

MEETING MINUTES
CAPE COD AND ISLANDS WATER PROTECTION FUND MANAGEMENT BOARD
BYLAWS AND REGULATIONS COMMITTEE
July 7, 2020 MEETING

Committee Members:

Rae Ann Palmer	Truro	Present
Mark Ells (Chair)	Barnstable	Absent
Andrew Gottlieb	Mashpee	Present
Ben deRuyter	Brewster	Present
Don Howell (Vice Chair)	Harwich	Present

Others Present:

Kristy Senatori	Cape Cod Commission
Erin Perry	Cape Cod Commission
Gail Coyne	Cape Cod Commission
David Still	Cape Cod Commission
Nate Keenan	MA Clean Water Trust
Brian Dudley	MA Dept of Environmental Protection
Maria Pinaud	MA Dept of Environmental Protection

Summary of Discussion/Action Taken: The Massachusetts Clean Water Trust reviewed and discussed various subsidy models with members. Members voted to utilize a 4-year principle forgiveness subsidy model and revise regulations consistent with that model.

Don Howell called the meeting to order at 3:03 pm and announced that the meeting is being held virtually as allowed by Governor Baker's Executive Order suspending certain provisions of the Open Meeting Law dated March 12, 2020. He also noted that roll call would be taken and that all votes taken would need to be done by roll call. He then called the roll for attendance, which is noted above.

Mr. Howell moved to the first item on the agenda, approval of the May 1, 2020 meeting minutes. Andrew Gottlieb made a motion to accept the minutes as drafted. Rae Ann Palmer seconded. Gottlieb, yes; deRuyter, yes; Howell, yes; Palmer, yes.

Mr. Howell introduced Nate Keenan, Deputy Director of the Massachusetts Clean Water Trust (Trust) to review various models for providing subsidies with the committee.

Mr. Keenan reviewed information distributed to the committee. He walked through the assumptions the Trust used to develop subsidy models, including annual fund revenue of \$15 million per year, 25% loan subsidies, 0% interest loans, and 30-year debt service terms. The model assumes loans close every year, three years after the projects first appear on the Clean

Water Intended Use Plan (IUP) (ex. projects on the 2019 IUP close in 2022). The models show the impact of the various subsidy options on the fund over time.

Mr. Keenan reviewed the three models provided to the committee, including the debt service subsidy, the principle forgiveness subsidy, and a 4-year principle forgiveness subsidy. The 4-year subsidy option allows the fund to build up a balance while not having to maintain an obligation to subsidized communities over the entire term of their loan.

Mr. Keenan offered to answer questions or review the material in additional detail at the request of the committee members.

Mr. Gottlieb asked Mr. Keenan to confirm his understanding of the 4-year principle forgiveness model. He asked if the method would lower the amount the town permanently finances by taking funds from the Cape Cod and Islands Water Protection Fund (Fund) over a 4 year basis and putting those funds into an escrow account so that when it comes time to permanently finance, the funds are available to reduce the principle. Mr. Keenan confirmed that is correct, a subsidiary account will be established in the Fund account.

Ben deRuyter asked if in the 4-year subsidy option, the assumption is the Fund subsidizes a total of 25% of the loan for the project that is paid out over 4 years. Mr. Keenan confirmed.

Mr. Howell asked if additional projects are being added each year and Mr. Keenan confirmed. He noted that the fund balance increases by new revenue received each year and each IUP year includes new projects. He added that the subsidy is paid out over 4 years rather than 30 years. Mr. deRuyter followed up and asked what the difference is between the 4-year subsidy option and the debt service option. He noted that the fund balance is dramatically different and wondered if the model included interest. Mr. Keenan stated that no interest is accruing in the models and that the same amount is coming out of the Fund, but it's coming out earlier in the 4-year subsidy option.

Mr. Gottlieb stated that he had been a proponent of the debt service model as he wanted to ensure broad participation in the Fund and with debt service, those that want the incentive can access it. He continued to say that he had never contemplated the 4-year subsidy approach and believes that it strikes the right balance by providing some certainty to towns who don't want a 30-year commitment, but want to see the funds up front, and maintaining money in the Fund to ensure more projects can be subsidized in a shorter time period. Mr. Howell added that there needs to be that balance to ensure participation in the Fund.

Mr. deRuyter asked if Brewster can use these funds for nitrogen trading with a neighboring town, essentially alleviating Brewster's commitment to another town. Brian Dudley from the Massachusetts Department of Environmental Protection (MassDEP) said it's something that could be considered. Mr. Gottlieb added that he believes it could be; that one community could be an applicant to the State Revolving Fund (SRF) to pay for the cost of infrastructure in another community as long as the other community committed to paying the debt back to the applicant

community. Mr. Howell added that an intermunicipal agreement could be executed that allows one community to sell capacity at a discount.

Ms. Palmer used the example of Provincetown and Truro – Provincetown has a sewer system that stops at the Truro town line and sections of Truro could potentially connect to that system if additional capacity is built. She added that she does not think Mr. deRuyter is suggesting a scenario like that, but one where one community might pay for a system, but not connect anything. They would be paying for credits, but not capacity. Mr. Gottlieb agreed and said that's the idea behind the watershed permit.

Mr. deRuyter added that the 4-year subsidy has a lot of promise.

Mr. Gottlieb added that the Fund Management Board could change the amount of subsidy and the number of projects at any time. He added that he would like to move forward with the 4-year subsidy model.

Mr. Howell asked the other members how they felt about the various models.

Ms. Palmer stated that she would prefer principle forgiveness or the 4-year principle forgiveness. Mr. deRuyter agreed with Mr. Gottlieb on the 4-year subsidy option and added that the Fund Management Board has the power to re-examine this in the future. Mr. Howell agreed he is comfortable with the 4-year subsidy option.

Mr. Gottlieb moved to utilize the 4-year principle forgiveness approach presented by the Trust; he recommended that appropriate language be developed for the regulations to reflect the 4-year principle forgiveness approach. Mr. deRuyter seconded. Gottlieb, yes; deRuyter, yes; Howell, yes; Palmer, yes.

Kristy Senatori said that Cape Cod Commission staff would revise the regulations and bring them back to the committee for consideration. Mr. Howell asked if this could be turned around quickly and Ms. Senatori said yes, provided staff can work with all of the members schedules.

Ms. Senatori thanked Mr. Keenan and the Trust for helping with this process and providing valuable resources for this conversation.

Mr. Gottlieb moved to adjourn at 3:45pm. Mr. deRuyter seconded. deRuyter, yes; Gottlieb, yes; Howell, yes; Palmer, yes.

Materials Used/Received: Draft 2020-05-01 Cape Cod and Islands Water Protection Fund (CCIWPF) Bylaws and Regulations Committee minutes; Draft 2020-07-01 CCIWPF Regulations; Cape and Islands Trust Fund Assumptions Memo; CCIWPF Subsidy Options Comparison spreadsheet; CCIWPF Draft Debt Schedule spreadsheet