



M A S S A C H U S E T T S
CLEAN WATER TRUST

Response to Public Comments for the Definition of
Disadvantaged Communities for the Drinking Water State
Revolving Fund

Contact Person:
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Introduction to Responses to Comments

The Trust would like to thank everyone who took the time to read and provide comments on the proposed Drinking Water State Revolving Fund (DWSRF) Disadvantaged Community program. Thank you for your interest in maintaining and developing water infrastructure throughout the Commonwealth. The Trust would like to place this program, comments and responses in context.

While a formal Disadvantaged Community definition was never established under the Massachusetts DWSRF program, the Trust has provided additional subsidy under the same ranking criteria that was adopted for the Clean Water SRF (CWSRF) program. The definition used before this new requirement was established in 2015 with the passage of Water Resources Reform and Development Act (WRRDA) of 2014 and met all the established guidelines for a DWSRF Disadvantaged Community program. The purpose of this public comment period and announcement was to formalize this definition and calculation.

The Trust has reviewed all responses received during the comment period and found many of the comments to be thoughtful and beneficial in framing the Trust's process of calculating affordability and defining disadvantaged communities. Many comments proposed a more in-depth calculation that included a variety of factors that would expand the sensitivity of the affordability calculation. We acknowledge that many of these suggestions would have a beneficial effect for some communities. The Trust, while sympathetic to these suggestions has determined that transparency and avoiding multiple calculations for a single system best serves the program.

Finally, the Trust is committed to assisting communities with meeting their infrastructure and public health needs. Implementation of this formal program will not change how the Trust supports communities or supplies additional subsidy. Thank you for your interest in the work that the Trust does and for your commitment to the Commonwealth.

1. Comment - Andrew Reid - Wareham Fire District

How will the Trust handle communities with large seasonal population variations?

Response

The Trust has committed to using publicly available data and a standardized formula. An exhaustive effort of accounting for seasonal variation may provide a different annual income, but would not be transparent, and would be difficult to standardize when considering temporary rentals and other seasonal factors. Furthermore, the final adjusted calculation for the affordability tiers accounts for annual unemployment and population changes. These additional factors should account for variations that seasonal population would have on the base income figure

2. Comment - Ellis Bailey - Town of Wareham

I am writing to inquire about the Clean Water Trust Grants described below. Wareham is likely a disadvantaged community; I get an APCI of \$13,323. Are funds available for Water Pollution Control Facility projects?

Response

The comment is noted but it is outside the scope of the Affordability Calculation.

3. Comment - Hillel Gedrich Company in Wellfleet

I am the President of a small community water company serving around 60 homes in Wellfleet, MA. In order to comment on the formulas you show in the proposal, I would appreciate your help in finding the information about Wellfleet's status [as] a Disadvantaged Community.

Response

The comment is noted but it is outside the scope of the Affordability Calculation.

4. Comment - Massachusetts Water Works Association

Any determinations of affordability must consider the overall financial picture of a property owner in a community, which includes existing utility rates, assessments or fees, the cost of living, the tax burden, debt service and current and future infrastructure investments.

Response

The Trust has determined that the use of the three data points will simplify the calculation and ensure that the data being used is accurate for each community. If the Trust attempted to collect the additional information regarding costs listed above, the information provided by communities would differ drastically and it would be difficult to verify the information being provided. Per capita income is a generally accepted metric for relative wealth between communities and all the information is publicly available for others to review and verify.

5. Comment - Greater Lawrence Sanitary District
See Letter.

Response

The Trust, when calculating district adjusted per capita income uses, a prorated formula that bases the prorated income by flow and distribution rates. This means that the prorated per capita income is based on the proportion of services used by the member communities. Additionally, the “Disadvantaged Communities” label is only for Drinking Water projects, the Clean Water calculation is not being amended.

6. Comment - Randy Swigor - Whitinsville Water Company
See Letter.

Response

The Trust has determined that the use of the three data points will simplify the calculation and ensure that the data being used is accurate for each community. If the Trust attempted to collect the additional information regarding costs listed above, the information provided by communities would differ drastically and it would be difficult to verify the information being provided. Per capita income is a generally accepted metric for relative wealth between communities and all the information is publicly available for others to review and verify.

7. Comment – Springfield Water and Sewer Commission
See Letter.

Response

The Trust, when calculating district adjusted per capita income, uses a prorated formula that bases the prorated income by flow and distribution rates. This means that the prorated per capita income is based on the proportion of services used by the member communities. Additionally, if the Trust attempted to collect the additional information regarding cost listed above, the information provided by communities would differ drastically and it would be difficult to verify the information being provided. Also, it would be less transparent, which is one of the goals of the calculation to make sure all residents of the Commonwealth can review the data sets.

Attachments

Email Comment - Wareham Fire District

From: Andrew Reid

Sent: Tuesday, March 12, 2019 11:32 AM

To: Derouen, Joshua (TRE)

Subject: Disadvantaged Communities Program - Notice for Public Comments

Good Day Mr. Derouen:

One comment on the proposed change for the APCI. How will the Trust handle communities with large seasonal population variations? In one sense that community benefits from potential summer income but in the other, they have a much larger system to build and maintain for that seasonal population.

Coupled with this thought, the year-round residents may have a much lower income compared to seasonal resident.

Best regards,

Andrew Reid
Water Superintendent
Wareham Fire District

Email Comment - Town of Wareham

From: Ellis Bailey
Sent: Tuesday, March 12, 2019 3:18 PM
To: Derouen, Joshua (TRE)
Cc: Guy Campinha
Subject: Fw: Public Comment Period for DWSRF Disadvantaged Communities Program

Hi Joshua,

I am writing to inquire about the Clean Water Trust Grants described below. Wareham is likely a disadvantaged community; I get an APCI of \$13,323.

Are funds available for Water Pollution Control Facility projects?

Thank you,

Ellis

Ellis W. Bailey
Director of Procurement & WPC Business Manager
54 Marion Road
Wareham, MA 02571

Email Comment - Hillel Gedrich Company

From: Hillel Gedrich

Sent: Tuesday, March 12, 2019 3:24 PM

To: Derouen, Joshua (TRE)

Subject: Re: Public Comment Period for DWSRF Disadvantaged Communities Program

Hello Mr. Derouen,

I left you a phone message but thought that an email would be useful to you.

I am the President of a small community water company serving around 60 homes in Wellfleet, MA. In order to comment on the formulas you show in the proposal, I would appreciate your help in finding the information about Wellfleet's status a Disadvantaged Community.

Thanks in advance.

Best regards,

Hillel

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April 12, 2019

Mr. Joshua Derouen
Program Associate
Massachusetts Clean Water Trust
1 Center Plaza, Suite 430
Boston, MA 02108

RE: Affordability Calculation and Definition of Disadvantaged Communities for the DWSRF

Via Email to: jderouen@tre.state.ma.us

Dear Mr. Derouen:

Massachusetts Water Works Association (MWWA) is a non-profit membership organization of water supply professionals. With over 1,200 members throughout the Commonwealth, our organization's mission is to provide education and advocacy to water systems and to promote a safe and sufficient supply of water for the Commonwealth's residents and businesses. We are submitting the following comments on the Massachusetts Clean Water Trust's (CWT) proposed affordability calculation and definition of Disadvantaged Communities for the Drinking Water State Revolving Fund (DWSRF).

We understand that the CWT is proposing this calculation and definition to comply with The America's Water Infrastructure Act. Since 2015, the CWT has evaluated disadvantaged communities based on income, employment rate and customer base. While generally we agree that it makes sense to have one common definition and not to adopt a second subsidy program to comply with the new law, we do have some concerns that the existing affordability calculation is lacking some important criteria that would better illustrate whether ratepayers or taxpayers in a community can afford additional investment in water infrastructure. We believe the CWT should also include the community's debt service and their property tax levy in the affordability calculation.

When communities have to manage drinking water, wastewater and stormwater infrastructure, complying with regulatory requirements is especially challenging. Communities which have made previous

investments and have a higher debt service may need additional subsidy to fund new projects. When evaluating the debt burden, MWWA doesn't believe that the CWT should look solely at drinking water investments. Communities may have significant burdens for current or future investments in wastewater and/or stormwater infrastructure and those should also be considered when looking at the overall ability of a property owner to pay.

Another important criteria the CWT needs to include is the municipality's property tax levy. Property taxes can impact both residential and commercial property owners' ability to pay for infrastructure projects. In communities where a higher proportion of the tax burden falls on the residents, those residents may find it difficult to afford increased water rates for infrastructure investment since their property taxes are higher than in communities that have a split tax rate which may shift more of the tax burden to the commercial property owners. Similarly, if a community has a low commercial base, residents are shouldering the burden for property taxes. Commercial property owners might also find it difficult to support increased water rates if the cost of doing business is high.

Any determinations of affordability must consider the overall financial picture of a property owner in a community, which includes existing utility rates, assessments or fees, the cost of living, the tax burden, debt service and current and future infrastructure investments. Thank you for the opportunity to provide comments. We hope that the CWT will amend the proposed affordability calculation to consider these other important factors.

Sincerely,

A handwritten signature in black ink, reading "Jennifer A. Pederson". The signature is fluid and cursive, with the first name being the most prominent.

Jennifer A. Pederson
Executive Director



GREATER LAWRENCE SANITARY DISTRICT

Cheri R. Cousens P.E., *Executive Director*

ANDOVER

Christopher Cronin

April 12, 2019

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Michael Lyons

VIA EMAIL (jderouen@tre.state.ma.us)

Joshua Derouen
Program Associate
Massachusetts Clean Water Trust
1 Center Plaza, Suite 430
Boston, Massachusetts 02108

RE: **STATE REVOLVING FUND
AFFORDABILITY CALCULATION FOR DISADVANTAGED COMMUNITIES
PUBLIC COMMENT SOLICITATION
GREATER LAWRENCE SANITARY DISTRICT COMMENTS**

Dear Mr. Derouen:

The Greater Lawrence Sanitary District (GLSD) respectfully submits the enclosed comments on the affordability calculation of Disadvantaged Communities for the State Revolving Fund.

The GLSD is a municipal sewer district that provides wastewater services to a population of approximately 230,000 people in the communities of Lawrence, Andover, North Andover, Methuen, Salem NH, and a portion of Dracut. The GLSD has utilized the State Revolving Fund to finance all but one of our projects over the past few decades.

Without the Trust there are projects that would have been unaffordable for the District due primarily to the way agencies determine bond ratings. The rating agencies look not only at the District's individual financial condition but the viability of our members. The District includes the City of Lawrence, MA, the most economically disadvantaged community in the Commonwealth.

The GLSD has comments that pertain to the following language: "For regional or multi-community public water suppliers. Each entity will have to provide the Trust with data showing the percentage of services of the supplier that each member community receives. Using prorated APCI numbers for each member, the Trust will rank the district with other cities and towns. If that blended APCI falls within the scope of the assistance tiers, the entity will be eligible for additional assistance"

The concern that we have with this language is related to the City of Lawrence. Lawrence ranks 351 out of 351 communities in the Commonwealth with regard to Adjusted Per

Capita Income. Lawrence ranks near the bottom of all state employment statistics. On an annual basis the City of Lawrence makes up on average 40% of the District's overall budget and has benefitted the most from the loan forgiveness program. The City of Lawrence is responsible for 52.54% of the District's debt service and capital project costs each year.

We have significant concern that once averaged with Andover and North Andover, the District's subsidy will be greatly diminished or eliminated entirely. The final result of these proposed changes may be the exclusion of the City of Lawrence, the poorest community in the Commonwealth, from the loan forgiveness program. This appears to be the antithesis of the programs primary goal and objective to assist the neediest amongst us.

We would recommend the Trust include the following provision in the guidelines for loan forgiveness:

Should a regional water or wastewater facility include a community that meets the following criteria the District shall receive a one and a half share.

- ***District includes at least one community in the bottom 5% of the State of Massachusetts Per Capita Income***
- ***The community or combination of communities is responsible for a minimum of 30% of the District's total annual operating budget***
- ***The community or combination of communities is responsible for a minimum of 50% of the District's annual debt service payments.***

We respectfully request that the Trust consider adding this language to the Affordability Calculation for Disadvantaged Communities. Thank you for your consideration in this matter.

Sincerely,



Cheri R. Cousens, P.E.

Executive Director

Email Comment – Whitinsville Water Company

From: Randy Swigor

Sent: Wednesday, March 13, 2019 4:09 PM

To: Derouen, Joshua (TRE)

Subject: RE: Public Comment Period for DWSRF Disadvantaged Communities Program

Good Afternoon Joshua: Thank you for sending this draft out to water utilities for review and comment. This topic has come up in the past with SRF funding and how to properly grade communities for funding. One major comment that I would note in the calculation that has been drafted is that there is no mechanism to review and grade what the community has done in the past towards infrastructure funding/improvements. There is a significant difference in levels of budgeting/funding of infrastructure from community to community. And it has always been perceived as unfair in the SRF program that communities are rewarded for not investing in their infrastructure in the past. While other communities who try to do the right thing and make some level of investment, often get punished with lesser scores (or “needs”). This policy seems to fit along those same lines where you are simply rewarding communities that have ignored that problem in the past. This would seem to me to be a good opportunity to develop some type of scoring metric for these disadvantaged communities and provide a higher grade to those that have tried to make some level of investment versus those that do not. That way you are incentivizing those communities to start to develop the thought process of trying to start to address the problem in their community, which is really what we are trying to do here. We want to teach the communities that they need to take some level of responsibility for their infrastructure and be rewarded for that. Rewarding communities who do not do this and simply handing out tax dollars based on the three variables you have in the policy, does not incentivize this behavior. So I hope you will consider these comments and perhaps add some additional mechanism to try to incentivize positive local behavior toward infrastructure investment. Thank you for your consideration.

Regards,
Randy Swigor
General Manager
Whitinsville Water Company
PO Box 188, 44 Lake Street
Whitinsville, MA 01588



SPRINGFIELD WATER AND SEWER COMMISSION

POST OFFICE BOX 995
SPRINGFIELD, MASSACHUSETTS 01101-0995
413-452-1300

Established
1996

April 11, 2019

VIA EMAIL (jderouen@tre.state.ma.us)

Joshua Derouen
Program Associate
Massachusetts Clean Water Trust
1 Center Plaza, Suite 430
Boston, Massachusetts 02108

**RE: DRINKING WATER STATE REVOLVING FUND
AFFORDABILITY CALCULATION FOR DISADVANTAGED COMMUNITIES PUBLIC COMMENT
SOLICITATION
SPRINGFIELD WATER AND SEWER COMMISSION COMMENTS**

Dear Mr. Derouen:

The Springfield Water and Sewer Commission (SWSC) respectfully submits the enclosed comments on the affordability calculation for Disadvantaged Communities for the Drinking Water State Revolving Fund.

The SWSC is an independent regional water and sewer utility that provides both wholesale and retail water and sewer services to a population of approximately 250,000 people in the lower Pioneer Valley. The SWSC has utilized the State Revolving Fund for both drinking water and clean water projects for decades and relies heavily on its availability to undertake necessary investment in our water and wastewater systems. The SRF is the single most important financial tool that we have to fund projects and keep rates affordable.

The SWSC has comments that pertain to the following language: ***"For regional or multi-community public water suppliers: Each entity will have to provide the Trust with data showing the percentage of services of the supplier that each member community receives. Using prorated APCI numbers for each member, the Trust will rank the district with the other cities and towns. If that blended APCI falls within the scope of the assistance tiers, the entity will be eligible for additional assistance"***

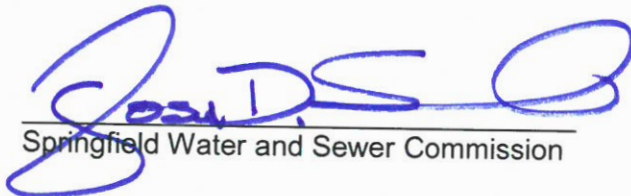
The Commission is generally in agreement with this approach to calculating the prorated Adjusted Per Capita Income (APCI) based on the percentage of services being provided to the member community. However, the SWSC recommends that this calculation be made on a project-by-project basis, not solely based upon total usage in any given year or span of years. As both a retail and wholesale supplier, certain eligible projects, and/or project components, may only be utilized by a single or limited number of member communities. In cases such as this, the blended

prorated APCI should be calculated for only those entities that actually share in the utilization of the project.

The language also does not provide enough specificity as to how the prorated APCI will be calculated in such circumstances. The SWSC typically determines a similar "share" of expenditures for member communities in its projects through a Technical Memorandum that is transparent and shows assumptions and calculations. The SWSC would request that the blended and prorated APCI allow for calculations to be made on a project-by-project basis and only account for specific components of certain projects when it is justified.

The SWSC appreciates the opportunity to offer its comments on this issue. Please feel free to contact josh.schimmel@waterandsewer.org or call 413-452-1333 if you have any questions about these comments.

Sincerely,



Springfield Water and Sewer Commission

Joshua D. Schimmel, Executive Director