

State Revolving Fund (SRF) – Drinking Water Program Application Instructions for Private Borrowers

These instructions have been designed to help you fill out the State Revolving Fund - Drinking Water Program Municipal Borrower's application. Please carefully read the instructions before completing the application. Also, before completing the application, please contact Norm Lamie, the Drinking Water Coordinator, at the Department of Health & Human Services (DHHS) – 207-287-2647 to determine tentative project eligibility. Once DHHS determines tentative eligibility, the applicant will need to:

- Complete the SRF - Drinking Water Program application **and**
- Mail a copy of the completed application and the blank Project Authorization form to the Department of Health & Human Services, 11 State House Station, Augusta, Maine 04333-0011, Attention: Norm Lamie, – Drinking Water Coordinator **and**
- Mail the original application, along with the required documentation, to the Maine Municipal Bond Bank, 127 Community Drive, P.O. Box 2268, Augusta, Maine 04338-2268, Attention: Greg Connors, SRF – Drinking Water Program Officer.

The DHHS serves as the project manager for the program. Using Federal Safe Water Act Guidelines and selection criteria DHHS reviews project applications. If the project is determined eligible, DHHS places each project on a priority list, and notifies the Bond Bank that the project is eligible. The Maine Municipal Bond Bank serves as the program administrator and financial manager. The Bond Bank cannot lend any funds until the project is approved by DHHS.

When completing the application, please use black pen or a typewriter. To obtain the most current version of the Drinking Water Application and Application Instructions designed to help you complete the application, please visit our website www.mmbb.com. The application and instructions can be downloaded to your PC by using the Adobe Acrobat Reader. There is also an Excel fillable application on the website. If you need assistance completing the application, please call Greg Connors at 1-800-821-1113 or 207-622-9386.

Please note that the General Bond Program **is not** available to private water system borrowers.

GENERAL INFORMATION SECTION (Pages 3 & 4 of the application)

Name and Address of Applicant:

The applicant is the entity that owns the system and pipes. Provide the entity's mailing address and physical address of the proposed project.

Type of Unit:

Check Water Company, Association or Specify Other.

Chief Administrative Officer:

The person authorized to secure debt on the applicant's behalf. Please provide the name, title, telephone number, fax number, email address, and mailing address.

Contact Person:

Name, title, telephone number, fax number, email address, and mailing address of the person most knowledgeable about the proposed construction project. This is the person the Bond Bank will be contacting if there are any questions regarding the application.

Project Engineer:

Name, title, telephone number, fax number, email address, and mailing address of the engineer who will design the facility/system expansion or improvements.

Purpose of Borrowing:

Describe the overall project, including improvements that will be paid for with Drinking Water loan proceeds and improvements that will be paid for with other funds.

Project Status:

Provide information regarding the status of the engineer's specifications and the construction bids. Indicate what permits, state and local authorizations are required. DHHS technical staff can help you determine what permits and authorizations are needed. Call Norm Lamie at DHHS – 207-287-2647 with any questions.

Disadvantaged Community System:

Each year, a percentage of the SRF – Drinking Water program funds are used to help disadvantaged communities, based on the median household income of water system users. Relevant material supporting the disadvantaged status is required (e.g. Median Household Income (MHI) survey). Assistance in preparing these materials is available from a variety of resources. Please contact Norm Lamie at 207-287-2647 for information on what may be required and about available assistance.

If the applicant qualifies as a disadvantaged community, up to 75% of the SRF – Drinking Water Program loan is forgiven. The applicant is also eligible to receive a reduced rate loan (as low as 0%) and can repay the permanent loan over a 30-year period, rather than 20 years. Additionally, there are no costs of issuance other than local bond counsel and all applicable fees are waived.

Interim (Construction) Financing:

Provide information regarding interim (short-term) financing you have applied for as of the SRF – Drinking Water loan application date, as well as any that you will apply for. (e.g. bond anticipation notes, SRF – Drinking Water interim loan, etc.) If you have not applied for construction financing as of this date, please indicate whether you need interim financing. Please note that the Bond Bank can provide interim financing for costs that will be financed with the SRF - Drinking Water loan, if needed.

Refinance of Existing Debt:

Private borrowers are **not eligible** to receive funding to refinance existing debt. Please contact Greg Connors, the SRF – Program Officer if you are planning to use the SRF Drinking Water loan proceeds to pay off an existing long-term debt or if you have already incurred costs for you SRF project.

Governing Body Authorization:

Please check yes or no as to whether the System's Governing Body has approved this borrowing. The form of Governing Body Authorization depends on the structure of the private borrower requesting a Drinking Water loan. It is important that applicants select and hire local bond counsel in advance of completing this Application. Bond counsel can advise the applicant of the necessary voter and board approvals, as well as any state or local authorizations necessary to incur debt under the Drinking Water Program. A list of approved bond counsel is available on our website at www.mmbb.com.

Amount Authorized:

State the total of all loans and grants applied for to pay for the project, including the full amount of any RUS loan, CDBG grants, and the SRF Drinking Water loan amount, before any forgiveness, plus the Cost of Issuance and Loan Origination Fee. Governing body approval is needed on the total loan amount requested from all funding sources.

Date of Authorization:

Indicate the date the Governing Body approved the “amount authorized” in a vote. If Governing Body approval is pending, please indicate the upcoming date the Governing Body is expected to approve the proposed SRF - Drinking Water loan debt.

Bond Counsel:

Provide the name, address, telephone number and fax number of the local bond counsel you have hired to provide a legal opinion. For a current listing of Maine Municipal Bond Bank approved Bond Counsel see the online website at www.mmbb.com.

SOURCES OF FUNDS/COST BREAKDOWN FOR PROJECT SECTION (Page 4)

SOURCE OF FUNDS COLUMN

Amount Requested from Bond Bank (this application):

State the total cost of improvements to be paid for with the SRF – Drinking Water Program loan proceeds. The Amount Requested from the Bond Bank must be approved by DHHS and should be less than or equal to the Total Eligible Costs on the Project Authorization form (see last page of the application).

Applicants that do not qualify as a disadvantaged community usually finance their Cost of Issuance and Loan Origination Fee in the SRF - Drinking Water loan. Unless the applicant will pay the Cost of Issuance and Loan Origination Fee with other funds, these borrowing costs are included in the Amount Requested from the Bond Bank (Line A).

Federal Grant or Loan:

Indicate the amount of RUS grant and/or loan applied for, if applicable.

State Grant or Loan:

Indicate the amount of CDBG grant applied for, if applicable.

Applicant’s Share:

Indicate any local lender loan applied for or any cash contribution from the applicant.

Other Funds:

Identify the amount of any funds secured by the applicant to pay for the project, not included above.

Total Source of Funds (Line B):

This is the sum of all grant and loan funds applied for by the applicant to pay for the project costs, including any borrowing costs (Cost of Issuance and Loan Origination Fee) to be financed, and any cash contributions by the applicant.

PROJECT COST BREAKDOWN COLUMN

Land:

Purchase price of land, if applicable.

Design Cost:

Architect plans, etc.

Engineering:

Concept and design costs.

Contractors:

Construction cost for materials and labor.

Contingency:

Please consult your engineer and DHHS about an appropriate contingency amount for your project.

Other costs:

Other costs associated with project, not included above (e.g. testing)

Sub-Total Project Costs (Line C):

This is the sum of all costs associated with the project.

❑ ISSUANCE COSTS AND ORIGINATION FEES COLUMN

Cost of Issuance:

Multiply the SRF-Drinking Water loan amount by 2% and include in the “Amount Requested from the Bond Bank” if the Cost of Issuance fee is being financed in the SRF - Drinking Water loan. Disadvantaged borrowers need not include an amount in this section.

Origination Fee:

Multiply the SRF-Drinking Water loan amount by 1% and include in the “Amount Requested from the Bond Bank” if the Loan Origination Fee is being financed in the SRF - Drinking Water loan.

Reminder: If applicant qualifies as a disadvantaged community, the Loan Origination Fee is waived.

Other:

Examples might include, the borrower’s legal costs, interest on interim loan financing obtained for the project, etc. All borrowers are responsible for their own local bond counsel costs.

Total Issuance Costs and Fees (Line D):

Add together the Cost of Issuance, Origination Fee and Other fees, if applicable.

Total Project and Issuance Costs (Line E):

Add Line C and Line D amounts together and put the total in Line E. The total should equal the Total Source of Funds amount on Line B.

INFORMATION REQUIRED FOR PROPOSED ISSUANCE OF DEBT (Page 5)

Repayment Term:

Indicate the number of years the applicant wants to repay the SRF-Drinking Water loan and indicate the requested start date for the initial repayment. The maximum SRF loan term is 20 years, or the life of the asset financed, for communities that do not qualify as disadvantaged. For disadvantaged communities the maximum term can be longer (not to exceed 30 years).

❑ Maturity Schedule of the Proposed Bond Issue

Please indicate whether the applicant wants a

- 1) A level debt payment (the total principal and interest payment remains the same each year) or
- 2) A level principal payment (the principal portion of the payment stays the same; the total principal and interest payment declines each year) or
- 3) A stepped payment schedule.

Please fill in the desired annual principal payment amount for the term of the loan. Feel free to call the Bond Bank to request debt service estimates and discuss possible repayment structuring with Greg Connors, the SRF – Drinking Water Program Officer.

Dedicated Source of Repayment:

State the dedicated source(s) of revenue for repayment of this loan (e.g. user charges, association fees, lot rentals, etc.) and any plans for adjustments to that revenue source to assist in the repayment of the loan.

Interest Capitalization:

Interest that accrues on the permanent loan once construction is complete can be deferred and financed in the SRF-Drinking Water loan. Check “yes” if the applicant wishes to finance any SRF-Drinking Water loan interest costs. Please indicate how many months of interest the applicant wishes to finance. NOTE: A maximum of 12 months interest can be capitalized (financed in the SRF-Drinking Water loan).

Debt Limitations:

Local bond counsel will review the applicant’s authority governing the debt limitation and determine if there are any debt limitations on the applicant’s behalf. If there are limitations (e.g. corporate or other authority) governing the amount of debt the applicant can incur, list a detailed explanation.

Changes Since Last Audited Financials:

Check off any factors that have occurred since the date of your last Audited Financial Statement or Annual Report. List any Bond Anticipation Notes or other Short-Term notes, including lines of credit.

REVENUE INFORMATION (Page 6)

Fiscal Year End:

Refer to most recent Audited Financial Statement or Annual Report and indicate the end date of the applicant’s fiscal year.

Charge for Services:

State how often customers are billed for water usage.

Late Payments:

State the interest rate penalty (or late fee amount) if payment is not received by the due date and/or grace period, if any.

Company Restrictions:

Check all applicable company restrictions by corporate indenture, contract or other authority.

COMPANY STRUCTURE & ORGANIZATION (Pages 6 & 7)

Form of Organization:

List Form of Organization.

Parent or Subsidy of Other Companies:

Check yes or no if the organization is a Parent or Subsidy of Other Companies. If yes, provide name & relation of parent companies and/or other subsidiaries.

Year of Inception:

List year of inception of business. List number of years under current management.

Officers/Directors of Company:

Provide name and years of service for all officers/directors of the company.

Service Area:

Provide general description of company's service, including service area. List all cities and towns the system serves, competition and other relevant information. For trailer parks, a brief history of the park should be included.

Significant Users:

Provide names of users who utilize more than 5% of the system with approximate percentage of capacity attributed to each user.

Facility and Rate Information:

Provide information regarding the number of customer hook-ups, number of employees currently operating the system and number of employees operating the system in each of the previous 5 years. Provide the current rate schedule (cost per cubic foot) and any planned rate increases in the next 2 years (including any rate increase applied for to pay the SRF-Drinking Water loan being requested in this application).

DEBT INFORMATION (Page 8)

Debt Statement:

Indicate the date of the most recent Audited Financial Statement.

General Obligation Bonds:

Please identify any General Obligation Bonds the applicant has issued through the Bond Bank and the principal balance on any outstanding bond(s).

Identify any General Obligation Bonds the applicant has issued through another lender (**NOT** through the Bond Bank). For any bonds with an outstanding principal balance, provide the lender name and outstanding amount due on each bond (on Page 9 of the application list the principal & interest of the bonds **NOT** issued through the Bond Bank).

Loan Requests:

State the SRF-Drinking Water loan amount being requested in this application. The amount should be equal to the amount in Line A on Page 4 of the Application.

Loan Amount being requested through other sources, if any. List the loan amount being requested from other lenders, such as Rural Development, local banks, etc.

Total Direct Debt:

Add together the "General Obligation Bonds" and "Loan Request" amounts being requested and any loan(s) being requested from other sources and place the total beside the space entitled Total Direct Debt.

Lines of Credit:

List Lines of Credit by availability, current balance, rate and maturity date.

Mortgage/Lien on Business Assets:

Describe any reasons why the Bond Bank could not take a first or parity position mortgage/lien on the business assets of the system. List additional collateral and/or guaranties the borrower could provide as security for the purpose of borrowing.

OUTSTANDING DEBT NOT WITH THE BOND BANK (Page 9)

Combined Debt Service Payment Schedule:

List all current outstanding long-term debt that **is not** with the Maine Municipal Bond Bank. State the future principal payment and interest payments, by year, until maturity, or attach a copy of the amortization schedule for each loan.

PRIVATE BORROWER – FINANCIAL INFORMATION (Pages 10 & 11)

- ❑ Summary of Balance Sheet for Last Three Fiscal Years and Two Years Projected (Page 10)

Using the Audited Financial Statements for each of the three previous years, take the figures from the General Fund Balance Sheet and transfer the Asset, Liabilities, and Fund Balance figures to the appropriate spaces on the Application. Use the current year Budget to complete the first Projected Fiscal Year column and upcoming fiscal year budget to complete the second Projected Fiscal Year column.

- Assets include cash, investments, property, and other fixed assets.
- Liabilities include short-term notes or lines of credit, accounts payable, long-term notes payable.
- ❑ Summary Statement of Revenue and Expenditures for Last Three Fiscal Years and for Two Years Projected (Page 11)

Using the Audited Financial Statements for each of the three previous years, take the actual Revenue figures and transfer them to the appropriate spaces on the Application. Add together all the operating Expenses and transfer the total to the Application. Transfer any Debt Service figure. Add together the total operating Expense (for all departments), Debt Service Amount, and other expenses, if any, to determine the Total Expenditures.

- Expenditures include all departments, depreciation, and interest.

Statement of Default (Page 12)

When submitting the completed application, an applicant is required to provide the following documentation:

- Corporate indenture, by-laws or other governing authority for the system.
- Last 3 annual Audited Financial Statements or if there is no operational history, please submit an analysis demonstrating financial feasibility.
- If the latest Audited Financial Statement is more than 12 months old, please submit the most recent unaudited financial statement.
- Current Budget.
- Schedule of current and/or proposed rate required for financing the project under consideration, or a schedule for adopting those rates, if they are not in place.
- Proposed construction draw-down schedule

For Land Acquisition Projects – please include the following documentation for the property being purchased:

- Copy of the purchase and sale agreement.

- Copy of the appraisal.

The applicant certifies that they are not in default on any outstanding loan. If default has occurred, the applicant will need to provide a detailed explanation of the circumstances, including the lender name, paid to date, amount past due, reason for default, etc.

For projects that involve the purchase of land, the applicant must provide a copy of the purchase and sales agreement, appraisal and site assessment/environmental survey in addition to the required supporting documentation mentioned above.

The applicant is encouraged to provide on a separate page identifying any additional financial or economic facts, not requested in this application, which will assist the Bond Bank in the evaluation of the application.

Maine Department of Health & Human Services – Project Authorization (Page 13)

The Project Authorization form must be completed by the State of Maine Department of Health & Human Services certifying that the applicant and the project is eligible for financing through the SRF – Drinking Water Program. The applicant will forward a copy of the completed loan financing application and blank Project Authorization form to Norm Lamie at the Department of Health & Human Services on the same day as mailing the original application and supporting documentation to the Maine Municipal Bond Bank. The Bond Bank cannot process a Drinking Water Program loan until DHHS completes its review and approves the applicant and proposed project.

Once DHHS approves the project, they will forward the signed Project Authorization form directly to the Bond Bank. Upon receipt of the Authorization, the Bond Bank will begin its review of the financing request.

Because funds are limited, prompt submission of the completed application to DHHS is critical if an applicant wants consideration for current year funding. Delay or failure to submit initial or additional information to DHHS or the Bond Bank could postpone the project to the following year.

Maine Municipal Bond Bank – Approval Process

Completed applications will be reviewed at the next meeting of our Board of Directors, typically each month. If funding is needed more immediately, please contact Greg Connors, SRF - Drinking Water Program Officer, about additional options.