

State Revolving Fund (SRF) – Clean Water Program Application Instructions for Municipal Borrowers

These instructions have been designed to help you fill out the State Revolving Fund – Clean Water Program loan financing application. Please carefully read the instructions before completing the application. Also, before completing the application, please contact Steve McLaughlin, the Clean Water Coordinator, at the Department of Environmental Protection (DEP) – 207-287-7768 to determine tentative project eligibility. Once DEP determines tentative eligibility, the applicant will need to:

- Complete the SRF – Clean Water Program application **and**
- Mail a copy of the completed loan financing application and the blank Project Authorization form to the Department of Environmental Protection, 17 State House Station, Augusta, Maine 04333-0017, Attention: Steve McLaughlin, the SRF – Clean Water Program Coordinator **and**
- Mail the original financing application, along with the required documentation, to the Maine Municipal Bond Bank, 127 Community Drive, P.O. Box 2268, Augusta, Maine 04338-2268, Attention: Karen Asselin, SRF – Clean Water Program Officer.

The DEP serves as the project manager for the program. Using the Clean Water Act guidelines and eligibility criteria, DEP reviews each project application. If the project is determined eligible, DEP places the 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 DEP.

When completing the application, please use black pen or a typewriter. To obtain the most current version of the Clean Water Application and Application Instructions, designed to help you complete the loan financing application, please visit our website www.mmbb.com. The application and instructions can be downloaded to your PC by using the Adobe Acrobat Reader. If you need assistance completing the application, please call Karen Asselin at 1-800-821-1113 or 207-622-9386.

If DEP deems the project ineligible, the applicant may apply for funds through the Bond Bank's General Bond Program. The program offers a lower interest rate, reduced bond issuance fees, and high quality financial and technical expertise.

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

Name and Address of Applicant:

The applicant can be any municipal or quasi-municipal entity on the IUP. Provide the entity's mailing address and physical address of the proposed project.

Type of Unit:

Check Municipality, District 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, address, 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, address, 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 SRF – Clean Water Program 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. DEP technical staff can help you determine what permits and authorizations are needed. Call Steve McLaughlin at DEP – 207-287-7768 with any questions.

Interim (Construction) Financing:

Provide information regarding interim (short-term) financing you have applied for as of the SRF – Clean Water loan application date, as well as any that you will apply for (e.g. bond anticipation notes, SRF – Clean 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 – Clean Water loan, if needed.

Refinance of Existing Debt:

Clean Water loan proceeds may be used to refinance existing debt initially incurred after March 1, 1985. Please contact Karen Asselin, the SRF – Program Officer if you are planning to use the SRF Clean Water loan proceeds to pay off an existing long-term debt.

Local Authorization:

The form of local authorization depends on the structure of the governmental entity requesting a SRF – Clean Water Program loan. It is important that an applicant selects and hires local bond counsel in advance of completing the SRF – Clean Water financing 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 SRF – Clean Water Program.

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 – Clean Water loan amount, plus the Cost of Issuance. Voter and/or board approval is needed on the total loan amount requested from all funding sources.

Date of Authorization:

Indicate the date voters and/or the board approved the “amount authorized” in a referendum vote. If voter approval is pending, please indicate the upcoming date voters are expected to approve the proposed SRF – Clean Water loan debt.

Bond Counsel:

Provide the name, address and telephone 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 under Programs and our listing of Approved Bond Counsel.

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 – Clean Water Program loan proceeds. The Amount Requested from the Bond Bank must be approved by DEP and should be less than or equal to the Total Eligible Costs on the Project Authorization form (see Page 16 of the application).

Applicants usually finance their Cost of Issuance in the SRF – Clean Water loan. Unless the applicant will pay the Cost of Issuance 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) 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 DEP 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 project costs associated with the project.

❑ ISSUANCE COSTS COLUMN

Cost of Issuance:

Multiply the SRF - Clean 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 - Clean Water loan.

Other:

Examples might include, the borrower’s legal costs, interest on interim loan financing obtained for the project, etc.

Total Issuance Costs(Line D):

Add together the Cost of Issuance 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)

Activity since the last Annual Report or Audited Financial Statement:

Please identify any short-term or long-term debt issued or authorized since the applicant’s last Audited Financial Statement. *For example – if the applicant’s fiscal year ends June 30, 2006, the SRF-Clean Water loan application should reflect any debt issued or authorized after July 1, 2006.*

If you answer “yes” to having issued or authorized debt, please provide information regarding the type of debt, amount, maturity, interest rate and lender name.

Financial Condition:

Check off any factors that would affect the applicant’s financial condition or prevent a first lien mortgage pledge.

Type of Debt Requested:

Municipal applicants will generally check “General Obligation” (G.O.). District applicants will check “Revenue”.

Revenue for Repayment:

Indicate the type(s) of revenue the applicant will rely on to repay the bond debt. (e.g. general taxes, user charges, or special assessments)

PLEASE NOTE: Federal regulations mandate that a dedicated source of revenue be in place prior to loan closing (e.g. real estate taxes or user fees).

Long-Term Take Out:

Indicate if you have a long-term loan from USDA Rural Development or other entity.

Interest Capitalization:

Interest that accrues on the permanent loan once construction is complete can be financed in the SRF – Clean Water loan. Check “yes” if the applicant wishes to finance any SRF – Clean 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 – Clean Water loan).

Debt Limitations:

Local bond counsel will review the applicant’s charter and determine if there are any debt limitations on the applicant’s behalf. If there are limitations (e.g. local ordinance, statutory, or regulation) governing the amount of debt the applicant can incur, check “yes” and provide a detailed explanation.

Repayment Term:

Indicate the number of years the applicant wants to repay the SRF - Clean Water loan and indicate the requested start date for the initial repayment. The maximum SRF Clean Water loan term is 20 years after the construction completion date.

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 Karen Asselin, the SRF – Clean Water Program Officer.

ECONOMIC INFORMATION- (Page 6 & 7)

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.

Customers:

List all the towns and cities served by the system/facility. For each municipality, provide the number of connections served by the facility/system.

Populations:

Provide the number people in the 2000 Census and the most recent estimate of people.

Significant Users:

State the names of individuals or businesses that use more than 5% of the system, their annual sewer cost, and approximate usage capacity (maximum amount that can be used at one time), measured in cubic feet.

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 and any planned rate increases in the next 2 years (including any anticipated increase in existing user charges to support the SRF-Clean Water loan being requested in this application). Applicants may document the current and past year's user charges by attaching a copy of the rate schedules.

Taxpayers/Employer Information:

Provide information regarding the 10 largest taxpayers of the municipality and 5 largest employers.

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 Maine Municipal 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).

Loan Requests:

Amount being requested through the Maine Municipal Bond Bank: State the SRF - Clean 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 SRF - Clean Water loan amount being requested and any loan(s) being requested from other sources and place the total beside the space entitled Total Direct Debt.

OUTSTANDING DEBT NOT WITH THE BOND BANK (Page 8)

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.

Overlapping Debt:

Refer to the most recent Audited Financial Statement to identify the governmental units that have overlapping jurisdiction. Fill in the governmental unit name (e.g. school, county, etc), outstanding bonded debt, the % of the debt and dollar amount the applicant is responsible for paying. Add together the amounts in the last column and put the total beside Total Overlapping Debt.

Total Direct Debt & Total Overlapping Debt:

Add Total Direct Debt and Total Overlapping Debt.

Maine State Retirement System:

Indicate whether the applicant is a member of the Maine State Retirement System and state the amount of unfunded pension liability, if any. This information can generally be found in the applicant's Audited Financial Statements.

MUNICIPAL BORROWER – FINANCIAL INFORMATION (Pages 10, 11 and 12)

If the SRF – Clean Water loan will be repaid from municipal revenues (real estate taxes and personal property), each municipality being served by the system must provide their financial information so that the district can complete Page 10, 11 and 12 of the Application. The district will also complete pages 13 and 14. *If the SRF- Clean Water loan will be repaid from district user charges, the applicant will disregard Pages 10, 11, and 12, turn to, and complete Pages 13 and 14 of the Application.*

Tax Rate and Tax Collections:

Beginning with the most recent year and 4 previous fiscal years, provide information regarding the municipality tax rate, taxes billed, dollar and percent of taxes collected by fiscal year end, as well as dollar and percent of taxes collected after the second year. This information can be found in the municipality's Audited Financial Statement or Annual Report.

Property Valuations:

Using the municipality's most current Audited Financial Statement, obtain the local assessed value by adding together real estate and personal property valuations. If the applicant does not know the State Assessed Value, the Bond Bank will obtain this information from the Maine Municipal Association on the applicant's behalf.

Date of Last Re-evaluation:

Date of Last Re-evaluation.

Composition of Tax Base:

Estimate the percent of residential taxpayers and commercial taxpayers in each municipality.

Tax Due Dates:

Provide the date(s) real estate taxes are due each year and the penalty for late payment of overdue taxes.

Basis of Accounting:

Check which accounting policy the applicant uses when recognizing revenues and expenditures.

- ❑ Summary of Balance Sheet for Last Three Fiscal Years & Two Years Projected – General Fund Only (Page 11)

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

- Assets include cash, investments, taxes receivable, tax liens, due from other funds, allowances for uncollectables.
- Liabilities include bonds payable, accounts payable, due to other funds, prepaid taxes, deferred revenue, and reserves.

- ❑ Summary Statement of Revenue & Expenditures for Last Three Fiscal Years and for Two Years Projected – General Fund Only (Page 12)

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 for all departments and transfer the total to the space on 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.

- Revenues include real and personal property taxes, excise taxes, licenses and permits, federal revenue sharing, state subsidy for schools, municipal revenue sharing, other state assistance, charges for services, interest earned, and unclassified fees.
- Expenditures include all governmental, finance and administrative expenses for all departments, towns services and public safety, public works, health and welfare, community services, planning, conservation, and culture, insurance and employee benefits, education, abatements, county tax.

Transfer the actual amounts in “Operating Transfers from” and “Operating Transfers to” under Other Financing Sources (Uses) and the Beginning Fund Balance and Ending Fund Balance figures to the appropriate spaces on the Application.

DISTRICT BORROWER – FINANCIAL INFORMATION (Pages 13 and 14)

If the SRF – Clean Water loan will be repaid from user charges only, the applicant will disregard Pages 10, 11, and 12 and complete Pages 13 and 14 only.

- ❑ Summary of Balance Sheet for Last Three Fiscal Years and Two Years Projected (Page 13)

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.

- Assets include cash, investments, accounts receivables, deferred debits, prepaid insurance, cash for construction and debt, net value of property, plant and equipment.
- Liabilities include bonds payable, notes payable, accounts payable, accrued interest, operating reserves, contributions in aid of construction, deferred credits.
- Fund Equity includes retained earnings

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.

- Summary Statement of Revenue and Expenditures for General Fund and for Two Years Projected (Page 14)

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 the depreciation, amortization and other expense figures. Take the actual figures from Net Operating Income, Other Income (non-operating revenues), Income Deductions and Net Income sections from the Audited Financial Statement and transfer them to the Application.

- Revenues include residential and commercial user charges, deferred charges, and contributions, grant revenue (excluding interest earned).
- Expenses include operation and maintenance (repairs, supplies, insurance, legal, audit, taxes) and depreciation.
- Other income includes interest earned.

Statement of Default (Page 15)

When submitting the completed loan financing application, a district applicant is required to provide the following documentation:

- Charter, with amendments (if any)
- Last 3 annual Audited Financial Statements and the most recent unaudited financials (e.g. trial balance, balance sheet, statement of revenues and expenditures)
- Current Budget
- Current and proposed rate schedules
- Proposed construction draw-down schedule
- User charge system and sewer use ordinance

A municipal applicant is required to provide the following documentation:

- Last 3 annual Audited Financial Statements and the most recent unaudited financials (e.g. trial balance, balance sheet, statement of revenues and expenditures)
- Current Budget
- Proposed construction draw-down schedule
- User charge system and sewer use ordinance

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.

District applicants are asked to certify whether the system is under a regulatory or court compliance order. If the district is under such order, the applicant must provide a copy of the court order when submitting the application.

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 loan financing application.

Maine Department of Environmental Protection – Project Authorization (Page 16)

The Project Authorization form must be completed by the State of Maine Department of Environmental Protection (DEP) certifying that the applicant and the project is eligible for financing through the SRF – Clean Water Program. The applicant will forward a copy of the completed loan financing application and blank Project Authorization form to Steve McLaughlin at the Department of Environmental Protection on the same day as mailing the original financing application and supporting documentation to Karen Asselin at the Maine Municipal Bond Bank. The Bond Bank cannot process a Clean Water Program loan until DEP completes its review and approves the applicant and proposed project.

Once DEP 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.

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 Karen Asselin, SRF - Clean Water Program Officer, about additional options.