



MASSACHUSETTS  
CLEAN WATER TRUST

# STEPS TO COMPLETING THE SRF LOAN PROCESS

April 2015

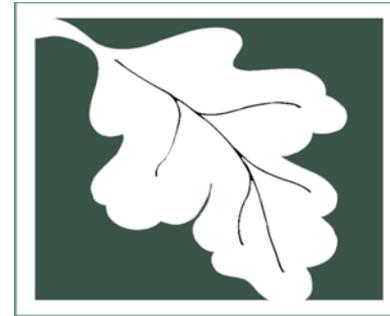


*Massachusetts Department of Environmental Protection*



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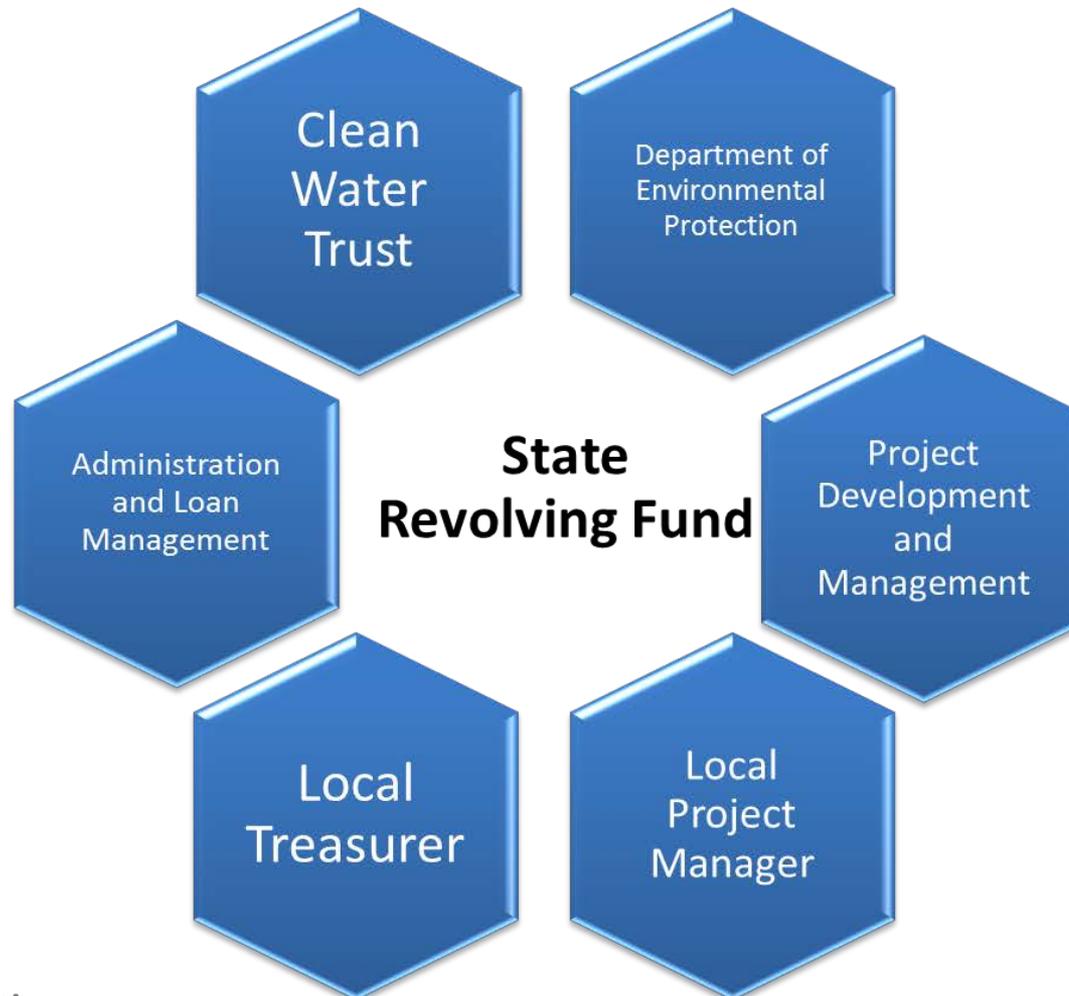
**Sue Perez**  
**Nate Keenan**  
**Heather Saxelby O'Donnell**



Massachusetts  
Department  
*of*  
ENVIRONMENTAL  
PROTECTION

**Steven McCurdy**  
**Joe Delaney**

# The State Revolving Fund is an Intergovernmental Partnership





# Steps to Financing

- ✓ **Intended Use Plan - Done**
  - **Local Authorization by June 30, 2015**
  - **Loan Application to MassDEP by Oct. 15, 2015**
  - **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**







# Local Authorization

## Town Meeting/City Council Vote:

- **Must be voted by June 30, 2015**
- **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**





# Borrower Loan Application

- **Due to MassDEP October 15, 2015 – *Can be submitted earlier***
- **Loan Application has three parts:**
  1. **Application Information - Authorized Representative, Loan Appropriation, etc.**
  2. **Project Requirements - Plans and Specifications, Costs, Schedule, etc.**
  3. **Supplemental Requirements - Permits, Planning, Professional Service Agreement, etc.**



# MassDEP Project Approval Certificate

- **PAC Issued by MassDEP to MCWT**
- **A copy is sent to the Borrower**
- **PAC certified that the project eligibility, costs and lists conditions**



# Loan Commitment Package

- **Board of Trustees approval vote creates Commitment to Borrower**
- **Board meets on the first Wednesday of every month**
- **The Board consists of:**
  - **State Treasurer Deborah Goldberg, Chair**
  - **Secretary of Executive Office for Administration and Finance, Kristen Lepore**
  - **Commissioner of Department of Environmental Protection, Martin Suuberg**
  - **The Loan Commitment Package 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**



# 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**



# 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

- **Before bidding, MassDEP must give “Permission to Advertise”**
- **Bid Specifications and Contracts must be approved by MassDEP**
- **After bid opening, MassDEP Civil Rights Section reviews and approves Disadvantaged Business Enterprise (DBE) participation**
- **MassDEP reviews bid results and issues “Authorization to Award”**
  
- ***Please note – for projects receiving principal forgiveness (Environmental Justice communities and renewable energy projects), contracts must be awarded by April 30, 2016 to be eligible.***



# 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**



# 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**





# Interim Financing

- **Preferable to BANs**
  - **Lower interest rate**
  - **Interest rate =  $\frac{1}{2}$  MMDT Index (currently 0.09%)**
- **Loan origination fee of \$500-\$1000**
- **Bond counsel issues interim loan note to MCWT**
- **Is permanently financed usually 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 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 Borrower monthly**
- **“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**



# Sample Disbursement

DEPARTMENT OF ENVIRONMENTAL PROTECTION  
BUREAU OF RESOURCE PROTECTION

PAYMENT REQUISITION

Loan Number and  
MassDEP Project  
Number

Disbursement  
Number

Total Interim  
Loan Amount

Payment  
Request  
Amount

Signed and  
dated by  
Borrower

Approval  
Signature from  
MassDEP

LOAN NO.: <u>CW-07-14</u> DMS PROJECT NO.: <u>CWSRF 2984</u>		REQUEST NO.: <u>1</u>	
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	\$ <u>16,458,534.00</u>	\$ -	\$ <u>270,573.41</u>
<p><b>CERTIFICATION OF THE BORROWER:</b>          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 for the work actually performed or materials or property actually supplied prior to the date of this requisition less payments.</p> <p>Signature: <u>[Signature]</u> Date: <u>1/30/08</u>          Print Name: <u>Tony Marques</u>          Title: <u>DPM Director</u></p>			
(To be completed by the DEP Division of Municipal Services)			
Amount Requested: <u>\$ 270,573.41</u>		Amount Approved: <u>\$ 270,573.41</u>	
Signature: <u>[Signature]</u>		Date: <u>2/7/2008</u>	
Print Name: <u>Steven J. McCurdy</u> Title: <u>Director of Program Development</u>			



# Loan Repayment

- **Payments 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**



# 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		45,811.99	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	

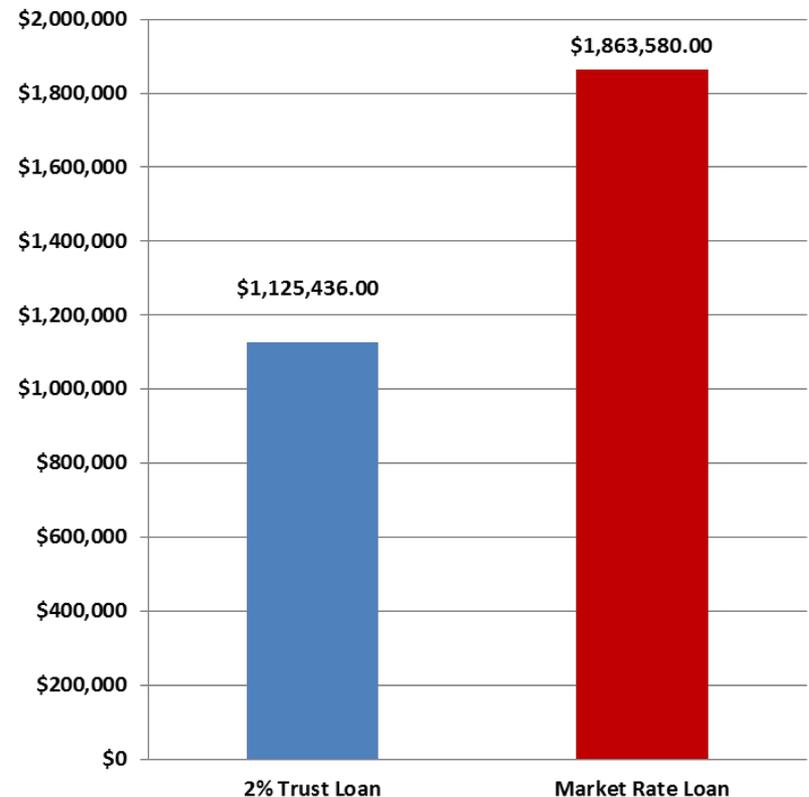


# Why borrow from the Trust?

## Benefits of Using the Trust

- **What does the 2% rate mean for your community?**
  - **On an average, a \$5 million 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**
  - **Financial advisor fees**
  - **Bond Counsel fees**

## 2% Loan v. Market Rate





# MassDEP 2015 Project Requirements

- **American Iron and Steel**
- **Price Adjustment Clauses**
  - Chapter 30 projects (horizontal construction) must include price adjustment clauses for fuel, liquid asphalt and portland cement in CIP concrete
  - P&S checklist has suggested language for contracts
- **Clean Water Act Amendments - 2014**
  - Made Davis Bacon prevailing wage requirements and American Iron and Steel permanent for the Clean Water program – both also continue to be applicable to Drinking Water program
  - Clean Water projects on 2016 IUP and forward must have asset management plans and must provide cost and effectiveness certifications.



## **American Iron and Steel (AIS)**

- **None of the funds made available by a State revolving loan fund shall be used for the construction, or repair of a public water system or treatment works unless all of the iron and steel products used in the project are produced in the United States.**
- **“Iron and steel products” means the following products made primarily (> 50% by cost) of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.**



# AIS Applicability

- **Applicable to all DW and CW construction projects except for non-point source projects**
- **A number of items are specifically exempted such as pumps, motors and electrical equipment among others**
- **EPA may issue site specific waivers if iron and steel products are not produced in the US in sufficient quantity or quality**
- **Waivers must be submitted through the SRF program**
- **EPA issued a DeMinimis waiver for small low-cost items that total less than 5% of the material cost with no 1 item totaling 1% of the cost.**
- **EPA guidance available in the P&S checklist**



# AIS Compliance

- **AIS contract language must be included in each contract**
- **AIS certification must be provided by manufacturer**
- **Records must be maintained on site**
- **DeMinimis items must be tracked**
- **MassDEP will be reviewing AIS documentation during regular site visits**
- **EPA will be reviewing AIS in all 50 states in 2015**



# Contact Information

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## Program

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