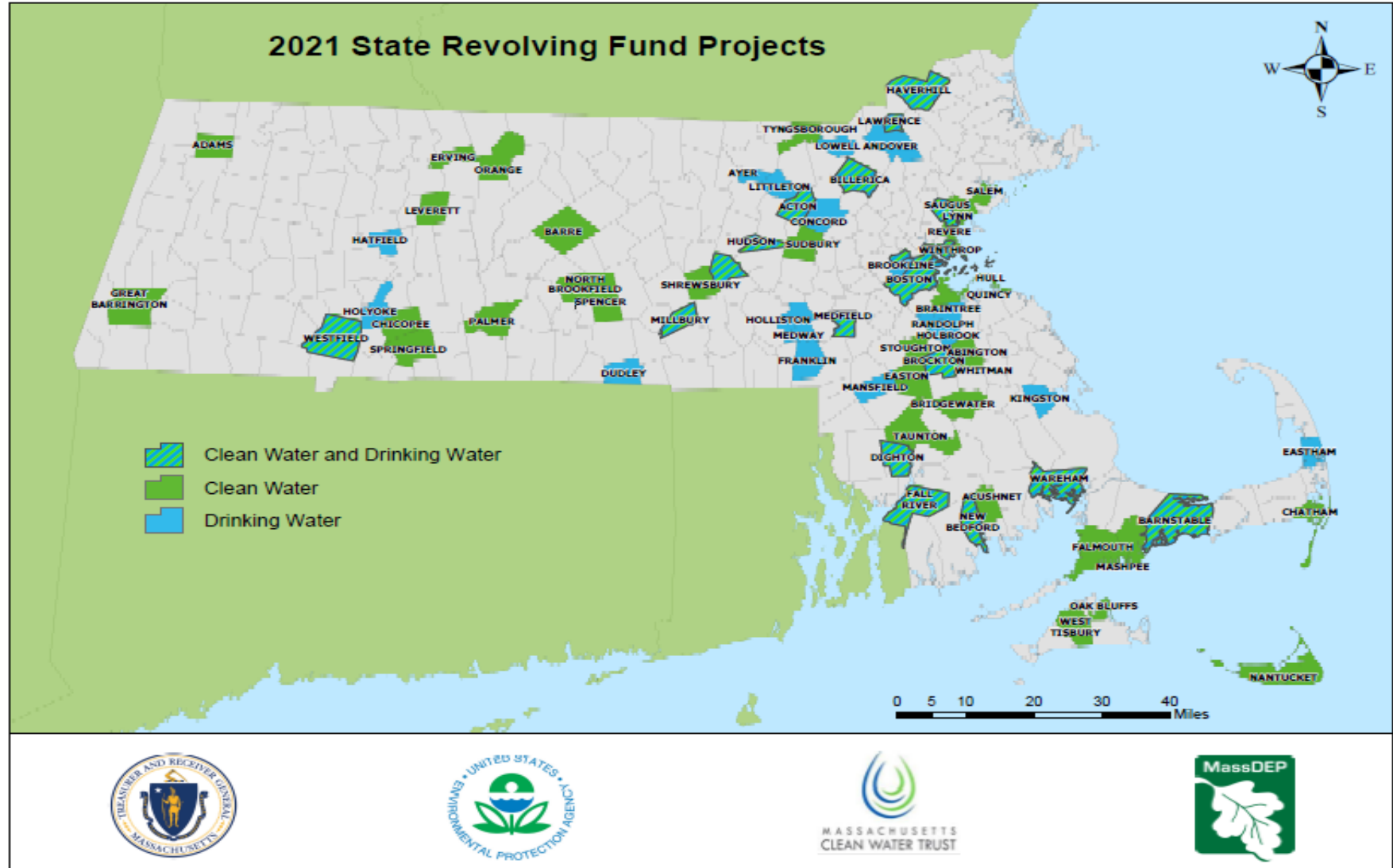


GUIDE TO SRF FINANCING

MAY 2021



2021 STATE REVOLVING FUND PROJECTS



THE ADVANTAGES OF SRF FINANCING

FIXED LOW-INTEREST RATE LOANS

- 2% for terms 20 years or less
- Approximately 2.4% for terms over 20 years with a 30-year maximum
- 0% interest for certain eligible projects

INTERIM LOANS (CONSTRUCTION LOANS)

- No Interest, No Fees
- Allows for one-stop financing

LOAN FORGIVENESS (ADDITIONAL SUBSIDY)

- Massachusetts provides additional subsidy in the form of loan forgiveness
- In 2020, the Board of Trustees approved nearly \$21 million in loan forgiveness

SPECIAL PROGRAMS

Innovative ways to make projects more accessible and affordable

- Asset Management Planning Grants
- Lead Abatement Loan Forgiveness

SPECIAL PROGRAMS

ASSET MANAGEMENT PLANNING (AMP) GRANT PROGRAM

- Assists communities with completing or updating asset management plans for wastewater, drinking water, stormwater utilities, or any combination of the three
- AMP grants assist with meeting federal Fiscal Sustainability Planning requirements
- Grants up to \$150,000 or 60% of the eligible project cost, whichever is less
- 2% interest loans available to communities to finance the required contribution
 - Limited to 5-year term

LEAD ABATEMENT LOAN FORGIVENESS PROGRAM

- The Trust has committed \$30 million to providing enhanced subsidy to lead remediation projects
- Eligible projects include:
 - Planning, construction, and design for lead removal
 - Corrosion control and capital improvements
 - Replacement of lead pipes and service lines
- Subsidy is provided in addition to any applicable loan forgiveness.

We are happy to answer questions about current or future lead projects.

LOAN PROGRAM FOR PFAS TREATMENT

- 0% interest for per- and polyfluoroalkyl substances (PFAS) remediation projects
- Over \$13 million in emergency funds have been awarded for PFAS remediation loans so far
- Projects must address documented heightened levels of PFAS
- Projects must apply through the annual SRF solicitation

LOAN FORGIVENESS

- 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
- These percentages are for the 2021 IUP and may be different in future years

Program Tier	% of Forgiveness	Example: Applied to \$10,000,000 Loan
		Forgiveness Amount
CWSRF Tier I	3.3%	\$330,000
CWSRF Tier II	6.6%	\$660,000
CWSRF Tier III	9.9%	\$990,000
DWSRF Tier I	6.6%	\$660,000
DWSRF Tier II	13.2%	\$1,320,000
DWSRF Tier III	19.8%	\$1,980,000

CWSRF: Clean Water State Revolving Fund

DWSRF: Drinking Water State Revolving Fund

NOTE: The adoption of an enterprise or restricted utility account is a prerequisite for the receipt of any enhanced SRF subsidy.

TWO AGENCIES, ONE SERVICE

**MASSACHUSETTS DEPARTMENT OF
ENVIRONMENTAL PROTECTION**
(MassDEP) | PROGRAM

**MASSACHUSETTS CLEAN WATER
TRUST (Trust) | FINANCE**

MAJOR ROLES

MASSDEP

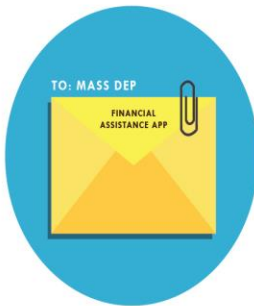
- Administers the Annual SRF Solicitation and Project Selections
- Develops the IUP Project Lists
- Receives and Approves Loan and Grant Applications
- Oversees Project Bidding and Awarding
- Issues Final Project Approvals
- Processes and Approves Payment Requisitions
- Project Closeout

TRUST

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

SRF LOAN PROCESS

1. Application for Financial Assistance: On or Before October 15, 2021 (MassDEP)



2. Project Approval Certificate: On or Before December 31, 2021 (MassDEP)



3. Loan Commitment Issued/Returned (Clean Water Trust)



4. Project Bidding & Authorization to Award: Between January 1-June 30, 2022 (MassDEP)



5. Loan Agreements Issued/Returned (Clean Water Trust)



6. Interim Loan Note Received (Clean Water Trust)



7. Disbursement of Funds (MassDEP and Clean Water Trust)



8. Loan Repayment: Could Begin Once 50% of Project Funds are Drawn (Clean Water Trust)



9. Project Closeout: Initiated When Project is 90% Complete (MassDEP)



READINESS TO PROCEED

- A major component of the SRF process is the “Readiness to Proceed”
- EPA requires deadlines for SRF financing
- There is some flexibility, but a consistent set of deadlines
- Communities on the published Intended Use Plan (IUP) must adhere to an application schedule
- A list of deadlines can be found at the end of this presentation
- The most **imminent** deadline is the vote for Local Authorization by **June 30, 2021**

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, 2021**

LOAN APPLICATION

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

DEADLINE

Due to MassDEP on or before **October 15, 2021**

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

PROJECT APPROVAL CERTIFICATE (PAC)

MassDEP will issue a PAC after a complete loan application package has been submitted.

DEADLINE

MassDEP must issue a PAC by
December 31, 2021

- If any requirements are not met by December 31, 2021, 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
- Contact information for community
- 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, the first executed construction contract must be awarded by **June 30, 2022**.

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.

MASSDEP REQUIREMENTS

- Give the community “Permission to Advertise” for bidding to begin
- Bidding generally 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 Procurements Section reviews and approves Disadvantaged Business Enterprise (DBE) participation
- "Authorization to Award" issued upon review and approval of bids
- The Project Regulatory Agreement (PRA) amount for Board of Trustees vote is based on the construction and services contracts plus a 5% contingency

PROJECT REGULATORY AGREEMENT (PRA)

- 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 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 signing and returning the PRA and the Financing Agreement **for each loan.**

INTERIM LOAN CLOSING

- Loans during construction at **0% interest** and **no fees.**
- Makes loan proceeds available during construction and before the Trust issues bonds.
- 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

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?

- Communities are contacted by the Trust months ahead of loan closing
- The Trust sends verification forms to communities, 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 community 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 communities 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 within a week
- MassDEP forwards approved requests to the Trust
- The Trust will conduct a final review and wire funds typically within a week

PROJECT CLOSEOUT

- Process Initiated 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%
Maximum Term	30 Years ³	3 Years
Administrative Fee	0.15%	NA
Origination Fee (One Time)	Approx. \$5.00/\$1,000	NA
Effective Loan Rate	2.15% (20 Years)	0%

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

2. Communities designated as housing choice communities on the 2019-2021 IUPs are eligible for an interest rate discount up to 0.5% for permanent financing.

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

May, 12 2021 - 9:19 AM

Massachusetts Clean Water Trust Preliminary Structuring Analysis Your Community CW-21-00

Initial Obligation Amount	1,000,000.00
Loan Forgiveness*	
Net Loan Obligation	1,000,000.00

Loan Origination Fee (\$5/1000)	5,000.00
Loan Term (in years)	20
Loan Rate	2.00%
Closing Date	9/15/2023
First Interest	1/15/2024
First Principal	7/15/2024

Date	Principal	Interest	Total Debt Service	Admin Fee (0.15%)	Loan Origination Fee	Total Debt Service	Annual Debt Service
9/15/2023							
1/15/2024		6,666.67	6,666.67	750.00	5,000.00	12,416.67	12,416.67
7/15/2024	40,451.00	10,000.00	50,451.00	750.00		51,201.00	
1/15/2025		9,595.49	9,595.49	719.66		10,315.15	61,516.15
7/15/2025	41,330.00	9,595.49	50,925.49	719.66		51,645.15	
1/15/2026		9,182.19	9,182.19	688.66		9,870.85	61,516.01

IMPORTANT DATES AND DEADLINES

Final IUP Publication	April 2021
Town Meeting/City Council Vote Deadline	June 30, 2021
Loan Application to MassDEP	<i>On or Before October 15, 2021</i>
MassDEP is to Issue a PAC	<i>On or Before December 31, 2021</i>
Project Contract Award/Notice to Proceed	<i>Within 6 months of PAC issuance</i>
Project Bidding General Timeframe	<i>Between January 1 and June 30, 2022</i>
Loan Forgiveness, Executed Construction Contracts	June 30, 2022
Loans in Repayment, Payments are Due to the Trust	January 15 th and July 15 th

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