrastructure Law (BIL)
- Provides an estimated **\$1 billion** to Massachusetts in funding for the Clean Water and Drinking Water State Revolving Funds (SRFs) from 2022 through 2026 – this funding is in addition to the annual SRF capitalization grants
- The funding is available to the SRFs in the following grant categories:

Clean Water Grants

Supplemental Grant - these funds are available for all eligible projects

49% of the grant must be given away as loan forgiveness to disadvantaged communities

Emerging Contaminants Grant- these funds focus specifically on emerging contaminants such as PFAS

100% of the grant must be given away as loan forgiveness

Drinking Water Grants

Supplemental Grant - these funds are available for all eligible projects

49% of the grant must be given away as loan forgiveness to disadvantaged communities

Emerging Contaminants Grant- these funds focus specifically on emerging contaminants such as PFAS

100% of the grant must be given away as loan forgiveness and 25% of this grant must be directed to disadvantaged communities

Lead Service Line Replacement Grant - these funds will go towards identifying, planning and removing lead service lines

49% of the grant must be given away as loan forgiveness to disadvantaged communities

BIL Investment in Massachusetts

| Year | CW Supplemental | CW PFAS | DW Supplemental | DW PFAS | DW Lead | Total |
|--------------|----------------------|---------------------|----------------------|---------------------|----------------------|------------------------|
| 2022 | \$60,428,000 | \$3,175,000 | \$41,750,000 | \$17,531,000 | \$65,783,000 | \$188,667,000 |
| 2023 | \$70,769,000 | \$7,220,000 | \$45,206,000 | \$16,404,000 | \$33,700,000 | \$173,299,000 |
| 2024 | \$77,212,000 | \$7,220,000 | \$49,350,000 | \$16,404,000 | \$50,095,000 | \$183,886,000 |
| 2025* | \$91,272,859 | \$7,220,000 | \$58,336,989 | \$16,404,000 | \$50,095,000 | \$206,933,848 |
| 2026* | \$91,272,859 | \$7,220,000 | \$58,336,989 | \$16,404,000 | \$50,095,000 | \$206,933,848 |
| TOTAL | \$390,954,718 | \$32,055,000 | \$252,979,978 | \$83,147,000 | \$249,768,000 | \$1,008,904,696 |

*Numbers based on preliminary figures from EPA.

Borrowing through the Trust

Advantages of Financing through the Trust

Fixed Low-Interest Rates

- These rates are established by law and offer a stable planning tool for communities
- Loans with a 20-year term will have an interest rate of 2%
- Loans with a term over 20 years will generally have an interest rate of 2.4%
- Certain projects qualify for reduced or 0% interest

Interim Loans (Construction Loans)

- The Trust offers interim loans with no fees or interest charged
- These loans allow for one-stop financing through the Trust

Flexible Repayment Terms

- Loans can be financed up to 30 years

Grant Programs

Lead Service Line (LSL) Planning Grant Program

- Launched to assist public water suppliers (PWS) with completing planning projects for LSL inventories and developing LSL replacement plans for compliance with the Lead and Copper Rule Revisions
- Technical assistance is available for Small Community Water Systems and Non-Transient, Non-Community Systems

Public Water Suppliers Cybersecurity Improvements Grant Program

- The DWSRF, in partnership with the MassDEP's Drinking Water Program, is offering grants funds of up to \$50,000, to PWSs that have a cybersecurity risk assessment and use operational technology equipment with an identified cybersecurity risk

Asset Management Planning (AMP) Grant Program

- The program provides grants up to 60% of the project costs or \$150,000, whichever is less
- These grants are to assist communities with completing or updating asset management plans for wastewater, drinking water, stormwater utilities, or any combination of the three to ensure the operational integrity of the water utility

CWSRF Small System Technical Assistance Program

- Designed to promote participation in the CWSRF loan program by assisting eligible communities with identifying current and long-term needs and helping with the CWSRF project application process

Technical Assistance Provided by EPA

- EPA has several technical assistance programs, funded by BIL grants, with the goal of ensuring equitable access to water infrastructure funding
- For more information, please contact EPA at WaterTA@epa.gov or visit:
 - [Water Technical Assistance Programs | US EPA](#)
 - [Water Technical Assistance \(WaterTA\) | US EPA](#)
 - [FACT SHEET \(epa.gov\)](#)

Subsidy Programs

0% Interest PFAS Remediation Loans

- Per- and polyfluoroalkyl substances (PFAS) are a family of chemicals that are classified as emerging contaminants and are known to cause health issues when found in drinking water

0% Interest Lead Construction Loans

- The Trust offers 0% interest financing for construction projects that remediate lead, a critical action in mitigating lead exposure and protecting public health
- LSL construction loan applications are accepted on a rolling basis

0% Interest Nutrient Enrichment Reduction Loans

- Nutrient enrichment is one of America's most widespread, costly and challenging environmental problems, and is caused by excess nitrogen and phosphorus in waterbodies
- This loan program is for CWSRF loans that are primarily intended to remediate or prevent nutrient enrichment of a surface water body or water supply which can cause environmental degradation of the surrounding water bodies, provided that certain requirements are met

0% Interest Income-Based Community Septic Management Program (CSMP) Loans

- Communities that provide reduced interest rate loans to homeowners based on their annual income as compared to the area median income (AMI) are eligible for the 0% interest rate

Housing Choice Loan Program

- Communities that have achieved the “Housing Choice” designation under the Housing Choice Initiative will be eligible for an interest rate reduction up to .50% from the standard below market rate of 2% offered by the Trust



Loan Forgiveness

Definition

- An additional subsidy provided by reducing the principal amount of the loan

Disadvantaged Communities (DCs)

- Determined by an annual affordability calculation ranking communities into affordability tiers
- A fixed percentage of forgiveness is provided based on the tier and program
- Find which tier your community falls under on our [2024 Affordability Calculation](#)

Environmentally Disadvantaged Communities (EDCs)

- Defined as a public water supplier that has lead in the water supply and/or lead service lines in the system
- The EDC designation only applies to DWSRF projects and is given on a project-by-project basis
- An EDC is not eligible to receive loan forgiveness through the Disadvantaged Community tiered designation in addition to the EDC designation

Cape Cod & Islands Water Protection Trust Fund (CCIWPTF)

- This fund was created to help communities on Cape Cod utilize the tourist economy to raise revenue to pay for a portion of their wastewater loans from the Trust
- It provides additional loan forgiveness for qualifying projects as approved by the CCIWPTF Board

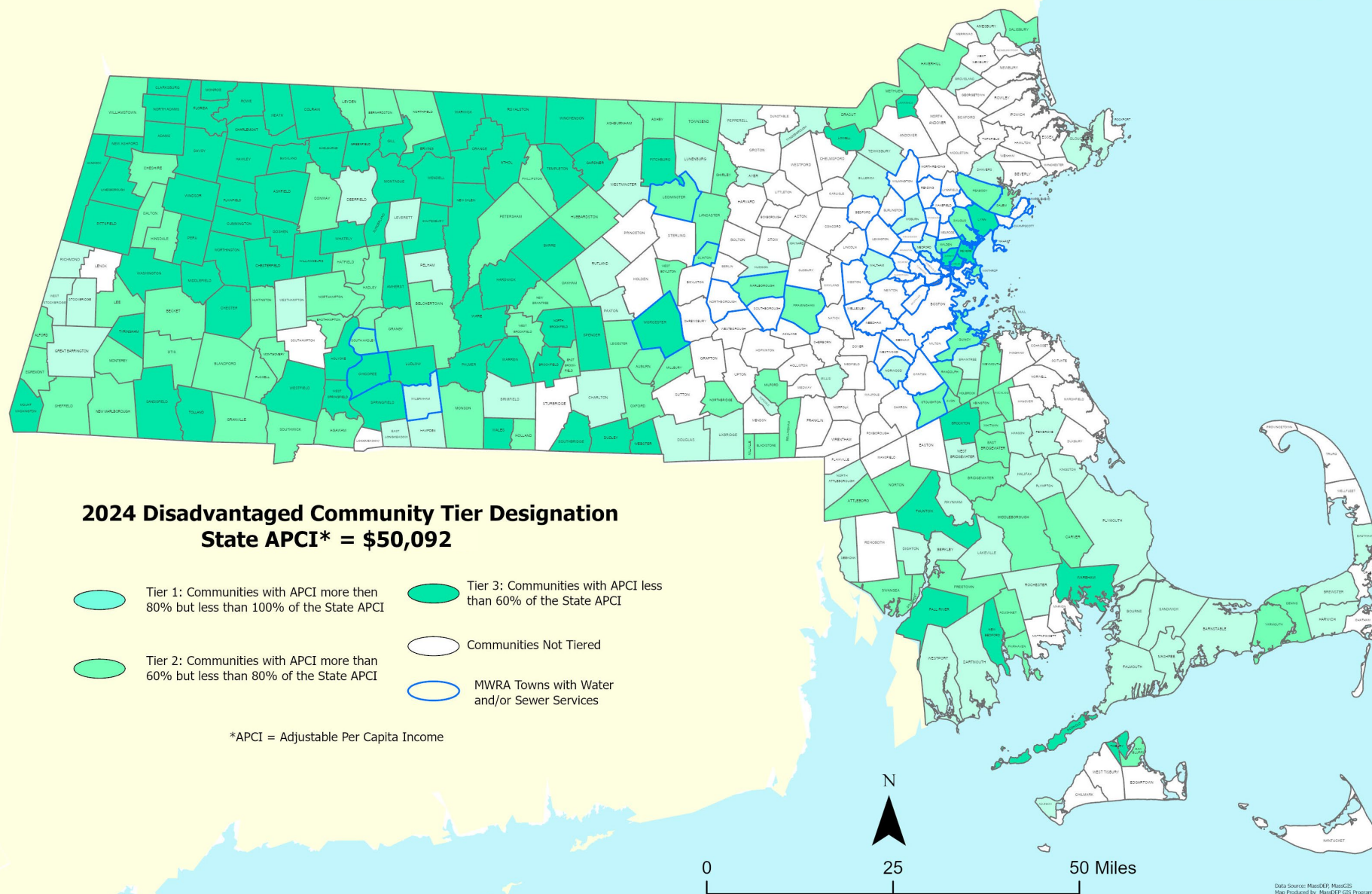
Loan Forgiveness for Disadvantaged Communities

| Program Tier | % of Forgiveness | Example: Applied to \$10,000,000 Loan |
|---|------------------|---------------------------------------|
| | | Forgiveness Amount |
| CWSRF Tier 1 DWSRF PFAS Projects Non-tiered and Tier 1 | 3.3% | \$330,000 |
| CWSRF Tier 2 DWSRF PFAS Projects Tier 2 | 6.6% | \$660,000 |
| CWSRF Tier 3 DWSRF PFAS Projects Tier 3 | 9.9% | \$990,000 |
| DWSRF Tier 1 | 6.6% | \$660,000 |
| DWSRF Tier 2 | 13.2% | \$1,320,000 |
| DWSRF Tier 3 | 19.8% | \$1,980,000 |

The adoption of an enterprise or restricted utility account is a prerequisite for the receipt of any enhanced SRF subsidy.

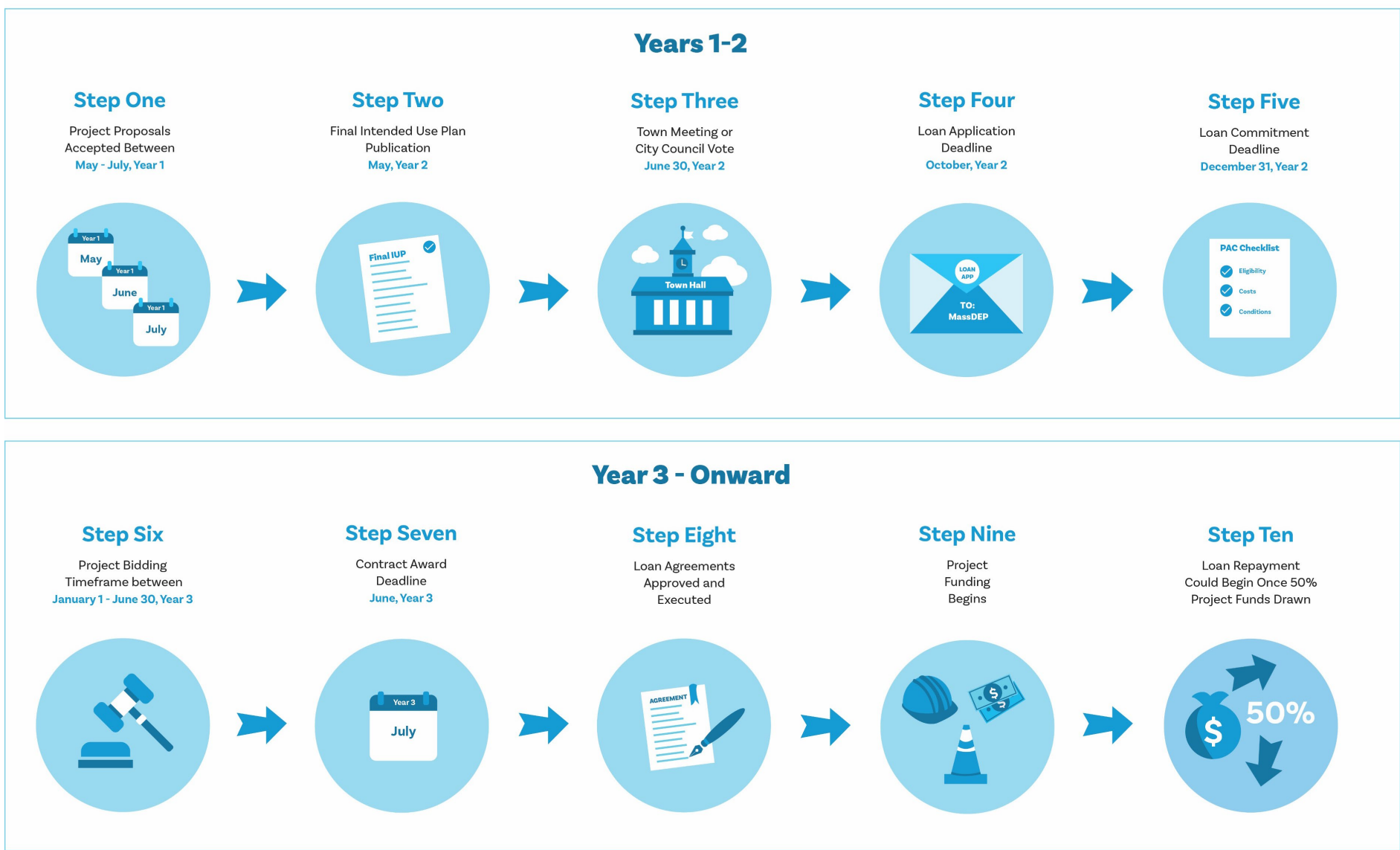
PFAS projects will continue to receive 0% interest rate loans, which equates to a 20% subsidy when compared to a 2% interest rate over the life of the loan.

Massachusetts Disadvantaged Communities by Tier



The SRF Loan Process

State Revolving Fund Loan Process



The SRF financing process can take up to two years, depending on the community and project, from the initial project proposal to funds being disbursed. MassDEP staff assists the community from application submission to project completion.

Readiness to Proceed & Local Authorization

READINESS TO PROCEED

- A major component of the SRF process is the “Readiness to Proceed”
- Communities on the published Intended Use Plan (IUP) must adhere to the application schedule
- There is some flexibility, but a consistent set of deadlines are applied
- A list of deadlines can be found at the end of this presentation



LOCAL AUTHORIZATION

- The most **imminent** deadline is the vote for Local Authorization **by June 30, 2024**
- A community vote at town meeting or equivalent is needed for an authorization to borrow debt
- The borrowed debt is a general obligation pledged as security
- Authorization needs to account for:
 - Eligible and ineligible construction costs & 10% contingency
 - Construction management fees
 - Police details
 - Inflation
- Better to overestimate than underestimate costs
- Required for the Loan Application



The Loan Application

After appearing on the IUP, a community must complete an application for financial assistance



DEADLINE

Due to MassDEP **on or before October 11, 2024**



CONSTRUCTION PROJECT REQUIREMENTS

- Plans, specifications, and checklist
- Local debt authorization
- Required SRF documentation
- Construction schedules
- Permits for construction



PLANNING PROJECT REQUIREMENTS

- Scope of services/Plan of study
- Local debt authorization
- Required SRF documentation

Project Approval Certificate (PAC)

MassDEP will issue a PAC to the Trust after a complete loan application package has been submitted

DEADLINE



MassDEP must issue a PAC by **December 31, 2024**



If any requirements are not met by that date, the PAC will be **“restricted”**



Once all PAC requirements have been met, the Board of Trustees will vote on a **Loan Commitment**

Loan Commitment Package

After the Board of Trustees approves a Loan Commitment, the Trust sends a Loan Commitment Package

- Commitment information and conditions outlined
- Instructions on obtaining a Green Light Letter from local bond counsel and completing the Loan Questionnaire

LOAN QUESTIONNAIRE

- Ensures the Trust is complying with laws and regulations for issuing tax-exempt bonds
- Collects the contact information for communities
- Select loan terms and amortization
- Other relevant financial information (Credit rating, sources of repayment, etc.)

GREEN LIGHT LETTER

- Issued by local bond counsel and submitted to the Trust
- Certifies that the local vote to authorize is legal
- **Note:** Loan proceeds **cannot** finance local bond counsel costs



Project Bidding & Authorization to Award



DEADLINE

- The first construction contract must be executed by **June 30, 2025**
- Construction projects financed through the SRF are owned and managed by the borrower
- MassDEP ensures that the project and procurement processes adhere to SRF requirements

MASSDEP REQUIREMENTS

- Give the borrower “Permission to Advertise” for bidding
- Bidding occurs once the Board of Trustees approves the loan commitment according to the PAC
- MassDEP will review the procurement document and identify any ineligible costs

UPON RECEIVING ACCEPTABLE BIDS

- **MassDEP** reviews and approves Disadvantaged Business Enterprise (DBE) participation
- "Authorization to Award" issued by MassDEP upon review and approval of bid package
- **Project Regulatory Agreement (PRA)** amount for Board of Trustees loan agreement vote is based on the construction bid amount (plus 5% contingency) and construction services contract

The background of the slide is a photograph of a calm lake surrounded by tall, thin trees, likely pines. The entire image is covered with a semi-transparent blue overlay. The text 'BIL Signage' is written in a large, white, sans-serif font across the middle of the image.

BIL Signage

BIL Signage

- As of **May 11, 2023**, a physical sign is required for all CW & DW construction projects
- EPA will begin tracking compliance with the signage requirement as soon as a loan is approved
- MassDEP will verify that the signage is in place and meets specifications when visiting construction sites
- EPA's **May 11, 2023**, 'Investing in America Signage Required Term and Condition':
https://www.epa.gov/system/files/documents/2023-05/investing_in_america_signage_required_term_and_condition.pdf
- BIL signage specifications:
<https://www.whitehouse.gov/wp-content/uploads/2023/02/Investing-in-America-Brand-Guide.pdf>

EXAMPLE SIGNAGE



Source: EPA



Build America Buy America

Build America Buy America (BABA)

OVERVIEW

- BIL expands domestic sourcing requirements for CWSRF treatment works construction projects and DWSRF construction projects funded with Federal grants
- These requirements apply for all steel, iron, manufactured products, non-ferrous metals, plastic and polymer-based products, glass, lumber, and drywall
- EPA's November 3, 2022 'Implementation Guidance':
<https://www.epa.gov/system/files/documents/2022-11/OW-BABA-Implementation-Procedures-Final-November-2022.pdf>

ARE THERE EXCEPTIONS?

- Borrowers will be advised of waiver possibilities shortly before going out to bid
- Certain projects qualify for a general applicability waiver
- Borrowers may apply with the EPA for project specific, cost, and limited availability project waivers
- MassDEP will review and notify borrowers in writing if BABA requirements apply to a project

Project Regulatory Agreement (PRA)



Issued roughly around the same time as the “Authorization to Award”



States that the community agrees to follow the terms and conditions of MassDEP



Details the scope of the project



Lists estimated disbursements

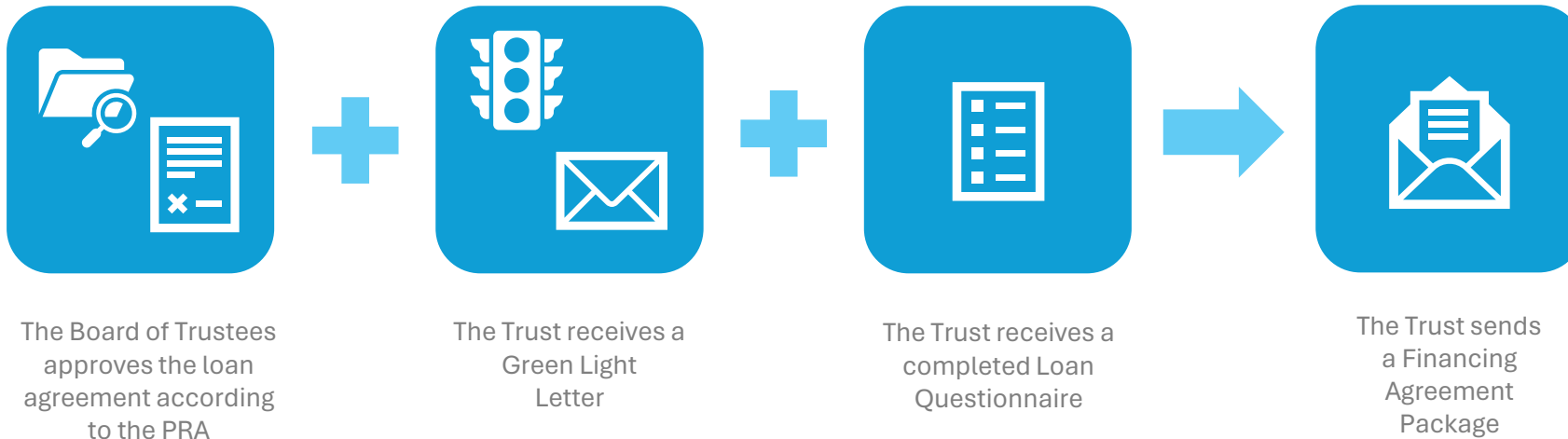


Outlines the project timeline



Lists eligible and ineligible costs

Financing Agreement Package



The Trust creates a Financing Agreement Package

- States that the borrower agrees to follow the terms and conditions of the Trust
- Outlines loan information
- Contains a draft repayment schedule
- This package contains instructions, the PRA, and the Financing Agreement
- Communities are to follow the instructions on electronically signing the PRA and the Financing Agreement for each loan

Interim Loan Closing

- Loans during construction at 0% interest and no fees
- Makes loan funds available during construction
- Interim loan closing instructions are part of the Financing Agreement Package
- Eliminates the need to issue interest accruing, additional fee bearing BANs

Loan Repayment (Permanent Financing)

Permanent financing is the term used by the Trust when loans are put into repayment status

When should communities expect to have their loans put into repayment?

Loans are generally selected for permanent financing when:

- Half or more of the loan proceeds have been drawn; or
- The project is expected to be completed within a year

What is the process for permanent financing?

- Borrowers are contacted by the Trust months ahead of the loan permanent financing
- The Trust sends verification forms to borrowers, bond counsels and financial advisors
- Verification forms ask similar questions to the Loan Questionnaire
- After loan closing, a final repayment schedule is sent to the borrower and posted on the Trust's website

When are payments due?

- January 15th and July 15th
- Due dates will be listed on final repayment schedules
- Invoices are sent to borrowers a month in advance of due dates

The Trust is available throughout this process to help with forms, verify loan amounts, and answer any questions

Disbursements & Project Closeout

Disbursements

- “Payment requisitions” are completed by the borrower or grantee and forwarded to MassDEP once a month during construction with the appropriate supporting documentation (receipts, invoices, signed change orders, etc.)
- MassDEP reviews requests and approves appropriately documented eligible costs typically within a couple of weeks
- MassDEP forwards approved requests to the Trust on a weekly basis
- The Trust will conduct a final review and wire funds typically within a week

Project Closeout

- Process Initiated by MassDEP when the project is 90% complete
- Prior to receiving the final disbursement, the community shall file a Project Completion Certificate with MassDEP

Electronic Submittal

- MassDEP has set up a dedicated email account to facilitate electronic submittal of the payment request packages
DMSDEP.General@mass.gov

Loan Terms and Fees

| | Permanent Financing | Interim Financing |
|--|---|-------------------|
| Standard Loan Rate | 2% (20 Years) Calculated (30 Years) ¹ | 0% |
| Housing Choice Loan Rate | 1.5% (20 Years) ² | 0% |
| Nutrient Enrichment Reduction, PFAS Remediation, and LSL Construction Rate | 0% | 0% |
| Maximum Term | 30 Years ³ | 3 Years |
| Administrative Fee | 0.15% | NA |
| Origination Fee (One Time) | Approx. \$5.00/\$1,000 | NA |

¹ Rate calculated at time of permanent financing, estimated between 2.4-2.9%

² Communities designated as housing choice communities on the 2019-2024 IUPs are eligible for an interest rate discount up to 0.5% for permanent financing, there is no negative interest in any scenario

³ Requires useful life certificate certifying useful life will match or exceed the life of the loan

Debt Service Schedule (Schedule C)

Draft Schedule C

Prepared by MCWT

**Massachusetts Clean Water Trust
Preliminary Structuring Analysis
Your Community
CW-24-00**

Initial Obligation Amount 1,000,000.00
Loan Forgiveness*
Net Loan Obligation 1,000,000.00

Loan Origination Fee (\$5.5/1000) 5,500.00
Loan Term (in years) 20
Loan Rate 2.00%
Closing Date 2/15/2027
First Interest 7/15/2027
First Principal 1/15/2028

| Date | Principal | Interest | Total Debt Service | Admin Fee (0.15%) | Loan Origination Fee | Total Payments | Total Annual Payments |
|-----------|-----------|-----------|--------------------|----------------------|----------------------------|----------------|--------------------------|
| 2/15/2027 | | | | | | | |
| 7/15/2027 | | 8,333.33 | 8,333.33 | 750.00 | 5,500.00 | 14,583.33 | |
| 1/15/2028 | 40,451.00 | 10,000.00 | 50,451.00 | 750.00 | | 51,201.00 | 65,784.33 |
| 7/15/2028 | | 9,595.49 | 9,595.49 | 719.66 | | 10,315.15 | |
| 1/15/2029 | 41,330.00 | 9,595.49 | 50,925.49 | 719.66 | | 51,645.15 | 61,960.30 |
| 7/15/2029 | | 9,182.19 | 9,182.19 | 688.66 | | 9,870.85 | |
| 1/15/2030 | 42,229.00 | 9,182.19 | 51,411.19 | 688.66 | | 52,099.85 | 61,970.71 |
| 7/15/2030 | | 8,759.90 | 8,759.90 | 656.99 | | 9,416.89 | |
| 1/15/2031 | 43,146.00 | 8,759.90 | 51,905.90 | 656.99 | | 52,562.89 | 61,979.79 |
| 7/15/2031 | | 8,328.44 | 8,328.44 | 624.63 | | 8,953.07 | |
| 1/15/2032 | 44,084.00 | 8,328.44 | 52,412.44 | 624.63 | | 53,037.07 | 61,990.15 |
| 7/15/2032 | | 7,887.60 | 7,887.60 | 591.57 | | 8,479.17 | |

Important Dates and Deadlines

| | |
|--|--|
| Final IUP Publication | March 2024 |
| Town Meeting/City Council Vote Deadline | June 30 th , 2024 |
| Loan Application to MassDEP | On or Before October 11 th , 2024 |
| MassDEP is to Issue a PAC | On or Before December 31 st , 2024 |
| Project Contract Award/Notice to Proceed | Within 6 months of PAC issuance |
| Project Bidding General Timeframe | Between January 1 st and June 30 th , 2025 |
| Executed Construction Contracts | June 30 th , 2025 |
| Loans in Repayment, Payments are Due to the Trust | January 15 th and July 15 th |

Lead in Schools

Sampling Program

www.mass.gov/guides/sampling-for-lead-and-copper-at-schools-and-childcare-facilities

Contact Michael Celona

Michael Celona

(617) 635-9358

Michael.Celona@mass.gov



(2016 - 2018)

- First in the nation school drinking water testing program utilizing \$2.75 million from the Trust to sample public schools across the Commonwealth for lead and copper
- Nearly 1,000 schools were sampled during this period

(2019 - Present)

- Expanded funding from EPA allows MassDEP to expand sampling program to public and private schools, childcare and early education facilities – limited to lead testing

School Water Improvement Grants (SWIG)

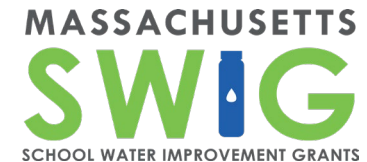
mass.gov/school-water-improvement-grants

Contact Julian Honey

Julian Honey

(617) 367-9333 x 493

SWIG@tre.state.ma.us



2020 to Present:

- Provided **\$1,851,000** in grants to replace **617** water fountains in **284** schools in **87** school districts serving over **117,000** students

Private Schools and Childcares

- The Trust is encouraging private schools K-12, early education facilities and non-residential daycare facilities to apply
- The Trust has expanded replacement fixture eligibility to under sink and classroom fountains in facilities serving Pre-K aged children

Trust and MassDEP Contacts

The Trust

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Twitter/X: twitter.com/MASSCLEANWATER



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CLEAN WATER TRUST



Questions?