



MASSACHUSETTS  
CLEAN WATER TRUST

# STEPS TO COMPLETING THE SRF LOAN PROCESS

March 2016



*Massachusetts Department of Environmental Protection*



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CLEAN WATER TRUST

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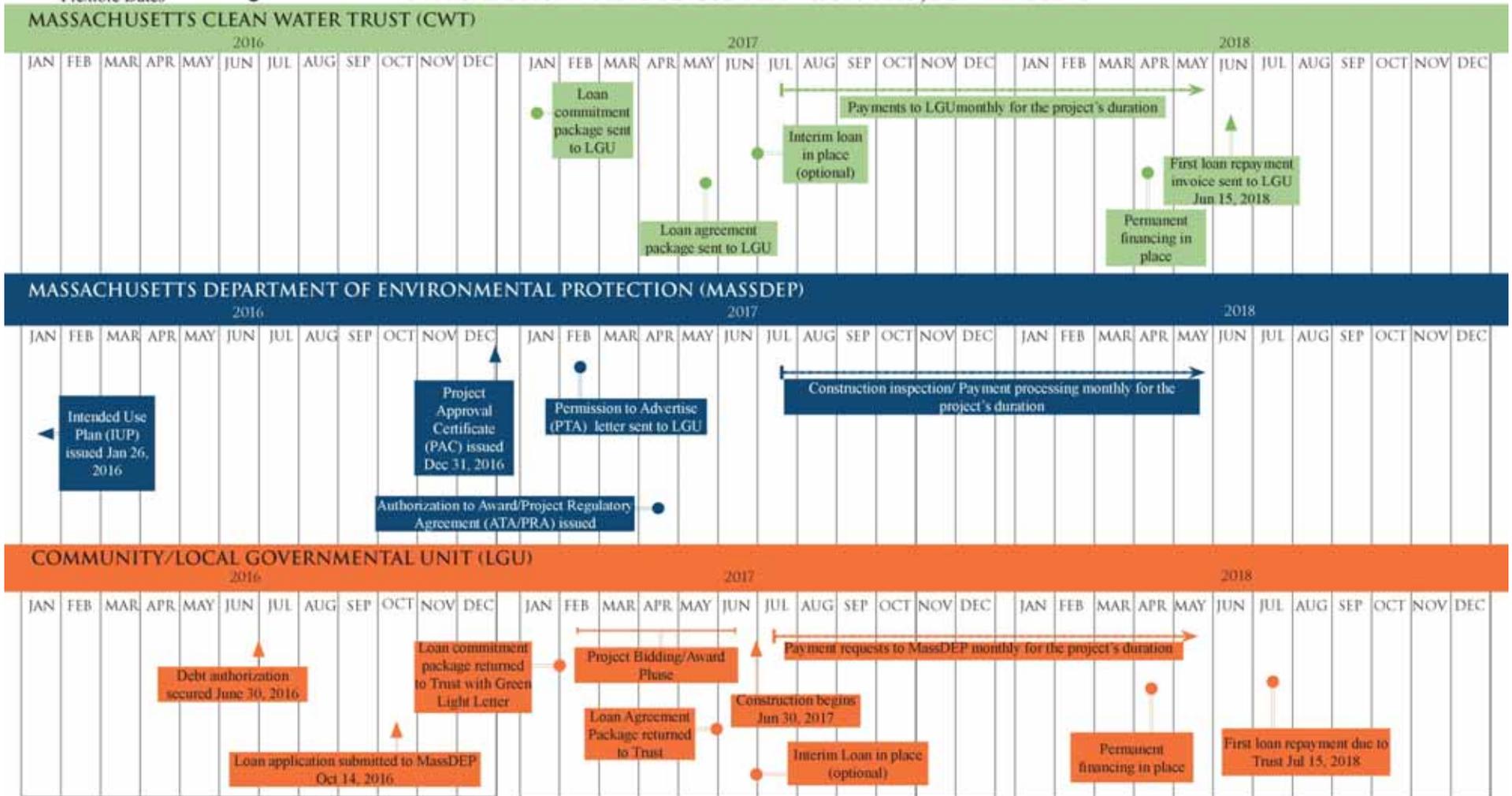
## Steps to Financing

- ✓ Intended Use Plan - Done
  - Local Authorization by **June 30, 2016**
  - Loan Application to MassDEP by **October 14, 2016**
  - Project Approval Certificate - MassDEP
  - Loan Commitment from MCWT
  - Procurement Process - Authorization to Award - MassDEP
  - Project Regulatory Agreement - MassDEP
  - Financing Agreement - MCWT
  - Loan Closing- MCWT
    - Short Term Loans (Interim Loans)
    - Permanent Loans



Project Duration   
 Deadline Dates   
 Flexible Dates 

## STATE REVOLVING FUND TYPICAL 2016 INTENDED USE PLAN (IUP) PROJECT TIMELINE





# Local Authorization

## Town Meeting/City Council Vote:

- Must be voted by **June 30, 2016**
- General Obligation Pledged as Security
- Authorization to Borrow
- Appropriation
  - Make sure you ask for enough. Include:
    - Eligible and ineligible costs
    - Construction Management Fees
    - Police Details
    - Inflation





# Loan Application & Project Approval Certificate (PAC)

- Loan Application is due to MassDEP **October 14, 2016** – *Can be submitted earlier*. The Loan Application includes: schedules, Plans and Specifications (“buildable”), debt authorization, permits, etc.
- After review of the Loan Application, PAC is issued by MassDEP to MCWT if any requirements have not been met PAC will be “restricted”
- MassDEP must issue PAC by **December 31, 2016**
- Copies of PAC are emailed to Borrower and their consultant
- PAC certifies to the MCWT that the project is eligible to receive SRF financing and identifies eligible and ineligible costs



# Loan Commitment Package

- **Board of Trustees approval vote creates Commitment to Borrower**
- **The Loan Commitment Package is emailed to Treasurer/Financial Officer and includes:**
  - **Loan Commitment Document**
  - **Requirements Letter Outlining step by step process to close the loan**
  - **Loan Questionnaire to be filled out by Borrower**
- **Borrower needs to:**
  - **Request Green Light Letter- from local bond counsel**
  - **Return one (1) signed questionnaire to MCWT**



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# Loan Questionnaire

- **Borrower provides:**
  - **Updated, accurate information in order for MCWT to comply with the tax code as it applies to tax exempt bonds**
  - **One (1) completed questionnaire loan process and one (1) verification form before permanent financing**
  - **Accurate wiring instructions for loan disbursements**
    - **Please notify MCWT if you change your wiring instructions**



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# Green Light Letter and Bond

- **Borrower's Bond Counsel prepares:**
  - **"Green Light Letter,"** which is sent to MCWT certifying that the local vote is legal
  - **Local bond and Interim Loan Note** for delivery to the MCWT for interim and permanent loan
  - **MCWT does not finance local costs for bond counsel**





# Borrower Procurement Process

Project Bidding generally occurs between **January 1 and June 30**

- Before bidding, MassDEP must give “Permission to Advertise”
- After bid opening, MassDEP Civil Rights Section reviews and approves Disadvantaged Business Enterprise (DBE) participation
- MassDEP reviews bid results and issues “Authorization to Award”
  - *2015 Projects receiving Principal Forgiveness must have signed construction contracts by **April 30, 2016***
  - *2016 projects receiving Principal Forgiveness must have signed construction contracts by **June 30, 2017***



# MassDEP Project Regulatory Agreement (PRA)

- **Contract between MassDEP and the Borrower**
- **Establishes MassDEP control over project**
  - **Outlines project eligibility and funding**
  - **Establishes disbursement procedures**
  - **Outlines the loan closeout process**
  - **Includes the legal requirements of the borrower**
  - **Discusses project defaults and how to remedy**
- **PRA is usually issued concurrently with the “Authorization to Award” or shortly thereafter**



# Financing Agreement

As with the Project Approval Certificate, the Financing Agreement is voted at a Board of Trustees meeting. The Financing Agreement:

- Is a contract between MCWT and the Borrower
- Outlines MCWT and Borrower's responsibilities
- States how a loan default can occur and how to cure the default

Once the Financing Agreement is approved, the questionnaire is returned and the green light is received, the Borrower will receive a package containing:

- Two (2) copies of the PRA
- Two (2) copies of the Financing Agreement
- Sign and Return to MCWT:
  - One (1) copy of the PRA
  - One (1) copy of the Financing Agreement





## **Disbursements**

- **“Payment requisition” is completed by the Borrower and forwarded to MassDEP with the appropriate documentation (receipts, invoices, etc.)**
- **MassDEP reviews the request and approves eligible costs**
- **MassDEP forwards the request to the Trust**
- **MCWT wires to Borrowers every Thursday with funds often available the next day**



# Interim Financing

- **Lower cost than BANs**
  - **0% Interest Rate for loans with PRAs approved after April 1, 2016**
  - **Interim loan fee has been eliminated for loans with PRAs approved after April 1, 2016**
- **Bond counsel issues interim loan note to MCWT**
- **Interim loans are usually permanently financed within one year**
- **Most borrowers use interim financing**
- **If you don't use interim financing you won't receive any disbursements until the Trust goes to market for permanent financing.**



## Loan Terms and Fees

	Clean Water & Drinking Water	Interim Loans
Loan Rate	2% (20 Years) Calculated (30 Years)*	0%**
Maximum Term	30 Years	1 Year
Admin. Fee	0.15%	N/A
Effective Loan Rate	2.15% (20 Years)	0%
Origination Fee (one-time)	Approx. \$5.50/\$1000***	N/A

**\*Rate calculated at time of bond sale, estimated between 2.4-2.9%**

**\*\* Interim loan rate is 0.13% for PRAs approved before April 1, 2016**

**\*\*\* To be determined at time of bond sale to offset costs**



# Loan Repayment

- Upon permanent financing, payments are due **July 15** and **January 15**
- MCWT will send an invoice 30 days in advance
- Invoice will include wiring instructions
- Debt Service Payments
- Administrative Fee Payments
- Loan Origination Fee Payment- due at first debt service payment and is included on the repayment schedule



# Debt Service Schedule (Schedule C)

## Draft Schedule C

Prepared by MWPAT

Apr, 22 2014 - 4:42 PM

Massachusetts Water Pollution Abatement Trust  
Preliminary Structuring Analysis  
Yourtown  
Loan: CW-14-2014

Initial Loan Amount	5,000,000.00	Loan Origination Fee (\$5.5/1000)	27,500.00
Principal Forgiveness		Loan Term (in years)	20
Net Loan Obligation	5,000,000.00	Loan Rate	2.00%
		Closing Date	5/31/2015
		First Interest	7/15/2015
		First Principal	1/15/2016

Date	Principal	Interest	Total Debt Service	Admin Fee (0.15%)	Loan Origination Fee	Commonwealth Assistance Principal Forgiveness	Total Debt Service	Annual Debt Service
5/31/2015								
7/15/2015		12,500.00	12,500.00	3,750.00	27,500.00		43,750.00	
1/15/2016	212,120.00	50,000.00	262,120.00	3,750.00			265,870.00	309,620.00
7/15/2016		47,878.80	47,878.80	3,590.91			51,469.71	
1/15/2017	206,681.00	47,878.80	254,559.80	3,590.91			258,150.71	309,620.42
7/15/2017		45,811.69	45,811.69	3,435.90			49,247.89	
1/15/2018	211,125.00	45,811.69	256,936.99	3,435.90			260,372.89	309,620.78
7/15/2018		43,700.74	43,700.74	3,277.56			46,978.30	
1/15/2019	215,684.00	43,700.74	259,384.74	3,277.56			262,642.30	309,620.59
7/15/2019		41,544.10	41,544.10	3,115.81			44,659.91	
1/15/2020	220,300.00	41,544.10	261,844.10	3,115.81			264,959.91	309,619.82
7/15/2020		39,341.10	39,341.10	2,950.58			42,291.68	
1/15/2021	225,037.00	39,341.10	264,378.10	2,950.58			267,328.68	309,620.37
7/15/2021		37,090.73	37,090.73	2,781.80			39,872.53	
1/15/2022	229,875.00	37,090.73	266,965.73	2,781.80			269,747.53	309,620.07
7/15/2022		34,791.98	34,791.98	2,609.40			37,401.38	
1/15/2023	234,010.00	34,791.98	268,801.98	2,609.40			272,211.38	309,620.78
7/15/2023		32,443.00	32,443.00	2,433.29			34,876.29	
1/15/2024	239,886.00	32,443.00	272,329.00	2,433.29			274,742.08	309,620.17
7/15/2024		30,045.14	30,045.14	2,263.30			32,208.53	



# Contact Information

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## Program

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