

The Massachusetts Clean Water Trust

GUIDE TO SRF FINANCING

JUNE 2023





Overview *of The Trust*

Overview of the Massachusetts Clean Water Trust

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



IMPROVE water quality



PROTECT the environment



PROTECT public health



in the **Commonwealth** through the provision of **low-cost capital financing** to cities, towns, and other eligible entities.

- Loans are funded by **annual grants** from the U.S. Environmental Protection Agency (EPA) and state matching funds
- The **Trust and MassDEP** operate 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 **\$8.25 billion** in loans for nearly **300** communities, serving **97%** of the Commonwealth's population

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 2023: \$902,698,623

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

PROJECTS INCLUDE:

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

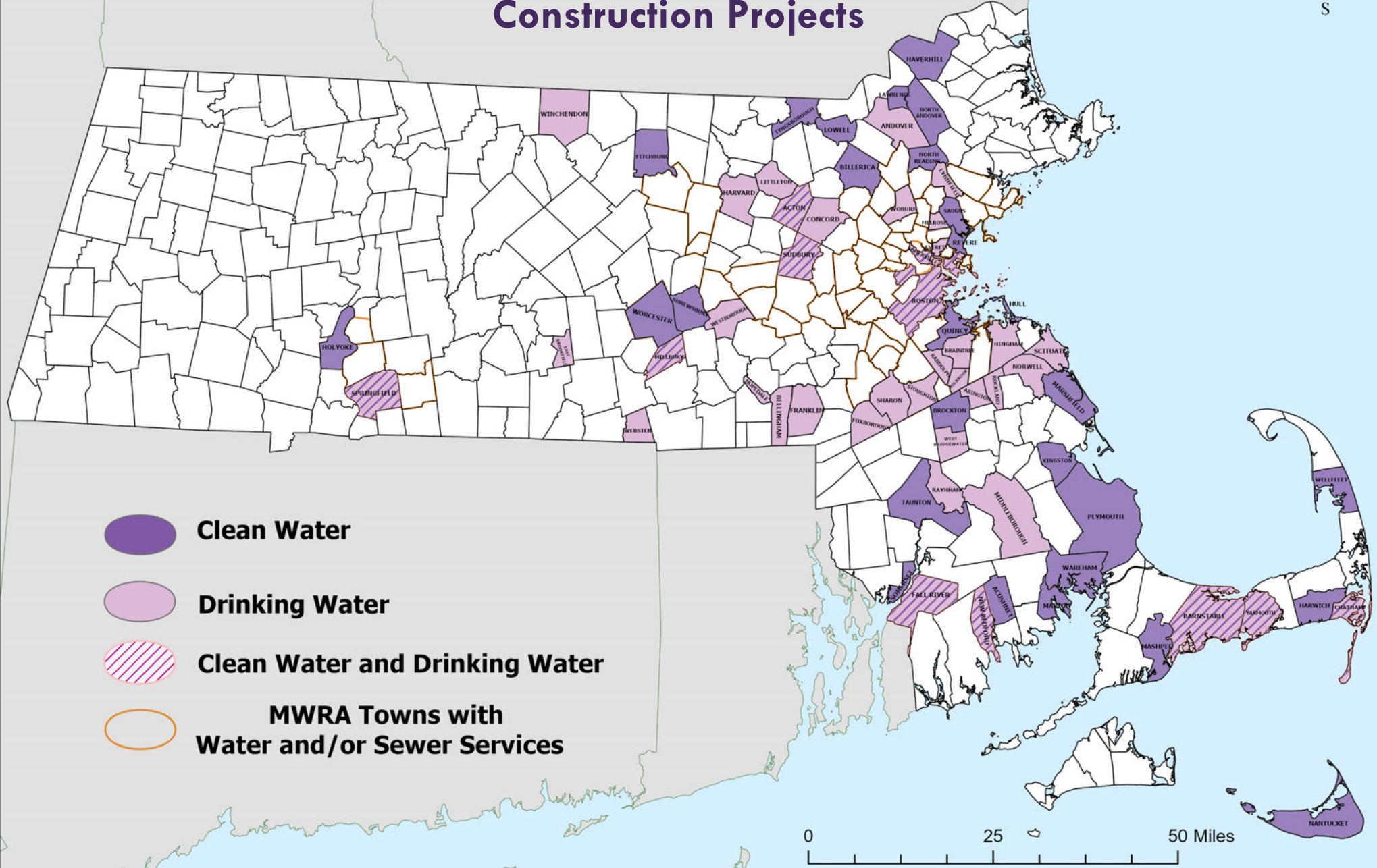
Drinking Water SRF (DWSRF) Funding for 2023: \$430,947,485

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

PROJECTS INCLUDE:

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

2023 Intended Use Plan Construction Projects



2023 Intended Use Plan Construction Projects

MassDEP Region	2023 CWSRF		2023 DWSRF	
	# of Projects	IUP Cost	# of Projects	IUP Cost
CENTRAL	6	\$83,314,000	14	\$113,332,434
NORTHEASTERN	22	\$397,443,163	15	\$79,073,550
SOUTHEASTERN	31	\$374,431,460	19	\$173,541,501
WESTERN	2	\$24,510,000	2	\$15,000,000



Bipartisan Infrastructure Law (BIL)

BIL Grant Background Information

- President Biden signed into law the **\$1.2 trillion** Infrastructure Investment and Jobs Act of 2021 aka Bipartisan Infrastructure Law (BIL)
- Provides an estimated **\$934.7 million 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 and at least **25%** of the CWSRF grant must be directed to disadvantaged communities

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*	77,228,841	7,220,000	49,332,433	16,404,000	33,700,000	183,885,274
2025*	83,656,543	7,220,000	53,438,337	16,404,000	33,700,000	194,418,880
2026*	83,656,543	7,220,000	53,438,337	16,404,000	33,700,000	194,418,880
TOTAL	\$375,738,926	\$32,055,000	\$243,165,107	\$83,147,000	\$200,583,000	\$934,689,033

*Numbers based on preliminary figures from EPA.



*Borrowing
Through The Trust*

Advantages of Borrowing 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

Subsidy and Grant Programs

- The Trust offers programs targeted to assist communities with priority issues affecting water infrastructure in the Commonwealth



Grant and Subsidy Programs Offered by the Trust

- **Asset Management Planning Grants**

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.

- **Cape Cod & Islands Water Protection Trust Fund**

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 CCIWPF Board.

- **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.

- **0% Nutrient Enrichment Reduction Loans**

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. Nutrient enrichment is one of America's most widespread, costly and challenging environmental problems, and is caused by excess nitrogen and phosphorus in waterbodies.

Grant and Subsidy Programs Offered by the Trust (Cont.)



- **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. Projects that have the purpose of reducing PFAS in water below the established Maximum Contamination Level of 20 parts per trillion, are eligible for **0%** interest loans.

- **Lead Service Line Planning Grant Program**

The Trust has allocated \$20 million in grants to assist public water suppliers with completing planning projects for LSL inventories and developing LSL replacement plans for compliance with Lead and Copper Rule Revisions.

- **Income-Based Community Septic Management Program (CSMP) Loans**

The Trust is now offering 0% interest CSMP loans to communities that provide reduced interest rate loans to homeowners based on their annual income as compared to the Area Median Income (AMI).

Loan Forgiveness for Disadvantaged Communities

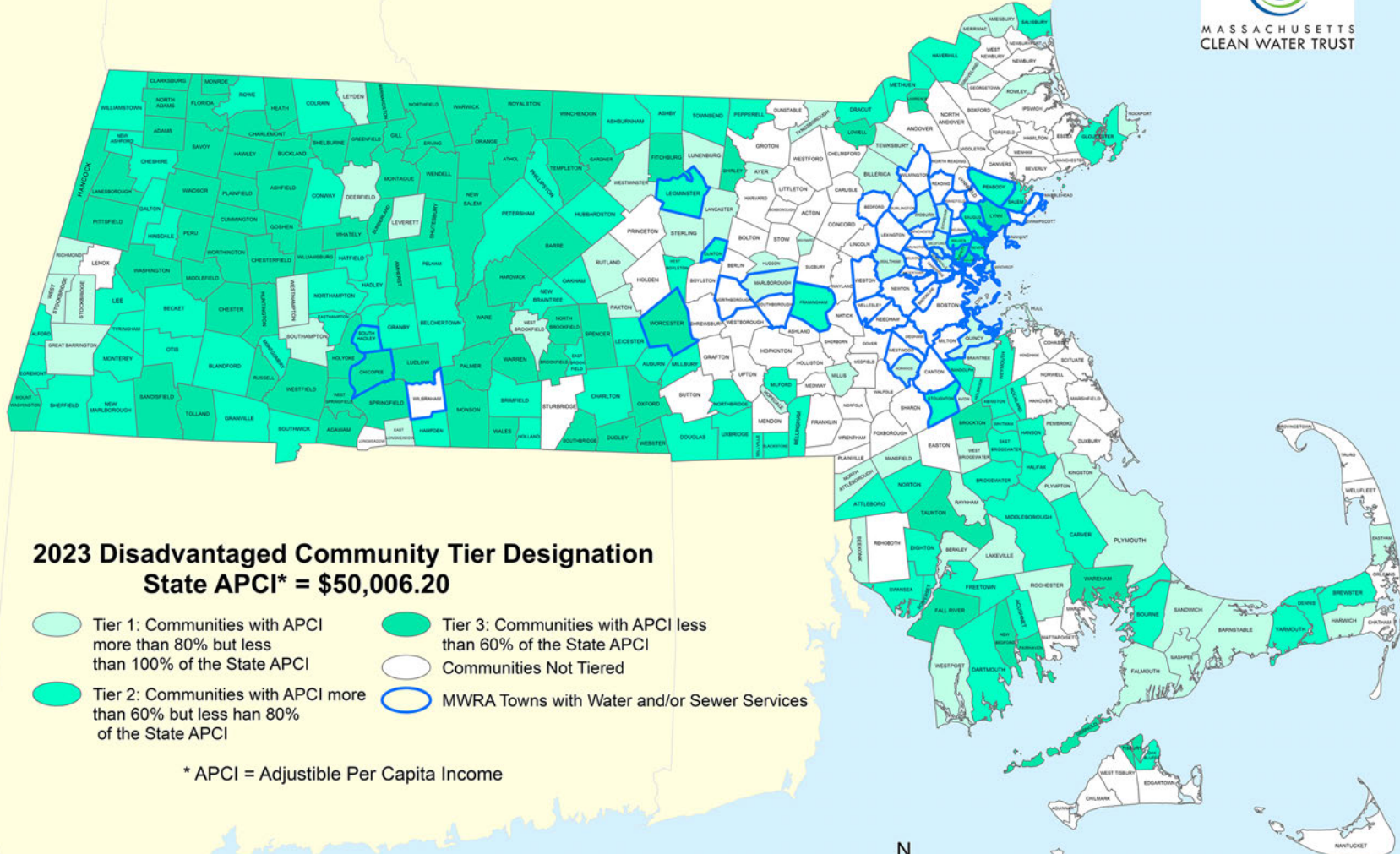
- An additional subsidy provided by reducing the principal amount of the loan
- Determined by an annual affordability calculation ranking communities into affordability tiers
- A fixed percentage of forgiveness is provided based on the tier and program
- The following percentages are for the 2023 IUP and may be different in future years
- Find which tier your community falls under on our website: <https://www.mass.gov/doc/2023-affordability-calculation>

Program Tier	% of Forgiveness	Example: Applied to \$10,000,000 Loan
		Forgiveness Amount
CWSRF Tier 1	3.3%	\$330,000
CWSRF Tier 2	6.6%	\$660,000
CWSRF 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.



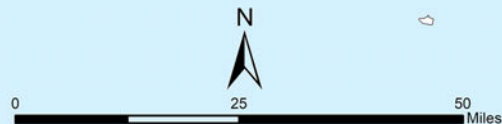
Massachusetts Disadvantaged Communities by Tier



2023 Disadvantaged Community Tier Designation State APCI* = \$50,006.20

- Tier 1: Communities with APCI more than 80% but less than 100% of the State APCI
- Tier 2: Communities with APCI more than 60% but less than 80% of the State APCI
- Tier 3: Communities with APCI less than 60% of the State APCI
- Communities Not Tiered
- MWRA Towns with Water and/or Sewer Services

* APCI = Adjustable Per Capita Income



Data Source: MassDEP, MassGIS
Map Produced by MassDEP GIS Program
G:\ProjectDev\BWR\SRF\Disadvantage_Tier
November 7, 2022

Two Agencies, One Service



Massachusetts Clean Water Trust

Administers the financial aspects

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



Massachusetts Department of Environmental Protection (MassDEP)

Administers the programmatic aspects

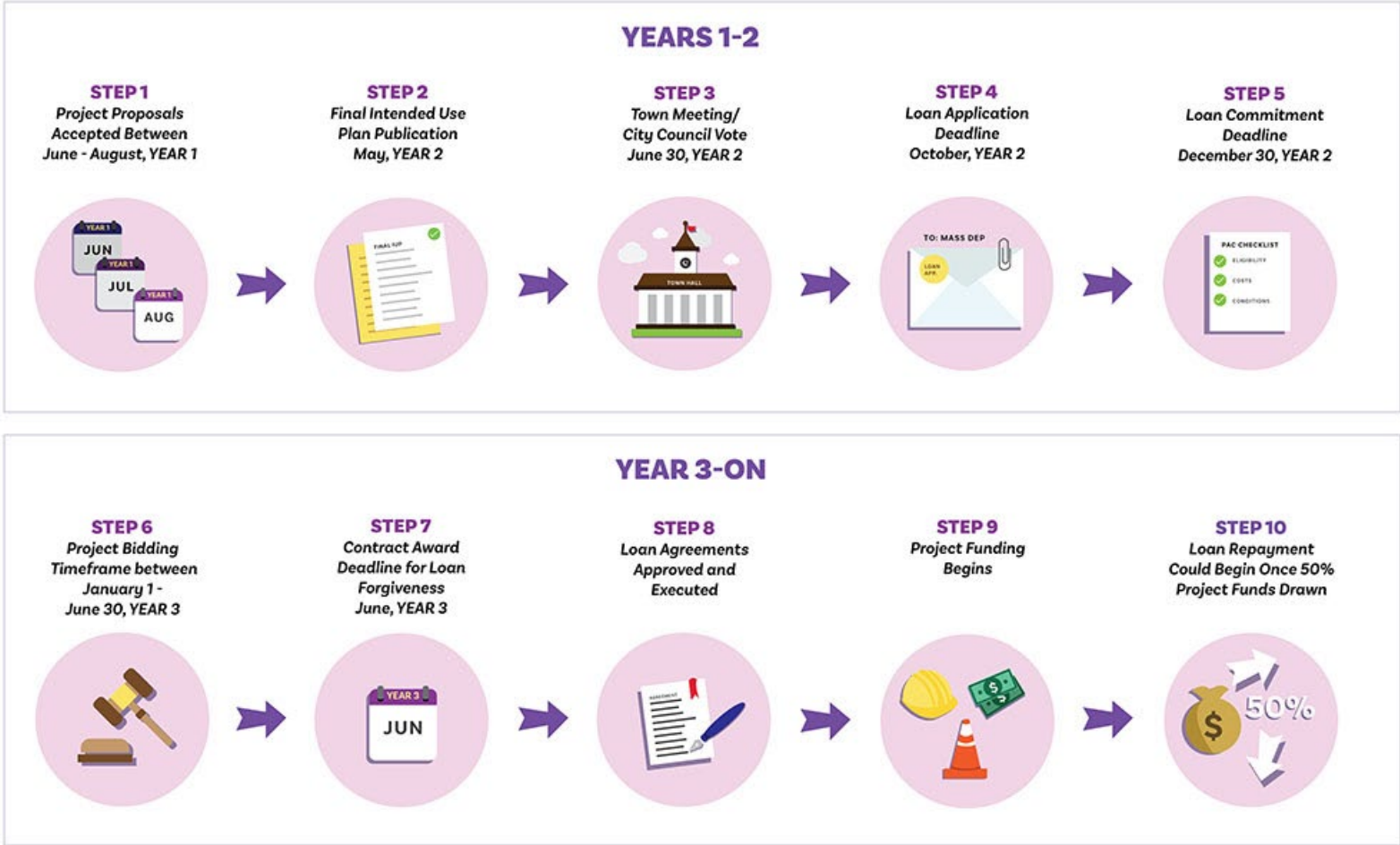
- Administers the Annual SRF Solicitation and Project Selections
- Develops the IUP Project Lists
- Receives and Approves Loan and Grant Applications
- Oversees Project Bidding and Awarding
- Issues Final Project Approvals
- Processes and Approves Payment Requisitions
- Project Closeout



The 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

Readiness to Proceed

- A major component of the SRF process is the “Readiness to Proceed”
- The most **imminent** deadline is the vote for Local Authorization **by June 30, 2023**
- Communities on the published Intended Use Plan (IUP) must adhere to the application schedule
- A list of deadlines can be found at the end of this presentation
- There is some flexibility, but a consistent set of deadlines are applied

Local Authorization

- 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 costs
 - Construction management fees & 10% contingency
 - Police details
 - Inflation
- Better to overestimate than underestimate costs
- Required for the Loan Application

DEADLINE:

**LOCAL AUTHORIZATION MUST BE
VOTED BY JUNE 30, 2023.**

Loan Application

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

> DEADLINE

- Due to MassDEP on or before **October 13, 2023**

> CONSTRUCTION PROJECT REQUIREMENTS

- Plans and specifications
- 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



**MASSDEP WILL
ISSUE A PAC AFTER
A COMPLETE LOAN
APPLICATION
PACKAGE HAS
BEEN SUBMITTED**

Project Approval Certificate (PAC)

DEADLINE

- MassDEP must issue a PAC by **December 29, 2023**
- 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

- For loan forgiveness eligible projects and amounts, the first executed construction contract must be awarded by **June 30, 2024**
- Construction projects financed through the SRF are owned and managed by the community
- MassDEP ensures that the project and procurement processes adhere to SRF requirements

MASDEP REQUIREMENTS

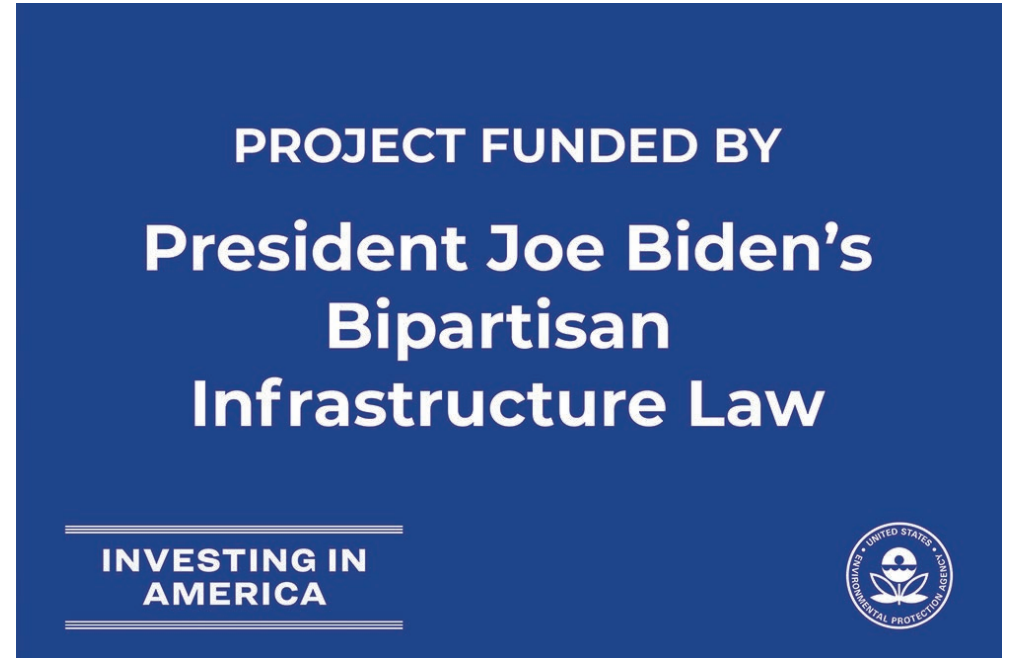
- Give the community “Permission to Advertise” for bidding to begin
- Bidding occurs once the Board of Trustees approves a PAC
- MassDEP will review the procurement document and identify any ineligible costs

UPON RECEIVING ACCEPTABLE BIDS

- MassDEP Division of Fiscal Management reviews and approves Disadvantaged Business Enterprise (DBE) participation
- "Authorization to Award" issued upon review and approval of bids
- Project Regulatory Agreement (PRA) amount for Board of Trustees vote is based on the construction and services contracts plus a 5% contingency

BIL Signage for the SRFs

- 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>



Source: EPA

Build America Buy America Act (BABA)

Overview:

- BIL expands domestic sourcing requirements for CWSRF treatment works construction projects and DWSRF construction projects
- 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?

- Communities can request and obtain a waiver from the EPA
- Certain projects qualify for a general applicability waiver
- MassDEP can review and notify a community in writing if BABA requirements do not apply to a project

PROJECT REGULATORY AGREEMENT (PRA)

Project Regulatory Agreement

- Usually issued at 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
- Outlines the project timeline
- Lists estimated disbursements
- Lists eligible and ineligible costs

Financing Agreement Package

The Trust sends a **Financing Agreement Package** after the Board of Trustees approves the Project Regulatory Agreement (PRA) and the Trust has received a **Green Light Letter** and a completed **Loan Questionnaire**

> The Trust will create a Financing Agreement

- States that the community 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 community and forwarded to MassDEP once a month with the appropriate supporting documentation (receipts, invoices, signed change orders, etc.)
- MassDEP reviews requests and approves appropriately documented eligible costs typically within a week
- 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

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 Rate	0%	0%
PFAS Remediation 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 2019-2023 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

Apr, 12 2023 - 2:20 PM

**Massachusetts Clean Water Trust
Preliminary Structuring Analysis
Your Community
CW-23-00**

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	10/15/2025
First Interest	1/15/2026
First Principal	7/15/2026

Date	Principal	Interest	Total Debt Service	Admin Fee (0.15%)	Loan Origination Fee	Total Payments	Total Annual Payments
10/15/2025							
1/15/2026		5,000.00	5,000.00	750.00	5,500.00	11,250.00	11,250.00
7/15/2026	40,451.00	10,000.00	50,451.00	750.00		51,201.00	
1/15/2027		9,595.49	9,595.49	719.66		10,315.15	61,516.15
7/15/2027	41,330.00	9,595.49	50,925.49	719.66		51,645.15	
1/15/2028		9,182.19	9,182.19	688.66		9,870.85	61,516.01
7/15/2028	42,229.00	9,182.19	51,411.19	688.66		52,099.85	
1/15/2029		8,759.90	8,759.90	656.99		9,416.89	61,516.75
7/15/2029	43,146.00	8,759.90	51,905.90	656.99		52,562.89	
1/15/2030		8,328.44	8,328.44	624.63		8,953.07	61,515.97
7/15/2030	44,084.00	8,328.44	52,412.44	624.63		53,037.07	

Important Dates and Deadlines

Final IUP Publication	APRIL 2023
Town Meeting/City Council Vote Deadline	JUNE 30, 2023
Loan Application to MassDEP	<i>ON OR BEFORE</i> OCTOBER 13, 2023
MassDEP is to Issue a PAC	<i>ON OR BEFORE</i> DECEMBER 29, 2023
Project Contract Award/Notice to Proceed	<i>WITHIN 6 MONTHS OF PAC ISSUANCE</i>
Project Bidding General Timeframe	<i>BETWEEN</i> JANUARY 1 AND JUNE 30, 2024
Loan Forgiveness, Executed Construction Contracts	JUNE 30, 2024
Loans in Repayment, Payments are Due to the Trust	JANUARY 15TH AND JULY 15TH

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) 292-5674

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)

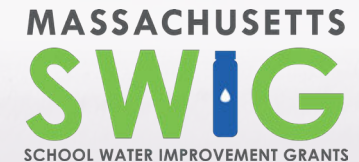
mass.gov/school-water-improvement-grants

Contact *Julian Honey*

Julian Honey

(617) 367-9333 x 493

SWIG@tre.state.ma.us



2020 to Present:

Provided **\$1,695,000** in grants to replace **565** water fountains in **230** schools in **63** school districts serving over **101,000** 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.

Contact Information

The Trust

Sue Perez | *Executive Director*
617-367-9333 x816 | sperez@tre.state.ma.us

Nate Keenan | *Deputy Director*
617-367-9333 x508 | nkeenan@tre.state.ma.us

Josh Derouen | *Senior Program Associate*
617-367-9333 x515 | jderouen@tre.state.ma.us

Jonathan Maple | *Senior Policy Analyst*
617-367-9333 x546 | jmaple@tre.state.ma.us

Kailyn Fellmeth | *Program Associate*
617-367-9333 x580 | kailyn.n.fellmeth@tre.state.ma.us

Julian Honey | *Program Associate*
617-367-9333 x493 | julian.honey@tre.state.ma.us

MassDEP

Maria Pinaud | *Director*
617-645-7168 | maria.pinaud@mass.gov

Robin McNamara | *Deputy Director*
857-301-0974 | robin.mcnamara@mass.gov

Ashraf Gabour | *Program Manager*
857-301-0555 | ashraf.gabour@mass.gov

Michele Higgins | *Section Chief*
Southeastern and Central Regions
857-268-3296 | michele.higgins@mass.gov

Greg Devine | *Section Chief*
Northeastern and Western Regions
617-874-6456 | gregory.d.devine@mass.gov