

Status Report

October 19, 2020

Cape Cod & Islands
Water Protection Fund

Cape Cod & Islands Water Protection Fund (“Cape & Islands Fund”)

- Effective July 1, 2019
- Established a new 2.75% excise tax assessed to all lodging establishments on Cape Cod
 - Including short-term rentals e.g. Airbnb, Vrbo, etc.
- Proceeds dedicated toward water quality protection projects for Cape Cod
- Funds held by MA Clean Water State Revolving Fund (SRF) for exclusive use of Cape Cod municipalities
- Islands may join the Fund if they receive MA Department of Environmental Protection (DEP) approval of a “208 Plan” or equivalent

Eligible Projects

- **Criteria for determining which projects are eligible for funding is based on State Revolving Fund statute and regulations**
 - **Includes: Sewer, Innovative Alternative Strategies, Drainage Improvements, Management Plans**
- **State Revolving Fund has established criteria for prioritizing and produces a list of projects to be funded each year – Intended Use Plan**
 - **DEP rates projects based on effectiveness in resolving water quality problems, achieving regulatory compliance**
 - **Connection with enforcement action and inter-municipal effort also considered**

Role of Cape & Island Fund Management Board

- Determine method for subsidy allocation
- Equitable distribution of funds to participating municipalities
- Ensure funds are spent only for purposes provided by law

Cape & Islands Fund Regulations

- Adopted by unanimous vote of Management Board 10/07/2020
- Subsidy in the form of principal forgiveness over 4-year period
 - Grants not loans
 - Past projects financed thru State Revolving Fund eligible for subsidy
- All projects funded in a given year will receive equal subsidy % – e.g. 25% of Project Cost
 - Except Projects Under \$1,000,000 receive double subsidy %

Advantages

1. Streamlined application process

- No application required: Project will be considered for Cape & Islands Fund subsidy when placed on State Revolving Fund “Intended Use Plan”
- No analysis or votes by Cape & Island Fund Management Board on relative value of projects: All eligible projects treated the same

2. Predictability & Advance Notice

- Allows for notice of award before Town Meeting approves funding
- Hope is to keep % subsidy stable to extent possible

Advantages Continued

3. 4-Year Subsidy strikes a balance:

- Spreading subsidy over 20- to 30-year loan term would require long revenue and expense forecast horizon:
- Providing entire subsidy in one year would limit subsidy % due to uneven distribution of project costs over time
 - E.G. If there are 4 Projects with total cost of \$100 million in projects in 2022 but no Projects in 2023 and 2024.

4. Strong Incentive for Towns to approve water quality projects

How Much \$?

- Forecast before excise tax adopted: \$15 million per year
- Hope is to subsidize close to 25% of Project Cost
- First 5 months actual = \$7,731,749
- FY2020 (11 months) = \$9,131,353
 - COVID shut down Lodging April 2020 – June 8th
 - Gathering Size, Functions still limited
- FY2021 First Quarter 39% lower than FY2020