STEPS TO COMPLETING THE SRF LOAN PROCESS

May 2014

Massachusetts Department of Environmental Protection

Massachusetts Water Pollution Abatement Trust

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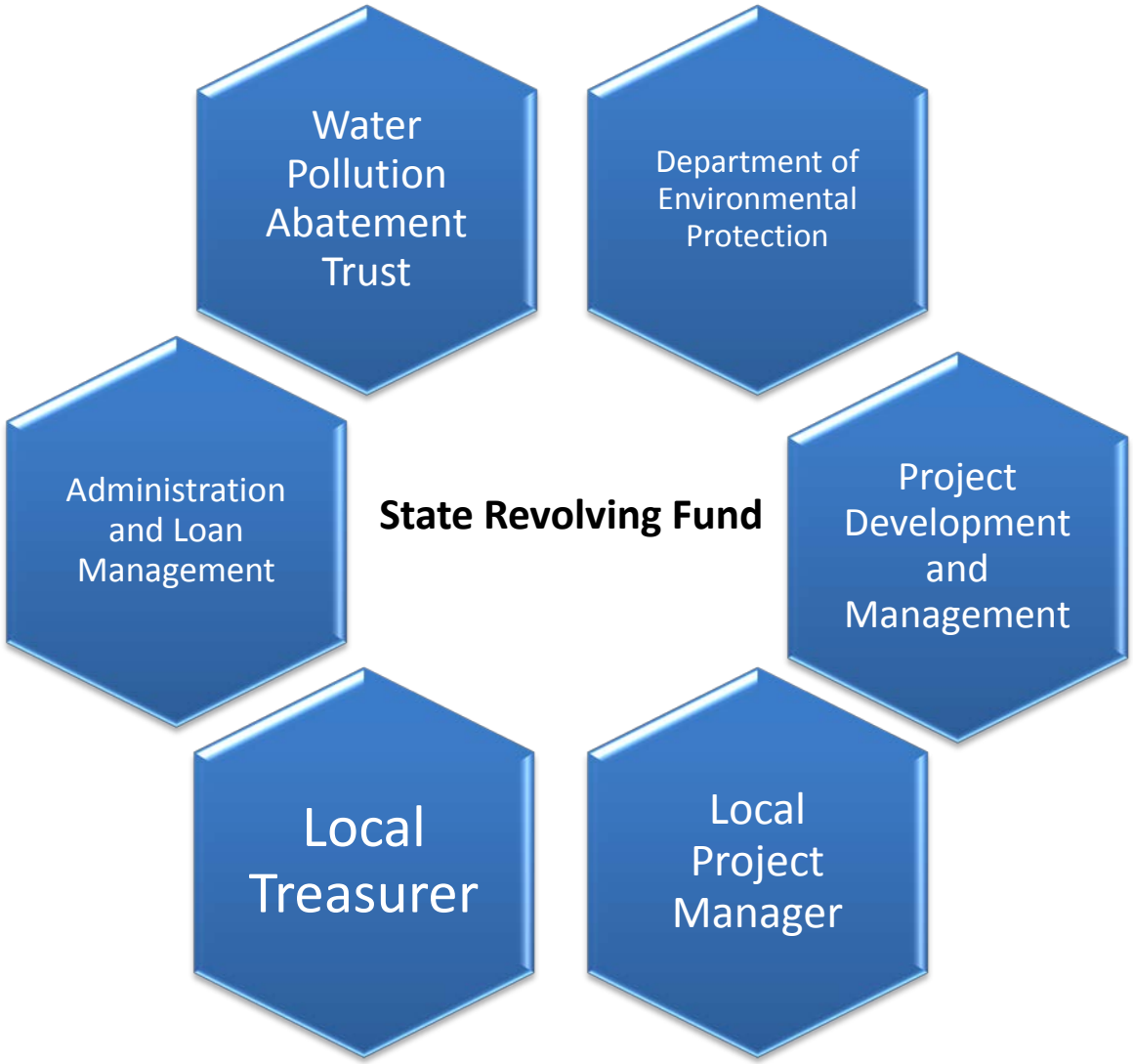
What's new for 2014

The State Revolving Fund is an Intergovernmental Partnership



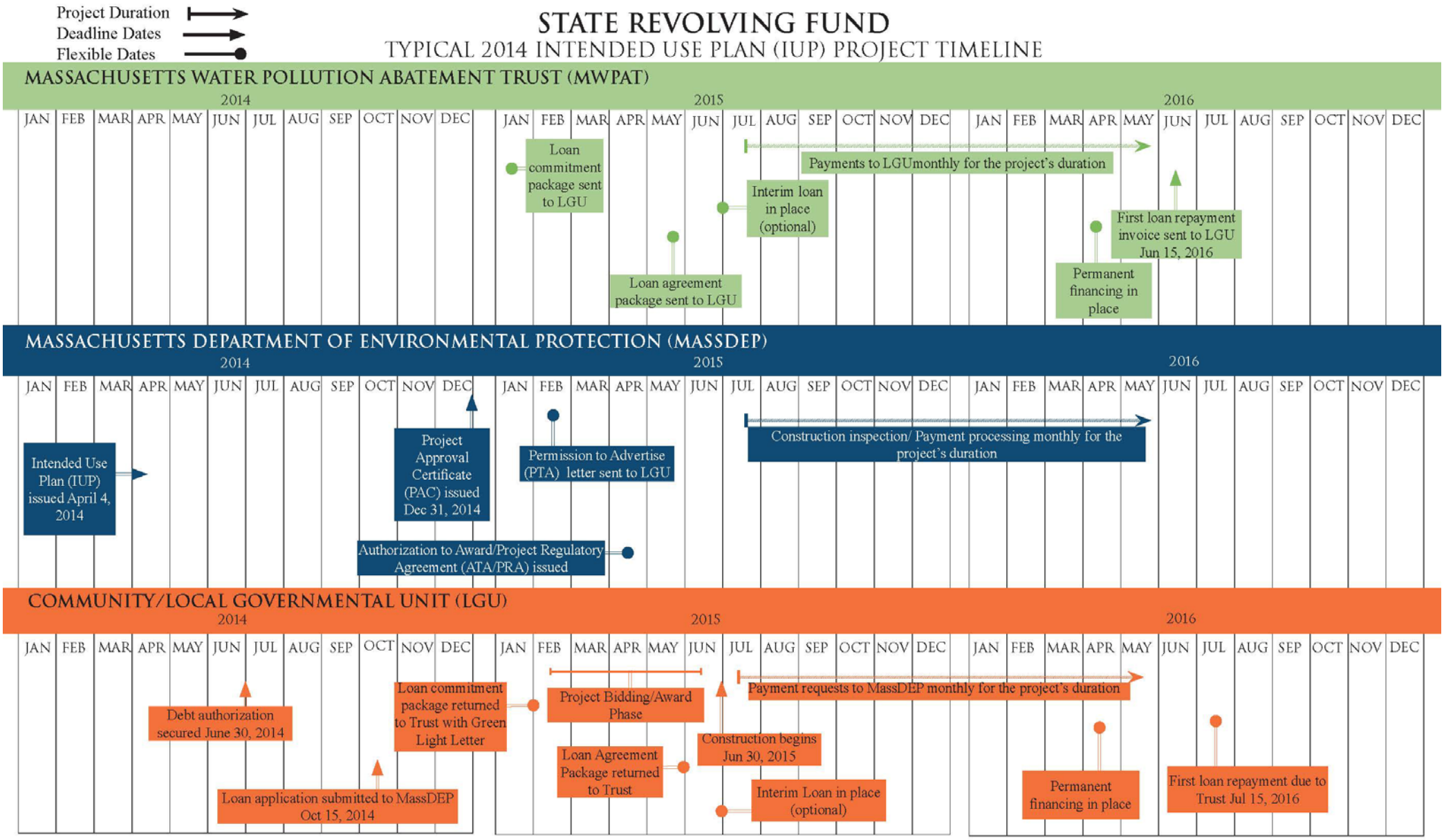
Steps to Financing

- ✓ Intended Use Plan - Done
- Local Authorization- by June 30, 2014
- Loan Application to DEP – Oct. 15, 2014
- Project Approval Certificate - MassDEP
- Loan Commitment from MWPAT

Steps to Financing

- Procurement Process- Authorization to Award - MassDEP
- Project Regulatory Agreement - MassDEP
- Loan Agreement – MWPAT
- Loan Closing - MWPAT
  - Short Term Loans (Interim loans)
  - Permanent Loans

Massachusetts Water Pollution Abatement Trust



Local Authorization

Town Meeting/City Council Vote:

- Must be voted by June 30, 2014
- General Obligation Pledged as Security
- Authorization to Borrow
  - Use suggested language written by MWPAT Bond Counsel
- Appropriation
  - Make sure you ask for enough. Include:
  - Eligible + Ineligible costs
  - Construction Management Fees
  - Police Details
  - Inflation

Borrower Loan Application

- Due to MassDEP October 15, 2014
- Loan Application has three parts
  - Applicant Information - Authorized Representative, Local Appropriation etc.
  - Project Requirements - Plans and Specifications, Cost, Schedule, etc.
  - Supplemental Requirements - Permits, Planning, Professional Services Agreement, etc.

MassDEP Project Approval Certificate (PAC)

- **PAC Issued by MassDEP to the MWPAT**
- **A copy is sent to Community**
- **PAC certifies project eligibility, costs, and lists conditions**

Loan Commitment Package

- Board vote creates Commitment to Borrower
  - Board meets on the first Wednesday of every month
  - Board consists of:
    - State Treasurer Steven Grossman, Chair
    - Secretary of Executive Office of Administration and Finance, Glen Shor
    - Commissioner of Department of Environmental Protection, David Cash
- Includes Requirements Letter outlining the step by step process to close the loan
  - Loan Questionnaire
  - Green Light Letter – from local bond counsel
- Return One (1) Signed Questionnaire to MWPAT

Loan Questionnaire

- City or town provides:
  - Updated, accurate information in order for MWPAT to comply with the tax code for tax exempt bonds
  - One (1) completed questionnaire during loan process and one (1) before pool closing
  - Accurate wiring instructions for loan disbursements

Green Light Letter and Bond

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

Borrower Procurement Process

- Before bidding, MassDEP must give "Permission to Advertise"
- Bid Specs/Contracts must be approved by MassDEP
- MassDEP Civil Rights Section reviews and approves MBE/WBE participation
- MassDEP reviews bid results and issues "Authorization to Award"

MassDEP Project Regulatory Agreement (PRA)

- Contract between MassDEP and Borrower
- Establishes MassDEP control over project
  - Outlines project eligibility and funding
  - Establishes disbursement procedures
  - Loan closeout process
  - Legal requirements of Borrower
  - Discusses project defaults and how to remedy

Financing Agreement

- Contract between MWPAT and Borrower
- Outlines MWPAT and Borrower's responsibilities
- States how a loan default can occur and how to cure the default
- City/Town Receives:
  - Two (2) copies of the Project Regulatory Agreement (PRA)
  - Two (2) copies of the Financing Agreement
- Sign and Return:
  - One (1) copy of the (PRA)
  - One (1) copy of the Financing Agreement to MWPAT

Interim Financing

- Preferable to BANs
  - Lower interest rate
- Interest rate = ½ MMDT Index (currently 0.10%)
- Loan origination fee of $500 - $1000
- Bond Counsel issues interim loan note to MWPAT
- Become permanently financed usually within one year
- Interest accrues only on amount drawn
- Interest payment due at close of permanent loan
- Contact MWPAT and local bond counsel

Loan Terms and Fees

	Clean Water	Drinking Water	Interim Loan
Loan Rate	2% (20 Years) Calculated (30Years)*	2%	½ MMDT Rate (0.10%)
Max. Term	30 years	20 years	1 year
Admin Fee	0.15%	0.15%	N/A
Effective Loan rate	2.15% (20 Years)	2.15%	N/A
Origination Fee (one-time)	Approx. $7.50/$1,000**	Approx. $7.50/$1,000	$500-$1,000

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

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

Disbursements

- Proceeds of the loan are generally disbursed to the community monthly
- "Payment Requisition" is completed by the community and forwarded to MassDEP with the appropriate documentation
- MassDEP reviews the request and approves eligible costs
- MassDEP forwards the request to the MWPAT
- MWPAT wires to borrower every Thursday with funds often available the next day

Sample Disbursement

DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF RESOURCE PROTECTION

PAYMENT REQUISITION

LOAN NO.: CW-07-14
DMS PROJECT NO.: CWSRF 2984

REQUEST NO.: 1

LEGAL NAME AND ADDRESS OF BORROWER:
Town of Hudson
One Municipal Drive
Hudson, MA 01749

EXPENDITURE TYPE	APPROVED AMOUNT $	PREVIOUS REQUESTS $	THIS REQUEST $
Technical Services	$ 1,454,800.00	$ -	$19,076.91
Construction	$ 14,214,509.00	$ -	$250,476.00
Contingency	$ 710,725.00		
Project Management Services	$ 78,500.00	$ -	$1,020.50
Totals	$ 16,458,534.00	$ -	$270,573.41

CERTIFICATION OF THE BORROWER:
The Authorized Representative of the Borrower identified below certifies the following:
(i) This payment is for Project Costs and the obligations specified herein have not been the basis for a prior requisition that has been paid;
(ii) there has been no Default, as defined in the Regulatory Agreement hereunder or no Event of Default as defined in the Loan Agreement and no event or condition exists which after notice or lapse of time or both would become a Default under the Regulatory Agreement or an Event of Default under the Loan Agreement exists; and
(iii) the payment requested by this requisition is due for work actually performed or materials or capacity actually supplied prior to the date of of this requisition less retainage.

Signature: Anthony J. Marques Date: 1/30/08
Print Name: Tony Marques
Title: DPW Director

(To be completed by the DEP Division of Municipal Services)

Amount Requested: $270,573.41 Amount Approved: $270,573.41
Signature: [illegible] Date 2/1/2008
Print Name: Steven J. McCurdy
Title: Director of Program Development

Loan Number And Mass DEP Project Number

Disbursement Number

Total Interim Loan Amount

Payment Request Amount

Signed and Dated by Borrower

Approval Signature from Mass DEP

Loan Repayment

- Payments due July 15 and January 15
- MWPAT will send an invoice 30 days in advance
- Invoice will include wire instructions
- Debt Service Payments
- Administrative Fee Payments
- Origination Fee Payment – at first debt service payment

Debt Service Schedule (Schedule C)

Draft Schedule C

Prepared by MWPAT

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

Initial Loan Amount	5,000,000.00
Principal Forgiveness	
Net Loan Obligation	5,000,000.00

Loan Origination Fee ($5.5/1000)	27,500.00
Loan Term (in years)	20
Loan Rate	2.00%
Closing Date	5/31/2015
First Interest	7/15/2015
First Principal	1/15/2016

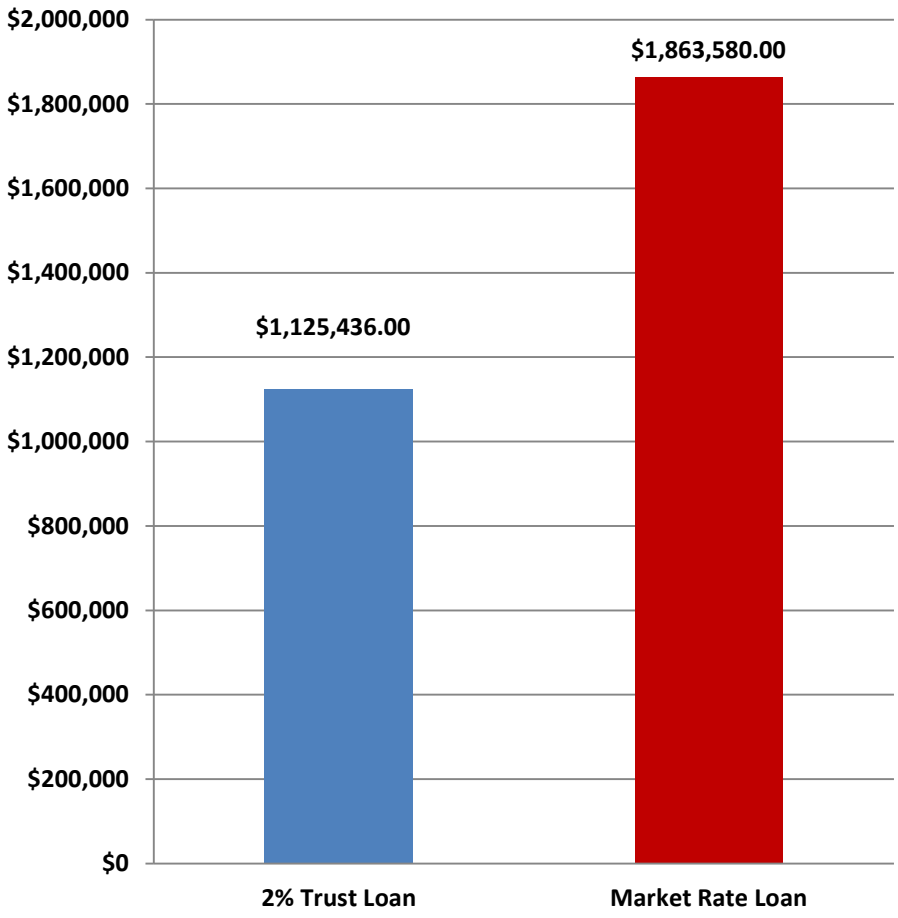
Date	Principal	Interest	Total Debt Service	Admin Fee (0.15%)	Loan Origination Fee	Commonwealth Assistance Principal Forgiveness	Total Debt Service	Annual Debt Service
5/31/2015								
7/15/2015		12,500.00	12,500.00	3,750.00	27,500.00		43,750.00	
1/15/2016	212,120.00	50,000.00	262,120.00	3,750.00			265,870.00	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		45,811.99	45,811.99	3,435.90			49,247.89	
1/15/2018	211,125.00	45,811.99	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	215,664.00	43,700.74	259,364.74	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	234,818.00	34,791.98	269,609.98	2,609.40			272,219.38	309,620.76
7/15/2023		32,443.80	32,443.80	2,433.29			34,877.09	
1/15/2024	239,866.00	32,443.80	272,309.80	2,433.29			274,743.09	309,620.17
7/15/2024		30,045.14	30,045.14	2,253.39			32,298.53	

Why Borrow From the Trust

Benefits of Using the Trust

- What does the 2% rate mean for your community?
  - On an average $5m loan the community would save $738,144 over the life of the loan (using current market rates)
  - Equates to a 40% interest subsidy
- Savings generated through economy of scale
  - Underwriters fees
  - FA fees
  - Bond Counsel fees

2% Loan vs Market Rate



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Massachusetts Department of Environmental Protection